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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2004

OR

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

For the transition period from _______________ to _______________

Commission file Number: 0-14951

BUTLER INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Maryland	**06-1154321**
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)

110 Summit Avenue, Montvale, New Jersey 07645
(Address of principal executive offices and zip code)

(201) 573-8000
(Registrant's telephone number, including area code)

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 12 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 is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Shares Outstanding August 1, 2004
Common stock, $0.001 par value	11,316,791

BUTLER INTERNATIONAL, INC.
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Item 1. Financial Statements

BUTLER INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands except share data)

	As of	
	June 30, 2004 (unaudited)	December 31, 2003
ASSETS		
Current assets:		
Cash	$ 412	$ 489
Accounts receivable, net	39,108	31,474
Inventories	94	80
Other current assets	7,919	9,678
Total current assets	47,533	41,721
Property and equipment, net	11,341	11,917
Other assets	11,346	10,929
Goodwill	33,999	33,999
Total assets	$ 104,219	$ 98,566
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 18,501	$ 20,175
Current portion of long-term debt	4,074	4,071
Total current liabilities	22,575	24,246
Revolving credit facility	23,694	16,953
Other long-term debt	36,806	37,345
Other long-term liabilities	2,945	2,945
Commitments and contingencies (see note 6)		
Stockholders' equity:		
Series B 7% Cumulative Convertible Preferred Stock: par value $0.001 per share, authorized 15,000,000, issued 5,780,312 in 2004 and 5,736,488 in 2003; Liquidation preference $5,780 in 2004 and $5,736 in 2003	6	6
Common stock: par value $0.001 per share, authorized 125,000,000; issued 11,307,264 in 2004 and 2003; outstanding 11,291,791 in 2004 and 2003	11	11
Additional paid-in capital	98,467	98,423
Receivables from stockholders	(5,785)	(5,906)
Accumulated deficit	(73,759)	(74,770)
Accumulated other comprehensive loss	(652)	(598)
Sub-total	18,288	17,166
Less - Treasury stock 15,473 shares in 2004 and 2003	(89)	(89)
Total stockholders' equity	18,199	17,077
Total liabilities and stockholders' equity	$ 104,219	$ 98,566

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

BUTLER INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except share data)

	For the Three-Month Period Ended June 30, 2004 (unaudited)	For the Three-Month Period Ended June 30, 2003 (unaudited)
Net sales	$ 63,055	$ 51,698
Cost of sales	52,077	42,437
Gross margin	10,978	9,261
Depreciation and amortization	454	730
Selling, general and administrative expenses	8,260	8,653
Restructuring and other charges	-	2,178
Legal settlements and related costs	-	2,908
Goodwill impairment	-	12,331
Operating income/(loss)	2,264	(17,539)
Interest expense	(1,039)	(1,205)
Income/(loss) from continuing operations before income tax	1,225	(18,744)
Income tax expense/(benefit)	290	(6,827)
Income/(loss) from continuing operations	935	(11,917)
Income/(loss) from discontinued operations, net of tax	125	(1,125)
Net income/(loss)	$ 1,060	$ (13,042)
Earnings/(loss) per share of common stock:		
Basic:		
Continuing operations	$ 0.08	$ (1.18)
Discontinued operations	0.01	(0.11)
	$ 0.09	$ (1.29)
Assuming dilution:		
Continuing operations	$ 0.07	$ (1.18)
Discontinued operations	0.01	(0.11)
	$ 0.08	$ (1.29)
Average number of common shares and common share equivalents outstanding:		
Basic	10,218	10,168
Assuming dilution	13,053	10,168

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

BUTLER INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except share data)

	For the Six-Month Period Ended June 30, 2004 (unaudited)	For the Six-Month Period Ended June 30, 2003 (unaudited)
Net sales	$ 120,967	$ 101,197
Cost of sales	100,278	83,183
Gross margin	20,689	18,014
Depreciation and amortization	947	1,575
Selling, general and administrative expenses	16,239	17,690
Restructuring and other charges	-	2,400
Legal settlements and related costs	-	2,908
Goodwill impairment	-	12,331
Operating income/(loss)	3,503	(18,890)
Interest expense	(2,034)	(2,468)
Income/(loss) from continuing operations before income tax	1,469	(21,358)
Income tax expense/(benefit)	382	(7,615)
Income/(loss) from continuing operations	1,087	(13,743)
Income/(loss) from discontinued operations, net of tax	125	(950)
Net income/(loss)	$ 1,212	$ (14,693)
Earnings/(loss) per share of common stock:		
Basic:		
Continuing operations	$ 0.09	$ (1.37)
Cumulative effect of accounting change	-	-
Discontinued operations	0.01	(0.09)
	$ 0.10	$ (1.46)
Assuming dilution:		
Continuing operations	$ 0.08	$ (1.37)
Cumulative effect of accounting change	-	-
Discontinued operations	0.01	(0.09)
	$ 0.09	$ (1.46)
Average number of common shares and common share equivalents outstanding:		
Basic	10,218	10,168
Assuming dilution	13,025	10,168

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

BUTLER INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Six-Month Period Ended June 30, 2004 (unaudited)	For the Six-Month Period Ended June 30, 2003 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss) from continuing operations	$ 1,087	$ (13,743)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	947	1,575
Provision for bad debt	182	423
Provision for deferred taxes	483	(5,891)
Amortization of deferred financing charges	413	384
Loss/(gain) on sale of equipment	45	(17)
Non-cash restructuring and other charges	-	538
Goodwill impairment loss	-	12,331
Other changes that (used)/provided cash:		
Accounts receivable	(7,816)	2,900
Inventories	(14)	18
Other current assets	585	1,834
Other assets	(89)	(133)
Current liabilities	(1,649)	1,346
Other long term liabilities	-	2,268
Net cash (used in)/provided by operating activities	(5,826)	3,833
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of equipment	2	23
Capital expenditures, net	(418)	(336)
Divestiture of business	-	1,235
Net cash (used in)/provided by investing activities	(416)	922
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings/(payments) under credit facility	6,741	(4,146)
Repayment of long term debt	(536)	(35)
Financing fees paid	(50)	(36)
Cash dividends on preferred shares	(157)	(157)
Repayment of director loans	96	-
Net cash provided by/(used in) financing activities	6,094	(4,374)
Effect of exchange rate changes on cash	(54)	(2)
Net cash provided by discontinued operations	125	1,169
Net (decrease)/increase in cash	(77)	1,548
Cash at beginning of period	489	1,106
Cash at end of period	$ 412	$ 2,654

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

1. BASIS OF PRESENTATION:

The accompanying unaudited condensed consolidated financial statements of Butler International, Inc. and subsidiaries (the "Company") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("U.S. GAAP") for complete financial statements. In the opinion of management, all adjustments consisting of normal recurring adjustments and accruals, as well as accounting changes (see Note 4) considered necessary for a fair presentation have been reflected in these condensed consolidated financial statements. On May 30, 2003, the Company sold its United Kingdom based staffing operations ("UK Operations"). The UK Operations were part of the Company's Technical Group reporting segment. The UK Operations are accounted for as a discontinued operation under U.S. GAAP and therefore, the UK Operations' results of operations and cash flows have been removed from the Company's results of continuing operations and cash flows for all periods presented. Operating results for the quarter are not necessarily indicative of the results that may be expected for the year ending December 31, 2004 due to seasonal and other factors. In order to maintain consistency and comparability between periods presented, certain prior period amounts have been reclassified to conform to the current period presentation. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statement and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

