

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

FORM 10-Q

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

For the quarterly period ended January 31, 2021

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

For the transition period from _____ to _____

Commission File Number **0-1678**

BUTLER NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Kansas

41-0834293

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

19920 West 161st Street, Olathe, Kansas 66062

(Address of principal executive offices)(Zip Code)

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

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

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

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

Common Stock \$0.01 Par Value

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files): Yes No

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

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):
Yes No

The number of shares outstanding of the Registrant's Common Stock, \$0.01 par value, as of March 12, 2021 was 74,033,347 shares.

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
As of January 31, 2021 and April 30, 2020
(in thousands except per share data)

	<u>January 31, 2021</u>	<u>April 30, 2020</u>
	(unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash	\$ 18,221	\$ 16,793
Accounts receivable, net of allowance for doubtful accounts	2,982	2,784
Inventories		
Parts and raw materials	7,133	6,892
Work in process	1,775	1,661
Finished goods	89	62
Total inventory, net of allowance	8,997	8,615
Prepaid expenses and other current assets	1,735	1,620
Total current assets	<u>31,935</u>	<u>29,812</u>
PROPERTY, PLANT AND EQUIPMENT:		
Lease right-to-use assets	3,099	44,349
Construction in progress	589	-
Land	4,751	1,809
Building and improvements	39,747	3,996
Aircraft	9,138	8,511
Machinery and equipment	4,227	4,093
Office furniture and fixtures	10,348	8,533
Leasehold improvements	4,032	4,032
	75,931	75,323
Accumulated depreciation	(19,685)	(20,577)
Total property, plant and equipment	<u>56,246</u>	<u>54,746</u>
SUPPLEMENTAL TYPE CERTIFICATES (net of accumulated amortization of \$7,772 at January 31, 2021 and \$7,029 at April 30, 2020)	7,797	6,483
OTHER ASSETS:		
Other assets (net of accumulated amortization of \$10,710 at January 31, 2021 and \$10,153 at April 30, 2020)	3,048	3,546
Total other assets	3,048	3,546
Total assets	<u>\$ 99,026</u>	<u>\$ 94,587</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 6,058	\$ 2,228
Current maturities of lease liability	118	1,163
Accounts payable	1,990	962
Customer deposits	4,257	1,994
Gaming facility mandated payment	1,046	1,338
Compensation and compensated absences	1,696	2,571
Income taxes payable	121	206
Other current liabilities	470	274
Total current liabilities	<u>15,756</u>	<u>10,736</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current maturities	40,813	3,211
Lease liability, net of current maturities	2,784	42,211
Deferred tax liability, net	625	625
Total long-term liabilities	<u>44,222</u>	<u>46,047</u>
Total liabilities	<u>59,978</u>	<u>56,783</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Butler National Corporation's stockholders' equity		
Preferred stock, par value \$5: Authorized 50,000,000 shares, all classes; Designated Classes A and B 200,000 shares; \$100 Class A, 9.8%, cumulative if earned liquidation and redemption value; \$100, no shares issued and outstanding	-	-
\$1,000 Class B, 6%, convertible cumulative, liquidation and redemption value \$1,000, no shares issued and outstanding	-	-
Common stock, par value \$.01: authorized 100,000,000 shares issued 77,719,677 shares, and outstanding 74,033,347 shares at January 31, 2021 and issued 77,719,677 shares, and outstanding 74,398,262 shares at April 30, 2020	777	777
Capital contributed in excess of par	16,049	15,600
Treasury stock at cost, 3,686,330 shares at January 31, 2021 and 3,321,415 shares at April 30, 2020	(1,898)	(1,713)
Retained earnings	18,956	18,147
Total Butler National Corporation's stockholders' equity	<u>33,884</u>	<u>32,811</u>
Noncontrolling interest in BHCMC, LLC	5,164	4,993
Total stockholders' equity	<u>39,048</u>	<u>37,804</u>
Total liabilities and stockholders' equity	<u>\$ 99,026</u>	<u>\$ 94,587</u>

See accompanying notes to condensed consolidated financial statements (unaudited)

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JANUARY 31, 2021 AND 2020
(in thousands, except per share data)
(unaudited)

	THREE MONTHS ENDED	
	January 31,	
	2021	2020
REVENUE:		
Professional Services	\$ 7,901	\$ 7,962
Aerospace Products	6,711	8,838
Total revenue	<u>14,612</u>	<u>16,800</u>
COSTS AND EXPENSES:		
Cost of Professional Services	3,485	4,030
Cost of Aerospace Products	4,717	5,307
Marketing and advertising	877	983
Employee benefits	546	592
Depreciation and amortization	1,020	1,316
General, administrative and other	2,099	1,684
Total costs and expenses	<u>12,744</u>	<u>13,912</u>
OPERATING INCOME	<u>1,868</u>	<u>2,888</u>
OTHER EXPENSE:		
Interest expense	(758)	(1,112)
Gain on sale of airplane	-	75
Other	7	-
Total other expense	<u>(751)</u>	<u>(1,037)</u>
INCOME BEFORE INCOME TAXES	1,117	1,851
PROVISION FOR INCOME TAXES		
Provision for income taxes	185	494
NET INCOME	932	1,357
Net income attributable to noncontrolling interest in BHCMC, LLC	(429)	(22)
NET INCOME ATTRIBUTABLE TO BUTLER NATIONAL CORPORATION	<u>\$ 503</u>	<u>\$ 1,335</u>
BASIC EARNINGS PER COMMON SHARE	<u>\$ 0.01</u>	<u>\$ 0.02</u>
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	<u>74,033,347</u>	<u>67,954,200</u>
DILUTED EARNINGS PER COMMON SHARE	<u>\$ 0.01</u>	<u>\$ 0.02</u>
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	<u>74,033,347</u>	<u>67,954,200</u>

See accompanying notes to condensed consolidated financial statements (unaudited)

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED JANUARY 31, 2021 AND 2020
(in thousands, except per share data)
(unaudited)

	NINE MONTHS ENDED January 31,	
	2021	2020
REVENUE:		
Professional Services	\$ 20,901	\$ 24,186
Aerospace Products	22,671	29,068
Total revenue	<u>43,572</u>	<u>53,254</u>
COSTS AND EXPENSES:		
Cost of Professional Services	10,313	11,886
Cost of Aerospace Products	16,504	16,839
Marketing and advertising	2,723	3,122
Employee benefits	1,696	1,666
Depreciation and amortization	3,664	3,832
General, administrative and other	4,989	5,273
Total costs and expenses	<u>39,889</u>	<u>42,618</u>
OPERATING INCOME	<u>3,683</u>	<u>10,636</u>
OTHER INCOME (EXPENSE):		
Interest expense	(2,411)	(3,296)
Gain on sale of airplanes	-	604
Other	7	-
Total other expense	<u>(2,404)</u>	<u>(2,692)</u>
INCOME BEFORE INCOME TAXES	1,279	7,944
PROVISION FOR INCOME TAXES		
Provision for income taxes	299	2,081
NET INCOME	980	5,863
Net income attributable to noncontrolling interest in BHCMC, LLC	(171)	(237)
NET INCOME ATTRIBUTABLE TO BUTLER NATIONAL CORPORATION	<u>\$ 809</u>	<u>\$ 5,626</u>
BASIC EARNINGS PER COMMON SHARE	<u>\$ 0.01</u>	<u>\$ 0.08</u>
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	<u>74,183,488</u>	<u>68,109,733</u>
DILUTED EARNINGS PER COMMON SHARE	<u>\$ 0.01</u>	<u>\$ 0.08</u>
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	<u>74,183,488</u>	<u>68,109,733</u>

