

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2004-08-12** | Period of Report: **2004-06-30**
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FILER

BUTLER INTERNATIONAL INC /MD/

CIK: **786765** | IRS No.: **061154321** | State of Incorpor.: **MD** | Fiscal Year End: **1231**
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**FORM 10-Q
(Mark One)**

Q 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 Q No £

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes £ No Q

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.

Form 10-Q for Period Ended June 30, 2004

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	As of	
	June 30,	December 31,
	2004	2003
	(unaudited)	
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	<u>(652)</u>	<u>(598)</u>
Sub-total	18,288	17,166
Less - Treasury stock 15,473 shares in 2004 and 2003	(89)	(89)
Total stockholders' equity	<u>18,199</u>	<u>17,077</u>
Total liabilities and stockholders' equity	<u>\$ 104,219</u>	<u>\$ 98,566</u>

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	2003
	(unaudited)	(unaudited)
Net sales	\$ 63,055	\$ 51,698
Cost of sales	<u>52,077</u>	<u>42,437</u>
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	<u>-</u>	<u>12,331</u>
Operating income/(loss)	2,264	(17,539)
Interest expense	<u>(1,039)</u>	<u>(1,205)</u>
Income/(loss) from continuing operations before income tax	1,225	(18,744)
Income tax expense/(benefit)	<u>290</u>	<u>(6,827)</u>

Income/(loss) from continuing operations	935	(11,917)
Income/(loss) from discontinued operations, net of tax	<u>125</u>	<u>(1,125)</u>
Net income/(loss)	<u>\$ 1,060</u>	<u>\$ (13,042)</u>

Earnings/(loss) per share of common stock:

Basic:		
Continuing operations	\$ 0.08	\$ (1.18)
Discontinued operations	0.01	(0.11)
	<u>\$ 0.09</u>	<u>\$ (1.29)</u>

Assuming dilution:		
Continuing operations	\$ 0.07	\$ (1.18)
Discontinued operations	0.01	(0.11)
	<u>\$ 0.08</u>	<u>\$ (1.29)</u>

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	2003
	(unaudited)	(unaudited)
Net sales	\$ 120,967	\$ 101,197
Cost of sales	<u>100,278</u>	<u>83,183</u>
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	<u>-</u>	<u>12,331</u>
Operating income/(loss)	3,503	(18,890)
Interest expense	<u>(2,034)</u>	<u>(2,468)</u>
Income/(loss) from continuing operations before income tax	1,469	(21,358)
Income tax expense/(benefit)	<u>382</u>	<u>(7,615)</u>

Income/(loss) from continuing operations	1,087	(13,743)
Income/(loss) from discontinued operations, net of tax	<u>125</u>	<u>(950)</u>
Net income/(loss)	<u>\$ 1,212</u>	<u>\$ (14,693)</u>
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)
	<u>\$ 0.10</u>	<u>\$ (1.46)</u>
Assuming dilution:		
Continuing operations	\$ 0.08	\$ (1.37)
Cumulative effect of accounting change	-	-
Discontinued operations	0.01	(0.09)
	<u>\$ 0.09</u>	<u>\$ (1.46)</u>
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,

	<u>2004</u>	<u>2003</u>
	(unaudited)	(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
	<u> </u>	<u> </u>
Net cash (used in)/provided by operating activities	<u>(5,826)</u>	<u>3,833</u>

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	<u>(416)</u>	<u>922</u>

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	<u>6,094</u>	<u>(4,374)</u>
Effect of exchange rate changes on cash	(54)	(2)
Net cash provided by discontinued operations	<u>125</u>	<u>1,169</u>
Net (decrease)/increase in cash	(77)	1,548
Cash at beginning of period	<u>489</u>	<u>1,106</u>
Cash at end of period	<u>\$ 412</u>	<u>\$ 2,654</u>

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

BUTLER INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular information in thousands, except per share amounts)

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.

BUTLER INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular information in thousands, except per share amounts)

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

	For the Three-Month		For the Six-Month	
	Period Ended June 30,		Period Ended June 30,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
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
	<u>\$ 63,055</u>	<u>\$ 51,698</u>	<u>\$ 120,967</u>	<u>\$ 101,197</u>
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)
	<u>\$ 2,264</u>	<u>\$ (17,539)</u>	<u>\$ 3,503</u>	<u>\$ (18,890)</u>
Consolidated Total	<u>\$ 2,264</u>	<u>\$ (17,539)</u>	<u>\$ 3,503</u>	<u>\$ (18,890)</u>

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.

BUTLER INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(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,		For the Six-Month Period Ended June 30,	
	2004	2003	2004	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)
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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:

	For the Three-Month Period Ended June 30,		For the Six-Month Period Ended June 30,	
	2004	2003	2004	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.

BUTLER INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(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,		For the Six-Month Period Ended June 30,	
	2004	2003	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,	Additional		Balance at June 30,	
	2003	Charges	Adjustments	Payments	2004
Severance and other employee costs	\$ 172	\$ -	\$ -	\$ (31)	\$ 141
Facility closing costs	1,076	-	-	(390)	686
Total restructuring	<u>\$ 1,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (421)</u>	<u>\$ 827</u>

BUTLER INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(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 the discontinued operations is as follows:

	For the Three-Month Period Ended June 30,		For the Six-Month Period Ended June 30,	
	2004	2003	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)

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,		For the Six-Month Period Ended June 30,	
	2004	2003	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)

BUTLER INTERNATIONAL, INC.

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, (xviii) 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.

BUTLER INTERNATIONAL, INC.

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.

BUTLER INTERNATIONAL, INC.

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 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 the 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.

BUTLER INTERNATIONAL, INC.

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.

BUTLER INTERNATIONAL, INC.

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:

<u>Exhibit No.</u>	<u>Description</u>
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 12, 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.

BUTLER INTERNATIONAL, INC.
EXHIBIT INDEX (Continued)

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.

