

Butler National Corporation
19920 West 161st Street
Olathe, Kansas 66062

Our Fifty-First Year of Operation
Our Forty-Third Year of Public Ownership

PRESIDENT'S LETTER

To Each Shareholder:

The global economy has been under pressure. We have faced a recession, uncertainty, and a high degree of volatility for several years. Throughout this period, Butler National Corporation has worked to increase shareholder value and develop the foundations for growth including strong regional and international growth platforms. In fiscal year 2011 revenue was \$46,335,328 and net income after taxes was \$1,259,659. This represents a record revenue level and one of the most successful years in the history of Butler National.

The platforms for our future growth continue to be strong. Our aerospace businesses, which are increasingly focused on international markets, represent a strong foundation for growth. The emerging markets continue to lead an uncertain global economy including key markets in Latin America, Africa and Asia. This growth is driving the global aerospace industry and creating new demand for Butler National products and services including complex structural modifications, maintenance, repair, and overhaul (MRO). Our regional businesses, in particular the Boot Hill Casino and Resort, has achieved four (4) sequential quarters of growth with each quarter representing a new sales record for the casino. The new convention center (opened in February 2011) and the expected opening of a new hotel (early 2012) adjacent to the casino reflect the strength of the regional growth platform.

Our company does face challenges. As we grow and expand our business, some of our business segments are impacted by a shift in our product mix through the addition of lower margin products resulting in an overall drop in demand shown by the high-margin proprietary products. We are working to overcome these challenges. The comparative summary below provides an indication of our resilience and our ability to grow in uncertain times.

Financial Results

Brief comparative information for the fiscal years ending April 30:

(Dollars in \$000's)	2011	2010	2009	2008
Net Sales	\$ 46,335	\$ 32,577	\$ 18,093	\$ 17,647
Net Income	1,260	2,890	829	1,274
Cash	8,476	8,707	1,978	2,970
Assets	32,158	29,566	25,798	27,104
Shareholders' Equity	18,025	16,308	13,219	12,190
Order Backlog	9,969	7,472	11,197	8,550

- Revenue from continuing operations was \$46,335,328 in Fiscal 2011, up 42.2% from Fiscal 2010
 - Butler National was the 7th fastest growing publicly traded Aerospace & Defense companies including 129 companies with combined revenues of \$518 billion
 - Butler National was the fastest growing publicly traded company in Kansas including 38 companies with combined revenues of \$59 billion
- Net Income from continuing operations was \$1,259,659 for Fiscal 2011, down 56% from Fiscal 2010.
 - This decline was primarily driven from a \$1.8 million reduction in operating profit from the Avionics business and no profit contribution from the first year of operation of Boot Hill.
 - Consolidated backlog was \$9,968,717 on April, 30 2011 (\$8,931,000 on July 22, 2011).

Weaver & Martin, LLC, a Kansas City based firm of independent public accountants, audited Butler National records for fiscal years 2009, 2010 and 2011. I encourage you to review the detailed discussions of Butler National's operations in Item 7 beginning on page 16 (and footnote 10 on pages 55-58) of the attached Annual Report to the Securities and Exchange Commission on Form 10-K.

Strategic Plans

Butler National initiated a series of growth strategies in fiscal year 2011. We launched new products and expanded international markets. We began to pursue acquisition opportunities. We believe that Butler National is somewhat unique among publicly traded companies considered "small-cap" and "micro-cap" because of its ability to generate high revenue growth and strong cash flows. Butler National focuses on strategies that drive this performance.

We operate in three major market segments: (1) Aerospace Industry (Aircraft Modification and Avionics) which has become increasingly an international growth business; (2) Management, Corporate, and Professional Services which is largely a regional business; and (3) SCADA Systems and Monitoring Services based in Ft. Lauderdale, Florida that provides environmental monitoring.

Aerospace - Aircraft Modification

Fiscal 2011 was a breakthrough year for our aircraft modification segment. We saw international expansion in Chile, Brazil, South Africa, and other countries around the world. Butler National, and its subsidiary Avcon Industries, are recognized worldwide in the Aerospace Industry. The Company is renowned for its ability to complete complex structural modifications with a current focus on business aircraft (Learjet, Cessna, Dassault, and Hawker-Beechcraft). This includes the Avcon R/X (range extension) modification to improve stability and range, passenger to freighter configuration conversions, and the addition of provisions for aerial photography and radar capabilities for government, military and corporate customers around the world. These modifications represent physical changes to the aircraft. This is a complex engineering undertaking and generates premium pricing and may result in higher margins for Butler National.