See accompanying notes to condensed consolidated financial statements (unaudited)

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED JANUARY 31, 2021 AND 2020
(dollars in thousands) (unaudited)

	Shares of Common Stock	Common Stock	Capital Contributed in Excess of Par	Shares of Treasury Stock	Treasury Stock at Cost	Retained Earnings	Total Stock- holders' Equity BNC	Non controlling Interest in BHCMC	Total Stock- holders' Equity
Balance, April 30, 2019	71,008,122	\$ 710	\$ 14,767	2,727,051	\$ (1,387)	\$ 13,913	\$ 28,003	\$ 6,341	\$ 34,344
Stock repurchase	-	-	-	120,821	(43)	-	(43)	-	(43)
Deferred compensation, restricted stock	-	-	47	-	-	-	47	-	47
Net Income	-	-	-	-	-	2,061	2,061	130	2,191
Balance, July 31, 2019	71,008,122	\$ 710	\$ 14,814	2,847,872	\$ (1,430)	\$ 15,974	\$ 30,068	\$ 6,471	\$ 36,539
Stock repurchase	-	-	-	206,050	(95)	-	(95)	-	(95)
Deferred compensation, restricted stock	-	-	48	-	-	-	48	-	48
Net Income	-	-	-	-	-	2,230	2,230	85	2,315
Balance, October 31, 2019	71,008,122	\$ 710	\$ 14,862	3,053,922	\$ (1,525)	\$ 18,204	\$ 32,251	\$ 6,556	\$ 38,807
Stock repurchase	-	-	-	267,468	(188)	-	(188)	-	(188)
Deferred compensation, restricted stock	-	-	47	-	-	-	47	-	47
BHCMC distribution, noncontrolling interest	-	-	-	-	-	-	-	(360)	(360)
Net Income	-	-	-	-	-	1,335	1,335	22	1,357
Balance, January 31, 2020	<u>71,008,122</u>	<u>\$ 710</u>	<u>\$ 14,909</u>	<u>3,321,390</u>	<u>\$ (1,713)</u>	<u>\$ 19,539</u>	<u>\$ 33,445</u>	<u>\$ 6,218</u>	<u>\$ 39,663</u>
	Shares of Common Stock	Common Stock	Capital Contributed in Excess of Par	Shares of Treasury Stock	Treasury Stock at Cost	Retained Earnings	Total Stock- holders' Equity BNC	Non controlling Interest in BHCMC	Total Stock- holders' Equity
Balance, April 30, 2020	77,719,677	\$ 777	\$ 15,600	3,321,415	\$ (1,713)	\$ 18,147	\$ 32,811	\$ 4,993	\$ 37,804
Stock repurchase	-	-	-	212,000	(108)	-	(108)	-	(108)
Deferred compensation, restricted stock	-	-	150	-	-	-	150	-	150
Net Loss	-	-	-	-	-	(15)	(15)	(439)	(454)
Balance, July 31, 2020	77,719,677	\$ 777	\$ 15,750	3,533,415	\$ (1,821)	\$ 18,132	\$ 32,838	\$ 4,554	\$ 37,392
Stock repurchase	-	-	-	152,915	(77)	-	(77)	-	(77)
Deferred compensation, restricted stock	-	-	150	-	-	-	150	-	150
Net Income	-	-	-	-	-	321	321	181	502
Balance, October 31, 2020	77,719,677	\$ 777	\$ 15,900	3,686,330	\$ (1,898)	\$ 18,453	\$ 33,232	\$ 4,735	\$ 37,967
Deferred compensation, restricted stock	-	-	149	-	-	-	149	-	149
Net Income	-	-	-	-	-	503	503	429	932
Balance, January 31, 2021	<u>77,719,677</u>	<u>\$ 777</u>	<u>\$ 16,049</u>	<u>3,686,330</u>	<u>\$ (1,898)</u>	<u>\$ 18,956</u>	<u>\$ 33,884</u>	<u>\$ 5,164</u>	<u>\$ 39,048</u>

See accompanying notes to condensed consolidated financial statements (unaudited)

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 31, 2021 AND 2020
(in thousands)
(unaudited)

	NINE MONTHS ENDED	
	January 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 980	\$ 5,863
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	4,577	4,770
Gain on sale of airplane	-	(604)
Deferred compensation, restricted stock	449	142
Changes in assets and liabilities		
Accounts receivable	(198)	189
Income tax receivable	-	27
Inventories	(382)	(197)
Prepaid expenses and other current assets	(116)	(107)
Accounts payable	1,028	(93)
Customer deposits	2,263	(1,249)
Lease liability	(659)	-
Accrued liabilities	(875)	(154)
Gaming facility mandated payment	(292)	(159)
Income tax payable	(85)	1,794
Other current liabilities	196	165
Net cash provided by operating activities	<u>6,886</u>	<u>10,387</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(5,351)	(1,835)
Proceeds from sale of airplanes	-	1,050
Net cash used in investing activities	<u>(5,351)</u>	<u>(785)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings of long-term debt	2,479	(1,445)
Repayments of long-term debt	(2,297)	(703)
Distribution to non-controlling member	-	(360)
Repurchase of common stock	(185)	(326)
Payments on lease liability	(104)	-
Net cash used in financing activities	<u>(107)</u>	<u>(2,834)</u>
NET INCREASE IN CASH	1,428	6,768
CASH, beginning of period	<u>16,793</u>	<u>9,014</u>
CASH, end of period	<u>\$ 18,221</u>	<u>\$ 15,782</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 2,397</u>	<u>\$ 3,295</u>
Income taxes paid	<u>\$ 385</u>	<u>\$ 259</u>
NON CASH INVESTING AND FINANCING ACTIVITY		
Lease right-of-use assets and lease liability	<u>\$ -</u>	<u>\$ 42,650</u>
Secured notes payable for purchase of leased assets, net	<u>\$ 41,205</u>	<u>\$ -</u>
Lease right-of-use assets purchased	<u>\$ 38,622</u>	<u>\$ -</u>
Lease liability for purchase of assets under lease	<u>\$ 39,709</u>	<u>\$ -</u>

See accompanying notes to condensed consolidated financial statements (unaudited)

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

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these financial statements should be read in conjunction with the annual report on Form 10-K for the fiscal year ended April 30, 2020. In our opinion, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. Operating results for the three and nine months ended January 31, 2021 are not indicative of the results of operations that may be expected for the fiscal year ending April 30, 2021.

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

2. Net Income Per Share: Butler National Corporation (“the Company”) follows ASC 260 that requires the reporting of both basic and diluted earnings per share. Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. In accordance with ASC 260, any anti-dilutive effects on net earnings per share would be excluded. The number of potential common shares as of January 31, 2021 is 74,033,347.