BUTLER INTERNATIONAL, INC.
EXHIBIT INDEX (Continued)

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.

BUTLER INTERNATIONAL, INC.
EXHIBIT INDEX (Continued)

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.

BUTLER INTERNATIONAL, INC.
EXHIBIT INDEX (Continued)

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.

BUTLER INTERNATIONAL, INC.
AMENDED AND RESTATED BYLAWS
(adopted July 20, 2004)

ARTICLE I
OFFICES

Section 1. PRINCIPAL OFFICE. The principal office of the Corporation in the State of Maryland shall be located at such place or places as the Board of Directors may designate.

Section 2. ADDITIONAL OFFICES. The Corporation may have additional offices, including a principal executive office, at such places as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 1. PLACE. All meetings of stockholders shall be held at the principal executive office of the Corporation or at such other place as shall be set by the Board of Directors and stated in the notice of the meeting.

Section 2. ANNUAL MEETING. An annual meeting of the stockholders for the election of directors and the transaction of any business within the powers of the Corporation shall be held on a date and at the time set by the Board of Directors between September 15 and October 15, for the stockholders meeting to be held in the year 2004, and between May 15 and June 15, for stockholders meetings to be held in subsequent years.

Section 3. SPECIAL MEETINGS. The president, chief executive officer or Board of Directors may call special meetings of the stockholders. Special meetings of stockholders shall also be called by the secretary of the Corporation upon the written request of the holders of shares entitled to cast no less than a majority of all the votes entitled to be cast at such meeting. Such request shall state the purpose of such meeting and the matters proposed to be acted on at such meeting. The secretary shall inform such stockholders of the reasonably estimated cost of preparing and mailing notice of the meeting and, upon payment to the Corporation by such stockholders of such costs, the secretary shall give notice to each stockholder entitled to notice of the meeting.

Section 4. NOTICE. Not less than ten nor more than 90 days before each meeting of stockholders, the secretary shall give to each stockholder entitled to vote at such meeting and to each stockholder not entitled to vote who is entitled to notice of the meeting, written or printed notice stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by any statute, the purpose for which the meeting is called, either by mail, by presenting it to such stockholder personally, by leaving it at the stockholder's residence or usual place of business or by any other means permitted by Maryland law. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the stockholder at the stockholder's address as it appears on the records of the Corporation, with postage thereon prepaid.

EXHIBIT 3.2 (Continued)

Section 5. SCOPE OF NOTICE. Any business of the Corporation may be transacted at an annual meeting of stockholders without being specifically designated in the notice, except such business as is required by any statute to be stated in such notice. No business shall be transacted at a special meeting of stockholders except as specifically designated in the notice.

Section 6. ORGANIZATION. At every meeting of stockholders, the chairman of the board, if there be one, shall conduct the meeting or, in the case of vacancy in office or absence of the chairman of the board, one of the following officers present shall conduct the meeting in the order stated: the vice chairman of the board, if there be one, the president, the vice presidents in their order of rank and seniority or, in the absence of such director or officers, a chairman chosen by the stockholders entitled to cast a majority of the votes which all stockholders present in person or by proxy are entitled to cast, shall act as chairman, and the secretary, or, in his or her absence, an assistant secretary, or in the absence of both the secretary and assistant secretaries, a person appointed by the chairman shall act as secretary.

Section 7. QUORUM. At any meeting of stockholders, the presence in person or by proxy of stockholders entitled to cast a majority of all votes entitled to be cast at such meeting shall constitute a quorum; but this section shall not affect any requirement under any statute or the charter of the Corporation for the vote necessary for the adoption of any measure. If, however, such quorum shall not be present at any meeting of the stockholders, the chairman of the meeting or the stockholders entitled to vote at such meeting, present in person or by proxy, shall have the power to adjourn the meeting from time to time to a date not more than 120 days after the original record date without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

The stockholders present either in person or by proxy, at a meeting which has been duly called and convened, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 8. VOTING. A plurality of all the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to elect a director. Each share may be voted for as many individuals as there are directors to be elected and for whose election the share is entitled to be voted. A majority of the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required by statute or by the charter of the Corporation. Unless otherwise provided in the charter, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders.

Section 9. PROXIES. A stockholder may cast the votes entitled to be cast by the shares of stock owned of record by the stockholder, in person or by proxy executed by the stockholder or by the stockholder's duly authorized agent in any manner permitted by law. Such proxy or evidence of authorization of such proxy shall be filed with the secretary of the Corporation before or at the meeting. No proxy shall be valid more than eleven months after its voting date, unless otherwise provided in the proxy.

EXHIBIT 3.2 (Continued)

Section 10. VOTING OF STOCK BY CERTAIN HOLDERS. Stock of the Corporation registered in the name of a corporation, partnership, trust or other entity, if entitled to be voted, may be voted by the president or a vice president, a general partner or trustee thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such stock pursuant to a bylaw or a resolution of the governing body of such corporation or other entity or agreement of the partners of a partnership presents a certified

copy of such bylaw, resolution or agreement, in which case such person may vote such stock. Any director or other fiduciary may vote stock registered in his or her name as such fiduciary, either in person or by proxy.

Shares of stock of the Corporation directly or indirectly owned by it shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares entitled to be voted at any given time, unless they are held by it in a fiduciary capacity, in which case they may be voted and shall be counted in determining the total number of outstanding shares at any given time.

The Board of Directors may adopt by resolution a procedure by which a stockholder may certify in writing to the Corporation that any shares of stock registered in the name of the stockholder are held for the account of a specified person other than the stockholder. The resolution shall set forth the class of stockholders who may make the certification, the purpose for which the certification may be made, the form of certification and the information to be contained in it. On receipt of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the stockholder of record of the specified stock in place of the stockholder who makes the certification.