2. DESCRIPTION OF BUSINESS AND SEGMENT INFORMATION:

The Company provides outsourcing, project management and technical staff augmentation services in technical, information technology, and telecommunications disciplines including: engineering design support primarily used for aerospace, defense and heavy equipment manufacturing, software quality assurance testing, software applications development and implementation, enterprise network design and implementation, and telecommunications network systems implementation. The Company also provides fleet maintenance and repair services to major ground fleet-holders nationwide. These services are provided through three ISO 9002 certified business segments: Technical Group, Information Technology Solutions, and Telecommunications Service ("Telecom Services").

The Company discloses segment information in accordance with Statements of Financial Accounting Standards ("SFAS") No. 131, *"Disclosure About Segments of an Enterprise and Related Information,"* which requires companies to report selected segment information on a quarterly basis and to report certain entity-wide disclosures about products and services, major customers and material countries in which the entity holds assets and reports revenues.

The accounting policies of the business segments are the same as those described in the summary of significant accounting policies in Note 3. Intersegment sales are not significant. The operating results for the Technology Solutions segment included a goodwill impairment charge of approximately $12.3 million for the three- and six-month periods ended June 30, 2003.

Management reviews the Company's assets on a consolidated basis as it is not meaningful to allocate assets to the various segments. The Company evaluates segment performance based on revenues and operating profits. The Company does not allocate income taxes or charges determined to be non-recurring in nature, such as restructuring and impairment charges. Unallocated amounts of operating loss consist of corporate expenses and certain general and administrative expenses from field operations.

The Company primarily operates in the United States. Operations include the results of the India subsidiary. Net sales from the India operation were approximately $225,000 and $415,000 for the three-month and six-month periods ended June 30, 2004, respectively and approximately $283,000 and $491,000 for the three-month and six-month periods ended June 30, 2003, respectively. Operating profit from the India subsidiary was approximately $58,000 and $124,000 for the three-month and six-month periods ended June 30, 2004, respectively and approximately $151,000 and $237,000 for the three-month and six-month periods ended June 30, 2003, respectively.

(Tabular information in thousands, except per share amounts)

Net sales and operating profits/(losses) by segment were:

	For the Three-Month Period Ended June 30, 2004	For the Three-Month Period Ended June 30, 2003	For the Six-Month Period Ended June 30, 2004	For the Six-Month Period Ended June 30, 2003
Net Sales:				
Technical Group	$ 38,122	$ 29,504	$ 74,764	$ 58,095
Telecom Services	18,957	15,672	34,622	29,881
Technology Solutions	5,694	6,241	11,010	12,673
Unallocated amount	282	281	571	548
	$ 63,055	$ 51,698	$ 120,967	$ 101,197
Operating income/(loss):				
Technical Group	$ 3,743	$ 2,578	$ 7,389	$ 4,755
Telecom Services	1,564	996	2,064	1,333
Technology Solutions	387	(11,823)	735	(11,332)
Restructuring and other charges	-	(2,178)	-	(2,400)
Legal settlements and related costs	-	(2,908)	-	(2,908)
Unallocated amounts	(3,430)	(4,204)	(6,685)	(8,338)
Consolidated Total	$ 2,264	$ (17,539)	$ 3,503	$ (18,890)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period, including, but not limited to, receivable valuations, impairment of goodwill, pension benefit obligations, income taxes, restructuring costs and litigation accruals. Management's estimates are based on historical experience, facts and circumstances available at the time, and various other assumptions that are believed to be reasonable under the circumstances. The Company reviews these matters and reflects changes in estimates as appropriate. Actual results could differ from those estimates.

Goodwill

Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired companies. Effective January 1, 2002, the Company adopted SFAS No. 142, "*Goodwill and Other Intangible Assets*." and as a result, goodwill is not amortized but tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company set an annual impairment testing date of June 30. An impairment charge will be recognized only when the implied fair value of a reporting unit, including goodwill, is less than its carrying amount. There were no changes in the carrying amount of goodwill during the six-month period ended June 30, 2004.

Stock-based Compensation

The Company has a number of stock-based employee compensation plans, which are described more fully in Note 10 in the Company's Annual Report on Form 10-K for the year ended December 31, 2003. The Company accounts for those plans under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, "*Accounting for Stock Issued to Employees*" and related interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

During the six-month period ended June 30, 2004, a total of 57,500 stock options were granted to officers of the Company through the 2002 Stock Incentive Plan.

(Tabular information in thousands, except per share amounts)

Had compensation cost for the stock options issued been determined based on the fair value at the grant date, consistent with provisions of SFAS No. 123, *"Accounting for Stock Issued to Employees,"* the Company's net income/(loss) and earnings/(loss) per share would have been changed to the pro forma amounts indicated below:

	For the Three-Month Period Ended June 30, 2004	For the Three-Month Period Ended June 30, 2003	For the Six-Month Period Ended June 30, 2004	For the Six-Month Period Ended June 30, 2003
Net income/(loss):				
As reported	$ 1,060	$ (13,042)	$ 1,212	$ (14,693)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(77)	(61)	(139)	(161)
Pro forma	$ 983	$ (13,103)	$ 1,073	$ (14,854)
Earnings/(loss) per share:				
Basic:				
As reported	$ 0.09	$ (1.29)	$ 0.10	$ (1.46)
Pro forma	$ 0.09	$ (1.30)	$ 0.09	$ (1.48)
Assuming dilution:				
As reported	$ 0.08	$ (1.29)	$ 0.08	$ (1.46)
Pro forma	$ 0.08	$ (1.30)	$ 0.08	$ (1.48)

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2004	2003
Risk-free interest rate	4.36%	3.98%
Expected life	6.1 years	6.1 years
Expected volatility	95.39%	101.53%

Earnings Per Share

The Company presents both basic and diluted earnings/(loss) per common share amounts. Basic earnings/(loss) per common share is calculated by dividing net income/(loss), adjusted for preferred stock dividends, by the weighted average number of common shares outstanding during the period. Diluted earnings/(loss) per share is calculated by dividing net income/(loss) by the sum of the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect. Accordingly, 1,622,831 common equivalent shares have been excluded from the calculations of diluted loss per share for the period ended June 30, 2003. The Company uses the treasury stock method to calculate the impact of outstanding stock options and warrants. Stock options and warrants for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on earnings per common share and, accordingly, are excluded from the calculation. For the three-month and six-month periods ended June 30, 2004, there were options and warrants totaling 1,090,458 and 1,276,452, respectively, where the exercise price was greater than the average market price of the common shares and, therefore, were excluded from the computation of diluted loss per share. For the three-month and six-month periods ended June 30, 2003, there were options and warrants totaling 1,509,208, where the exercise price was greater than the average market price of the common shares and, therefore, were excluded from the computation of diluted loss per share.