3. Revenue Recognition: ASC Topic 606, “Revenue from Contracts with Customers”

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

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

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

- 2) Identification of the performance obligations in the contract

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

- 3) Determination of the transaction price

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

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

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

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

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

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

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

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

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

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

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

Inventory obsolescence is examined on a regular basis. When determining our estimate of obsolescence, we consider inventory that has been inactive for five years or longer and the probability of using that inventory in future production. The obsolete inventory generally consists of Falcon and Learjet parts and electrical components. At January 31, 2021 and April 30, 2020, the estimate of obsolete inventory was \$685 and \$685 respectively.

6. Research and Development: We invested in research and development activities. The amount invested in the nine months ended January 31, 2021 and 2020 was \$2,552 and \$1,701 respectively.

7. Debt: At January 31, 2021, the Company was utilizing a promissory note in the form of a line of credit totaling \$5,000. The unused line at January 31, 2021 was \$5,000. The interest rate on this promissory note is 3.65%. The line of credit is due on demand and is collateralized by the first and second positions on all assets of the Company.

At January 31, 2021, there was one note collateralized by all of BHCMC's assets and compensation due under the State Management contract with a balance of \$34,531. The interest rate on this note is 5.32%. This note matures in December 2027, with a balloon payment of \$19,250.

At January 31, 2021, there was one note collateralized by all of BHCMC's assets and compensation due under the State Management contract with a balance of \$6,819. The interest rate on this note is 5.83%. This note matures in December 2025.

At January 31, 2021, there was one note with an interest rate of 6.25% collateralized by aircraft security agreements totaling \$1,284. This note was used for the purchase and modifications of collateralized aircraft. This note matures in January 2023.

At January 31, 2021, there is one note totaling \$207 collateralized by real estate in Dodge City, Kansas. The interest rate on this note is 6.25%. This note matures in June 2024.

At January 31, 2021, there is one note collateralized by equipment with a balance of \$27. The interest rate on this note is 4.5%. This note matures in April 2022.

At January 31, 2021, there is a note payable collateralized by real estate with a balance of \$1,307. The interest rate on this note is at LIBOR plus 1.75%. This note matures in March 2029.

At January 31, 2021, there is a note payable collateralized by real estate with a balance of \$599. The interest rate on this note is at LIBOR plus 1.75%. This note matures in March 2029.

BHCMC arranged to acquire additional gaming machines for ownership by the Kansas Lottery. The balance of these financed payables is \$96.

In May 2020, the Company received a Paycheck Protection Program (PPP) loan for \$2,001. Funds from the loan may only be used for payroll costs, costs to continue group health care benefits, rent and utilities. The loan and accrued interest are forgivable as long as the borrower uses the proceeds for eligible purposes. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company used the entire loan amount for qualifying expenses. The Company has applied for forgiveness of this loan and is awaiting determination. While the Company currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure if and when a portion or all of the loan will be forgiven.

We are not in default of any of our notes as of January 31, 2021.

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 2021 and beyond.

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8. Other Assets: Our other asset account includes assets of \$5,500 related to the Kansas Expanded Lottery Act Management Contract privilege fee, \$5,927 of gaming equipment we were required to pay for ownership by the State of Kansas Lottery, JET autopilot intellectual property of \$1,417 and miscellaneous other assets of \$914. BHCMC expects the \$5,500 privilege fee to have a value over the remaining life of the initial Management Contract with the State of Kansas which will end in December 2024. The State of Kansas approved a renewal management contract and an amendment to the current management contract for our Professional Services company BNSC via BHCMC. The renewal will take effect December 15, 2024, and continue to 2039, another 15 years. The Managers Certificate asset for use of gaming equipment is being amortized over a period of three years based on the estimated useful life of gaming equipment. The JET intellectual property is being amortized over a period of fifteen years.

9. Stock Options and Incentive Plans:

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

On April 12, 2019, the Company granted 2.5 million restricted shares to employees. These shares have voting rights at date of grant and become fully vested and nonforfeitable on April 11, 2024. The restricted shares were valued at \$0.38 per share, for a total of \$950. On March 17, 2020, the Company granted 5.0 million restricted shares to employees. These shares have voting rights at date of grant and become fully vested and non-forfeitable on March 16, 2025. The restricted shares were valued at \$0.41 per share, for a total of \$2.0 million. The deferred compensation related to these grants will be expensed on the financial statements over the five year vesting period. No other equity awards have been made under the plan.

For the nine months ended January 31, 2021 and January 31, 2020, the Company expensed \$449 and \$142, respectively.

10. Stock Repurchase Program

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

The table below provides information with respect to common stock purchases by the Company through January 31, 2021.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
Program authorization (b)				\$ 750
Shares purchased in prior periods	1,546,346	\$ 0.28	1,546,346	\$ 317
Quarter ended April 30, 2019 (a)	580,705	\$ 0.38	580,705	\$ 94
Increase in program authorization April 2019 (c)	-	\$ -	-	\$ 1,569
Quarter ended July 31, 2019 (a)	120,821	\$ 0.35	120,821	\$ 1,526
Increase in program authorization October 2019 (d)	-	\$ -	-	\$ 3,301
Quarter ended October 31, 2019 (a)	206,050	\$ 0.46	206,050	\$ 3,206
Quarter ended January 31, 2020 (a)	267,468	\$ 0.70	267,468	\$ 3,019
Quarter ended April 30, 2020 (a)	25	\$ 0.41	25	\$ 3,019
Quarter ended July 31, 2020 (a)	212,000	\$ 0.51	212,000	\$ 2,911
Quarter ended October 31, 2020 (a)	152,915	\$ 0.50	152,915	\$ 2,835
Quarter ended January 31, 2020 (a)	-	\$ -	-	\$ 2,835
Total	<u>3,086,330</u>	<u>\$ 0.38</u>	<u>3,086,330</u>	

(a) These shares of common stock were purchased through a private transaction

(b) Board of Directors increased program authorization from \$500 to \$750

(c) Board of Directors increased program authorization from \$750 to \$2,225

(d) Board of Directors increased program authorization from \$2,225 to \$4,000

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11. Lease Right-to-Use

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

We lease hangars and office space with initial lease terms of two, five, and fifty years.

	January 31, 2021
Lease right-to-use assets	\$ 3,099
Less accumulated depreciation	380
Total	<u>\$ 2,719</u>

Future minimum lease payments for assets under capital leases at January 31, 2021 are as follows:

2022	\$ 268
2023	248
2024	253
2025	166
2026	105
Thereafter	7,147
Total minimum lease payments	8,187
Less amount representing interest	5,285
Present value of net minimum lease payments	2,902
Less current maturities of lease liability	118
Lease liability, net of current maturities	<u>\$ 2,784</u>

12. Boot Hill Casino Building and Land Purchase:

On December 19, 2020, we completed the purchase of our Boot Hill Casino located in Dodge City, Kansas, for a purchase price of \$41,250, and was funded with two secured bank long-term loans totaling \$42,000. We incurred direct financing costs of approximately \$400. Prior to our purchase, we were leasing the property under an operating lease. We had recorded a right-of-use asset and the related lease liability upon the adoption ASC 842, Leases, on May 1, 2019. Pursuant to ASC 805-50, Asset Acquisition, the cost was allocated to land, building and improvements, based on the relative fair values. Furthermore, pursuant to ASC 842-20-40-2, Leases – Purchase of Underlying Asset, the difference between the purchase price and the carrying amount of the lease liability immediately before the purchase was recorded by us as the lessee as an adjustment of approximately \$2,628 to the carrying amount of the assets.

