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

FORM 10-K

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

For the fiscal year ended April 30, 2016

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

For the transition period from [ ] to [ ]

Commission File No. 1-8125

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

MISSOURI	**44-0610086**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
620 N. LINDENWOOD DRIVE, OLATHE, KANSAS	**66062**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(913) 747-6111**

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

Title of each class	Name of each exchange on which registered
NONE	**NONE**

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.01 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates, computed based on the closing sale price reported on the OTC Market-Pink on October 30, 2015, was $4,188,481.50. As of June 30, 2016, there were 5,615,750 shares of Common Stock, $.01 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its 2016 Annual Meeting of Shareholders to be filed within 120 days after the end of the registrants fiscal year, are incorporated by reference into Part III of this Annual Report.

TOROTEL, INC. FORM 10-K

Fiscal Year Ended April 30, 2016

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Forward-Looking Information

This report, as well as our other reports filed with or furnished to the Securities and Exchange Commission ("SEC"), contains forward-looking statements made pursuant to the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. The words "believe," "estimate," "anticipate," "project," "intend," "expect," "plan," "outlook," "forecast," "may," "will," "should," "continue," "predict" and similar expressions are intended to identify forward-looking statements. This report contains forward-looking statements regarding, among other topics, our expected financial position, results of operations, cash flows, strategy, budgets and management's plans and objectives. Accordingly, these forward-looking statements are based on assumptions about a number of important factors. While we believe that our assumptions about such factors are reasonable, such factors involve risks and uncertainties that could cause actual results to be different from what appear here. These risk factors include, without limitation:

- *economic and legislative factors that could impact defense spending;*
- *our concentrated customer base;*
- *risks in fulfilling and maintaining military subcontracts;*
- *our ability to finance operations;*
- *spending cuts at the Department of Defense*
- *the ability to adequately pass through to customers unanticipated future increases in raw material and labor costs;*
- *decreased demand for products;*
- *delays in developing new products;*
- *markets for new products and the cost of developing new markets;*
- *expected orders that do not occur;*
- *our ability to adequately protect and safeguard our network infrastructure from cyber security vulnerabilities;*
- *loss of key customers;*
- *our ability to satisfy our debt covenant requirements;*
- *our ability to generate sufficient taxable income to realize the amount of our deferred tax assets; and*
- *the impact of competition and price erosion as well as supply and manufacturing constraints.*

In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this report will prove accurate. Accordingly, our actual results may differ materially from these forward-looking statements. We assume no obligation to update any forward-looking statements made herein.

PART I

ITEM 1. Business

Torotel, Inc. ("Torotel") conducts business primarily through its wholly owned subsidiary, Torotel Products, Inc. ("Torotel Products"), and until early in the fourth quarter of the fiscal year ended April 30, 2016 (“fiscal year 2016”), also operated another wholly owned subsidiary, Electronika, Inc. ("Electronika"), that licensed, marketed, and sold ballast transformers to the airline industry. Electronika was dissolved and its affairs wound up as of February 8, 2016. As a result of the dissolution of Electronika, Torotel no longer sells ballast transformers. Another subsidiary, Torotel Manufacturing Corporation ("TMC"), provided manufacturing services to Torotel Products. TMC ceased activities on December 31, 2012. Torotel was incorporated under the laws of the State of Missouri in 1956. Torotel's offices are located at 620 North Lindenwood Drive, Olathe, Kansas 66062. Torotel maintains a website at www.torotelinc.com. Its telephone number is (913) 747-6111. The terms "we," "us," "our," and the "Company" as used herein include Torotel and its subsidiaries, unless the context otherwise requires.

Torotel Products specializes in the custom design and manufacture of a wide variety of precision magnetic components, consisting of transformers, inductors, reactors, chokes, toroidal coils, high voltage transformers, dry-type transformers, and electro-mechanical assemblies. Torotel Products sells these products to original equipment manufacturers, which use them in products such as aircraft navigational equipment, digital control devices, medical equipment, avionics equipment, down-hole drilling, conventional missile guidance systems, and other defense and commercial aerospace applications.

The following discussion includes the business operations of Torotel Products (which includes the business previously conducted by TMC), and Electronika through April 30, 2016.

TOROTEL PRODUCTS

Principal Products

Torotel Products specializes in the custom design and manufacture of a wide variety of precision magnetic components, and electro-mechanical assemblies for use in military, commercial aerospace and industrial electronic applications. These products are used to modify and control electrical voltages and currents in electronic devices. For example, if equipment containing one of these components receives an electrical voltage or current which is too high, the component would modify and control the electrical voltage or current to allow proper operation of the equipment. While Torotel Products primarily manufactures these products in accordance with pre-developed mechanical and electrical requirements, in some cases Torotel Products will be responsible for both the overall design and manufacturing. These products are sold to manufacturers who incorporate them into an end-product. The major applications include aircraft navigational equipment, digital control devices, medical equipment, avionics systems, down-hole drilling, conventional missile guidance systems, and other defense related applications. Torotel Products has a line of 400 Hz miniature power transformers listed on the Qualified Products List ("QPL") of the Department of Defense ("DoD"), which requires re-qualification with the DoD every five years. Sales of the QPL products represented approximately 2% of the net sales of Torotel Products for the fiscal year ended April 30, 2016.

Marketing and Customers

Torotel Products' sales do not represent a significant portion of any particular market. While approximately 45% of annual sales in fiscal year 2016 came from select commercial markets, such as commercial aerospace, medical, and oil drilling, historically Torotel Products has primarily focused its activities toward the military market. As a result, the business of Torotel Products is subject to various risks including, without limitation, dependence on government appropriations and program allocations, potential cutbacks in military spending, the requirement that some of our products be approved and qualified by the federal government before we can sell them, and the competition for available military business. Torotel Products pursues revenue opportunities in electro-mechanical assemblies which will continue to be a major focus going forward. Torotel Products also pursues revenue opportunities in larger and higher voltage transformers, plus products sourced from low-cost manufacturers in overseas markets who are compliant with aerospace standards.

Torotel Products maintains a website at www.torotelproducts.com. Torotel Products markets its products primarily through an internal sales force and independent manufacturers' representatives paid on a commission basis. These commissions are earned when a product is sold and/or shipped to a customer within the representative's assigned territory. Torotel Products also utilizes its engineering department in its direct sales efforts for the purpose of expanding its reach into new markets and/or customers. Other sales methods may include visits to customers, lunch-and-learn presentations to customers' engineers, catalog brochures, trade show exhibits and speaker presentations at trade shows.

Torotel Products is an approved source for magnetic components used in numerous military and commercial aerospace systems, which means Torotel Products is automatically solicited for any procurement needs for such applications. The magnetic components manufactured by Torotel Products are sold primarily in the United States, and most sales are awarded on a competitive bid basis.

Torotel Products currently has a primary base of approximately 23 customers that together provide nearly 90% of its annual sales volume. This customer base includes many large prime defense and commercial aerospace companies. Torotel Products' primary strategy focuses on providing superior service to this core group of customers, including engineering support and new product design. The objective is to achieve growth with these customers or other targeted companies that possess the potential for inclusion into the core group. During the fiscal year ended April 30, 2016, sales to a single customer accounted for 35% as well as another customer with 28% of the net sales of Torotel Products. A loss or material reduction in orders from these customers could have a material adverse effect on sales.

Competition

The markets in which Torotel Products competes are highly competitive. A substantial number of companies utilizing similar resources sell components and assemblies of the type manufactured and sold by Torotel Products. In addition, Torotel Products sells to a number of customers who have the capability of manufacturing their own electronic components.

The principal methods of competition for electronic products in the markets served by Torotel Products include, among other factors, price, on-time delivery performance, lead times, customized product engineering and technical support, marketing capabilities, quality assurance, manufacturing efficiency, and existing relationships with customers' engineers. While magnetic components are not susceptible to rapid technological change, Torotel Products' sales, which do not represent a significant share of the industry's market, are susceptible to decline given the competitive nature of the market.

Manufacturing

Nearly all of Torotel Products' sales consist of electronic products manufactured to customers' specifications. Aside from contractually required finished goods buffers, only a limited inventory of finished goods is maintained. Although special wire-winding machines and molding machines are used in the production process, the various electronic products are manually assembled, with numerous employees and some subcontractors contributing to the completion of the products.