The following table presents the computation of basic and diluted earnings per common share from continuing operations:

(Tabular information in thousands, except per share amounts)

	For the Three-Month Period Ended June 30, 2004	For the Three-Month Period Ended June 30, 2003	For the Six-Month Period Ended June 30, 2004	For the Six-Month Period Ended June 30, 2003
Income/(loss) from continuing operations	$ 935	$ (11,917)	$ 1,087	$ (13,743)
Less: Preferred stock dividends	(100)	(99)	(201)	(198)
Income/(loss) for basic earnings per share calculation	835	(12,016)	886	(13,941)
Add: Income impact of assumed conversions:				
Convertible preferred stock dividends	100	-	201	-
Income/(loss) for diluted earnings per share calculation	$ 935	$ (12,016)	$ 1,087	$ (13,941)
Weighted-average number of common shares for earnings per share calculation:				
Basic	10,218	10,168	10,218	10,168
Add: Incremental shares from assumed conversion:				
Restricted stock	1,073	-	1,073	-
Stock options and warrants	127	-	99	-
Convertible preferred stock	1,635	-	1,635	-
Assuming dilution	13,053	10,168	13,025	10,168
Income/(loss) per share common from continuing operations:				
Basic	$ 0.08	$ (1.18)	$ 0.09	$ (1.37)
Assuming dilution	$ 0.07	$ (1.18)	$ 0.08	$ (1.37)

4. ACCOUNTING CHANGES:

Effective December 15, 2003, the Company adopted SFAS No. 132 (Revised), *"Employers' Disclosures about Pensions and Other Postretirement Benefits'"* ("SFAS No. 132-R"). SFAS No. 132-R retains disclosure requirements of the original SFAS No. 132 and requires additional disclosures relating to assets, obligations, cash flows, and net periodic benefit cost. The Company adopted the revised disclosure requirements of this pronouncement. (See Note 5 Employee Benefit Plans.)

In January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No.46, *"Consolidation of Variable Interest Entities - an interpretation of ARB No. 51"* ("FIN 46"). FIN 46 requires that a variable interest entity ("VIE") be consolidated when a company is subject to the majority of the risk of loss from the VIE's activities or is entitled to receive the majority of the entity's residual returns, or both. FIN 46 is effective immediately for all arrangements entered into after January 31, 2003. For those arrangements entered into prior to January 31, 2003, FIN 46 is applicable to the Company as of December 31, 2003. In December 2003, the FASB issued a revision to FIN 46 ("FIN 46R"), which partially delayed the effective date of the interpretation to March 31, 2004 and added additional scope exceptions. The adoption of applicable provisions of FIN 46 in 2003 had no impact on the Company's consolidated results of operations and financial position. Adoption of FIN 46R had no impact on the Company's consolidated results of operations and financial position.

5. EMPLOYEE BENEFIT PLANS:

The Company has a funded noncontributory defined benefit pension plan (the "Plan"). Benefits under the Plan are determined based on earnings and period of service. The Company funds the Plan in accordance with the minimum funding requirements of the Employees Retirement Income Security Act of 1974. A participant's Employee Stock Option Plan ("ESOP") credits reduced benefits payable under the Plan. Effective June 1997, retroactive to December 31, 1996, the Company froze future benefit accruals under the Plan and ESOP. The Company uses a December 31 measurement date.

(Tabular information in thousands, except per share amounts)

Net periodic pension expense for the three-month and six-month periods ended June 30, 2004 and 2003 included the following components:

	For the Three-Month Period Ended June 30, 2004	2003	For the Six-Month Period Ended June 30, 2004	2003
Interest cost	$ 38	$ -	$ 77	$ -
Expected return on assets	(47)	-	(96)	-
Recognized net actuarial loss	10	-	20	-
Net periodic pension expense	$ 1	$ -	$ 1	$ -

The Company does not expect to make any contributions to the Plan in 2004.

6. CONTINGENCIES:

As disclosed in Note 7 to the Company's 2004 Quarterly Report on Form 10-Q for the period ended March 31, 2004, the Company has reached an agreement in principal with Knott Partners, L.P. and Old Oak Partners, LLC to settle certain litigation, subject to final documentation, notice to the Company's stockholders and court approval. Notice to the Company's stockholders was mailed on or about July 23, 2004 and the hearing for court approval is scheduled for August 25, 2004.

The Company and its subsidiaries are parties to various legal proceedings and claims incidental to its normal business operations for which no material liability is expected beyond which is recorded. While the ultimate resolution is not known, management does not expect that the resolution of such matters will have a material adverse effect on the Company's financial statements and results of operations.

7. RESTRUCTURING AND OTHER CHARGES:

In April 2001, the Company announced a Company-wide cost reduction plan. The Company recorded restructuring and other charges totaling $2,566,000, $4,930,000 and $9,314,000 during 2003, 2002 and 2001, respectively. These charges were for costs incurred to eliminate excess capacity, reduce both staff and service delivery personnel in all of the Company's business units, the closing of certain unprofitable locations, the termination of unprofitable contracts and the elimination of unnecessary equipment. As a result of the restructuring, a total of 582 employees have been terminated since 2001. Additionally in 2003, the Company finalized certain previously recorded restructuring accruals resulting in a credit to income of $124,000 primarily due to favorable settlements of facility lease commitments. All actions related to the Company's restructuring are complete. The Company does not expect to incur additional restructuring charges in 2004 except for adjustments, if necessary, to existing accruals.

The following presents a reconciliation of the original restructuring components of the 2003, 2002 and 2001 charges to the balance remaining at June 30, 2004, which is included in accounts payable and accrued liabilities ($389,000) and in other long-term liabilities ($438,000):

	Balance at December 31, 2003	Additional Charges	Adjustments	Payments	Balance at June 30, 2004
Severance and other employee costs	$ 172	$ -	$ -	$ (31)	$ 141
Facility closing costs	1,076	-	-	(390)	686
Total restructuring	$ 1,248	$ -	$ -	$ (421)	$ 827

(Tabular information in thousands, except per share amounts)

8. DISCONTINUED OPERATIONS:

On May 30, 2003, the Company sold its UK Operations. The total gross proceeds of the sale were $2.3 million (excluding any contingent payments based on the sold business' future earnings). The Company transferred approximately $1.1 million of cash as part of the UK Operations, resulting in a net cash inflow in 2003 related to the UK Operations divestiture of $1.2 million. The loss on disposal recorded in 2003 was approximately $1.4 million, net of tax, and was recorded in (loss)/income from discontinued operations.

The sale agreement includes a provision that entitles the Company to an additional cash payment of $125,000 per year for the two-year period ending May 31, 2005 if the sold business achieves certain minimum performance targets. These contingent payments will be recognized as income from discontinued operations upon receipt and separately disclosed. In 2004, the Company received $125,000 additional proceeds from its sale of the UK Operations.