Classic and New Production Projects – Butler National is increasingly working together with aircraft manufacturers like Hawker-Beechcraft and the related end users on custom modifications to new production aircraft. Governments, militaries, and corporations who purchase new aircraft – primarily from emerging markets – are demanding custom new features and modifications. This reinforces our modification work on both new and older aircraft. Aircraft owners desire to increase their return on the investment, improve the utility and efficiency of their aircraft, and extend the aircraft's lifespan. Butler National has invested in products and capabilities to meet this need. This includes baggage doors, Reduced Vertical Separation Minimum (RVSM) packages, and other enhancements for the business aircraft marketplace.

Our Barriers-to-Entry: STCs – Our end users of airplanes around the world, including businesses, governments, militaries, and individuals, follow guidelines issued by the United States Federal Aviation Administration (FAA). The FAA may authorize changes to an aircraft after the aircraft is shipped new from the factory. The FAA grants this type of modification approval in the form of a Supplemental Type Certificate (STC). Approval of a STC provides its holder with a higher barrier-to-entry, similar to a patent or an exclusive franchise. Butler National has invested in developing STCs and owns more than 250 approved STCs. Due to the time, cost, and expertise required there are very few competitors who have similar STCs. We believe that Butler National is positioned to increase orders, revenue, and margin as the global fleet of business aircraft increases. We expect to capture a greater number of requested enhancements and modifications. Most of this growth may come from emerging markets.

Revenue from the Aircraft Modifications segment for Fiscal 2011 was \$13.9 million in a challenging global economy. This represents an increase of 3% from Fiscal 2010 with revenue of \$13.5 million. This follows an increase of 15% over Fiscal 2009. Aircraft Modifications generated an operating profit of \$4.4 million in the Fiscal 2011, an increase of 105% over Fiscal 2010 operating profit of \$2.1 million. This increased profitability reflects the complex nature of our projects, our barriers to entry, our premium pricing, our higher margins, and our larger projects involving full systems integration.

This year, our company invested \$1.7 million in new product development to accelerate growth and position the company for increased global opportunities. The current global fleet of commercial aircraft is estimated to be 19,410. This is projected to increase to 39,530 by 2030. This represents an addition of 33,500 new deliveries valued at approximately \$4.1 trillion. The current global fleet of business aircraft is approximately 14,700. The global business fleet is projected to increase by 2.1X to 30,900. This represents an addition of 24,000 new deliveries valued at over \$626 billion. Most of this growth for both commercial and business aircraft is projected to come from emerging markets including Asia, Latin America, the Middle East, and Africa. These new planes may require avionics equipment, various electrical components, structural modifications, and maintenance, repair, and overhaul (MRO) services that are offered by Butler National and represent major growth opportunities for the Company.

Aerospace - Avionics

Our Avionics business faced challenges in fiscal 2011. This business segment manufactures and services various weapons systems for military applications. This includes gun control units for the Boeing Apache Helicopter, hang fire override modules for chain gun cannons, and various ordnance related firing controls, cabling, and test equipment. This business can be dependent on the unrest of the world economy, on military spending and can fluctuate depending on budgets and demand.

This business segment also has exposure to inspection cycles for certain mandated FAA requirements. Our Avionics business segment manufactures products for the commercial aircraft marketplace to help aircraft owners improve and extend the efficiency of their aircraft and sometimes to meet FAA mandates. This includes a variety of components for Boeing, Boeing McDonnell Douglas, and other commercial aircraft.

Our Barriers-to-Entry: TSDs – Butler National owns several STCs that meet the requirements of FAA issued directives designed to protect aircraft fuel tanks, which include avionics devices. Butler National designed and partnered to design several avionics devices that meet these specifications including the Butler National Transient Suppression Device (TSD) for the Boeing 737 and 747 and related TSDs for MD-80 and other aircraft. These TSD products are approved and certified by the FAA and owned, manufactured, and marketed by Butler National. This provides the company with a significant barrier-to-entry. Aircraft owners are usually required to meet the requirements and specifications of FAA directives.

Revenue from Avionics for the Fiscal 2011 was \$5.1 million, a decrease of 8% from Fiscal 2010 with revenue of \$5.5 million. The avionics segment had an operating profit of \$340,000 in Fiscal 2011 compared to \$2.2 million for Fiscal 2010. The Company experiences

considerable fluctuations in sales and profits for this category depending on inspection cycles for company manufactured products, variations in orders from military contracts, and other fluctuations. The Company expects some increased revenue opportunities may come from the next TSD inspection cycle upcoming in Fiscal 2012 and Fiscal 2013, the emphasis on our aging aircraft and the prospect of new FAA guidelines regarding fuel safety systems to drive sales of TSDs.