Essential materials used by Torotel Products in the manufacturing process include magnetic materials, copper wire, plastic housings and epoxies. We believe these materials are available from many sources. Major suppliers include Magnetics Inc., Electrical Insulation Suppliers, Inc., Mod & Fab and Magnetic Metals-Western Division. Special contact plates purchased from Fotofab, LLC and polycarbonate materials purchased from Florida Custom Mold and Spectrum Plastics are used in manufacturing the potted coil assembly. Fotofab, Florida Custom Mold, and Spectrum Plastics are the only qualified approved sources for the materials they provide. As a result, Torotel Products maintains contingent business interruption insurance on these three suppliers' facilities, as well as the customers' production facility, to insure against loss of business income associated with a disruption in production by either supplier or at the customer as a result of a fire, tornado, explosion or other similar type loss.

Torotel Products has not experienced any significant curtailment of production because of material shortages, but any long lead times or high dollar minimum orders could have an adverse impact on sales bookings.

Engineering, Research and Development

Torotel Products does not engage in research and development activities, but it does incur engineering expenses in designing products to meet customer specifications.

Governmental Regulations

A significant portion of Torotel Products' business is derived from subcontracts with prime contractors of the U.S. government. As a U.S. subcontractor, Torotel Products is subject to federal contracting regulations. These subcontracts provide that they may be terminated at the convenience of the U.S. government. Upon such termination, adequate financial compensation is usually provided in such instances to protect Torotel from suffering a loss on a contract. These subcontracts also provide that they may be terminated for default for failure to perform a material obligation in a subcontract. In the event of a termination for default, the customer may have the unilateral right at any time to require Torotel Products to pay the excess, if any, of the cost of purchasing a substitute item from a third party. If the customer has suffered other ascertainable damages as a result of a sustained default, the customer could demand payment of such damages. Torotel Products has never experienced any terminations for default.

As a supplier of products for military applications, Torotel must comply with laws concerning the export of material used exclusively for military purposes. The export of those types of materials is covered under the International Traffic in Arms Regulations ("ITAR") and the Arms Export Control Act ("AECA"). Torotel is licensed with the U.S. Department of State making it eligible to provide defense-related components pursuant to ITAR and AECA. This license is renewed annually each October.

Intellectual Property

The products sold by Torotel Products are not protected by patents or licenses. Torotel Products relies on the expertise of its employees in both the design and manufacture of its products. Because of the highly competitive nature of the industry, it is possible that a competitor may also learn to design and produce products with similar performance characteristics. Torotel has been issued U.S. Trademark Registration #1,123,071 for "TOROTEL". This trademark registration expires July 24, 2019.

Environmental Laws

In fiscal year 2016, Torotel Products incurred costs of approximately $23,000 to ensure compliance with federal, state and local regulations on the proper handling, storage, disposal, and discharge of hazardous materials into the environment, or otherwise relating to the protection of employees, the community, and the environment. Torotel Products anticipates similar costs to be incurred in the fiscal year ending April 30, 2017.

Employees

Torotel Products presently employs 138 full-time and 13 part-time employees. We believe an adequate supply of qualified personnel is available in our immediate vicinity. Torotel's employees are not affiliated with any union.

ELECTRONIKA

Until its dissolution Electronika sold ballast transformers to the airline industry primarily for use in DC-8 and DC-9 aircraft. Electronika engaged in minimal business activities during fiscal year 2016 and ceased activities on or about February 2, 2016. On February 8, 2016 Electronika was dissolved and its affairs wound up.

Electronika's sales did not represent a significant portion of any particular market. Electronika had a primary base of approximately five customers, none of which placed any significant orders in fiscal year 2016 prior to the dissolution of Electronika. The ballast transformer industry and market is generally considered to be shrinking due to the age and retirement of the aircraft that use the ballast transformers previously sold by Electronika and due to the lack of usage of these ballasts on newer aircraft. Consistent with Torotel’s projections, Electronika’s sales had declined in recent years from prior levels as many of the aircraft that utilized its ballast transformers have been, or are being, phased out. The limited market for Electronika’s products and the low levels of sales effected through Electronika contributed to Torotel’s decision to dissolve Electronika and wind up its affairs.

Electronika's requirements for raw material, labor, testing, packaging and related services required to complete the manufacture, delivery and sale of the ballast transformers were outsourced pursuant to a Manufacturing Agreement (the Manufacturing Agreement) with Magnetika, Inc. ("Magnetika"), a corporation owned by the Caloyeras family, which presently owns approximately 45% of the common shares of Torotel. In exchange for the services provided to Electronika under the Manufacturing Agreement, Magnetika received 40% of the net sales price of all ballast transformers sold by Electronika. In connection with the dissolution of Electronika, the Manufacturing Agreement was cancelled pursuant to its terms.

ITEM 1A. Risk Factors

Information not required.

ITEM 2. Properties

Torotel owns a 24,000 square foot building located in Olathe, Kansas. This facility is occupied by Torotel Products, and also serves as Torotel's executive offices, as well as the business office of Electronika. The purchase cost of the building, along with the improvements, was $1,027,000. This property is subject to a first deed of trust securing indebtedness with the Commerce Bank in the amount of $533,000. The outstanding balance of such indebtedness bears interest at a fixed rate of 4.05% per annum and requires monthly principal and interest payments of $4,873. The note has a maturity date of January 27, 2019, may be prepaid without penalty up to $100,000 per year, and is collateralized by substantially all assets of Torotel.

Torotel leases approximately 11,000 square feet for manufacturing electro-mechanical assemblies, and larger and higher voltage transformers. This facility is located in close proximity to the primary facility of Torotel in Olathe, Kansas. The lease for this property was amended effective April 1, 2016 and continues through September 30, 2016. The monthly base rent is $8,400. The aggregate base rent payments during the term of the lease is approximately $8,400.

On July 10, 2014, Torotel entered into a new 36 month real estate lease agreement (the “Bergey Road agreement”) with Bergey Road Industrial Associates to lease approximately 5,000 square feet for manufacturing electromechanical assemblies and other transformers. This facility is located in Hatfield, Pennsylvania. The Bergey Road agreement commenced on August 1, 2014 and continues through July 31, 2017. The monthly base rent is $2,908. The cumulative base rent payments during the term of the lease is approximately $104,685.

Present utilization of these facilities is less than 50% of maximum capacity.

ITEM 3. Legal Proceedings

None.

ITEM 4. Mine Safety Disclosures

None.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Market Information

Trading in Torotel's common stock is conducted on the OTC Market Group's OTC Pink platform under the symbol "TTLO."

Price Range of Common Stock

The following table sets forth the high and low sales prices of Torotel's common stock as obtained from the Yahoo Finance website at www.finance.yahoo.com. These prices reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

	2016		2015	
Fiscal Period	**High**	**Low**	**High**	**Low**
May to July	$ 0.75	$ 0.55	$ 1.00	$ 0.60
August to October	0.73	0.55	0.82	0.61
November to January	0.93	0.55	0.76	0.60
February to April	0.94	0.75	0.66	0.60

(b) Approximate Number of Equity Security Holders

Title of Class	Number of Record Holders as of June 30, 2016
Common stock, $0.01 par value	437

(c) Dividend History and Restrictions

Torotel has never paid a cash dividend on its common stock and has no present intention of paying cash dividends in the foreseeable future. Torotel's present borrowing agreements do not prohibit the payment of cash dividends.

(d) Dividend Policy

Future dividends, if any, will be determined by our Board of Directors in light of the circumstances then existing, including Torotel's earnings, financial requirements, general business conditions and credit agreement restrictions.

(e) Securities Authorized for Issuance under Equity Compensation Plans

Torotel has certain long-term incentive plan, including a Stock Award Plan (see Note 6 of Notes to Consolidated Financial Statements). The table below includes the number of shares authorized for the Stock Award Plan.

Equity Compensation Plan Information

Plan Category	**Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants, and Rights A**	**Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights B**	**Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in Column A) C**
Equity Compensation Plans approved by shareholders	—	—	—
Equity Compensation Plans not approved by shareholders	—	—	384,250
Total	—	—	384,250

There were no unregistered sales of securities by Torotel, or any share repurchases by Torotel, during the fourth quarter of the fiscal year ended April 30, 2016.

ITEM 6. Selected Financial Data

Information not required.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Torotel conducts business primarily through its wholly owned subsidiary, Torotel Products, and through approximately February 2, 2016, also operated another wholly owned subsidiary Electronika. Electronika was dissolved and its affairs wound up as of February 8, 2016. Electronika's results of operations, through the date of its dissolution, are included in Torotel's consolidated statement of operations for years ended April 30, 2015 and April 30, 2016. As a result of the dissolution of Electronika, Torotel no longer sells ballast transformers. Another subsidiary, TMC, provided manufacturing services to Torotel Products. TMC ceased activities on December 31, 2012.