Summarized selected financial information for he discontinued operations is as follows:

	For the Three-Month Period Ended June 30, 2004	2003	For the Six-Month Period Ended June 30, 2004	2003
Revenue	$ -	$ 4,233	$ -	$ 10,234
Income from operations, net of tax	$ 125	$ 257	$ 125	$ 432
Loss on disposal, net of tax	-	(1,382)	-	(1,382)
(Loss)/income from discontinued operations	$ 125	$ (1,125)	$ 125	$ (950)

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9. COMPREHENSIVE INCOME/(LOSS):

The following table sets forth the components of comprehensive income/(loss), net of tax:

	For the Three-Month Period Ended June 30, 2004	2003	For the Six-Month Period Ended June 30, 2004	2003
Net income/(loss)	$ 1,060	$ (13,042)	$ 1,212	$ (14,693)
Other comprehensive income/(loss), net of tax:				
Foreign currency translation adjustments	(56)	(86)	(54)	(26)
Reclassification of foreign currency translation losses realized upon sale of UK based operations	-	(389)	-	(389)
Other comprehensive income/(loss)	(56)	(475)	(54)	(415)
Comprehensive loss	$ 1,004	$ (13,517)	$ 1,158	$ (15,108)

Item 2. Management's Discussions and Analysis of Results of Operations and Financial Condition

Butler International, Inc. (the "Company" or "Butler") provides outsourcing, project management and technical staff augmentation services in technical, information technology, and telecommunications disciplines including: engineering design support primarily used for aerospace, defense and heavy equipment manufacturing, software quality assurance testing, software applications development and implementation, enterprise network design and implementation, and telecommunications network systems implementation. The Company also provides fleet maintenance and repair services to major ground fleet-holders nationwide. The combined vertical industry segments of aerospace/aircraft, satellite and defense are Butler's largest and fastest growing segments.

In the financial review that follows, the Company's results of operations, financial condition and certain other information are discussed. Certain statements in this report may constitute “forward-looking” statements within the meaning of the Private Litigation Reform Act of 1995. Words such as “expects,” “intends,” “plans,” “projects,” “believes,” “estimates,” and similar expressions are used to identify these forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. As a result, these statements speak only as of the date they were made and 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. The actual results and future trends may differ materially depending on a variety of factors, including, without limitation: (i) unemployment and general economic conditions associated with the provision of engineering services and solutions and placement of temporary staffing personnel, particularly in the telecommunication services and information technology divisions; (ii) possible additional gross margin pressure; (iii) possible slowdown in accounts receivable collections; (iv) possible loss of key employees and executive officers; (v) the Company's ability to continue to attract, train and retain personnel qualified to meet the requirements of its clients; (vi) possible adverse effects on the market price of the Company's common stock due to the resale into the market of significant amounts of common stock; (vii) the potential adverse effect a decrease in the trading price of the Company's common stock would have upon the Company's ability to acquire businesses through the issuance of its securities; (viii) the Company's ability to obtain financing on satisfactory terms; (ix) the Company's ability to remain competitive in the markets which it serves; (x) the Company's ability to maintain its unemployment insurance premiums and workers compensation premiums; (xi) the risk of claims being made against the Company associated with providing temporary staffing services; (xii) the Company's ability to manage significant amounts of information, and periodically expand and upgrade its information processing capabilities; (xiii) the Company's ability to remain in compliance with federal and state wage and hour laws and regulations including legal requirements associated with the definition of independent contractors; (xiv) predictions as to the future need for the Company's services; (xv) uncertainties relating to the allocation of costs and expenses to each of the Company's operating segments; (xvi) the costs of conducting and the outcome of litigation involving the Company, (xvii) competition, (xiii) the spending of the Company's key customers returning to more normal levels; (xix) the likelihood of the Company increasing its share of the market in which it competes and (xx) other economic, competitive and governmental factors affecting the Company's operations, markets and services. Additional information regarding these factors is contained in the Company’s SEC filings, including, without limitation, the Company’s Annual Report on Form 10-K for the year ended December 31, 2003.

This discussion should be read in conjunction with the accompanying condensed consolidated financial statements and footnotes thereto and the audited consolidated financial statement and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

RESULTS OF OPERATIONS

The Company recorded a net income of $1.1 million or $0.08 per diluted share for the quarter ended June 30, 2004 as compared to a net loss of $13.0 million, or $1.29 per diluted share for the quarter ended June 30, 2003. Net income from continuing operations was $935,000 or $0.07 per diluted share for the current year quarter compared to a loss of $11.9 million or $1.18 per diluted share in the second quarter of 2003. A 19% increase in gross margin dollars combined with a 29% reduction in overhead expenses and a 14% decrease in interest costs were the driving forces for the turnaround in profitability.

Revenues for the current year quarter were $63.1 million, a 22% increase over the $51.7 million reported in the prior year quarter. Gross margin for the current quarter increased by $1.7 million or 19% from prior year quarter primarily due to increased volume offset slightly by lower margin percentages caused principally by business mix.

On a year-on-year basis, gross margin as a percentage of sales declined slightly to 17.4% in the current quarter from 17.9% in the prior year quarter.

The decreased overhead expense resulted from the Company's successful restructuring initiatives completed in late 2003. Depreciation expense decreased by $0.3 million or 38% and selling, general and administrative ("SG&A") expenses were cut by $0.4 million or 5%. The decrease in SG&A expenses in the second quarter 2004 compared with the second quarter 2003 principally reflects the impact of lower insurance costs ($0.2 million) and lower legal fees ($0.4 million) offset by increase in salaries ($0.3 million) reflecting the first raises in two years. Operating expenses in the 2003 quarter included nonrecurring charges for restructuring ($2.2 million), legal settlements and related costs ($2.9 million) and goodwill impairment ($12.3 million).

Interest expense for the current year quarter was down by 14% from the prior year. This favorable variance was caused by a reduction in rates on one of the Company's term loans, which was renegotiated in the fourth quarter of 2003. The benefit of the interest rate reduction combined with reduced borrowings resulted in lower interest costs for the quarter.

Sales and operating profits from the Company's largest and fastest growing operation, Butler Technical Group, exceeded the prior year quarter. In the quarter ended June 30, 2004, the Technical Group reported sales of $38.1 million, an increase of $8.6 million or 29% from the prior year quarter and operating profits of $3.7 million, an increase of $1.2 million or 45% from the prior year quarter. A large portion of the quarter on quarter increase came from work performed in the aerospace and defense sectors. The Telecommunication Services operation's sales and operating profits for the current year quarter also exceeded prior year quarter's by $3.3 million or 21% and $568,000 or 57%, respectively. The increased profitability was principally due to increased volume and reduced overhead partially offset by reduced billing rates. As a result of fewer billable employees, revenues for Technology Solutions declined to $5.7 million for the second quarter 2004 from $6.2 million for the second quarter 2003. Technology Solutions reported an operating profit for second quarter 2004 of $387,000 compared to an operating loss of $11.8 million for the same period in 2003. Technology Solutions' operating results for the second quarter 2003 included a goodwill impairment charge of approximately $12.3 million. Excluding the 2003 goodwill impairment charge, operating results for Technology Solution for the second quarter 2004 as compared to second quarter 2003 declined by $121, 000 or 24% to $387,000. Decreased volume together with a reduction in gross margin percentage partially offset by lower overhead expenses resulted in reduced operating profit for Technology Solutions.