Management, Corporate, and Professional Services

Butler National has built a series of strong regional service businesses that include architectural design engineering consulting services, temporary staffing, and the management of gaming facilities. The Boot Hill Casino and Resort opened for business on December 15, 2009 in Dodge City, Kansas and is the first State-owned and operated casino gaming in Kansas. Butler National provides management services through BHCMC, LLC, and a Kansas limited liability subsidiary company jointly owned by Butler National Services Corporation and the unrelated BHC Investment Company (BHCI). The facility opened with over 500 electronic gaming machines, twelve table games, a full-service restaurant, saloon, snack bar, and gift shop. For the fiscal year ended April 30, 2011, the Boot Hill Casino and Resort had gross revenue of \$42.2 million. Kansas mandated taxes and distributions reduced gross revenue by \$19.5 million leaving net revenue of \$22.7 million to BHCMC. Net income before tax and minority interest was \$2.4 million.

Butler National Services Corporation also provides professional management services. This includes management of the Stables Casino located on the Modoc Reservation, Miami, Oklahoma. The Modoc Tribe of Oklahoma owns the Stables. The casino opened in September 1998 and has been managed by Butler National since its inception. Revenue for Fiscal 2011 was \$2.2 million compared to \$1.7 million for Fiscal 2010, an increase of 31%. Operating profits increased from \$353,000 for Fiscal 2010 to \$525,000 for Fiscal 2011.

BCS Design Inc., located in Olathe, Kansas and a provider of a wide range of professional architecture services to clientele ranging from school districts and municipalities to worldwide corporations, retail facilities and developers had revenue of \$926,000 for Fiscal 2011 versus \$2.0 million for Fiscal 2010. Operating profits decreased \$324,000 for Fiscal 2011 to a loss of \$264,000 from an operating profit of \$59,631 for Fiscal 2010.

SCADA Systems and Monitoring Services

Butler National Services, Inc. provides SCADA Systems and Monitoring Services. This includes the sale of monitoring and control equipment and the sale of monitoring services for water and wastewater remote pumping stations through electronic surveillance by radio or telephone. Revenue from Monitoring Services decreased from \$1.6 million for Fiscal 2010 to \$1.56 million for Fiscal 2011. This business had an operating profit of \$254,000 in Fiscal 2011, a decrease of 14.6% compared with Fiscal 2010 operating profit of \$297,000. During Fiscal 2011, SCADA Systems and Monitoring Services maintained a relatively level volume of long-term contracts with municipalities. The company anticipates increases in revenue from additional lift station rehabilitations over the next three to four years. Revenue fluctuates due to the introduction of new products and services and the related installations of these types of products. Contracts with the two largest customers have been renewed through Fiscal 2012.

Cautionary Statement

In the Aerospace Industry, the FAA regulates the civilian aircraft industry and many times the governmental customers require conformity to FAA regulations. All new modification and avionics products require testing and approval by the FAA. If and when approved, there can be no assurance that the aircraft manufacturers will acknowledge the products or that the manufacturers will allow the airline operators to purchase and use a product not produced by the manufacturer or its designee.

In the Management, Corporate, and Professional Services segment please note that, even in consideration of current facts, there is always a risk that no additional Indian agreements will materialize or that the National Indian & Gaming Commission and / or the Secretary of Interior will not approve future Indian agreements. In addition, there can be no assurance that Kansas or any other state will approve a Class III Compact with the Indian tribes or that Kansas will not repeal the Kansas Expanded Lottery Act (known as SB 66) allowing the State to own and operate casino games.

Near-Term Strategy, Long-Term Strategy, and Shareholder Value

Our near-term strategy is to build a regional and international growth company that has size and scale and continues to generate high revenue growth and strong cash flows. The Company will work to leverage major global trends, build barriers-to-entry, and pursue acquisitions. The Company is focused on strategic acquisitions that accelerate growth, provide operating synergy, increase the size and scale of the Company and increase shareholder value.

We believe that the end result of these strategies may be a company with a higher market capitalization. Butler National was a charter member of NASDAQ. Our goal is to achieve a relisting on a major exchange and to increase institutional investor participation.

Our long-term plan is for our three segments to grow into strong independent businesses. We remain determined and dedicated to the sense of urgency and entrepreneurial spirit that will enable Butler National to be flexible, meet the new challenges, and seize new opportunities.

Our Commitment to the Future

While we still have a great distance to travel before the realization of our goals, I am pleased to report to each of you that the health of our company continues to improve. Looking ahead in the best interest of the shareholders, we have set our sights on achieving continued profitable long-term growth for Butler National Corporation. We are constantly evaluating new opportunities and seeking financially and strategically sound investments for the continued stabilization of Butler National.

On behalf of all of us at Butler National, I want to thank each shareholder for his or her continued cooperation and support. For Butler National, I express our appreciation for the trust, support and assistance provided by customers, tribes, financial institutions, vendors and governmental agencies. We are confident that we are taking steps to direct your company to a new, exciting, and profitable future.

Thank you for your continued support of Butler National Corporation.

Sincerely,

A handwritten signature in black ink that reads "Clark D. Stewart". The signature is written in a cursive, flowing style.

Clark D. Stewart
President and Chief Executive Officer

July 28, 2011