Purchase price of casino building and related land	<u>\$ 41,250</u>
Note payable, collateralized by all of BHCMC's assets and compensation due under the state management contract. The interest rate is 5.32%. This note matures in December 2027, with a balloon payment of \$19,250.	\$ 35,000
Note payable, collateralized by all of BHCMC's assets and compensation due under the state management contract. The interest rate is 5.83%. This note matures in December 2025.	\$ 7,000
Total	<u>\$ 42,000</u>
Lease right-to-use asset	\$ 41,250
Accumulated depreciation	\$ (4,169)
Net	<u>\$ 37,081</u>
Lease liability	<u>\$ 39,709</u>

13. COVID-19 Overview:

The pandemic caused by the disease COVID-19 has resulted in federal, state and local governments around the world implementing stringent measures to help control the spread of the virus, including quarantines, “shelter in place” and “stay at home” orders, travel restrictions or bans, business curtailments, school closures, and other protective measures.

Our aerospace segment qualified as “essential” under applicable federal guidance and state orders. The facilities have continued operations. We are enforcing social distancing and enhanced health, safety and sanitization measures in accordance with guidelines from the Center for Disease Control (the “CDC”).

We have also implemented necessary procedures and support to enable a significant portion of our Olathe headquarters personnel to work remotely.

Our professional services operations at the Boot Hill Casino & Resort was forced to close from March 18, 2020 thru May 21, 2020. The casino reopened to the public on May 22, 2020, with reduced hours to allow for extra time for cleaning and sanitizing in accordance with CDC guidelines and a limited number of games and food offerings. While we have returned to normal hours, we are continuing to emphasize social distancing throughout the casino. Since reopening the Boot Hill Casino & Resort we have experienced lower customer headcount, which has been partially off-set by a larger net revenue per customer. We are experiencing, and expect to continue experiencing, lower demand for our professional services and increased costs and other challenges related to COVID-19 that adversely affects our business.

BHCMC, LLC, a subsidiary in the professional services segment, received a loan in the principal amount of \$2.0 million (the “SBA Loan”) under the Paycheck Protection Program (“PPP”), which was established under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The intent and purpose of the PPP is to support companies during the COVID-19 pandemic by providing funds for certain specified business expenses, with a focus on payroll. We have used the proceeds from the SBA Loan to maintain our payroll and retain casino staff. With the assistance of the SBA Loan, we believe we have sufficient liquidity at this time to maintain our business operations during this difficult time.

The COVID-19 pandemic impacted our business operations and financial results beginning in the fourth quarter of fiscal 2020 and continues to impact us in fiscal 2021. We face numerous uncertainties in estimating the direct and indirect effects on our present and future business operations, financial condition, results of operations,

and liquidity. Due to several rapidly changing variables related to the COVID-19 pandemic, we cannot reasonably estimate future economic trends and the timing of when stability will return.

14. Subsequent Events:

The Company evaluated its January 31, 2021 financial statements for subsequent events through the filing date of this report. The Company is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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

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

Forward-Looking Statements

Statements made in this report, other reports and proxy statements filed with the Securities and Exchange Commission, communications to stockholders, press releases, and oral statements made by representatives of the Company that are not historical in nature, or that state the Company or management intentions, hopes, beliefs, expectations or predictions of the future, may constitute "forward-looking statements" within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements can often be identified by the use of forward-looking terminology, such as "could," "should," "will," "intended," "continue," "believe," "may," "expect," "hope," "anticipate," "goal," "forecast," "plan," "guidance" or "estimate" or the negative of these words, variations thereof or similar expressions. Forward-looking statements are not guarantees of future performance or results. They involve risks, uncertainties, and assumptions. It is important to note that any such performance and actual results, financial condition or business, could differ materially from those expressed in such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in Item 1A (Risk Factors) of the Annual Report on Form 10-K for the fiscal year ended April 30, 2020, and elsewhere herein or in other reports filed with the SEC. Other unforeseen factors not identified herein could also have such an effect. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results, financial condition or business over time.

The forward-looking statements in this report are only predictions and actual events or results may differ materially. In evaluating such statements, a number of risks, uncertainties and other factors could cause actual results, performance, financial condition, cash flows, prospects and opportunities to differ materially from those expressed in, or implied by, the forward-looking statements. These risks, uncertainties and other factors include those set forth in Item 1A (Risk Factors) of the Annual Report on Form 10-K for the fiscal year ended April 30, 2020, including the following factors:

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

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

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

Management Overview

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

We have two separate reporting segments: Aerospace Products and Professional Services. Aerospace Products and Professional Services do not share the same customers and suppliers and have substantially distinct businesses. The Aerospace Products operating segment provides products and services in the aerospace industry. Companies in Aerospace Products derive their revenue from system design, engineering, manufacturing, integration, installation, repairing, overhauling, servicing and distribution of aerostructures, avionics, aircraft components, accessories, subassemblies and systems. The Professional Services operating segment provides services in the gaming industry. Professional Services companies manage a gaming and entertainment facility and provide architectural and engineering services. These reporting segments operate through various subsidiaries and affiliates listed in the Company's fiscal year 2020 Annual Report on Form 10-K.

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

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

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

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

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

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

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

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Professional Services. The Professional Services segment includes the management of a gaming facility and related dining and entertainment facilities in Dodge City, Kansas. Boot Hill Casino and Resort features approximately 645 slot machines and 20 table games. Due to COVID-19, Boot Hill Casino and Resort currently operates 412 slot machines and 16 table games. Companies in Professional Services also provide licensed architectural services, including commercial and industrial building design, and engineering services.

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

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

COVID-19 Overview

The pandemic caused by the disease COVID-19 has resulted in federal, state and local governments around the world implementing stringent measures to help control the spread of the virus, including quarantines, “shelter in place” and “stay at home” orders, travel restrictions or bans, business curtailments, school closures, and other protective measures.

Our aerospace segment qualified as “essential” under applicable federal guidance and state orders. The facilities have continued operations. We are enforcing social distancing and enhanced health, safety and sanitization measures in accordance with guidelines from the Center for Disease Control (the “CDC”).

We have also implemented necessary procedures and support to enable a significant portion of our Olathe headquarters personnel to work remotely.

Our professional services operations at the Boot Hill Casino & Resort was forced to close from March 18, 2020 thru May 21, 2020. The casino reopened to the public on May 22, 2020, with reduced hours to allow for extra time for cleaning and sanitizing in accordance with CDC guidelines and a limited number of games and food offerings. While we have returned to normal hours, we are continuing to emphasize social distancing throughout the casino. Since reopening the Boot Hill Casino & Resort we have experienced lower customer headcount, which has been partially off-set by a larger net revenue per customer. We are experiencing, and expect to continue experiencing, lower demand for our professional services and increased costs and other challenges related to COVID-19 that adversely affects our business.