On May 30, 2003, the Company sold its UK Operations. The total gross proceeds of the sale were $2.3 million (excluding any contingent payments based on the sold business' future earnings). The Company transferred approximately $1.1 million of cash as part of the UK Operations, resulting in a net cash inflow in 2003 related to the UK Operations divestiture of $1.2 million. The loss on disposal recorded in second quarter 2003 was approximately $1.4 million, net of tax, and was included in (loss)/income from discontinued operations. The sale agreement includes a provision that entitles the Company to an additional cash payment of $125,000 per year for the two-year period ending May 31, 2005 if the sold business achieves certain minimum performance targets. These contingent payments will be recognized as income from discontinued operations upon receipt and separately disclosed. In the second quarter of 2004, the Company received $125, 000 additional proceeds from its sale of the UK Operations.

On a year-to-date basis, net income was $1.2 million or $0.09 per diluted share. The net income from continuing operations was $1.1 million or $0.08 per diluted share thus far in 2004, compared with a loss of $13.7 million or $1.37 per diluted share in the prior year. The 2003 results included pre-tax restructuring costs of $2.4 million, goodwill impairment charges of $12.3 million and expenses related to legal settlements and their related costs, which totaled $2.9 million. The income from discontinued operations was $125,000 in 2004, compared with a loss of $950,000 in 2003.

The year-on-year improvement in operating results reflects 15% increase in gross margin combined with 7% reduction in SG&A and depreciation expenses and 18% decrease in interest costs. Year-to-date revenues were $121.0 million up from $101.2 million in 2003. Gross margin for the first six months of 2004 increased by $2.7 million from the same period in prior year primarily due to increased volume offset slightly by lower margin percentages caused principally by business mix. On a year-on-year basis, gross margin percentages declined slightly to 17.1% in the current year from 17.8% in the prior year. At June 30, 2004, the Company had approximately 2,962 billable employees as compared to 2,620 at June 30, 2003.

As a result of cost reduction programs in 2001-2003 to eliminate excess capacity and unnecessary equipment, reduce support and administrative staff and close unprofitable locations, the Company has significantly reduced its operating costs. Depreciation expense decreased by $0.6 million or 40% year-to-date and SG&A expenses were cut by $1.5 million or 8% year-to-date. The decrease in SG&A expenses in the first half 2004 compared with the first half 2003 principally reflects the impact of lower insurance costs ($0.4 million), lower legal fees ($0.5 million) and a decline in discretionary spending for equipment and office expense ($0.3 million) and travel ($0.2 million) offset by increase in salaries ($0.2 million) reflecting the first raises in two years.

Interest expense for the current year was down by 18% from the prior year. This favorable variance was caused by a reduction in rates on one of the Company's term loans, which was negotiated in the fourth quarter of 2003. The benefit of the interest rate reduction combined with reduced borrowings resulted in lower interest costs in the first half of 2004.

As discussed above, the Company sold its UK Operations on May 30, 2003 and recorded a loss on disposal of approximately $1.4 million, net of tax, for the six-month period ended June 30, 2003. In 2004, the Company received additional $125,000 performance-based contingent payment from its sale of the UK Operations.

Butler Technical Group sales and operating profits for the first six months of 2004 exceeded the prior year period by 29% and 55%, respectively. The Telecommunications Services operation also exceeded last year's sales and profit results by 16% and 55%, respectively for the six-month period. Sales and operating profits (excluding the goodwill impairment charge of $12.3 million in 2003) for Technology Solutions were 13% and 26% below the prior year period as a result of continued softness in the IT staffing services market. At June 30, 2004, billable headcount for Technical Group, Telecommunications Services and Technology Solutions was 1,752, 1,013 and 183, respectively, compare to billable headcount at June 30, 2003 of 1,563, 842, and 215, respectively.

Outlook

It is management's expectation that the Company will continue to be profitable in 2004. The Company's growth prospects are influenced by broad economic trends. The pace of customer capital spending programs, new product launches and similar activities have a direct impact on demand for services. Recent industry statistics generally support management's observations of a stronger business environment including an improvement in the rate of economic activity, capital spending and job creation in the United States in 2004. Management believes that the Company is pursuing a more focused business strategy, and should be able to capitalize on the improving marketplace.

The Company has reorganized its business over the past three years to reduce costs and achieve greater efficiencies in operation by pursuing a growth strategy focusing on key customer needs. It is management's belief that such a strategy provides Butler with an opportunity to improve performance without increasing capital expenditures, adding new resources or new fixed overhead. Growth will be dependent upon the spending of the Company's key customers returning to more normalized levels and an increase in Butler's share of the business.

Should the United States economy decline during the second half of 2004, the Company's operating performance could be adversely impacted. Further declines in the economy could result in the need for future cost reductions, change in strategy and capital infusion. Additionally, changes in government regulations could result in prohibition or restriction of certain types of employment services or the imposition of new or additional benefits, licensing or tax requirements with respect to the provision of employment services that may reduce Butler's future earnings. Butler may not be able to increase the fees charged to its clients in a timely manner and in a sufficient amount to cover increased costs as a result of any of the foregoing.

Accounting Changes

Effective December 15, 2003, the Company adopted SFAS No. 132 (Revised), *"Employers' Disclosures about Pensions and Other Postretirement Benefits'"* ("SFAS No. 132-R"). SFAS No. 132-R retains disclosure requirements of the original SFAS No. 132 and requires additional disclosures relating to assets, obligations, cash flows, and net periodic benefit cost. The Company adopted the revised disclosure requirements of this pronouncement. (See Note 5 to consolidated financial statements Employee Benefit Plans.)

In January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No.46, *"Consolidation of Variable Interest Entities - an interpretation of ARB No. 51"* ("FIN 46"). FIN 46 requires that a variable interest entity ("VIE") be consolidated when a company is subject to the majority of the risk of loss from the VIE's activities or is entitled to receive the majority of the entity's residual returns, or both. FIN 46 is effective immediately for all arrangements entered into after January 31, 2003. For those arrangements entered into prior to January 31, 2003, FIN 46 is applicable to the Company as of December 31, 2003. In December 2003, the FASB issued a revision to FIN 46 ("FIN 46R"), which partially delayed the effective date of the interpretation to March 31, 2004 and added additional scope exceptions. The adoption of applicable provisions of FIN 46 in 2003 had no impact on the Company's consolidated results of operations and financial position. Adoption of FIN 46R had no impact on the Company's consolidated results of operations and financial position.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2004, the Company had cash of approximately $0.4 million and working capital of approximately $25.0 million. Accounts receivable as measured in days sales outstanding ("DSO") at June 30, 2004 was 62.3 DSO. At June 30, 2004, the Company had approximately $27.6 million of borrowings committed (outstanding balance plus letters of credit) under its revolving credit facility with General Electric Capital Corporation ("GECC"), leaving approximately $3.1 million of availability. The Company also has two term loans with GECC. The June 30, 2004 balance outstanding under GECC Term Loan A was $16 million and under Term Loan B was $18 million. The Company also has a ten-year mortgage for its corporate office facility with a balance of $6.9 million at June 30, 2004.