Notwithstanding any other provision of the charter of the Corporation or these Bylaws, Title 3, Subtitle 7 of the Maryland General Corporation Law (or any successor statute) shall not apply to any acquisition by any person of shares of stock of the Corporation. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

Section 11. INSPECTORS. At any meeting of stockholders, the chairman of the meeting may appoint one or more persons as inspectors for such meeting. Such inspectors shall ascertain and report the number of shares represented at the meeting based upon their determination of the validity and effect of proxies, count all votes, report the results and perform such other acts as are proper to conduct the election and voting with impartiality and fairness to all the stockholders.

Each report of an inspector shall be in writing and signed by him or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be *prima facie* evidence thereof.

Section 12. NOMINATIONS AND PROPOSALS BY STOCKHOLDERS.

(a) Annual Meetings of Stockholders.

EXHIBIT 3.2 (Continued)

(1) Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record both at the time of giving of notice provided for in this Section 12(a) and at the time of the annual meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 12(a).

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a)(1) of this Section 12, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation and such other business must otherwise be a proper matter for action by

stockholders. To be timely, a stockholder's notice shall be delivered to the secretary at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date or if the Corporation has not previously held an annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of a postponement or adjournment of an annual meeting to a later date or time commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and of the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the stockholder giving notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (x) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (y) the number of shares of each class of stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

EXHIBIT 3.2 (Continued)

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Section 12 to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 12(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(b) *Special Meetings of Stockholders.* Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) provided that the Board of Directors has determined that directors shall be elected at such special meeting, by any stockholder of the Corporation who is a stockholder of record both at the time of giving notice provided for in this Section 12(b) and at the time of the special meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 12(b). In the event that the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be) for election to such position as specified in the Corporation's notice of meeting, if the stockholder's notice containing the information required by paragraph (a)(2) of this Section 12 shall be delivered to the secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later

of the 90th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of a postponement or adjournment of a special meeting to a later date or time commence a new time period for giving of a stockholder's notice as described above.

(c) *General.*

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 12 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 12. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 12 and, if any proposed nomination or business is not in compliance with this Section 12, to declare that such nomination or proposal shall be disregarded.

EXHIBIT 3.2 (Continued)

(2) For purposes of this Section 12, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 12, a stockholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 12. Nothing in this Section 12 shall be deemed to affect any rights of stockholders to request inclusion of proposals in, nor any rights of the Corporation to omit a proposal from, the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 13. VOTING BY BALLOT. Voting on any question or in any election may be *viva voce* unless the presiding officer shall order or any stockholder shall demand that voting be by ballot.

**ARTICLE III
DIRECTORS**

Section 1. GENERAL POWERS; QUALIFICATIONS. The business and affairs of the Corporation shall be managed under the direction of its Board of Directors.

Section 2. NUMBER, QUALIFICATION AND TENURE. The number of directors shall be nine and the number of classes shall be five, which numbers may be increased or decreased as provided herein. The number of directors and the number of classes may be increased or decreased by an amendment of this section, which amendment shall be accomplished by an affirmative vote of at least 75% of the directors. However, no decrease in the number of directors or number of classes shall have the effect of shortening the term of office of an incumbent director. The Board of Directors shall never be less than three (3) or more than twelve (12), and the number of classes shall never be less than three (3) or more than five (5). If the number of directors is increased, the additional directors thus created may be elected by a majority vote of the entire Board of Directors and by the stockholders at their next annual meeting. Any vacancy occurring for any cause other than an increase in the number of directors may be filled by a majority of the remaining members of the Board of Directors, although such majority is less than a quorum. A director elected by the Board of Directors to fill a vacancy, for any cause, shall be elected to hold office until the next

annual meeting of stockholders, or until his successor is elected and qualifies, or until such director's earlier death, resignation, retirement or removal.

The Board of Directors at its first meeting after the adoption of these Amended and Restated Bylaws shall continue to classify the directors with respect to the period of time for which they shall serve into five classes and the director(s) shall continue to serve until the expiration of their respective terms or their earlier resignation or removal. The continuing director(s) in the first class shall continue to serve until the stockholders meeting held in the year 2005, and any new director(s) in the first class shall, if elected, serve until the stockholders meeting held in the year 2005; the continuing director(s) in the second, third and fourth class shall continue to serve until the stockholders meeting held in the year 2006, 2007 and 2008, and any new director(s) in the second, third and fourth class shall, if elected, serve until the stockholders meeting held in the years 2006, 2007 and 2008; and the director(s) in the fifth class shall, if elected, serve until the shareholders meeting held in the year 2009. Thereafter, the successors to the class of director(s) whose terms shall expire in that year shall be elected to hold office for a full term of five years, so that the term of office of one class of director(s) shall expire in each year.

EXHIBIT 3.2 (Continued)

Whenever under the provisions hereof, the number of Directors is increased and vacancies caused by such increase are filled by the Board of Directors, the Board of Directors in filling such vacancies shall classify such Directors so elected in its sole and absolute discretion.

Directors need not be residents of Maryland or stockholders of the Corporation.

This section may be altered, amended, or repealed only by affirmative vote of at least 75% of the directors then in office.

Section 3. ANNUAL AND REGULAR MEETINGS. An annual meeting of the Board of Directors shall be held immediately after and at the same place as the annual meeting of stockholders, no notice other than this Bylaw being necessary. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Maryland, for the holding of regular meetings of the Board of Directors without other notice than such resolution.

Section 4. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the chairman of the board or the president or by a majority of the directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Maryland, as the place for holding any special meeting of the Board of Directors called by them.

Section 5. NOTICE. Notice of any special meeting of the Board of Directors shall be delivered personally or by telephone, facsimile transmission, United States mail or courier to each director at his business or residence address. Notice by personal delivery, by telephone or a facsimile transmission shall be given at least two days prior to the meeting. Notice by mail shall be given at least five days prior to the meeting and shall be deemed given when deposited in the United States mail properly addressed, with postage thereon prepaid. Telephone notice shall be deemed to be given when the director is personally given such notice in a telephone call to which he is a party. Facsimile transmission notice shall be deemed to be given upon completion of the transmission of the message to the number given to the Corporation by the directors and receipt of a completed answer-back indicating receipt. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Board of Directors need be stated in the notice, unless specifically required by statute or these Bylaws.