BHCMC, LLC, a subsidiary in the professional services segment, received a loan in the principal amount of \$2.0 million (the “SBA Loan”) under the Paycheck Protection Program (“PPP”), which was established under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The intent and purpose of the PPP is to support companies during the COVID-19 pandemic by providing funds for certain specified business expenses, with a focus on payroll. We have used the proceeds from the SBA Loan to maintain our payroll and retain casino staff. With the assistance of the SBA Loan, we believe we have sufficient liquidity at this time to maintain our business operations during this difficult time.

The COVID-19 pandemic impacted our business operations and financial results beginning in the fourth quarter of fiscal 2020 and continues to impact us in fiscal 2021. We face numerous uncertainties in estimating the direct and indirect effects on our present and future business operations, financial condition, results of operations, and liquidity. Due to several rapidly changing variables related to the COVID-19 pandemic, we cannot reasonably estimate future economic trends and the timing of when stability will return.

Results Overview

The nine months ended January 31, 2021 revenue decreased 18% to \$43.6 million compared to \$53.3 million in the nine months ended January 31, 2020. In the nine months ended January 31, 2021 the professional services revenue was \$20.9 million compared to \$24.2 million in the nine months ended January 31, 2020, a decrease of 14%. In the nine months ended January 31, 2021 the Aerospace Products revenue was \$22.7 million compared to \$29.1 million in the nine months ended January 31, 2020, a decrease of 22%.

The nine months ended January 31, 2021 net income decreased to \$809 compared to a net income of \$5.6 million in the nine months ended January 31, 2020. The nine months ended January 31, 2021, operating income decreased to \$3.7 million from an operating income of \$10.6 million in the nine months ended January 31, 2020.

RESULTS OF OPERATIONS

NINE MONTHS ENDED JANUARY 31, 2021 COMPARED TO NINE MONTHS ENDED JANUARY 31, 2020

(dollars in thousands)	Nine Months Ended January 31, 2021	Percent of Total Revenue	Nine Months Ended January 31, 2020	Percent of Total Revenue	Percent Change 2020-2021
Revenue:					
Professional Services	\$ 20,901	48%	\$ 24,186	45%	-14%
Aerospace Products	22,671	52%	29,068	55%	-22%
Total revenue	43,572	100%	53,254	100%	-18%
Costs and expenses:					
Costs of Professional Services	10,313	24%	11,886	22%	-13%
Cost of Aerospace Products	16,504	38%	16,839	32%	-2%
Marketing and advertising	2,723	6%	3,122	6%	-13%
Employee benefits	1,696	4%	1,666	3%	2%
Depreciation and amortization	3,664	8%	3,832	7%	-4%
General, administrative and other	4,989	12%	5,273	10%	-5%
Total costs and expenses	39,889	92%	42,618	80%	-6%
Operating income	\$ 3,683	8%	\$ 10,636	20%	-65%

Revenue:

Revenue decreased 18% to \$43.6 million in the nine months ended January 31, 2021, compared to \$53.3 million in the nine months ended January 31, 2020. See "Operations by Segment" below for a discussion of the primary reasons for the decrease in revenue.

- Professional Services derives its revenue from (a) professional management services in the gaming industry through Butler National Service Corporation ("BNSC") and BHCMC, LLC ("BHCMC"), and (b) professional architectural, engineering and management support services. Revenue from Professional Services decreased 14% for the nine months to \$20.9 million at January 31, 2021 compared to \$24.2 million in the nine months ended January 31, 2020.
- Aerospace Products derives its revenue by designing, engineering, manufacturing, installing, servicing and repairing products for classic and current production aircraft. Aerospace Products revenue decreased 22% for the nine months to \$22.7 million at January 31, 2021 compared to \$29.1 million in the nine months ended January 31, 2020.

Costs and expenses:

Costs and expenses related to Professional Services and Aerospace Products include the cost of engineering, labor, materials, equipment utilization, control systems, security and occupancy. Costs and expenses decreased 6% in the nine months ended January 31, 2021 to \$39.9 million compared to \$42.6 million in the nine months ended January 31, 2020. Costs and expenses were 92% of total revenue in the nine months ended January 31, 2021, as compared to 80% of total revenue in the nine months ended January 31, 2020.

Costs of Professional Services decreased 13% in the nine months ended January 31, 2021 to \$10.3 million compared to \$11.9 million in the nine months ended January 31, 2020. Costs were 24% of total revenue in the nine months ended January 31, 2021, as compared to 22% of total revenue in the nine months ended January 31, 2020.

Costs of Aerospace Products decreased 2% in the nine months ended January 31, 2021 to \$16.5 million compared to \$16.8 million for the nine months ended January 31, 2020. Costs were 38% of total revenue in the nine months ended January 31, 2021, as compared to 32% of total revenue in the nine months ended January 31, 2020.

Marketing and advertising expenses decreased by 13% in the nine months ended January 31, 2021, to \$2.7 million compared to \$3.1 million in the nine months ended January 31, 2020. Expenses were 6% of total revenue in the nine months ended January 31, 2021, as compared to 6% of total revenue in the nine months ended January 31, 2020. Marketing and advertising expenses include advertising, sales and marketing labor, gaming development costs, and casino and product promotions.

Employee benefits expenses as a percent of total revenue was 4% in the nine months ended January 31, 2021, compared to 3% in the nine months ended January 31, 2020. These expenses increased to \$1.7 million in the nine months ended January 31, 2021, from \$1.7 million in the nine months ended January 31, 2020. These expenses include the employers' share of all federal, state and local taxes, paid time off for vacation, holidays and illness, employee health and life insurance programs and employer matching contributions to retirement plans.

Depreciation and amortization expenses as a percent of total revenue was 8% in the nine months ended January 31, 2021, compared to 7% in the nine months ended January 31, 2020. These expenses decreased 4% to \$3.7 million in the nine months ended January 31, 2021, from \$3.8 million in the nine months ended January 31, 2020. These expenses include depreciation related to owned assets being depreciated over various useful lives and amortization of intangible items including the Kansas privilege fee related to the Boot Hill Casino being expensed over the initial term of the gaming contract with the State of Kansas. BHCMC, LLC depreciation and amortization expense for the nine months ended January 31, 2021 was \$2.5 million compared to \$2.8 million in the nine months ended January 31, 2020.

General, administrative and other expenses as a percent of total revenue was 12% in the nine months ended January 31, 2021, compared to 10% in the nine months ended January 31, 2020. These expenses decreased 5% to \$5.0 million in the nine months ended January 31, 2021, from \$5.3 million in the nine months ended January 31, 2020.

Other income (expense):

Interest expense and other income were (\$2.4) million in the nine months ended January 31, 2021, compared with interest expense and other income of (\$2.7) million in the nine months ended January 31, 2020. Interest related to obligations of BHCMC, LLC was (\$2.2) million in the nine months ended January 31, 2021 compared to (\$3.0) million in the nine months ended January 31, 2020.