The Company funds its operations primarily with cash generated by operations and borrowings under its existing revolving credit facility with GECC. The ability to borrow under the existing revolving credit facility depends on the amount of eligible collateral, which, in turn, depends on certain advance rates applied to the value of accounts receivables. Daily cash collected from customers is deposited into accounts controlled by GECC and is transferred to pay down the Company's borrowings. The Company's cash requirements are funded daily by GECC provided there are available funds. When the business has generated excess cash, the Company has borrowed under the revolving credit facility to pay down the term loans. Revenue and gross margin levels affect operating cash flow and any deterioration in the Company's performance on these financial measures would have a negative impact on the Company's liquidity. The Company is in compliance with required affirmative and financial covenants, as amended.

The Company's revolving credit facility is scheduled to expire in July 2005. The Company plans to renew or extend this facility prior to its scheduled expiration. The Company has standby letters of credit in the amount of $2.2 million as collateral against its insurance program. These letters of credit are renewed annually. The Company also has a $1.7 million letter of credit associated with its mortgage note.

Management anticipates that the existing resources and working capital should be sufficient to satisfy the Company's foreseeable cash requirements. Of course, such expectations may prove to be incorrect. Moreover, it should be noted that a continuation of losses would require the Company to seek alternative or additional financing sources. There can be no assurance that any additional financing or other sources of capital will be available on acceptable terms or at all. The inability to obtain additional financing, if needed, would have a material adverse effect on the Company's business, financial condition and results of operations.

Operating Activities

In the first six months of 2004 cash used in operations was $5.8 million as compared to cash provided by operations of $3.8 million for the same period in 2003. Although the Company had a net income of approximately $1.1 million for the first six months of 2004, adjustments for non-cash charges and net changes in operating assets and liabilities resulted in a negative cash flow from operations. Non-cash charges included $1.4 million of depreciation and amortization expense and $0.5 million from decrease in provision for deferred income taxes primarily due to use of net loss carryforwards. The net changes in operating assets and liabilities in the first six months of 2004 as compared to the first six months of 2003 included an increase in accounts receivable due to higher net sales and a decrease in current liabilities.

Investing Activities

The Company increased capital expenditures slightly to $0.4 million in the first six month of 2004 in response to the increase in personnel due to the increase in sales volume.

Financing Activities

Cash provided by financing activities was approximately $6.1 million in the first six months of 2004 as compared to cash used in financing activities of approximately $4.4 million in the first six months of 2003. The change was primarily due to the borrowings under the Company's revolving credit facility. The Company's net sales for the first six months in 2004 increased by 19.5% in 2004 thereby increasing the amount of financing required under the revolving credit facility.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

The Company uses financial instruments, including fixed and variable rate debt, to finance operations, for capital spending programs and for general corporate purposes. The Company is exposed to market risk primarily from changes in interest rates, and to a lesser extent, changes in foreign currency rates. In managing exposure to these fluctuations, the Company may engage in various hedging transactions that have been authorized according to documented policies and procedures. The Company does not use derivatives for trading purposes. The Company's capital costs are directly linked to financial and business risks.

The Company's international operations are directed from its office in Hyderabad, India. International operations accounted for less than 1% of the Company's sales for the three-month and six-month periods ended June 30, 2004. In the first six months of 2004, changes in foreign currency rates had an immaterial impact on sales and earnings per share.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Based on the evaluation of the Company's disclosure controls and procedures (as defined in Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) required by Securities Exchange Act Rules 13a-15(b) or 15d-15(b), the Company's Chief Executive Officer and Controller, with the participation of the Company's management team, have concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act was recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities Exchange Commission.

Change in internal controls.

There were no significant changes in the Company's internal controls over financial reporting or in other factors that could significantly affect these internal controls over financial reporting subsequent to the date of the most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As disclosed in Note 7 and Part II, Item 1 to the Company's 2004 Quarterly Report on Form 10-Q for the period ended March 31, 2004, the Company has reached an agreement in principal with Knott Partners, L.P. and Old Oak Partners, LLC to settle certain litigation, subject to final documentation, notice to the Company's stockholders and court approval. Notice to the Company's stockholders was mailed on or about July 23, 2004 and the hearing for court approval is schedule for August 25, 2004.

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

Due to the pending settlement of shareholder litigation (see Item 1 above) and its anticipated impact of the Board of Directors, the Annual Meeting of Stockholders has been postponed until after the court approval of the settlement agreement. The hearing for court approval is schedule for August 25, 2004.

Robert F. Hussey, a director on the Company's Board of Directors, resigned effective July 20, 2004 for personal reasons. Ronald Uyematsu has been appointed by the Board of Directors to replace Mr. Hussey. Mr. Uyematsu will stand for election to the Board of Directors at the 2004 Annual Meeting of Stockholders.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit Index is included after signatures. New exhibits, listed as follows, are attached:

Exhibit No.	Description
3.2	Amended and Restated By-laws of the Registrant, as amended, filed herewith as Exhibit 3.2.
10.35(g)	Seventh Amendment and Waiver, dated July 1, 2004, between Butler Service Group, Inc. and General Electric Capital Corporation, filed herewith as Exhibit 10.35(g).
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer, filed herewith as Exhibit 31.1.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Vice President - Finance and Controller filed herewith as Exhibit 31.2.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer, filed herewith as Exhibit 32.1.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Vice President - Finance and Controller filed herewith as Exhibit 32.2.

(b) Reports on Form 8-K.

On July 29, 2004, the Company filed a current report on Form 8-K to provide a copy of a news release announcing the Company's financial results for the second quarter ended June 30, 2004.

BUTLER INTERNATIONAL, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 10, 2004

BUTLER INTERNATIONAL, INC.
(Registrant)

By: /s/ Edward M. Kopko
Edward M. Kopko
Chairman of the Board of Directors
and Chief Executive Officer

By: /s/ Craig S. Tireman
Craig S. Tireman
Vice President - Finance
and Controller