Section 6. QUORUM. A majority of the directors shall constitute a quorum for transaction of business at any meeting of the Board of Directors, provided that, if less than a majority of such directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to the charter of the Corporation or these Bylaws, the vote of a majority of a particular group of directors is required for action, a quorum must also include a majority of such group.

The directors present at a meeting which has been duly called and convened may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

EXHIBIT 3.2 (Continued)

Section 7. REMOVAL. Before expiration of his term, a director may only be removed for cause and for no other reason. A director may be removed for cause at any meeting of stockholders, duly called and at which a quorum is present, by the affirmative vote of the holders of 80% of the votes entitled to be cast thereon. At such meeting, after the removal of a director, the stockholders may elect a successor or successors to fill any resulting vacancies for the unexpired terms of the removed directors. This section may be altered, amended, or repealed only by an affirmative vote of at least 75% of the directors then in office.

Section 8. VOTING. The action of the majority of directors present for the purpose of determining a quorum at a meeting at which a quorum is present shall be action of the Board of Directors, unless the concurrence of a greater proportion is required for such action by applicable law or the charter.

Section 9. TELEPHONE MEETINGS. Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 10. WRITTEN CONSENT BY DIRECTORS. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if a consent in writing to such action is signed by each director and such written consent is filed with the minutes of the proceedings of the Board of Directors.

Section 11. VACANCIES. If for any reason any or all the directors cease to be directors, such event shall not terminate the Corporation or affect these Bylaws or the powers of the remaining directors hereunder. Any vacancy on the Board of Directors may be filled by a majority of the remaining directors, even if such majority is less than a quorum. Any individual so elected as director shall serve for the remainder of the full term of the directorship in which the vacancy occurred.

Section 12. COMPENSATION. Directors shall not receive any stated salary for their services as directors, but by resolution of the Board of Directors, may receive compensation per year and/or per meeting and/or per visit to real property or other facilities owned or leased by the Corporation and for any service or activity they performed or engaged in as directors. Directors may be reimbursed for expenses of attendance, if any, at each annual, regular or special meeting of the Board of Directors or of any committee thereof and for their expenses, if any, in connection with each property visit and any other service or activity they performed or engaged in as directors; but nothing herein contained shall be construed to preclude any directors from serving the Corporation in any other capacity and receiving compensation therefore.

Section 13. LOSS OF DEPOSITS. No director shall be liable for any loss which may occur by reason of the failure of the bank, trust company, savings and loan association, or other institution with whom monies or stocks have been deposited.

Section 14. SURETY BONDS. Unless required by law, no director shall be obligated to give any bond or surety or other security for the performance of any of his or her duties.

EXHIBIT 3.2 (Continued)

Section 15. RELIANCE. Each director, officer, employee and agent of the Corporation shall, in the performance of his or her duties with respect to the Corporation, be fully justified and protected with regard to any act or failure to act in reliance in good faith upon the books of account or other records of the Corporation, upon an opinion of counsel or upon reports made to the Corporation by any of its officers or employees or by the adviser, accountants, appraisers or other experts or consultants selected by the Board of Directors or offices of the Corporation, regardless of whether such counsel or expert may also be a director.

Section 16. CERTAIN RIGHTS OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS. The directors shall have no responsibility to devote their full time to the affairs of the Corporation. Any director or officer, employee or agent of the Corporation, in his or her personal capacity or in a capacity as an affiliate, employee, or agent of any other person, or otherwise, may have business interests and engage in business activities similar to or in addition to or in competition with those of or relating to the Corporation.

**ARTICLE IV
COMMITTEES**

Section 1. NUMBER, TENURE AND QUALIFICATIONS. The Board of Directors may appoint from among its members a Nominations Committee, an Audit Committee, a Compensation Committee, a Rule 4350(h) Committee, and other committees, composed of one or more directors, to serve at the pleasure of the Board of Directors.

Section 2. POWERS. The Board of Directors may delegate to committees appointed under Section 1 of this Article any of the powers of the Board of Directors, except as prohibited by law.

Section 3. MEETINGS. Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Directors. A majority of the members of the committee shall constitute a quorum for the transaction of business at any meeting of the committee. The act of a majority of the committee members present at a meeting shall be the act of such committee (if there are more than two). The Board of Directors may designate a chairman of any committee, and such chairman or any two members of any committee may fix the time and place of its meeting unless the Board shall otherwise provide. In the absence of any member of any such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint another director to act in the place of such absent member. Each committee shall keep minutes of its proceedings.

Section 4. TELEPHONE MEETINGS. Members of a committee of the Board of Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 5. INFORMAL ACTION BY COMMITTEES. Any action required or permitted to be taken at any meeting of a committee of the Board of Directors may be taken without a meeting, if a consent in writing to such action is signed by each member of the committee and such written consent is filed with the minutes of proceedings of such committee.

Section 6. VACANCIES. Subject to the provisions hereof, the Board of Directors shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternative members to replace any absent or disqualified member or to dissolve any such committee.

ARTICLE V OFFICERS

Section 1. GENERAL PROVISIONS. The officers of the Corporation shall include a chief executive officer, a president, a secretary and a treasurer and may include a chairman of the board, a vice chairman of the board, one or more vice presidents, a chief operating officer, a chief financial officer, one or more assistant secretaries and one or more assistant treasurers. In addition, the Board of Directors may from time to time appoint such other officers with such powers and duties as they shall deem necessary or desirable. The officers of the Corporation shall be elected annually by the Board of Directors except that the chief executive officer or president may from time to time appoint one or more vice presidents, assistant secretaries, assistant treasurers or other officers. Each officer shall hold office until his or her successor is elected and qualifies or until death, resignation or removal in the manner hereinafter provided. Any two or more offices except president and vice president may be held by the same person. Election of an officer or agent shall not of itself create contract rights between the Corporation and such officer or agent.