Operations by Segment

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

The following table presents a summary of our operating segment information for the nine months ended January 31, 2021 and January 31, 2020:

(dollars in thousands)	Nine Months Ended January 31, 2021	Percent of Total Revenue	Nine Months Ended January 31, 2020	Percent of Total Revenue	Percent Change 2020-2021
Professional Services					
Revenue					
Boot Hill Casino	\$ 20,706	99%	\$ 24,010	99%	-14%
Management/Professional Services	195	1%	176	1%	11%
Revenue	20,901	100%	24,186	100%	-14%
Costs of Professional Services	10,313	49%	11,886	49%	-13%
Expenses	8,138	39%	8,789	36%	-7%
Total costs and expenses	18,451	88%	20,675	85%	-11%
Professional Services operating income before noncontrolling interest in BHCMC, LLC	\$ 2,450	12%	\$ 3,511	15%	-30%

(dollars in thousands)	Nine Months Ended January 31, 2021	Percent of Total Revenue	Nine Months Ended January 31, 2020	Percent of Total Revenue	Percent Change 2020-2021
Aerospace Products					
Revenue	\$ 22,671	100%	\$ 29,068	100%	-22%
Costs of Aerospace Products	16,504	73%	16,839	58%	-2%
Expenses	4,934	22%	5,104	17%	-3%
Total costs and expenses	21,438	95%	21,943	75%	-2%
Aerospace Products operating income	\$ 1,233	5%	\$ 7,125	25%	-83%

Professional Services

- Revenue from Professional Services decreased 14% for the nine months ended January 31, 2021 to \$20.9 million compared to \$24.2 million for the nine months ended January 31, 2020. The decrease resulted from Boot Hill Casino & Resort being forced to close from March 18, 2020 thru May 21, 2020 due to COVID-19.

In the nine months ended January 31, 2021 Boot Hill Casino received gross receipts for the State of Kansas of \$27.4 million compared to \$30.6 million for the nine months ended January 31, 2020. Mandated fees, taxes and distributions reduced gross receipts by \$8.8 million resulting in gaming revenue of \$18.6 million for the nine months ended January 31, 2021, compared to a reduction to gross receipts of \$9.8 million resulting in gaming revenue of \$20.8 million for the nine months ended January 31, 2020. Non-gaming revenue at Boot Hill Casino decreased to \$2.1 million for the nine months ended January 31, 2021, compared to \$3.2 million for the nine months ended January 31, 2020.

The remaining management and Professional Services revenue includes professional management services in the gaming industry, and licensed architectural services. Professional Services revenue excluding Boot Hill Casino increased 11% to \$195 for the nine months ended January 31, 2021, compared to \$176 for the nine months ended January 31, 2020.

- Costs of Professional Services decreased in the nine months ended January 31, 2021 to \$10.3 million compared to \$11.9 million in the nine months ended January 31, 2020. Costs were 49% of segment total revenue in the nine months ended January 31, 2021, as compared to 49% of segment total revenue in the nine months ended January 31, 2020.
- Expenses decreased 7% in the nine months ended January 31, 2021 to \$8.1 million compared to \$8.8 million in the nine months ended January 31, 2020. Expenses were 39% of segment total revenue in the nine months ended January 31, 2021, as compared to 36% of segment total revenue in the nine months ended January 31, 2020.

Aerospace Products

- Revenue decreased 22% to \$22.7 million in the nine months ended January 31, 2021, compared to \$29.1 million in the nine months ended January 31, 2020. The decrease in revenue is primarily due to a decrease in avionics business of \$7.2 million and an increase in aircraft modification business of \$816.
- Costs of Aerospace Products decreased by 2% in the nine months ended January 31, 2021 to \$16.5 million compared to \$16.8 million for the nine months ended January 31, 2020. Costs were 73% of segment total revenue in the nine months ended January 31, 2021, as compared to 58% of segment total revenue in the nine months ended January 31, 2020.
- Expenses decreased 3% in the nine months ended January 31, 2021 to \$4.9 million compared to \$5.1 million in the nine months ended January 31, 2020. Expenses were 22% of segment total revenue in the nine months ended January 31, 2021, as compared to 17% of segment total revenue in the nine months ended January 31, 2020.

THIRD QUARTER FISCAL 2021 COMPARED TO THIRD QUARTER 2021

(dollars in thousands)	Three Months Ended January 31, 2021	Percent of Total Revenue	Three Months Ended January 31, 2020	Percent of Total Revenue	Percent Change 2020-2021
Revenue:					
Professional Services	\$ 7,901	54%	\$ 7,962	47%	-1%
Aerospace Products	6,711	46%	8,838	53%	-24%
Total revenue	14,612	100%	16,800	100%	-13%
Costs and expenses:					
Costs of Professional Services	3,485	24%	4,030	24%	-14%
Cost of Aerospace Products	4,717	32%	5,307	31%	-11%
Marketing and advertising	877	6%	983	6%	-11%
Employee benefits	546	4%	592	4%	-8%
Depreciation and amortization	1,020	7%	1,316	8%	-22%
General, administrative and other	2,099	14%	1,684	10%	25%
Total costs and expenses	12,744	87%	13,912	83%	-8%
Operating income	\$ 1,868	13%	\$ 2,888	17%	-35%

Revenue:

Revenue decreased 13% to \$14.6 million in the three months ended January 31, 2021, compared to \$16.8 million in the three months ended January 31, 2020. See "Operations by Segment" below for a discussion of the primary reasons for the decrease in revenue.

- Professional Services derives its revenue from (a) professional management services in the gaming industry through Butler National Service Corporation ("BNSC") and BHCMC, LLC ("BHCMC"), and (b) professional architectural, engineering and management support services. Revenue from Professional Services decreased 1% for the three months to \$7.9 million at January 31, 2021 compared to \$8.0 million at January 31, 2020.
- Aerospace Products derives its revenue by designing, engineering, manufacturing, installing, servicing and repairing products for classic and current production aircraft. Aerospace Products revenue decreased 24% for the three months to \$6.7 million at January 31, 2021 compared to \$8.8 million at January 31, 2020.

Costs and expenses:

Costs and expenses related to Professional Services and Aerospace Products include the cost of engineering, labor, materials, equipment utilization, control systems, security and occupancy. Costs and expenses decreased 8% in the three months ended January 31, 2021 to \$12.7 million compared to \$13.9 million in the three months ended January 31, 2020. Costs and expenses were 87% of total revenue in the three months ended January 31, 2021, as compared to 83% of total revenue in the three months ended January 31, 2020.

Costs of Professional Services decreased 14% in the three months ended January 31, 2021 to \$3.5 million compared to \$4.0 million in the three months ended January 31, 2020. Costs were 24% of total revenue in the three months ended January 31, 2021, as compared to 24% of total revenue in the three months ended January 31, 2020.

Costs of Aerospace Products decreased 11% in the three months ended January 31, 2021 to \$4.7 million compared to \$5.3 million for the three months ended January 31, 2020. Costs were 32% of total revenue in the three months ended January 31, 2021, as compared to 31% of total revenue in the three months ended January 31, 2020.

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Marketing and advertising expenses decreased 11% in the three months ended January 31, 2021, to \$877 compared to \$1.0 million in the three months ended January 31, 2020. Expenses were 6% of total revenue in the three months ended January 31, 2021, as compared to 6% of total revenue in the three months ended January 31, 2020. Marketing and advertising expenses include advertising, sales and marketing labor, gaming development costs, and casino and product promotions.