Overview

Introduction

Torotel Products specializes in the custom design and manufacture of a wide variety of precision magnetic components and electro-mechanical assemblies for use in military, commercial aerospace and industrial electronic applications. These products are used to modify and control electrical voltages and currents in electronic devices. Torotel Products sells these magnetic components and electro-mechanical assemblies to original equipment manufacturers, which use them in products such as:

- aircraft navigational equipment;
- digital control devices;
- medical equipment;
- avionics systems;
- radar equipment;
- down-hole drilling;
- conventional missile guidance systems; and
- other aerospace and defense applications.

The primary factors that drive our gross profit and net earnings are sales volume and product mix. The gross profits on mature products/programs and complex transformer devices tend to be higher than those that are still in the prototyping or early production stages and simpler inductor devices. As a result, in any given accounting period the mix of product shipments between higher and lower margin products has a significant impact on our gross profit and net earnings. Our operating plan continues to focus on expanding the product base beyond electronic components.

The industry mix of Torotel Products' net sales in fiscal year 2016 was 55% defense, 40% commercial aerospace and 5% industrial compared to 55% defense, 34% commercial aerospace and 11% industrial in the fiscal year ended April 30, 2015 ("fiscal year 2015"). We believe the mix in the fiscal year ended April 30, 2017 ("fiscal year 2017") will remain weighted primarily towards defense.

Business and Industry Considerations

Defense Markets

During fiscal years 2016 and 2015, the amount of consolidated revenues derived from contracts with prime contractors of the U.S. Department of Defense ("DoD") was approximately 55% for both years. As a result, our financial results in any period could be impacted substantially by spending cuts in the DoD budget and the funds appropriated for certain military programs.

Despite ongoing budgetary pressures associated with the DoD budget, we believe our overall defense business outlook remains favorable due to the present demand for the potted coil assembly and other existing orders from major defense contractors. As of April 30, 2016, our consolidated order backlog for the defense market was nearly $5.0 million, which included approximately $3.7 million for the potted coil assembly.

Commercial Aerospace and Industrial Markets

We provide magnetic components and electro-mechanical assemblies for a variety of applications in the commercial aerospace and industrial markets. The primary demand drivers for these markets include commercial aircraft orders, oil and gas drilling exploration activity, and general economic growth. While global economic growth remains positive, the above demand drivers could be impacted by short-term changes in the economy such as spikes or declines in the price of oil, war, terrorism, or changes in regulation. Other threats to our anticipated positive near-term and long-term market outlook include delays on the development and production of new commercial aircraft and competition from international suppliers. As of April 30, 2016, our consolidated order backlog for the aerospace and industrial markets was $1.4 million.

Business Outlook

Our non-headcoil backlog as of April 30, 2016 as compared to April 30, 2015 decreased from $5.7 million to $4.2 million, a 26% decrease. Despite the decrease in backlog, we anticipate that net sales for the 2017 fiscal year will be consistent with the 2016 fiscal year.

Consolidated Results of Operations

The following management comments regarding Torotel's results of operations and outlook should be read in conjunction with the Consolidated Financial Statements included pursuant to Item 8 of this Annual Report.

Net Sales

Years ended April 30	**2016**	**2015**
Torotel Products:		
Magnetic components	$ 8,339,000	$ 6,247,000
Potted coil assembly	4,989,000	4,827,000
Electro-mechanical assemblies	2,716,000	2,310,000
Large Transformers	149,000	173,000
Total Torotel Products	$ 16,193,000	$ 13,557,000
Electronika (1)	1,000	5,000
Total consolidated net sales	$ 16,194,000	$ 13,562,000

(1) Electronika was dissolved on February 8, 2016 and its affairs wound up.

Consolidated net sales in fiscal year 2016 increased nearly $2,632,000, or 19%, as compared to fiscal year 2015. For fiscal year 2016, Torotel Products' net sales increased $2,636,000, or 19%, primarily due to higher demand for magnetics. The increase in magnetic components was expected as a number of new products were in the qualification process until the first quarter of the 2016 fiscal year.

Consolidated net sales in fiscal year 2015 increased nearly 3.5%, or $462,000, as compared to fiscal year 2014. For fiscal year 2015, Torotel Products' net sales increased $459,000, or 3.4%, primarily due to higher demand for electro-mechanical assemblies.

For each of fiscal year 2016 and fiscal 2015 Electronika's net sales represented a small portion of consolidated net sales.

Gross Profit

Years ended April 30	2016	2015
Torotel Products:		
Gross profit	$ 5,311,000	$ 4,272,000
Gross profit % of net sales	33 %	31 %
Electronika:		
Gross profit	$ —	$ 3,000
Gross profit % of net sales	— %	60 %
Combined:		
Gross profit	$ 5,311,000	$ 4,275,000
Gross profit % of net sales	33 %	32 %

Gross profit as a percentage of net sales in fiscal year 2016 increased 1% as compared to fiscal year 2015. The gross profit percentage of Torotel Products for fiscal year 2016 increased primarily due to higher direct margins associated with the product mix.

Gross profit as a percentage of net sales in fiscal year 2015 decreased 3% as compared to fiscal year 2014. The gross profit percentage of Torotel Products for fiscal year 2015 decreased primarily because of an increase in fixed production costs and lower direct margins associated with the product mix.

For each of fiscal 2016 and fiscal 2015 the gross profit percentage of Electronika represented a small portion of consolidated gross profit.

Operating Expenses

Years ended April 30,	2016	2015
Engineering	$ 811,000	$ 745,000
Selling, general and administrative	3,643,000	3,217,000
Total	$ 4,454,000	$ 3,962,000

Engineering expense increased 9%, or $66,000, in fiscal year 2016 as compared to fiscal year 2015. This increase primarily resulted from an increase in engineering headcount and software to provide expanded technical capabilities.

Engineering expense increased 23%, or $143,000, in fiscal year 2015 as compared to fiscal year 2014. This increase primarily resulted from an increase in compensation costs due to the hiring of additional engineers to provide expanded technical capabilities.

Selling, general and administrative expenses increased 13%, or $426,000, in fiscal year 2016 as compared to fiscal year 2015. The increase resulted from the following: a $274,000 increase in salaries due to an increase in headcount and higher personnel costs; an $83,000 increase in occupancy costs, and a $69,000 increase in consulting and professional fees.

Selling, general and administrative expenses increased 1%, or $30,000, in fiscal year 2015 as compared to fiscal year 2014. This is primarily due to an increase of $86,000 in information technology expense, an increase of $78,000 related to recruiting costs, and an increase of $48,000 in commissions. This increase was partially offset by a decrease of $154,000 related to the termination of the stock appreciation rights plan in fiscal year 2014 and a $28,000 decrease in professional fees.

Earnings from Operations

Years ended April 30,	**2016**	**2015**
Torotel Products	$ 1,223,000	$ 639,000
Electronika	—	3,000
Torotel	(366,000)	(329,000)
Total	$ 857,000	$ 313,000

For the reasons discussed in the Net Sales, Gross Profit, and Operating Expenses found above, consolidated earnings from operations increased by 174%, or $544,000, in fiscal year 2016 as compared to fiscal year 2015, and decreased by 61%, or $490,000, in fiscal year 2015 as compared to fiscal year 2014.

Other Earnings Items

Years ended April 30,	**2016**	**2015**
Earnings from operations	$ 857,000	$ 313,000
Interest expense	25,000	28,000
Earnings before income taxes	832,000	285,000
Provision for income taxes	328,000	165,000
Net earnings	$ 504,000	$ 120,000

Interest expense decreased by 11%, or $3,000, in fiscal year 2016 as compared to fiscal year 2015 primarily due to lower levels of capital leases and debt. Income tax provision increased by $163,000 in fiscal year 2016 as compared to fiscal year 2015.

Interest expense decreased by 17%, or $6,000, in fiscal year 2015 as compared to fiscal year 2014 primarily due to lower levels of capital leases and debt. Income tax provision decreased by $268,000 in fiscal year 2015 as compared to fiscal year 2014.

We evaluate the appropriateness of our deferred income tax asset valuation allowance on a quarterly basis and continue to consider positive and negative trends in our industry that could affect our determination. We believe that our current adjustment to the valuation allowance is appropriate due to anticipated demand over the next few fiscal years related to continuing business in the aerospace and defense markets. We also believe that this demand should generate sufficient taxable earnings to enable us to realize our net deferred tax assets except as discussed above, thus outweighing any negative evidence concerning the cyclical and competitive nature of our industry. Also, we have achieved consistent taxable earnings in recent fiscal years, we have established a recent history of utilizing our net deferred tax asset, our available carryforward periods of our net operating losses are of sufficient length and are at minimum risk of expiring unused, and our products are included in applications that generally have a longer lifecycle.