Section 2. REMOVAL AND RESIGNATION. Any officer or agent of the Corporation may be removed by the Board of Directors if in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer of the Corporation may resign at any time by giving written notice of his or her resignation to the Board of Directors, the chairman of the board, the president or the secretary. Any resignation shall take effect at any time subsequent to the time specified therein or, if the time when it shall become effective is not specified therein, immediately upon its receipt. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. Such resignation shall be without prejudice to the contract rights, if any, of the Corporation.

Section 3. VACANCIES. A vacancy in any office may be filled by the Board of Directors for the balance of the term.

Section 4. CHIEF EXECUTIVE OFFICER. The Board of Directors may designate a chief executive officer. In the absence of such designation, the chairman of the board shall be the chief executive officer of the Corporation. The chief executive officer shall have general responsibility for implementation of the policies of the Corporation, as determined by the Board of Directors, and for the management of the business and affairs of the Corporation.

Section 5. CHIEF OPERATING OFFICER. The Board of Directors may designate a chief operating officer. The chief operating officer shall have the responsibilities and duties set forth by the Board of Directors or the chief executive officer.

Section 6. CHIEF FINANCIAL OFFICER. The Board of Directors may designate a chief financial officer. The chief financial officer shall have the responsibilities and duties set forth by the Board of Directors or the chief executive officer.

Section 7. CHAIRMAN OF THE BOARD. The Board of Directors shall designate a chairman of the board. The chairman of the board shall preside over the meetings of the Board of Directors and of the stockholders at which he or she shall be present. The chairman of the board shall perform such other duties as may be assigned to him or her by the Board of Directors.

Section 8. PRESIDENT. In absence of a chief executive officer, the president shall in general supervise and control all of the business and affairs of the Corporation. In the absence of a designation of a chief operating officer by the Board of Directors, the president shall be the chief operating officer. He or she may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time to time.

Section 9. VICE PRESIDENTS. In the absence of the president or in the event of a vacancy in such office, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated at the time of their election or, in the absence of any designation, then in the order of their election) shall perform the duties of the president and when so acting shall have all the powers of and be subject to all the restrictions upon the president; and shall perform such other duties as from time to time may be assigned to such vice president by the president or by the Board of Directors. The Board of Directors may designate one or more vice presidents as executive vice president or as vice president for particular areas of responsibility.

Section 10. SECRETARY. The secretary shall (a) keep the minutes of the proceedings of the stockholders, the Board of Directors and committees of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation; (d) keep a register of the post office address of each stockholder which shall be furnished to the secretary by such stockholder; (e) have general charge of the stock transfer books of the Corporation; and (f) in general perform such other duties as from time to time may be assigned to him or her by the chief executive officer, the president or by the Board of Directors.

Section 11. TREASURER. The treasurer shall have the custody of the funds and securities of the Corporation and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. In the absence of a designation of a chief financial officer by the Board of Directors, the treasurer shall be the chief financial officer of the Corporation.

The treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the president and the Board of Directors, at the regular meetings of the Board of Directors or whenever it may so require, an account of all his or her transactions as treasurer and of the financial condition of the Corporation.

If required by the Board of Directors, the treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his or her office and for the restoration to the Corporation, in case of his or her death, resignation, retirement or removal from office, of all books, papers, vouchers, monies and other property of whatever kind in his or her possession or under his or her control belonging to the Corporation.

Section 12. ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or treasurer, respectively, or by the president or the Board of Directors. The assistant treasurers shall, if required by the Board of Directors, give bonds for the faithful performance of their duties in such sums and with such surety or sureties as shall be satisfactory to the Board of Directors.

Section 13. SALARIES. The salaries and other compensation of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary or other compensation by reason of the fact that he or she is also a director.

ARTICLE VI CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. CONTRACTS. The Board of Directors may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document shall be valid and binding upon the Corporation when authorized or ratified by action of the Board of Directors and executed by an authorized person.

Section 2. CHECKS AND DRAFTS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or agent of the Corporation in such manner as from time to time be determined by the Board of Directors.

Section 3. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may designate.

ARTICLE VII STOCK

Section 1. CERTIFICATES. Except as otherwise provided in these Bylaws, this Section shall not be interpreted to limit the authority of the Board of Directors to issue some or all of the shares of any or all of the classes or series of stock of the Corporation without certificates. Each stockholder shall be entitled to a certificate or certificates which shall represent and certify the number of shares of each class of stock held by him in the Corporation. Each certificate shall be signed by the chairman of the board, the president or vice president and countersigned by the secretary or an assistant secretary or the treasurer or an assistant treasurer and may be sealed with the seal, if any, of the Corporation. The signature may be either manual or facsimile. The Corporation shall, from time to time, issue several classes of stock, each class may have its own number series. A certificate is valid and may be issued whether or not an officer who signed it is still an officer when it is issued.

Section 2. TRANSFERS. Upon surrender to the Corporation or the transfer agent of the Corporation of a stock certificate duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

The Corporation shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by the laws of the State of Maryland.

Notwithstanding the foregoing, transfers of shares of any class of stock will be subject in all respects to the charter of the Corporation and all of the terms and conditions contained therein.

Section 3. REPLACEMENT CERTIFICATES. Any officer designated by the Board of Directors may direct a new certificate to be issued in place of any certificate previously issued by the Corporation alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing the issuance of a new certificate, an officer designated by the Board of Directors may, in his discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or the owner's legal representative to advertise the same in such manner as he shall require and/or to give bond, with sufficient surety, to the Corporation to indemnify it against any loss or claim which may arise as a result of the issuance of a new certificate.