Employee benefits expenses as a percent of total revenue was 4% in the three months ended January 31, 2021, compared to 4% in the three months ended January 31, 2020. These expenses decreased 8% to \$546 in the three months ended January 31, 2021, from \$592 in the three months ended January 31, 2020. These expenses include the employers' share of all federal, state and local taxes, paid time off for vacation, holidays and illness, employee health and life insurance programs and employer matching contributions to retirement plans.

Depreciation and amortization expenses as a percent of total revenue was 7% in the three months ended January 31, 2021, compared to 8% in the three months ended January 31, 2020. These expenses decreased 22% to \$1.0 million in the three months ended January 31, 2021 from \$1.3 million in the three months ended January 31, 2020. These expenses include depreciation related to owned assets being depreciated over various useful lives and amortization of intangible items including the Kansas privilege fee related to the Boot Hill Casino being expensed over the initial term of the gaming contract with the State of Kansas. BHCMC, LLC depreciation and amortization expense for the three months ended January 31, 2021 was \$615 compared to \$935 in the three months ended January 31, 2020.

General, administrative and other expenses as a percent of total revenue was 14% in the three months ended January 31, 2021, compared to 10% in the three months ended January 31, 2020. These expenses increased 25% to \$2.1 million in the three months ended January 31, 2021, from \$1.7 million in the three months ended January 31, 2020.

Other expense:

Interest expense was \$758 in the three months ended January 31, 2021, compared with interest expense of \$1.1 million in the three months ended January 31, 2020. Interest related to obligations of BHCMC, LLC was \$679 in the three months ended January 31, 2021 compared to \$1.0 million in the three months ended January 31, 2020.

Operations by Segment

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

The following table presents a summary of our operating segment information for the three months ended January 31, 2021 and January 31, 2020:

(dollars in thousands)	Three Months Ended January 31, 2021	Percent of Total Revenue	Three Months Ended January 31, 2020	Percent of Total Revenue	Percent Change 2020-2021
Professional Services					
Revenue					
Boot Hill Casino	\$ 7,843	99%	\$ 7,898	99%	-1%
Management/Professional Services	58	1%	64	1%	-9%
Revenue	<u>7,901</u>	<u>100%</u>	<u>7,962</u>	<u>100%</u>	<u>-1%</u>
Costs of Professional Services	3,485	44%	4,030	51%	-14%
Expenses	2,692	34%	2,861	36%	-6%
Total costs and expenses	<u>6,177</u>	<u>78%</u>	<u>6,891</u>	<u>87%</u>	<u>-10%</u>
Professional Services operating income (loss) before noncontrolling interest in BHCMC, LLC	<u>\$ 1,724</u>	<u>22%</u>	<u>\$ 1,071</u>	<u>13%</u>	<u>61%</u>
(dollars in thousands)	Three Months Ended January 31, 2021	Percent of Total Revenue	Three Months Ended January 31, 2020	Percent of Total Revenue	Percent Change 2020-2021
Aerospace Products					
Revenue	\$ 6,711	100%	\$ 8,838	100%	-24%
Costs of Aerospace Products	4,717	70%	5,307	60%	-11%
Expenses	1,850	28%	1,714	19%	8%
Total costs and expenses	<u>6,567</u>	<u>98%</u>	<u>7,021</u>	<u>79%</u>	<u>-6%</u>
Aerospace Products operating income	<u>\$ 144</u>	<u>2%</u>	<u>\$ 1,817</u>	<u>21%</u>	<u>-92%</u>

Professional Services

- Revenue from Professional Services decreased 1% for the three months ended January 31, 2021 to \$7.9 million compared to \$8.0 million for the three months ended January 31, 2020. The decrease resulted from fewer Boot Hill Casino & Resort patron visits due to COVID-19.

In the three months ended January 31, 2021 Boot Hill Casino received gross receipts for the State of Kansas of \$10.3 million compared to \$10.1 million for the three months ended January 31, 2020. Mandated fees, taxes and distributions reduced gross receipts by \$3.3 million resulting in gaming revenue of \$7.0 million for the three months ended January 31, 2021, compared to a reduction to gross receipts of \$3.3 million resulting in gaming revenue of \$6.8 million for the three months ended January 31, 2020. Non-gaming revenue at Boot Hill Casino decreased to \$842 for the three months ended January 31, 2021, compared to \$1.1 million for the three months ended January 31, 2020.

The remaining management and Professional Services revenue includes professional management services in the gaming industry, and licensed architectural services. Professional Services revenue excluding Boot Hill Casino decreased 9% to \$58 for the three months ended January 31, 2021, compared to \$64 for the three months ended January 31, 2020.

- Costs of Professional Services decreased 14% in the three months ended January 31, 2021 to \$3.5 million compared to \$4.0 million in the three months ended January 31, 2020. Costs were 44% of segment total revenue in the three months ended January 31, 2021, as compared to 51% of segment total revenue in the three months ended January 31, 2020.
- Expenses decreased 6% in the three months ended January 31, 2021 to \$2.7 million compared to \$2.9 million in the three months ended January 31, 2020. Expenses were 34% of segment total revenue in the three months ended January 31, 2021, as compared to 36% of segment total revenue in the three months ended January 31, 2020.

Aerospace Products

- Revenue decreased 24% to \$6.7 million in the three months ended January 31, 2021, compared to \$8.8 million in the three months ended January 31, 2020. The decrease in revenue is primarily due to a decrease in avionics business of \$1.6 million and a decrease in aircraft modification business of \$508.
- Costs of Aerospace Products decreased 11% in the three months ended January 31, 2021 to \$4.7 million compared to \$5.3 million for the three months ended January 31, 2020. Costs were 70% of segment total revenue in the three months ended January 31, 2021, as compared to 60% of segment total revenue in the three months ended January 31, 2020.
- Expenses increased 8% in the three months ended January 31, 2021 to \$1.9 million compared to \$1.7 million in the three months ended January 31, 2020. Expenses were 28% of segment total revenue in the three months ended January 31, 2021, as compared to 19% of segment total revenue in the three months ended January 31, 2020.

Employees

Other than persons employed by our gaming subsidiaries there were 115 full time and 5 part time employees on January 31, 2021, compared to 106 full time and 5 part time employees on January 31, 2020. As of March 12, 2021, staffing is 115 full time and 5 part time employees. Our staffing at Boot Hill Casino & Resort on January 31, 2021 was 172 full time and 54 part time employees compared to 200 full time and 66 part time employees on January 31, 2020. At March 12, 2021 there are 171 full time and 57 part time employees. None of the employees are subject to any collective bargaining agreements.

Liquidity and Capital Resources

We believe that our current banks will provide the necessary capital for our business operations. However, we continue to maintain contact with other banks that have an interest in funding our working capital needs to continue our growth in operations in fiscal 2021 and beyond.