BUTLER INTERNATIONAL, INC.
EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Incorporation of the Registrant, as amended, filed as Exhibit No. 3(a) to the Registrant's Registration Statement on Form S-4, Registration No. 33-10881 (the "S-4"), and hereby incorporated by reference.
3.2	Amended and Restated By-laws of the Registrant, as amended, filed herewith as Exhibit 3.2.
3.3	Articles Supplementary to the Articles of Incorporation (Series B 7% Cumulative Convertible Preferred Shares), as filed with the Department of Assessments and Taxation of the State of Maryland on September 29, 1992, filed as Exhibit No. 4.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 27, 1992, and hereby incorporated by reference.
3.4	Amendment to Articles Supplementary to the Articles of Incorporation (Series B 7% Cumulative Convertible Preferred Shares) as filed with the Department of Assessments and Taxation of the State of Maryland on July 12, 1993, filed as Exhibit No. 3.4 to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2001, and hereby incorporated by reference.
4.1	Specimen Stock Certificate for the Registrant's common stock, par value $.001 per share, filed as Exhibit No. 4.1 to the Registrant's Registration Statement on Form S-1, Registration No. 33-2479 (the "S-1"), and hereby incorporated by reference.
4.2	Specimen Stock Certificate representing the Registrant's Series B 7% Cumulative Convertible Preferred Stock, par value $.001 per share, filed as Exhibit No. 4.5 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992, and hereby incorporated by reference.
10.1*	Incentive Stock Option Plan of the Registrant, as amended, filed as Exhibit No. 10.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.2*	Stock Option Plan of the Registrant, as amended, filed as Exhibit No. 10.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.3*	1989 Directors Stock Option Plan of the Registrant, dated November 1, 1988, as amended, filed as Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.4*	Stock Purchase Agreement, dated September 19, 1990, between North American Ventures, Inc. and Edward M. Kopko, filed as Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.5*	Plan Pledge Agreement, dated September 19, 1990, between North American Ventures, Inc. and Edward M. Kopko, filed as Exhibit No. 10.32 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.6*	Plan Promissory Note, dated January 16, 1991, executed by Edward M. Kopko, and made payable to the order of North American Ventures, Inc. in the amount of $445,000, filed as Exhibit No. 10.33 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.

* Denotes compensatory plan, compensation arrangement, or management contract.

Exhibit No.	Description
10.7*	Pledge Agreement, dated January 16, 1991, between North American Ventures, Inc. and Edward M. Kopko, filed as Exhibit No. 10.34 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.8*	Promissory Note, dated January 16, 1991, executed by Edward M. Kopko and made payable to the order of North American Ventures, Inc. in the amount of $154,999.40, filed as Exhibit No. 10.35 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.9*	Form of Plan Pledge Agreement, dated September 19, 1990, between North American Ventures, Inc. and each of John F. Hegarty, Hugh G. McBreen, and Frederick H. Kopko, Jr. ("Outside Directors"), filed as Exhibit No. 10.36 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.10*	Form of Plan Promissory Note, dated September 19, 1990, each executed by an Outside Director and each made payable to the order of North American Ventures, Inc. in the amount of $185,000, filed as Exhibit No. 10.37 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.11*	Form of Stock Purchase Agreement, dated November 4, 1988, between North American Ventures, Inc. and each of the Outside Directors, filed as Exhibit No. 10.38 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.12*	Form of Pledge Agreement, dated January 16, 1991, between North American Ventures, Inc. and each of the Outside Directors, filed as Exhibit No. 10.39 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.13*	Form of Promissory Note, dated January 16, 1991, executed by each of the Outside Directors and each payable to the order of North American Ventures, Inc., in the amount of $63,000, filed as Exhibit 10.40 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.14*	Form of Pledge Agreement, dated January 16, 1991, between North American Ventures, Inc. and each of the Outside Directors, filed as Exhibit No. 10.41 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.15*	Form of Promissory Note, dated January 16, 1991, executed by each of John F. Hegarty and Hugh G. McBreen and each made payable to the order of North American Ventures, Inc. in the amount of $54,000, filed as Exhibit No. 10.42 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.16*	Form of Promissory Note, dated January 16, 1991, executed by each of the Outside Directors and each payable to the order of North American Ventures, Inc., in the amount of $225,450, filed as Exhibit No. 10.43 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.17*	Form of Pledge Agreement, dated January 16, 1991, between North American Ventures, Inc. and each of the Outside Directors, filed as Exhibit No. 10.44 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.

* Denotes compensatory plan, compensation arrangement, or management contract.

Exhibit No.	Description
10.18*	Form of Security Agreement, dated January 16, 1991, between North American Ventures, Inc. and each of the Outside Directors, filed as Exhibit No. 10.45 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.19*	1990 Employee Stock Purchase Plan of the Registrant, as amended, filed as Exhibit No. 10.46 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference.
10.20*	Employment Agreement, dated December 7, 1991, among North American Ventures, Inc., Butler Service Group, Inc. and Edward M. Kopko, filed as Exhibit 10.33 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, and hereby incorporated by reference.
10.20(a)*	Second Amended and Restated Employment Agreement, dated December 12, 2002 among Butler International, Inc., Butler Service Group, Inc. and Edward M. Kopko, filed as exhibit 10.20(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002 and hereby incorporated by reference.
10.21*	Stock Purchase Agreement, dated December 17, 1991, between North American Ventures, Inc. and Edward M. Kopko, filed as Exhibit No. 10.34 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, and hereby incorporated by reference.
10.22*	Plan Pledge Agreement, dated December 17, 1991, between North American Ventures, Inc. and Edward M. Kopko, filed as Exhibit No. 10.35 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, and hereby incorporated by reference.
10.23*	Plan Promissory Note, dated December 17, 1991, executed by Edward M. Kopko, and made payable to the order of North American Ventures, Inc. in the amount of $84,000, filed as Exhibit No. 10.36 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, and hereby incorporated by reference.
10.24*	Form of Stock Purchase Agreement, dated December 17, 1991, between North American Ventures, Inc. and each of John F. Hegarty and Hugh G. McBreen, filed as Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, and hereby incorporated by reference.
10.25*	Form of Plan Pledge Agreement, dated December 17, 1991, between North American Ventures, Inc. and each of John F. Hegarty and Hugh G. McBreen, filed as Exhibit 10.38 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, and hereby incorporated by reference.
10.26*	Form of Plan Promissory Note, dated December 17, 1991, executed each of John F. Hegarty and Hugh G. McBreen, and each made payable to the order of North American Ventures, Inc., in the amount of $42,000, filed as Exhibit No. 10.39 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, and hereby incorporated by reference.
10.27*	1992 Stock Option Plan, filed as Exhibit 10.40 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992, and hereby incorporated by reference.
10.28*	1992 Incentive Stock Option Plan, filed as Exhibit 10.41 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992, and hereby incorporated by reference.

* Denotes compensatory plan, compensation arrangement, or management contract.