Section 4. CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE. The Board of Directors may set, in advance, a record date for the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or determining stockholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of stockholders for any other proper purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 days and, in the case of a meeting of stockholders, not less than ten days before the date on which the meeting or particular action requiring such determination of stockholders of record is to be held or taken.

In lieu of fixing a record date, the Board of Directors may provide that the stock transfer books shall be closed for a stated period but not longer than 20 days. If the stock transfer books are closed for the purpose of determining stockholders entitled to notice of or to vote at a meeting of stockholders, such books shall be closed for at least ten days before the date of such meeting.

If no record date is fixed and the stock transfer books are not closed for the determination of stockholders, (a) the record date for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day on which the notice of meeting is mailed or the 30th day before the meeting, whichever is the closer date to the meeting; and (b) the record date for the determination of stockholders entitled to receive payment of a dividend or an allotment of any other right shall be the close of business on the day on which the resolution of the directors, declaring the dividend or allotment of rights, is adopted.

EXHIBIT 3.2 (Continued)

When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof, except when (i) the determination has been made through the closing of the transfer books and the stated period of closing has expired or (ii) the meeting is adjourned to a date more than 120 days after the record date fixed for the original meeting, in either of which case a new record date shall be determined as set forth herein.

Section 5. STOCK LEDGER. The Corporation shall maintain at its principal office or at the office of its counsel, accountants or transfer agent an original or duplicate share ledger containing the name and address of each stockholder and the number of shares of each class held by such stockholder.

Section 6. FRACTIONAL STOCK ISSUANCE OF UNITS. The Board of Directors may issue fractional stock or provide for the issuance of scrip, all on such terms and under such conditions as it may determine. Notwithstanding any other provision of the charter or these Bylaws, the Board of Directors may issue units consisting of different securities of the Corporation. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Corporation, except that the Board of Directors may provide that for a specified period securities of the Corporation issued in such unit may be transferred on the books of the Corporation only in such unit.

ARTICLE VIII ACCOUNTING YEAR

The Board of Directors shall have the power, from time to time, to fix the fiscal year of the Corporation by a duly adopted resolution.

ARTICLE IX DISTRIBUTIONS

Section 1. AUTHORIZATION. Dividends and other distributions upon the stock of the Corporation may be authorized by the Board of Directors, subject to the provisions of law and the charter of the Corporation. Dividends and other distributions may be paid in cash, property or stock of the Corporation, subject to the provisions of law and the charter.

Section 2. CONTINGENCIES. Before payment of any dividends or other distributions, there may be set aside out of any assets of the Corporation available for dividends or other distributions such sum or sums as the Board of Directors may from time to time, in its absolute discretion, think proper as a reserve fund for contingencies, for equalizing dividends or other distributions, for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors shall determine to be in the best interest of the Corporation. The Board of Directors may modify or abolish any such reserve.

ARTICLE X INVESTMENT POLICY

Subject to the provisions of the charter of the Corporation, the Board of Directors may from time to time adopt, amend, revise or terminate any policy or policies with respect to investments by the Corporation as it shall deem appropriate in its sole discretion.

ARTICLE XI SEAL

Section 1. SEAL. The Board of Directors may authorize the adoption of a seal by the Corporation. The seal shall contain the name of the Corporation and the year of its incorporation and the words "Incorporated Maryland". The Board of Directors may authorize one or more duplicate seals and provide for the custody thereof.

Section 2. AFFIXING SEAL. Whenever the Corporation is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the

word "(SEAL)" adjacent to the signature of the person authorized to execute the document on behalf of the Corporation.

ARTICLE XII INDEMNIFICATION AND ADVANCE OF EXPENSES

In addition to any indemnification, hold harmless or similar provision under Maryland law, to the maximum extent permitted by Maryland law in effect from time to time, the Corporation shall indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification shall pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any individual who is a present or former director or officer of the Corporation or Corporation's direct or indirect subsidiaries and who is made a party to the proceeding by reason of his or her service in that capacity or (b) any individual who, while a director or officer of the Corporation or the Corporation's direct or indirect subsidiaries and at the request of the Corporation, serves or has served as a director, officer, partner or trustee of another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made a party to the proceeding by reason of his or her service in that capacity. The Corporation may, with the approval of its Board of Directors, provide such indemnification and advance for expenses to a person who served a predecessor of the Corporation in any of the capacities described in (a) or (b) above and to any employee or agent of the Corporation or a predecessor of the Corporation.

Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the Bylaws or charter of the Corporation inconsistent with this Article, shall apply to or affect in any respect the applicability of the preceding paragraph with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

ARTICLE XIII WAIVER OF NOTICE

Whenever any notice is required to be given pursuant to the charter of the Corporation or these Bylaws or pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE XIV AMENDMENT OF BYLAWS

The Board of Directors shall have the exclusive power to adopt, alter or repeal any provision of these Bylaws and to make new Bylaws.

SEVENTH AMENDMENT TO CREDIT AGREEMENT

SEVENTH AMENDMENT, dated as of July 1, 2004, to the Credit Agreement referred to below (this "Amendment") among BUTLER INTERNATIONAL, INC., a Maryland corporation ("Holdings"), BUTLER SERVICE GROUP, INC., a New Jersey corporation, as Borrower (the "Borrower"); the other Credit Parties signatory hereto; GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation (in its individual capacity, "GE Capital"), for itself, as Lender, and as Agent for Lenders ("Agent") and the other Lenders signatory hereto from time to time.

W I T N E S S E T H:

WHEREAS, Borrower, the other Credit Parties signatory thereto, Agent, and Lenders signatory thereto are parties to that certain Second Amended and Restated Credit Agreement, dated as of September 28, 2001 (including all annexes, exhibits and schedules thereto, and as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"); and

WHEREAS, Agent and Lenders have agreed to amend the Credit Agreement and to waive certain violations of the Credit Agreement in the manner, and on the terms and conditions, provided for herein.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement or Annex A thereto.