Return on Capital Employed

Return on Capital Employed ("ROCE") is the primary benchmark used by management to evaluate Torotel's performance. ROCE is intended to measure how effectively and efficiently net operating assets (“NOA”) are used to generate earnings from operations. For these purposes, NOA, or Capital Employed, is defined as "trade receivables + inventory + net property, plant and equipment + other assets - current liabilities". The performance of Torotel's management and the majority of management’s decisions are expected to be measured by whether Torotel's ROCE improves. For the fiscal years ended April 30, 2016 and 2015, Torotel's ROCE was 19.19% and 7.66%, respectively. The increase in ROCE for fiscal year 2016 compared to fiscal year 2015 is largely attributed to a decrease in the deferred tax asset, and higher earnings from operations in fiscal year 2016.

Financial Condition and Liquidity

Cash generated by operations is our primary source of liquidity. The following table highlights the funds available to us as of April 30, 2016 and 2015:

	2016	2015
Cash	$ 1,846,000	$ 1,892,000
Amount available under our line of credit	$ 500,000	$ 500,000
Amount available under our equipment loan	$ 398,000	$ 316,000

Operating Activities

	2016	2015
Net cash provided by operating activities	$ 429,000	$ 278,000

The increase of $151,000 between fiscal year 2016 and fiscal year 2015 is primarily due to an increase in earnings from operations, and the payout of stock appreciation rights in fiscal year 2015 that did not occur in fiscal year 2016.

Investing Activities

	2016	2015
Net cash used in investing activities	$ (352,000)	$ (453,000)

The change of $101,000 was due to lower capital expenditures in fiscal year 2016 as compared to fiscal year 2015. Capital expenditures during fiscal year 2016 were primarily related to purchases of new production equipment and machinery. We expect capital expenditure spending will increase during fiscal year 2017 which is consistent with our growth strategy.

Financing Activities

	2016	2015
Net cash (used in) provided by financing activities	$ (123,000)	$ 29,000

We have used cash generated by operating activities as the primary source for the repayment of our debt. The change of $152,000 between fiscal year 2016 and fiscal year 2015 is due to an increase in debt obligations for machinery and equipment purchased in May 2015.

Liquidity and Capital Resources

We believe that the projected cash flow from operations, combined with existing cash balances, will be sufficient to meet our funding requirements for the foreseeable future. We have a $500,000 bank line of credit available which could be utilized to help fund any working capital requirements, subject to the adequacy of our borrowing base and other conditions. During fiscal year 2016 we did not utilize this line of credit. We believe that inflation will have only a minimal effect on future operations since such effects should be offset by sales price increases, which are not expected to have a significant effect upon demand. In addition, we do not believe that inflation had a significant effect on our operations during the past two fiscal years.

Critical Accounting Policies

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect certain reported amounts and disclosures. Such judgments affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We continuously evaluate our estimates and assumptions including those related to computing the carrying value of equipment, allowance for doubtful accounts receivable, the valuation allowance on deferred tax assets and the reserve for warranty costs. Accordingly, actual results could differ from those estimates, and such differences may be material. Any changes in estimates are recorded in the period in which they become known.

The following is a summary of the most critical accounting policies used in the preparation of our consolidated financial statements.

Revenue Recognition

Revenue is recognized when a fixed price contract or purchase order exists; delivery has occurred; and collection is reasonably assured. Selling terms are FOB Shipping Point so we consider products delivered once they have been shipped and title and risk of loss have been transferred. Our consolidated net sales arising from contracts having deliveries scheduled over a period of more than one year for fiscal years 2016 and 2015 were approximately 0% and 35%, respectively, primarily because of the contract for the potted coil assembly.

Allowance for Doubtful Accounts

Gross trade accounts receivable are offset with an allowance for doubtful accounts. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We review the allowance for doubtful accounts on a regular basis, and all past due balances are reviewed individually for collectability. Account balances are charged against the allowance when placed for collection. Recoveries of receivables previously written off are recorded when received. The majority of the customer accounts are considered past due after the invoice becomes older than the customer's normal credit terms. Interest is not charged on past due accounts. The allowance for doubtful accounts was $12,000 at the end of each of fiscal years 2016 and 2015.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using a FIFO approximated weighted average costing method of valuation. Our industry is characterized by short-term customer commitments and changes in demand, as well as other market considerations. Provisions for obsolete and excess inventory are based on reviews of inventory usage, quantities on hand and latest product demand information from customers. Inventories are reviewed in detail utilizing a 12-month time horizon. Individual part numbers that have not had any usage or purchases in a 12-month time period and do not have any known usage requirements are categorized as obsolete; individual part numbers having more than a 12-month supply based on the current year's usage are categorized as excess. Once specific inventory has been identified as excess or obsolete, the cost of the identified inventory is fully reserved and the cost of the inventory is not recovered until it is sold. The reserve balance is analyzed for adequacy as part of the inventory review each quarter.

Income Taxes

Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our annual tax rate and in evaluating our tax positions. An estimated effective tax rate for a year is applied to our quarterly operating results. In the event there is a significant or unusual item recognized in our quarterly operating results, the tax attributable to that item is separately calculated and recorded at the same time as that item. Tax law requires items to be included in our tax returns at different times than the items are reflected in our financial statements. As a result, our annual tax rate reflected in our financial statements is different than that reported in our tax returns (our cash tax rate). Some of these differences are permanent, such as expenses that are not deductible in our tax return, and some differences reverse over time, such as depreciation expense. These temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in our tax returns in future years for which we have already recorded the tax benefit in our income statement. We establish valuation allowances for our deferred tax assets if, based on the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax liabilities generally represent tax expense recognized in our financial statements for which payment has been deferred, or expense for which we have already taken a deduction in our tax return but have not yet recognized as expense in our financial statements. The accounting for uncertainty in income taxes requires a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. If necessary, we record a liability for the difference between the benefit recognized and measured for financial statement purposes and the tax position taken or expected to be taken on our tax return. To the extent that our assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. If applicable in a given year, tax-related interest and penalties are classified as a component of income tax expense.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Information not required.

ITEM 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Act"), as of April 30, 2016 and based on that evaluation have concluded that these disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Act. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework contained in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of April 30, 2016.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the three month period ending April 30, 2016, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information

None.

Report Of Independent Registered Public Accounting Firm

To the Board of Directors
Torotel, Inc.

We have audited the accompanying consolidated balance sheet of Torotel, Inc. and subsidiaries (collectively, the "Company") as of April 30, 2016 and 2015, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal controls over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Torotel, Inc. and subsidiaries as of April 30, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company has adopted new accounting guidance in 2016 related to the classification of deferred income tax balances.

/s/ RubinBrown LLP

Overland Park, Kansas
June 30, 2016

CONSOLIDATED BALANCE SHEETS

	As of April 30, 2016	As of April 30, 2015
ASSETS		
Current assets:		
Cash	$ 1,846,000	$ 1,892,000
Trade receivables, net	1,902,000	1,585,000
Inventories	1,703,000	1,676,000
Prepaid expenses and other current assets	202,000	114,000
	5,653,000	5,267,000
Land	265,000	265,000
Buildings and improvements	1,049,000	1,012,000
Equipment	3,145,000	2,858,000
	4,459,000	4,135,000
Less accumulated depreciation	3,139,000	2,848,000
Property, plant and equipment, net	1,320,000	1,287,000
Deferred income taxes	592,000	836,000
Other assets	115,000	85,000
Total Assets	$ 7,680,000	$ 7,475,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 90,000	$ 122,000
Trade accounts payable	764,000	726,000
Accrued liabilities	468,000	579,000
Customer deposits	29,000	67,000
	1,351,000	1,494,000
Long-term debt, less current maturities	468,000	559,000
Commitments and contingencies		
Stockholders' equity:		
Common stock; par value $0.01; 6,000,000 shares authorized; 5,615,750 shares issued and outstanding	60,000	60,000
Capital in excess of par value	12,277,000	12,342,000
Accumulated deficit	(6,467,000)	(6,971,000)
Treasury stock, at cost	(9,000)	(9,000)
	$ 5,861,000	$ 5,422,000
Total Liabilities and Stockholders' Equity	$ 7,680,000	$ 7,475,000

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended April 30,

	Year Ended	
	2016	**2015**
Net sales	$ 16,194,000	$ 13,562,000
Cost of goods sold	10,883,000	9,287,000
Gross profit	5,311,000	4,275,000
Operating expenses:		
Engineering	811,000	745,000
Selling, general and administrative	3,643,000	3,217,000
	4,454,000	3,962,000
Earnings from operations	857,000	313,000
Other expense:		
Interest expense, net	25,000	28,000
Earnings before provision for income taxes	832,000	285,000
Provision for income taxes	328,000	165,000
Net earnings	$ 504,000	$ 120,000
Basic earnings per share	$ 0.10	$ 0.02