BUTLER INTERNATIONAL, INC.
EXHIBIT INDEX (Continued)

Exhibit No.	Description
10.29*	1992 Stock Bonus Plan, filed as Exhibit No. 10.42 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992, and hereby incorporated by reference.
10.30*	1992 Stock Option Plan for Non-Employee Directors, filed as Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992, and hereby incorporated by reference.
10.31*	Butler Service Group, Inc. Employee Stock Ownership Plan and Trust Agreement, filed as Exhibit No. 19.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1987, and hereby incorporated by reference.
10.32*	Form of Promissory Note dated May 3, 1995 in the original principal amount of $142,500 executed by Frederick H. Kopko, Jr. and Hugh G. McBreen, and made payable to the order of Butler International, Inc., filed as Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995, and hereby incorporated by reference.
10.33*	Form Pledge Agreement dated May 3, 1995 between Butler International, Inc. and each of Frederick H. Kopko, Jr. and Hugh G. McBreen, filed as Exhibit 10.44 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995, and hereby incorporated by reference.
10.34	Second Amended and Restated Credit Agreement dated September 28, 2001, between Butler Service Group, Inc. and General Electric Capital Corporation, filed as Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001, and hereby incorporated by reference.
10.35(a)	First Amendment Agreement, dated as of February 27, 2002, between Butler Service Group, Inc. and General Electric Corporation, filed as Exhibit 10.37(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001, and hereby incorporated by reference.
10.35(b)	Second Amendment and Waiver, dated November 14, 2002, between Butler Service Group, Inc. and General Electric Corporation, filed as Exhibit 10.36(b) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, and hereby incorporated by reference.
10.35(c)	Third Amendment and Waiver, dated March 27, 2003, between Butler Service Group, Inc. and General Electric Corporation, filed as Exhibit 10.36(c) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002 and hereby incorporated by reference.
10.35(d)	Fourth Amendment and Waiver, dated May 14, 2003, between Butler Service Group, Inc. and General Electric Capital Corporation, filed as Exhibit 10.36(d) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003 and hereby incorporated by reference.
10.35(e)	Fifth Amendment and Waiver, dated November 14, 2003, between Butler Service Group, Inc. and General Electric Capital Corporation, filed as Exhibit 10.36(e) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003 and hereby incorporated by reference.
10.35(f)	Sixth Amendment and Waiver, dated March 30, 2004, between Butler Service Group, Inc. and General Electric Capital Corporation, filed as Exhibit 10.36(f) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003, and hereby incorporated by reference.
10.35(g)	Seventh Amendment and Waiver, dated July 1, 2004, between Butler Service Group, Inc. and General Electric Capital Corporation, filed herewith as Exhibit 10.35(g).

* Denotes compensatory plan, compensation arrangement, or management contract.

Exhibit No.	Description
10.36*	Form of Promissory Note dated January 28, 1998 in the original amount of $168,278.74 executed by Hugh G. McBreen and made payable to the order of Butler International, Inc., filed as Exhibit 10.40 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, and hereby incorporated by reference.
10.37*	Form Pledge Agreement dated January 28, 1998 between Butler International, Inc. and Hugh G. McBreen, filed as Exhibit 10.41 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, and hereby incorporated by reference.
10.38*	Form of Promissory Note dated October 13, 1998 in the original amount of $181,000 executed by Frederick H. Kopko, Jr. and made payable to Butler International, Inc. filed as Exhibit 10.48 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, and hereby incorporated by reference.
10.39*	Form Pledge Agreement dated October 13, 1998 between Butler International, Inc. and Frederick H. Kopko, Jr., filed as Exhibit 10.49 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998, and hereby incorporated by reference.
10.40*	Form of Promissory Note dated March 2, 1999 in the original amount of $890,625 executed by Edward M. Kopko and made payable to Butler International, Inc. filed as Exhibit 10.50 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, and hereby incorporated by reference.
10.41*	Form Pledge Agreement dated March 2, 1999 between Butler International, Inc. and Edward M. Kopko, filed as Exhibit 10.51 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, and hereby incorporated by reference.
10.42*	Form of Promissory Note dated March 2, 1999 in the original amount of $822,441 executed by Edward M. Kopko and made payable to Butler International, Inc. filed as Exhibit 10.52 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, and hereby incorporated by reference.
10.43*	Form of Promissory Note dated September 12, 2000 in the original amount of $367,000 executed by Edward M. Kopko and made payable to Butler International, Inc. filed as Exhibit 10.48 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000, and hereby incorporated by reference.
10.44*	Form Pledge Agreement dated September 12, 2000 between Butler International, Inc. and Edward M. Kopko, filed as Exhibit 10.49 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000, and hereby incorporated by reference.
10.45*	Form of Promissory Note dated September 12, 2000 in the original amount of $36,700 executed by R. Scott Silver-Hill and made payable to Butler International, Inc. filed as Exhibit 10.50 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000, and hereby incorporated by reference.
10.46*	Form Pledge Agreement dated September 12, 2000 between Butler International, Inc. and R. Scott Silver-Hill, filed as Exhibit 10.51 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000, and hereby incorporated by reference.

* Denotes compensatory plan, compensation arrangement, or management contract.

Exhibit No.	Description
10.47	Form of Promissory Note dated January 2, 2002 in the original amount of $362,250 executed by Bridge Financing Partners LLC and made payable to Butler International, Inc. filed as Exhibit 10.53 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002, and hereby incorporated by reference.
10.48	Form Pledge Agreement dated January 2, 2002 between Butler International, Inc. and Bridge Financing Partners LLC filed as Exhibit 10.54 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002, and hereby incorporated by reference.
10.49*	Form of Promissory Note dated March 12, 2002 in the original amount of $219,750 executed by Frederick H. Kopko, Jr. and made payable to Butler International, Inc. filed as Exhibit 10.55 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002, and hereby incorporated by reference.
10.50*	Form Pledge Agreement dated March 12, 2002 between Butler International, Inc. and Frederick H. Kopko, Jr. filed as Exhibit 10.56 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002, and hereby incorporated by reference.
10.51	Form of Promissory Note dated March 12, 2002 in the original amount of $186,180 executed by Hugh G. McBreen and made payable to Butler International, Inc. filed as Exhibit 10.57 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002, and hereby incorporated by reference.
10.52	Form Pledge Agreement dated March 12, 2002 between Butler International, Inc. and Hugh G. McBreen filed as Exhibit 10.58 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002, and hereby incorporated by reference.
10.53	Mortgage and Security Agreement dated September 30, 2002, between Butler of New Jersey Realty Corp. and GMAC Commercial Mortgage Corp., filed as Exhibit 10.58 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, and hereby incorporated by reference.
10.53(a)	Promissory Note dated September 30, 2002, between Butler of New Jersey Realty Corp. and GMAC Commercial Mortgage Corp., filed as Exhibit 10.58(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, and hereby incorporated by reference.
10.54*	Notification of Default Letter date May 12, 2003 to Board of Directors, Butler International, Inc. regarding Edward M. Kopko's employment agreement, filed as Exhibit 10.55 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003, and hereby incorporated by reference.
10.55*	Senior Management Employment Agreement between Butler Technology Solutions and Ivan Estes, filed as Exhibit 10.56 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000, and hereby incorporated by reference.
10.56*	Senior Management Employment Agreement between Butler Technical Group and James Beckley, filed as Exhibit 10.57 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000, and hereby incorporated by reference.

* Denotes compensatory plan, compensation arrangement, or management contract.

BUTLER INTERNATIONAL, INC.
EXHIBIT INDEX (Continued)

Exhibit No.	Description
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer, filed herewith as Exhibit 31.1.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Vice President - Finance and Controller filed herewith as Exhibit 31.2.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer, filed herewith as Exhibit 32.1.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Vice President - Finance and Controller filed herewith as Exhibit 32.2.

* Denotes compensatory plan, compensation arrangement, or management contract.