2. Amendment to Section 1.1(b)(i)(2) of Credit Agreement. Section 1.1(b)(i)(2) of the Credit Agreement is hereby amended and restated as of the Amendment Effective Date by inserting the following language immediately following the last word of such Section 1.1(b)(i)(2):

", and provided, further, that the requirement to make the regularly scheduled amortization payment on the Term Loan A on the first day of July, 2004, is hereby deferred until the earlier to occur of (a) Borrower's refinancing of the Indebtedness secured by the mortgage on the Montvale Property and guaranteed by the Credit Parties, on terms and conditions satisfactory to Agent, or (b) August 31, 2004."

3. Amendment to Annex A of the Credit Agreement. Annex A of the Credit Agreement is hereby amended as of the Amendment Effective Date by amending the definition of "Commitment Termination Date" set forth in such Annex A by deleting the text "March 31, 2005" in clause (a) of such definition and substituting in lieu thereof the text "July 1, 2005".

EXHIBIT 10.35(g) (Continued)

4. Amendment to Annex F of the Credit Agreement. Annex F of the Credit Agreement is hereby amended as of the Amendment Effective Date by adding the following paragraph immediately following clause (h) of such Annex F:

"Without limiting the foregoing, on or prior to July 9, 2004, Borrower shall deliver to Agent an updated forecast of Borrowing Availability on a weekly basis for the period from July 5, 2004 through August 31, 2004, in form and substance reasonably satisfactory to Agent."

5. Representations and Warranties. To induce Agent and Lenders to enter into this Amendment, each of Holdings and Borrower makes the following representations and warranties to Agent and Lenders:

(a) The execution, delivery and performance of this Amendment and the performance of the Credit Agreement, as amended by this Amendment (the "Amended Credit Agreement") by Borrower and the other Credit Parties: (a) is within such Person's organizational power; (b) has been duly authorized by all necessary or proper corporate and shareholder action; (c) does not contravene any provision of such Person's charter or bylaws or equivalent organizational documents; (d) does not violate any law or regulation, or any order or decree of any court or Governmental Authority; (e) does not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Person is a party or by which such Person or any of its property is bound; (f) does not result in the creation or imposition of any Lien upon any of the property of such Person other than those in favor of Agent pursuant to the Loan Documents; and (g) does not require the consent or approval of any Governmental Authority or any other Person.

(b) This Amendment has been duly executed and delivered by or on behalf of each of Holdings, Borrower and the other Credit Parties.

(c) Each of this Amendment and the Amended Credit Agreement constitutes a legal, valid and binding obligation of Borrower and each of the other Credit Parties party thereto, enforceable against each in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(d) No Default or Event of Default has occurred and is continuing after giving effect to this Amendment.

(e) No action, claim, lawsuit, demand, investigation or proceeding is now pending or, to the knowledge of any Credit Party, threatened against any Credit Party, at law, in equity or otherwise, before any court, board, commission, agency or instrumentality of any Governmental Authority, or before any arbitrator or panel of arbitrators, (i) which challenges Borrower's or, to the extent applicable, any other Credit Party's right, power, or competence to enter into this Amendment or perform any of their respective obligations under this Amendment, the Amended Credit Agreement or any other Loan Document, or the validity or enforceability of this Amendment, the Amended Credit Agreement or any other Loan Document or any action taken under this Amendment, the Amended Credit Agreement or any other Loan Document or (ii) which if determined adversely, is reasonably likely to have or result in a Material Adverse Effect. To the knowledge of Holdings or Borrower, there does not exist a state of facts which is reasonably likely to give rise to such proceedings.

(f) The representations and warranties of Borrower and the other Credit Parties contained in the Credit Agreement and each other Loan Document shall be true and correct on and as of the Amendment Effective Date and the date hereof with the same effect as if such representations and warranties had been made on and as of

such date, except that any such representation or warranty which is expressly made only as of a specified date need be true only as of such date.

6. No Other Amendments/Waivers. Except as expressly amended herein, the Credit Agreement and the other Loan Documents shall be unmodified and shall continue to be in full force and effect in accordance with their terms. In addition, this Amendment shall not be deemed a waiver of any term or condition of any Loan Document and shall not be deemed to prejudice any right or rights which Agent, for itself and Lenders, may now have or may have in the future under or in connection with any Loan Document or any of the instruments or agreements referred to therein, as the same may be amended from time to time.

7. Outstanding Indebtedness; Waiver of Claims. Each of Borrower and the other Credit Parties hereby acknowledges and agrees that, as of June 28, 2004, the aggregate outstanding principal amount of (i) the Revolving Loan is \$24,893,211.02, (ii) the Term Loan A is \$16,000,000 and (iii) the Term Loan B is \$18,000,000, and that such principal amounts are payable pursuant to the Credit Agreement without defense, offset, withholding, counterclaim or deduction of any kind. Borrower and each other Credit Party hereby waives, releases, remises and forever discharges Agent, Lenders and each other Indemnified Person from any and all claims, suits, actions, investigations, proceedings or demands arising out of or in connection with the Credit Agreement (collectively, "Claims"), whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law of any kind or character, known or unknown, which Borrower or any other Credit Party ever had, now has or might hereafter have against Agent or Lenders which relates, directly or indirectly, to any acts or omissions of Agent, Lenders or any other Indemnified Person on or prior to the date hereof, provided, that neither Borrower nor any other Credit Party waives any Claim solely to the extent such Claim relates to the Agent's or any Lender's gross negligence or willful misconduct.

8. Expenses. Borrower and the other Credit Parties hereby reconfirm their respective obligations pursuant to Sections 1.9 and 11.3 of the Credit Agreement to pay and reimburse Agent, for itself and Lenders, for all reasonable costs and expenses (including, without limitation, reasonable fees of counsel) incurred in connection with the negotiation, preparation, execution and delivery of this Amendment and all other documents and instruments delivered in connection herewith.