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Shares	Common Stock	Excess of Par Value	Accumulated Deficit	Treasury Stock, at cost	Total Stockholders' Equity
Balance, April 30, 2014	$ 5,983,545	$ 60,000	$ 12,307,000	$ (7,091,000)	$ (9,000)	$ 5,267,000
Stock compensation earned	—	—	35,000	—	—	35,000
Net earnings	—	—	—	120,000	—	120,000
Balance, April 30, 2015	5,983,545	60,000	12,342,000	(6,971,000)	(9,000)	5,422,000
Stock compensation credit	—	—	(65,000)	—	—	(65,000)
Net earnings	—	—	—	504,000	—	504,000
Balance, April 30, 2016	$ 5,983,545	$ 60,000	$ 12,277,000	$ (6,467,000)	$ (9,000)	$ 5,861,000

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASHFLOWS

Years ended April 30,

	2016	2015
Cash flows from operating activities:		
Net earnings	$ 504,000	$ 120,000
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Stock compensation cost amortized (credited)	(65,000)	35,000
Depreciation	291,000	339,000
Deferred income taxes	244,000	149,000
Termination and payout of stock appreciation rights	—	(250,000)
Increase (decrease) in cash flows from operations resulting from changes in:		
Trade receivables	(317,000)	(83,000)
Inventories	(27,000)	(221,000)
Prepaid expenses and other assets	(90,000)	(40,000)
Trade accounts payable	38,000	257,000
Accrued liabilities	(111,000)	(4,000)
Customer deposits	(38,000)	(24,000)
Net cash provided by operating activities	429,000	278,000
Cash flows from investing activities:		
Capital expenditures	(324,000)	(453,000)
Purchase of investments	(28,000)	—
Net cash used in investing activities	(352,000)	(453,000)
Cash flows from financing activities:		
Principal payments on long-term debt	(123,000)	(141,000)
Proceeds from long-term debt	—	172,000
Payments on capital lease obligations	—	(2,000)
Net cash (used in) provided by financing activities	(123,000)	29,000
Net decrease in cash	(46,000)	(146,000)
Cash, beginning of year	1,892,000	2,038,000
Cash, end of year	$ 1,846,000	$ 1,892,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 25,000	$ 28,000
Income taxes	$ 78,000	$ 26,000

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Torotel, Inc. ("Torotel") conducts business primarily through its wholly owned subsidiary, Torotel Products, Inc. ("Torotel Products"), and until early in the fourth quarter of the fiscal year ended April 30, 2016 also operated another wholly owned subsidiary, Electronika, Inc. ("Electronika") that licensed, marketed, and sold ballast transformers to the airline industry. Electronika was dissolved and its affairs wound up as of February 8, 2016. As a result of the dissolution of Electronika, Torotel no longer sells ballast transformers. Another subsidiary, Torotel Manufacturing Corporation ("TMC"), provided manufacturing services to Torotel Products. TMC ceased activities on December 31, 2012. Torotel specializes in the custom design and manufacture of a wide variety of precision magnetic components, consisting of transformers, inductors, reactors, chokes, toroidal coils, high voltage transformers, dry-type transformers and electro-mechanical assemblies for use in aerospace, industrial and military electronics.

Principles of Consolidation

The consolidated financial statements include the accounts of Torotel, Inc. and its wholly owned subsidiaries, Torotel Products, TMC, and Electronika through its date of dissolution. All significant inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates used in preparing these consolidated financial statements include those assumed in computing the carrying value of inventory, the allowance for doubtful accounts receivable, the valuation allowance on deferred income tax assets, and the reserve for warranty costs. Accordingly, actual results could differ from those estimates. Any changes in estimates are recorded in the period in which they become known.

Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash and accounts receivable. We grant unsecured credit to most of our customers. We do not believe that we are exposed to any extraordinary credit risk as a result of this policy. At various times, and at April 30, 2016, cash balances exceeded federally insured limits. We have not experienced any losses in the cash accounts and we do not believe we are exposed to any significant credit risk with respect to our cash.

Fair Value of Financial Instruments

We determine fair value by utilizing a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels as follows:

- Level 1. Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2. Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider counterparty credit risk in the assessment of fair value.

The carrying amounts of certain financial instruments, including cash, trade receivables and trade accounts payable approximate fair value due to their short maturities. As of April 30, 2016, the amount of our long-term debt approximates fair value based on the present value of estimated future cash flows using a discount rate commensurate with a borrowing rate available to us. The inputs used to estimate the fair value of long-term debt are considered Level 2 inputs.

Treasury Stock

We utilize the weighted average cost method in accounting for treasury stock transactions.

Revenue Recognition

Revenue is recognized when a fixed price contract or purchase order exists; delivery has occurred; and collection is reasonably assured. Selling terms are FOB Shipping Point so we consider our products delivered once they have been shipped and title and risk of loss have been transferred. Our consolidated net sales arising from contracts having deliveries scheduled over a period of more than one year for fiscal years 2016 and 2015 were approximately 0% and 35%, respectively, primarily because of the contract for the potted coil assembly.

Allowance for Doubtful Accounts

Gross trade accounts receivable are offset with an allowance for doubtful accounts. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We review the allowance for doubtful accounts on a regular basis, and all past due balances are reviewed individually for collectability. Account balances are charged against the allowance when placed for collection. Recoveries of receivables previously written off are recorded when received. The majority of the customer accounts are considered past due after the invoice becomes older than the customer's credit terms. Interest is not charged on past due accounts. The allowance for doubtful accounts as of April 30, 2016 and 2015 was $12,000 and $12,000, respectively.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using a FIFO approximated weighted average cost method of valuation. Our industry is characterized by short-term customer commitments and changes in demand, as well as other market considerations. Provisions for obsolete and excess inventory are based on reviews of inventory usage, quantities on hand and latest product demand information from customers. Inventories are reviewed in detail utilizing a 12-month time horizon. Individual part numbers that have not had any usage or purchases in a 12-month time period and do not have any known usage requirements are categorized as obsolete; individual part numbers having more than a 12-month supply based on the current year's usage are categorized as excess. Once specific inventory has been identified as excess or obsolete, the cost of the identified inventory is fully reserved and the cost of the inventory is not recovered until it is sold. The reserve balance is analyzed for adequacy as part of the inventory review each quarter.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation and amortization are provided in amounts sufficient to relate the costs of depreciable assets to operations primarily using the straight-line method over estimated useful lives of three to five years for equipment and three and a half to twenty years for buildings and improvements.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, we consider all short-term investments and demand deposits purchased with original maturity dates of three months or less to be cash.

Income Taxes

Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our annual tax rate and in evaluating our tax positions. An estimated effective tax rate for a year is applied to our quarterly operating results. In the event there is a significant or unusual item recognized in our quarterly operating results, the tax attributable to that item is separately calculated and recorded at the same time as that item. Tax law requires items to be included in our tax returns at different times than the items are reflected in our financial statements. As a result, our annual tax rate reflected in our financial statements is different than that reported in our tax returns (our cash tax rate). Some of these differences are permanent, such as expenses that are not deductible in our tax return, and some differences reverse over time, such as depreciation expense. These temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in our tax returns in future years for which we have already recorded the tax benefit in our income statement. We establish valuation allowances for our deferred tax assets if, based on the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax liabilities generally represent tax expense recognized in our financial statements for which payment has been deferred, or expense for which we have already taken a deduction in our tax return but have not yet recognized as expense in our financial statements. The accounting for uncertainty in income taxes requires a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. If necessary, we record a liability for the difference between the benefit recognized and measured for financial statement purposes and the tax position taken or expected to be taken on our tax return. To the extent that our assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. If applicable in a given year, tax-related interest and penalties are classified as a component of income tax expense.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended April 30, 2016 and 2015 advertising costs were $1,000 and $4,000, respectively.

Warranty Costs

We maintain a reserve for estimated warranty costs associated with products returned from customers. A limited warranty is provided for a period of one year which requires us to repair or replace defective products at no cost to the customer. The warranty reserve is based on historical experience and reflects management's best estimate of probable liability under the product warranties.

Share-Based Compensation

We have a share-based compensation plan that includes restricted stock, which is described more fully in Note 7 of the Notes to the Consolidated Financial Statements. We account for the share-based compensation plan in accordance with authoritative guidance under which the estimated fair value of share-based awards granted under our share-based compensation plan is recognized as compensation expense over the vesting period of the award.