The ownership structure of BHCMC, LLC is now:

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

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

Analysis and Discussion of Cash Flow

During the nine months ended January 31, 2021 our cash position increased by \$1.4 million. Net income was \$980 for the nine months ended January 31, 2021. Cash flows provided by operating activities was \$6.9 million for the nine months ended January 31, 2021. Non-cash activities consisting of depreciation and amortization provided \$4.6 million, while deferred compensation provided \$449. Customer deposits increased our cash position by \$2.3 million. We reduced our lease liability by \$659. Inventories decreased our cash position by \$382. Accounts receivable decreased our cash position by \$198. Gaming facility mandated payments decreased our cash position by \$292. Prepaid expenses and other assets decreased our cash by \$116. An increase in accounts payable, a decrease in accrued expenses, and an increase in other current liabilities increased our cash by \$349. Income tax payable decreased our cash position by \$85.

Cash used in investing activities was \$5.4 million for the nine months ended January 31, 2021. We invested \$627 to purchase aircraft, \$2.1 million towards STCs, and \$2.6 million on equipment and furnishings.

Cash used by financing activities was \$107 for the nine months ended January 31, 2021. We increased our debt by \$2.5 million. We made repayments on our debt of \$2.3 million. We purchased company stock of \$185. The stock was acquired and placed in treasury.

Critical Accounting Policies and Estimates

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

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

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

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

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

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

Changing Prices and Inflation

We have experienced upward pressure from inflation in fiscal year 2021. From fiscal year 2020 to fiscal year 2021 most of the increases we experienced were in material costs. This additional cost may not be transferable to our customers resulting in lower income in the future. We anticipate fuel costs and possibly interest rates to rise in fiscal 2021 and 2022.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Item 4. CONTROLS AND PROCEDURES

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

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

In connection with the preparation of this Form 10-Q, our Chief Executive Officer and our Chief Financial Officer conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of January 31, 2021. 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 January 31, 2021.

Internal Control Over Financial Reporting

Limitations on Controls

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

Changes in Internal Control Over Financial Reporting: In our opinion there were no changes in the Company's internal control over financial reporting during the nine months ended January 31, 2021 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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

As of January 31, 2021, there are no significant known legal proceedings pending against us. We consider all such unknown proceedings, if any, to be ordinary litigation incident to the character of the business. We believe that the resolution of any claims will not, individually or in the aggregate, have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

Item 1A. RISK FACTORS.

There are no other material changes to the risk factors disclosed under Item 1A of our Form 10-K for the fiscal year ended April 30, 2020.

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

The table below provides information with respect to common stock purchases by the Company during the third quarter of fiscal 2021.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
November 1, 2021 - November 30, 2020	-	\$ -	-	\$ 2,835,000
December 1, 2020 - December 31, 2020	-	\$ -	-	\$ 2,835,000
January 1, 2021 - January 31, 2021	-	\$ -	-	\$ 2,835,000
Total	-	\$ -	-	-

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

Item 3. DEFAULTS UPON SENIOR SECURITIES.

None.

Item 4. MINE SAFETY DISCLOSURES.

Not applicable.

Item 5. OTHER INFORMATION.

None.

Item 6. EXHIBITS.

- 3.1 [Articles of Incorporation, as amended and restated are incorporated by reference to Exhibit 3.1 of our Form DEF 14A filed on December 26, 2001.](#)
- 3.2 [Bylaws, as amended, are incorporated by reference to Exhibit 3.2 of our Form 10-Q filed on March 14, 2013.](#)
- 4.1 [Rights Agreement, dated August 2, 2011, by and between Butler National Corporation and UMB Bank, N.A., as Rights Agent, incorporated by reference to Exhibit 4.1 of our 10-Q filed on December 13, 2016.](#)
- 10.1 [Loan Agreement dated December 17, 2020 by BHCMC, L.L.C., BHCRE LLC, and Academy Bank, N.A.](#)
- 31.1 [Certificate of Chief Executive Officer pursuant to Exchange Act Rule 13a-14\(a\).](#)
- 31.2 [Certificate of Chief Financial Officer pursuant to Exchange Act Rule 13a-14\(a\).](#)
- 32.1 [Certifications of Chief Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certifications of Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2021, formatted in XBRL (Extensible Business Reporting Language) includes: (i) Condensed Consolidated Balance Sheets as of January 31, 2021 and April 30, 2020, (ii) Condensed Consolidated Statements of Operations for the three and nine months ended January 31, 2021 and 2020, (iii) Condensed Consolidated Statements of Stockholders' Equity for the nine months ended January 31, 2021 and 2020, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended January 31, 2021 and 2020, and (v) the Notes to Consolidated Financial Statements, with detail tagging.

SIGNATURES

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

BUTLER NATIONAL CORPORATION
(Registrant)

March 12, 2021
Date

/s/ Clark D. Stewart

Clark D. Stewart
(President and Chief Executive Officer)

March 12, 2021
Date

/s/ Tad M. McMahon

Tad M. McMahon
(Chief Financial Officer)

Exhibit Index

Exhibit Number	Description of Exhibit
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 3.2 of our Form 10-Q filed on March 14, 2013.
4.1	Rights Agreement, dated August 2, 2011, by and between Butler National Corporation and UMB Bank, N.A., as Rights Agent, incorporated by reference to Exhibit 4.1 of our 10-Q filed on December 13, 2016.
10.1	Loan Agreement dated December 17, 2020 by BHCMC, L.L.C., BHCRC LLC, and Academy Bank, N.A.
31.1	Certificate of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a).
31.2	Certificate of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a).
32.1	Certifications of Chief Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certifications of Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2021, formatted in XBRL (Extensible Business Reporting Language) includes: (i) Condensed Consolidated Balance Sheets as of January 31, 2021 and April 30, 2020, (ii) Condensed Consolidated Statements of Operations for the three and nine months ended January 31, 2021 and 2020, (iii) Condensed Consolidated Statements of Stockholders' Equity for the nine months ended January 31, 2021 and 2020, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended January 31, 2021 and 2020, and (v) the Notes to Consolidated Financial Statements, with detail tagging.

CERTIFICATIONS

I, Clark D. Stewart, certify that:

1. I have reviewed this quarterly report on Form 10-Q ended January 31, 2021 of Butler National Corporation.
2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 12, 2021

/s/Clark D. Stewart

Clark D. Stewart
President and Chief Executive Officer

CERTIFICATIONS

I, Tad M. McMahon, certify that:

1. I have reviewed this quarterly report on Form 10-Q ended January 31, 2021 of Butler National Corporation.
2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 12, 2021

/s/ Tad M. McMahon

Tad M. McMahon
Chief Financial Officer

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

In connection with the quarterly report of Butler National Corporation (the "Company") on Form 10-Q for the period ending January 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Clark D. Stewart, Chief Executive Officer of the Company, certify, (to the best of my knowledge), pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002 that;

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

/s/Clark D. Stewart

Clark D. Stewart
President and Chief Executive Officer
Butler National Corporation
March 12, 2021

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

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

In connection with the quarterly report of Butler National Corporation (the "Company") on Form 10-Q for the period ending January 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tad M. McMahon, Chief Financial Officer of the Company, certify, (to the best of my knowledge), pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002 that;

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

/s/ Tad M. McMahon

Tad M. McMahon
Chief Financial Officer
Butler National Corporation
March 12, 2021

"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."