EXHIBIT 10.35(g) (Continued)

9. Issuance of Holdings Shares; Additional Representations and Warranties.

(a) In consideration for the amendments, waivers and other accommodations herein, Holdings hereby agrees to issue to GE Capital, in the name of GE Capital CFE, Inc., a Delaware corporation ("CFE"), twenty-five thousand shares (25,000) of common stock of Holdings (the "Holdings Shares") within ten (10) days of the date of this Amendment (the date of such issuance, the "Issuance Date").

(b) In addition to the representations and warranties set forth in Section 5 hereof, Holdings hereby makes the following representations and warranties to CFE, to Agent and to GE Capital as of the Issuance Date:

(i) upon the execution of this Amendment, all of the Holdings Shares shall have been duly authorized and validly issued; shall be outstanding, fully paid and non-assessable; and title thereto shall pass to CFE free and clear of all liens, charges, pledges, security interests, claims and encumbrances;

(ii) all of the Holdings Shares shall be delivered to UBS Paine Webber by Holdings' transfer agent for the account and sole benefit of CFE;

(iii) none of the Holdings Shares will have been issued in violation of any federal or state securities laws to which this issuance may be subject; and

(iv) the issuance of the Holdings Shares to CFE will not require registration under the Securities Act of 1933, as amended (the "Securities Act"), or pursuant to any applicable state securities laws in effect on the date hereof.

(c) CFE hereby makes the following representations and warranties to Holdings as of the Issuance Date:

(i) CFE understands that the Holdings Shares may not be sold, transferred or otherwise disposed of except pursuant to an effective registration statement under the Securities Act, and applicable state securities laws or pursuant to an exemption therefrom; and

(ii) CFE (A) is an "Accredited Investor" as defined in Rule 501(a) promulgated under the Securities Act; (B) is an investor experienced in the evaluation of businesses similar to the business of Holdings; (C) is able to fend for itself in the transaction contemplated by this Amendment; (D) has such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of an investment in the Holdings Shares; (E) has the ability to bear the economic risks of such investment; (F) was not organized or reorganized for the specific purpose of acquiring the Holdings Shares; and (G) has been afforded, prior to the date hereof, the opportunity to ask questions of, and to receive answers from, Holdings and to obtain any additional information, to the extent that Holdings has such information or could have acquired it without unreasonable effort or expense, all as necessary for CFE to make an informed investment decision with respect to the receipt of the Holdings Shares.

EXHIBIT 10.35(g) (Continued)

10. Effectiveness. This Amendment shall be deemed effective as of the date hereof (the "Amendment Effective Date") only upon satisfaction in full in the judgment of Agent of each of the following conditions:

(a) Amendment. Agent shall have received five (5) original copies of this Amendment duly executed and delivered by Agent, each Lender, Borrower and the other Credit Parties.

(b) Payment of Expenses. Borrower shall have paid to Agent all costs, fees and expenses owing in connection with this Amendment and the other Loan Documents and due to Agent (including, without limitation, reasonable legal fees and expenses).

(c) Representations and Warranties. The representations and warranties of or on behalf of the Credit Parties in this Amendment shall be true and correct on and as of the Amendment Effective Date and the date hereof, except that any such representation or warranty which is expressly made only as of a specified date need be true only as of such date.

11. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

12. Counterparts. This Amendment may be executed by the parties hereto on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

[SIGNATURE PAGES FOLLOW]

EXHIBIT 10.35(g) (Continued)

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

BUTLER SERVICE GROUP, INC.

By: _____

Name: _____

Title: _____

GENERAL ELECTRIC CAPITAL CORPORATION, as Agent and Lender

By: _____

Duly Authorized Signatory

EXHIBIT 10.35(g) (Continued)

The following Persons are signatories to this Amendment in their capacity as Credit Parties and not as Borrowers.

BUTLER INTERNATIONAL, INC.

By: _____

Name: _____

Title: _____

BUTLER SERVICES INTERNATIONAL, INC.

By: _____

Name: _____

Title: _____

BUTLER TELECOM, INC.

By: _____

Name: _____

Title: _____

BUTLER SERVICES, INC.

By: _____

Name: _____

Title: _____

BUTLER UTILITY SERVICE, INC.

By: _____

Name: _____

Title: _____

CERTIFICATIONS PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Edward M. Kopko, Chairman of the Board of Directors and Chief Executive Officer of Butler International, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Butler International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a 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 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)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls 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 quarterly report is being prepared;
 - b. 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
 - c. 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 controls over financial reporting; and
5. The registrant's other certifying officer 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 functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; 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: August 10, 2004

/s/ Edward M. Kopko

Edward M. Kopko

Chairman of the Board of Directors

and Chief Executive Officer

**CERTIFICATIONS PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

CERTIFICATION

I, Craig S. Tireman, Vice President - Finance and Controller of Butler International, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Butler International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a 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 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)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls 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 quarterly report is being prepared;
 - b. 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
 - c. 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 controls over financial reporting; and
5. The registrant's other certifying officer 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 similar functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; 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: August 10, 2004

/s/ Craig S. Tireman

Craig S. Tireman

Vice President - Finance

and Controller

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

STATEMENT

In connection with the Quarterly Report on Form 10-Q of Butler International, Inc. (the "Company") for the period ended June 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Edward M. Kopko, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 10, 2004

/s/ Edward M. Kopko

Edward M. Kopko

Chairman of the Board of Directors

and Chief Executive Officer

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

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

STATEMENT

In connection with the Quarterly Report on Form 10-Q of Butler International, Inc. (the "Company") for the period ended June 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Craig S. Tireman, as Vice President - Finance and Controller of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 10, 2004

/s/ Craig S. Tireman

Craig S. Tireman

Vice President - Finance

and Controller

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