New Accounting Guidance

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The standard is effective for reporting periods beginning after December 15, 2017 and early adoption permitted for reporting periods beginning after December 15, 2016. The standard will supersede existing revenue recognition guidance, including industry-specific guidance, and will provide companies with a single revenue recognition model for recognizing revenue from contracts with customers. The standard requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Adoption of the new rules could affect the timing of revenue recognition for certain transactions. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. The provisions of this new guidance are effective as of the beginning of Torotel's first quarter of 2018. Torotel is currently evaluating the transition method to be used and the impact of adoption of this standard on its consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. The standard requires that deferred tax assets and liabilities be classified as noncurrent on the balance sheet rather than being separated into current and noncurrent. The standard is effective for reporting periods beginning December 15, 2016. Early adoption is permitted and the standard may be applied either retrospectively or on a prospective basis to all deferred tax assets and liabilities. Torotel early adopted the standard during the third quarter of fiscal year 2016 on a retrospective basis. Accordingly, Torotel reclassified the current deferred taxes to noncurrent on the April 30, 2015 Consolidated Condensed Balance Sheet, which increased noncurrent deferred tax assets $171,000 and decreased current deferred tax assets $171,000.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous GAAP. ASU 2016-02 requires that a lessee should recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term on the balance sheet.

ASU 2016-02 requires expanded disclosures about the nature and terms of lease agreements and is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. Early adoption is permitted. Torotel is currently evaluating the potential impact of this standard on its consolidated financial statements.

NOTE 2—INVENTORIES

The following table summarizes the components of inventories, as of April 30 of each year:

	2016	2015
Raw materials	$ 1,051,000	$ 1,029,000
Work in process	400,000	445,000
Finished goods	252,000	202,000
	$ 1,703,000	$ 1,676,000

NOTE 3—FINANCING AGREEMENTS

On September 27, 2010, Torotel Products entered into a new financing agreement (the "agreement") with Commerce Bank, N.A (the "Bank"). The agreement provides for a revolving line of credit, a guidance line of credit, and a real estate term loan. Torotel serves as an additional guarantor to all notes described below. A summary of the notes issued under the agreement are provided below:

		2016		2015
4.05% mortgage note payable in monthly installments of $4,873, including interest, with final payment of $349,000 due January 27, 2019	$	456,000	$	495,000
4.00% line of credit with a maturity date of September 27, 2016		-		-
Borrowings under an equipment financing line of credit:				
4.63% note payable in monthly installments of $7,123, including interest, with final payment due September 26, 2015		-		36,000
4.75% note payable in monthly installments of $2,269, including interest, with final payment due May 27, 2018		53,000		77,000
3.75% note payable in monthly installments of $2,112, including interest, with final payment due April 10, 2018		49,000		73,000
Total long-term debt		558,000		681,000
Less current installments		90,000		122,000
Long-term debt, excluding current installments	$	468,000	$	559,000

The revolving line of credit, which is available for working capital purposes, is renewable annually. The associated interest rate is equal to the greater of the floating Commerce Bank Prime Rate (currently 3.25%) or a floor of 4% (as listed above). Monthly repayments of interest only are required with the principal due at maturity. The maximum borrowing of this line of credit is $500,000. This facility is cross collateralized and cross defaulted with all other facilities and is secured by a first lien on all business assets of Torotel Products.

On February 21, 2014, Torotel Products refinanced its mortgage note under the agreement with the Bank. No cash proceeds were received as a result of the refinancing. Prepayment of the new note up to $100,000 per year is allowed without penalty so long as these funds are generated through internal cash flow and not borrowed from a separate financial institution. The new note is cross collateralized and cross defaulted with all other facilities of Torotel Products and is secured by a first real estate mortgage on the property located at 620 North Lindenwood Drive in Olathe, Kansas.

The equipment note is a guidance line of credit to be used for equipment purchases. Monthly repayments consisting of both interest and principal are required. This facility is cross collateralized and cross defaulted with all other facilities of Torotel Products and is secured by a purchase money security interest in the assets purchased as well as a first lien on all business assets of Torotel Products. The maximum borrowing of this line of credit is $500,000.

Torotel Products is also required to comply with specified financial covenants and as of April 30, 2016, Torotel Products was in compliance with these covenants.

The amount of long-term debt maturities by year is as follows:

Year Ending April 30,	Amount
2017	$ 90,000
2018	96,000
2019	372,000
	$ 558,000

NOTE 4—INCOME TAXES

The components of the provision (benefit) for income taxes are as follows:

	2016	2015
Current tax expense (benefit)		
Federal	$ 9,000	$ (1,000)
State	75,000	17,000
	84,000	16,000
Deferred tax expense (benefit)		
Federal	254,000	82,000
State	(10,000)	67,000
	244,000	149,000
Total income tax provision	$328,000	$ 165,000

The provision for income taxes reflected in the consolidated statements of operations differs from the amounts computed at the federal statutory tax rates.

The principal differences between our statutory income tax expense and the effective provision for income taxes are summarized as follows:

	2016	2015
Computed tax expense at statutory rates	$ 283,000	$ 98,000
Permanent differences	8,000	9,000
State tax and credits	37,000	13,000
Provision to Return Adjustment	(2,000)	20,000
State Rate Adjustment	—	11,000
Increase in valuation allowance	2,000	14,000
	$ 328,000	$ 165,000

We have available as benefits to reduce future income taxes, subject to applicable limitations, estimated federal net operating loss carryforward amounts as described below. In addition, we have available to us federal and state tax credits that carry forward indefinitely.

Year of Expiration	NOL Carryforwards
2027	$ 82,000
2030	28,000
2032	298,000
	$ 408,000

The following table summarizes the components of the net deferred income tax asset:

	2016	2015
Net operating loss carryforwards	$ 139,000	$ 467,000
Inventory valuation reserve	147,000	138,000
Loss on equity and impairment in investee	437,000	435,000
Tax credit carryforward	68,000	57,000
Other	238,000	174,000
	1,029,000	1,271,000
Less: valuation allowance	(437,000)	(435,000)
	$ 592,000	$ 836,000

We record deferred income tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. As of April 30, 2016, we anticipate the realization of a portion of our deferred income tax assets. We have adjusted the valuation allowance accordingly in the years ended April 30, 2016 and 2015. The remaining valuation allowance is specifically related to impairment on an investment that would result in a capital loss for tax purposes that we do not anticipate realizing due to the absence of offsetting capital gain income.

We evaluate the appropriateness of our deferred income tax asset valuation allowance on a quarterly basis and continue to consider positive and negative trends in our industry that could affect our determination. We believe that our current adjustment to the valuation allowance is appropriate due to anticipated demand over the next few fiscal years related to continuing business in the aerospace and defense markets. We also believe that this demand should generate sufficient taxable earnings to enable us to realize our net deferred tax assets except as discussed above, thus outweighing any negative evidence concerning the cyclical and competitive nature of our industry. Also, we have achieved consistent taxable earnings in recent fiscal years, we have established a recent history of utilizing our net deferred tax asset, our available carryforward periods of our net operating losses are of sufficient length and are at minimum risk of expiring unused, and our products are included in applications that generally have a longer lifecycle.

As of April 30, 2016, the federal tax returns for the fiscal years ended 2011 through 2015 are open to audit until the statute of limitations closes for the years in which the net operating losses are utilized. We recognize interest and penalties accrued on unrecognized tax benefits as well as interest received from favorable tax settlements within income tax expense. As of April 30, 2016, we recorded no accrued interest or penalties related to uncertain tax positions. We expect no significant change in the amount of unrecognized tax benefit, accrued interest or penalties within the next twelve months.

NOTE 5—COMMITMENTS AND CONTINGENCIES

As part of our ongoing operations, we enter into arrangements that obligate us to make future payments to various parties. Some of these contractual obligations are not reflected on the accompanying consolidated balance sheets due to the nature of the obligations. Such obligations include operating leases for production space and for equipment.

On December 20, 2013, we entered into a real estate lease agreement to lease approximately 11,000 square feet for manufacturing electromechanical assemblies and larger transformers. This agreement commenced on March 1, 2014 and was originally scheduled to terminate on February 29, 2016. The agreement was renewed and commenced April 1, 2016 and ends September 30, 2016.

On July 10, 2014, we entered into a new real estate lease agreement to lease approximately 5,000 square feet for manufacturing electromechanical assemblies and other transformers. This agreement commenced on August 1, 2014 and continues through July 31, 2017.

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods free of rent. Total rent expense for all operating leases for the years ended April 30, 2016 and 2015 was $193,000 and $176,000, respectively.

Future minimum lease payments under non-cancellable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of April 30, 2016 are:

Year Ending April 30,	Operating Leases
2017	$ 105,000
2018	17,000
2019	4,000
	$ 126,000

NOTE 6—EMPLOYEE INCENTIVE PLANS

Short-term Cash Incentive Plan

The Short-term Cash Incentive Plan ("STIP") became effective for fiscal year 2008. The purpose of the STIP is to promote the long-term financial performance of Torotel by providing key employees with the opportunity to earn cash awards for accomplishing annual goals for Return on Capital Employed ("ROCE") as defined in the STIP. For the years ended April 30, 2016 and 2015, total short-term cash incentive plan expense was $0 and $0, respectively.

Long-term Incentive Plans

The Long-term Incentive Plans ("LTIPs"), which consist of a Stock Award Plan and a Long-term Cash Incentive Plan, also became effective for fiscal year 2008. The purpose of the LTIPs is to provide incentives that will attract and retain highly competent persons as key employees to promote the long-term financial performance of Torotel by providing key employees an opportunity to earn stock and cash awards for accomplishing long-range goals for sales growth, earnings growth, ROCE and debt to equity, as defined and measured in each of the Stock Award Plan and the Long-term Cash Incentive Plan.

Stock Award Plan

The Stock Award Plan ("SAP"), which did not require shareholder approval, provides key employees the opportunity to acquire common stock of Torotel pursuant to awards earned for accomplishing goals that promote the long-term financial performance of Torotel. Under the terms of the SAP, stock awards are in the form of restricted stock having a 5-year restriction period, which shall lapse, based on certain conditions as outlined in the SAP. All stock awards are represented by a Restricted Stock Agreement, which afford the grantees all of the rights of a stockholder with respect to the award shares, including the right to vote such shares and to receive dividends and other distributions payable with respect to such shares since the Date of Award.

Long-term Cash Incentive Plan

The Long-term Cash Incentive Plan ("LTCIP") provides key employees with the opportunity to earn cash awards for accomplishing plan goals based on predetermined targets for average annual sales and earnings growth, ROCE and debt to equity. Under the terms of the LTCIP, awards will not be paid if Torotel's performance on any LTCIP metric is less than the threshold level of performance defined for that LTCIP metric. For the years ended April 30, 2016 and 2015, total long-term cash incentive plan expense was $0 for both years.

Performance Bonus

We provided discretionary performance bonuses for employees not participating in the above incentive plans. Total expense for these bonuses was $176,000 and $0 for the years ended April 30, 2016 and 2015.

401(k) Retirement Plan

We have a 401(k) Retirement Plan for Torotel Products' employees. Employer contributions to that plan are at the discretion of the Board of Directors. Employer contributions to the plan for the years ended April 30, 2016 and 2015 were $35,000 and $11,000, respectively.

NOTE 7—RESTRICTED STOCK AGREEMENTS

Restricted Stock Agreements, and stock awards thereunder, are authorized by the Compensation and Nominating Committee ("Committee") and the Board of Directors of Torotel. The terms of the Restricted Stock Agreements afford the grantees all of the rights of a stockholder with respect to the award shares, including the right to vote such shares and to receive dividends and other distributions payable with respect to such shares since the date of award. Under the terms of each agreement, the non-vested shares are restricted as to disposition and subject to forfeiture under certain circumstances. The agreements further provide, subject to certain conditions, that if prior to all of the restricted shares having been released, we undergo a change in control, then all of the restricted shares shall be released and no longer subject to restrictions under the agreements. The restricted shares are treated as non-vested stock; accordingly, the fair value of the restricted stock at the date of award is offset against capital in excess of par value in the accompanying consolidated balance sheets under stockholders' equity.

On June 17, 2013, we entered into Restricted Stock Agreements with three key employees pursuant to the SAP. The aggregate amount of the restricted stock awards was 400,000 shares of common stock. These shares were transferred from treasury shares. Based on the market price of $0.50 for our common stock as of June 17, 2013, the aggregate fair value of the restricted stock at the date of award was $200,000. The shares issued pursuant to the Restricted Stock Agreements on June 17, 2013 are restricted and may not be sold, assigned, pledged or otherwise disposed of until the restrictions lapse. The restrictions will lapse on the fifth anniversary of the date of grant if during the five (5) year restriction period, (1) Torotel's cumulative annual growth in earnings before interest and taxes ("EBIT") is at least 10% and (2) Torotel's average return on capital employed ("ROCE") is at least 25%. The restrictions will also lapse, if prior to the fifth anniversary of the date of grant, (1) the grantee's employment with Torotel (or a subsidiary thereof) is terminated by reason of disability, (2) the grantee dies, or (3) the Committee, in its sole discretion, terminates the restrictions. If the restrictions on such shares have not lapsed by the fifth anniversary of the date of grant, such shares will be forfeited to Torotel. Stock compensation cost net of an appropriate pre-vesting forfeiture rate is recorded per quarter for the remainder of the vesting period provided the financial performance metrics as outlined in the SAP are likely to be attained. However, due to updated projections developed in the third quarter of fiscal year 2016, the likelihood of achieving the financial performance metrics as outlined in each Restricted Stock Agreement was classified as not probable. As a result, we stopped amortizing the stock compensation cost associated with the restricted stock awarded on July 17, 2013 and recovered the previously amortized stock compensation cost of $88,000 in the third quarter ended January 31, 2016. The 350,000 shares associated with the Restricted Stock Agreements dated June 17, 2013 are expected to be reverted to treasury shares during the fiscal year 2017.

Total stock compensation cost for the years ended April 30, 2016 and 2015 was a credit of $65,000 and an expense of $35,000, respectively. Restricted stock activity for each period through April 30, 2016 and 2015 is summarized as follows:

	2016		2015	
	Restricted Shares Under Option	**Weighted Average Grant Price**	**Restricted Shares Under Option**	**Weighted Average Grant Price**
Outstanding at May 1	350,000	$ 0.500	350,000	$ 0.500
Granted	—	—	—	—
Vested	—	—	—	—
Forfeited	—	—	—	—
Outstanding at April 30	350,000	$ 0.500	350,000	$ 0.500

NOTE 8—STOCKHOLDERS' EQUITY

The changes in shares of common stock outstanding as of April 30 of each year are summarized as follows:

	2016	2015
Balance, May 1	5,615,750	5,615,750
Restricted stock activity	—	—
Treasury stock activity	—	—
Balance, April 30	5,615,750	5,615,750

NOTE 9—EARNINGS PER SHARE

Basic and diluted earnings per share are computed using the two-class method. The two-class method is an earnings allocation formula that determines net income per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. Per share amounts are computed by dividing net income attributable to common shareholders by the weighted average shares outstanding during each period.

The basic earnings per common share were computed as follows:

	Year Ended	
	2016	2015
Net earnings	$ 504,000	$ 120,000
Amounts allocated to participating securities (nonvested restricted shares)	—	(4,000)
Net income attributable to common shareholders	$ 504,000	$ 116,000
Basic weighted average common shares	5,265,750	5,265,750
Earnings per share attributable to common shareholders:		
Basic earnings per share	$ 0.10	$ 0.02

ASC 260, Earnings per Share, provides that unvested share-based payment awards that contain non-forfeitable rights to dividends are considered to be participating securities and must be included in the computation of earnings per share pursuant to the two-class method. Diluted earnings per share is not presented as we do not have any shares considered incremental and dilutive.

NOTE 10—ACCRUED LIABILITIES

Accrued liabilities as of April 30 of each year consist of the following:

	2016	2015
Employee related expenses:		
Accrued payroll	$ 236,000	$ 259,000
Accrued payroll taxes	19,000	27,000
Accrued employee benefits	115,000	68,000
	$ 370,000	$ 354,000
Other, including interest:		
Warranty reserve	67,000	$ 115,000
Property taxes	31,000	28,000
Other	—	82,000
	$ 98,000	$ 225,000
	$ 468,000	$ 579,000

NOTE 11—AGREEMENTS WITH RELATED PARTY

Electronika's requirements for raw material, labor, testing, packaging and related services required to complete the manufacture, delivery and sale of the ballast transformers were outsourced pursuant to a Manufacturing Agreement ("Agreement") with Magnetika, a corporation owned by the Caloyeras family. Under the terms of the Agreement, Electronika was obligated to order all of its ballast transformer requirements exclusively from Magnetika. In exchange for the services provided to Electronika under the Agreement, Magnetika received 40% of the net sales price of all ballast transformers sold by Electronika. The Agreement was terminated pursuant to its terms in February 2016 in connection with the dissolution of Electronika and the winding up of its affairs. In the fiscal year ended April 30, 2016, Electronika recouped incurred costs of $6,000 for goods purchased, (all of which was paid prior to the dissolution of Electronika). In the fiscal year ended April 30, 2015, Electronika incurred costs of $2,000 for goods purchased on trade terms of net 20 days pursuant to the Agreement. Of the amount purchased, $4,000 was due and payable as of April 30, 2015.

NOTE 12—CUSTOMER DEPOSITS

For certain customers, we collect payment at the time the order is placed. These deposits are classified as a liability and will be recognized as revenue at the time of shipment in accordance with our revenue recognition policy. As of April 30, 2016 we had approximately $29,000 in customer deposits related to this arrangement.

NOTE 13—SELF-INSURANCE CAPTIVE

We are a member of a limited liability company formed as an insurance association captive (the "captive") in order to provide partially self-insured health benefits to our employees that elect coverage under the plan. Our membership percentage in this captive is approximately 0.5% and represents an investment of $87,000. Therefore, our investment is accounted for utilizing the cost method of accounting. Our risk of loss is limited to our investment in the captive and we are not required to fund additional capital to the captive in the event of negative capital accounts. Our share of net income from the captive is based on our ratio of contribution to the captive. No income has been allocated in either fiscal year 2015 or 2016.

We maintain a reserve for incurred but not reported medical claims and claim development. Our reserve is an estimate based on historical experience and other assumptions, some of which are subjective. We adjust our self-insured medical benefits reserve as we experience changes due to medical inflation, changes in the number of plan participants and changes to specific cases. Our total reserve for these claims for the fiscal years ended April 30, 2016 and 2015 was $32,000 and $63,000 respectively.

NOTE 14—SEGMENT INFORMATION

Torotel reports the manufacturing, marketing, selling and distribution of precision magnetic components, consisting of transformers, inductors, reactors, chokes, toroidal coils, high voltage transformers, dry-type transformers, and electro-mechanical assemblies as one operating and one reportable segment. Torotel's chief operating decision maker is its Chief Executive Officer, who reviews financial information on a consolidated basis for purposes of making operating decisions and assessing financial performance.

Torotel's net sales by product line and geography for the periods presented were as follows:

Years ended April 30	2016	2015
Torotel Products:		
Magnetic components	$ 8,339,000	$ 6,247,000
Potted coil assembly	4,989,000	4,827,000
Electro-mechanical assemblies	2,716,000	2,310,000
Large Transformers	149,000	173,000
Total Torotel Products	$ 16,193,000	$ 13,557,000
Electronika (1)	1,000	5,000
Total consolidated net sales	$ 16,194,000	$ 13,562,000

(1) Electronika was dissolved on February 8, 2016 and its affairs wound up.

Years ended April 30,	2016	2015
Domestic	$ 15,022,000	$ 12,341,000
Foreign	1,172,000	1,221,000
Total consolidated net sales	$ 16,194,000	$ 13,562,000

Torotel Products currently has a primary base of approximately 23 customers that provide nearly 90% of its annual sales volume. Sales to two major customers as a percentage of consolidated net sales for the year ended April 30, 2016 was 35% and 28% respectively. Sales to two major customers as a percentage of consolidated net sales for the year ended April 30, 2015 was 41% and 19% respectively.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to the information contained in our definitive proxy statement to be filed with the SEC no later than 120 days after the end of our most recent fiscal year in connection with our 2016 Annual Meeting of Shareholders.

Code of Business Conduct and Ethics

Torotel has adopted a Code of Business Conduct and Ethics (the "Code") for directors, executive officers, and significant employees. A copy of the Code is posted on Torotel's Internet website at www.torotelinc.com. If an amendment is made to, or a waiver granted of, a provision of the Code that applies to Torotel's principal executive officer or principal financial officer where such amendment or waiver is required to be disclosed under applicable SEC rules, Torotel intends to disclose such amendment or waiver and the reasons therefore on its Internet website at www.torotelinc.com within four business days following any such amendment or waiver and will keep the information available on the website for at least twelve months. Following the twelve-month posting period, the information will be retained for a minimum of five years.

ITEM 11. Executive Compensation

The information required by this item is incorporated by reference to the information contained in our definitive proxy statement to be filed with the SEC no later than 120 days after the end of our most recent fiscal year in connection with our 2016 Annual Meeting of Shareholders.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to the information contained in our definitive proxy statement to be filed with the SEC no later than 120 days after the end of our most recent fiscal year in connection with our 2016 Annual Meeting of Shareholders.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to the information contained in our definitive proxy statement to be filed with the SEC no later than 120 days after the end of our most recent fiscal year in connection with our 2016 Annual Meeting of Shareholders.

ITEM 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to the information contained in our definitive proxy statement to be filed with the SEC no later than 120 days after the end of our most recent fiscal year in connection with our 2016 Annual Meeting of Shareholders.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

(a)

(b) Exhibits (Electronic Filing Only)

Exhibit 3.1	Articles of Incorporation, as amended (incorporated by reference to Exhibit 3.1 of Form 8-K filed with the SEC on September 25, 2009, SEC File Number 001-08125)
Exhibit 3.2	Amended and Restated By-laws (incorporated by reference to Exhibit 3.1 of Form 8-K filed with the SEC on July 7, 2006, SEC File Number 001-08125)
Exhibit 10.1#	Form of Amended and Restated Employment Agreement (incorporated by reference to Exhibit 10.1 of Form 8-K filed with the SEC on July 7, 2006, SEC File Number 001-08125)
Exhibit 10.2	Promissory note for real estate term loan, executed February 21, 2014 (incorporated by reference to Exhibit 10.1 of Form 8-K filed with the SEC on February 27, 2014, SEC File Number 001-08125)
Exhibit 10.3#	Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.1 of Form 8-K filed with the SEC on June 19, 2013, SEC File Number 001-08125)
Exhibit 10.4#	Short-term Cash Incentive Plan (incorporated by reference to Exhibit 10.8 of Form 10-KSB filed with the SEC on July 30, 2007, SEC File Number 001-08125)
Exhibit 10.5#	Stock Award Plan (incorporated by reference to Exhibit 10.9 of Form 10-KSB filed with the SEC on July 30, 2007, SEC File Number 001-08125)
Exhibit 10.6#	Long-term Cash Incentive Plan (incorporated by reference to Exhibit 10.10 of Form 10-KSB filed with the SEC on July 30, 2007, SEC File Number 001-08125)
Exhibit 10.7	Standard Industrial/Commercial Multi-Tenant Lease - Net dated July 30, 2010 by and between 96-OP Prop, LLC, a Kansas limited liability company, and Torotel (Incorporated by reference to Exhibit 10.8 of Form 8-K filed with the SEC on August 4, 2010, SEC File Number 001-08125)
Exhibit 10.8	First Amendment to Lease dated December 20, 2013 by and between 96-OP Prop, L.L.C., a Kansas limited liability company, and Torotel (incorporated by reference to Exhibit 10.1 of Form 8-K filed with the SEC on December 24, 2013, SEC File Number 001-08125)
Exhibit 10.9	Commerce Financing Agreements (incorporated by reference to Exhibit 10.11 of Form 10-Q filed with the SEC on December 15, 2010, SEC File Number 001-08125)
Exhibit 10.19	Promissory Note for Real Estate Term Loan, executed February 21, 2014 (incorporated by reference to Exhibit 10.1 of Form 8-K filed with the SEC on February 27, 2014, SEC File Number 001-08125)
Exhibit 10.11	Lease Agreement dated July 10, 2014 by and between Bergey Road Industrial Associates, and Torotel, Inc., a Missouri corporation (incorporated by reference to Exhibit 10.1 of Form 8-K filed with the SEC on July 14, 2014, SEC File Number 001-08125)
Exhibit 14	Code of Business Conduct and Ethics for Directors, Executive Officers, Significant Employees (incorporated by reference to Exhibit 14 of Form 10-KSB filed with the SEC on February 16, 2005, SEC File Number 001-08125)
Exhibit 21*	Subsidiaries of the Registrant
Exhibit 31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) promulgated under the Act
Exhibit 31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) promulgated under the Act
Exhibit 32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document

Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*	Filed herewith
#	Designates a management contract, or compensatory plan or arrangement.

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.

Torotel, Inc.

By: /s/ HEATH C. HANCOCK
Heath C. Hancock
Chief Financial Officer
Principal Financial Officer

Date: June 30, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ DALE H. SIZEMORE, JR.
Dale H. Sizemore, Jr.
Chairman of the Board, President,
Chief Executive Officer (Principal Executive Officer)
and Director

Date: June 30, 2016

By: /s/ ANTHONY L. LEWIS
Anthony L. Lewis
Director

Date: June 30, 2016

By: /s/ RICHARD A. SIZEMORE
Richard A. Sizemore
Director

Date: June 30, 2016

By: /s/ STEPHEN K. SWINSON
Stephen K. Swinson
Director

Date: June 30, 2016

By: /s/ BARRY B. HENDRIX
Barry B. Hendrix
Director

Date: June 30, 2016

By: /s/ HEATH C. HANCOCK
Heath C. Hancock
Chief Financial Officer
Principal Financial Officer and Principal
Accounting Officer

Date: June 30, 2016