



**QUARTERLY REPORT  
MARCH 31, 2019  
UNAUDITED**

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**Disclosure Statement Pursuant to the Pink Basic  
Disclosure Guidelines**

**ORBIT INTERNATIONAL CORP.**

A Delaware Corporation  
80 Cabot Court  
Hauppauge, NY 11788

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www.orbitintl.com  
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SIC Code: 3679

**Annual Report**  
**For the Period Ending: 3/31/2019**  
(the "Reporting Period")

As of 3/31/2019, the number of shares outstanding of our  
Common Stock was: 3,565,196

As of 12/31/2018, the number of shares outstanding of our  
Common Stock was: 3,571,947

Indicate by check mark whether the company is a shell company  
(as defined in Rule 405 of the Securities Act of 1933 and Rule  
12b-2 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has  
changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control<sup>1</sup> of the  
company has occurred over this reporting period:

Yes: ☐ No: ☒

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<sup>1</sup> "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

**1) Name of the issuer and its predecessors (if any)**

In answering this item, please also provide any names used by predecessor entities in the past five years and the dates of the name changes.

Orbit International Corp.

Date and state (or jurisdiction) of incorporation (also describe any changes to incorporation since inception, if applicable) Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Orbit International Corp. was incorporated under the laws of the State of New York on April 4, 1957 as Orbit Instrument Corp. In December 1986, the state of incorporation was changed from New York to Delaware and in July 1991, the name was changed to Orbit International Corp. Orbit International Corp.'s current standing in Delaware is active.

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☐

No: ☒

**2) Security Information**

Trading symbol: ORBT

Exact title and class of securities outstanding: Common Stock

CUSIP: 685559304

Par or stated value: \$0.10

Total shares authorized: 10,000,000 as of date: 3/31/2019

Total shares outstanding: 3,565,196 as of date: 3/31/2019

Number of shares in the Public Float<sup>2</sup>: 1,374,646 as of date: 3/31/2019

Total number of shareholders of record: 117 as of date: 3/31/2019

*Additional class of securities (if any): None*

Transfer Agent

Name: American Stock Transfer and Trust Company, LLC

Phone: 718-921-8200

Email: admin7@astfinancial.com

Is the Transfer Agent registered under the Exchange Act?<sup>3</sup> Yes: ☒ No: ☐

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<sup>2</sup> "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

<sup>3</sup> To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

### **3) Issuance History**

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.**

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services. Using the tabular format below, please describe these events.

#### **A. Changes to the Number of Outstanding Shares**

(see next page)

Number of Shares outstanding as of : 12/31/16	<u>Opening Balance:</u> Common: <u>4,187,157</u> Preferred: <u>N/A</u>		*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)	Restricted or Unrestricted as of this filing?	Exemption or Registration Type?
1/1/17-12/31/17	Shares returned to treasury	(563,253)	Common	N/A	N/A	N/A	N/A	N/A	N/A
1/1/17-12/31/17	Cancellation-Forfeited	(4,400)	Common	\$3.23	No	Kenneth Ice	Employee Restricted Stock Grant	N/A	N/A
1/1/18-12/31/18	Shares returned to treasury	(47,557)	Common	N/A	N/A	N/A	N/A	N/A	N/A
1/1/19-3/31/19	Shares returned to treasury	(6,751)	Common	N/A	N/A	N/A	N/A	N/A	N/A
Shares Outstanding on 3/31/19	<u>Ending Balance:</u> Common: <u>3,565,196</u> Preferred: <u>N/A</u>								

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☐

Use the space below to provide any additional details, including footnotes to the table above: None

#### Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe any issuance of promissory notes, convertible notes or convertible debentures in the past two completed fiscal years and any subsequent interim period.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☒

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date		Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	—	_____		_____	_____

Use the space below to provide any additional details, including footnotes to the table above:

N/A

#### 4) Financial Statements

A. The following financial statements were prepared in accordance with:

- ☒ U.S. GAAP  
☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual)<sup>4</sup>:

Name: David Goldman

Title: CFO

Relationship to Issuer: Employee

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- C. Balance sheet;
- D. Statement of income;
- E. Statement of cash flows;
- F. Financial notes; and
- G. Audit letter, if audited

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<sup>4</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

You may either (i) attach/append the financial statements to this disclosure statement or (ii) file the financial statements through OTCIQ as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial statements in a separate report as described above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to OTCIQ in the field below.

Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

## **5) Issuer's Business, Products and Services**

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

- A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Orbit International Corp. conducts its operations through its Electronics and Power Groups. The Company's Electronics Group ("OEG") is comprised of its Orbit Instrument and Tulip Development Laboratory ("TDL") Divisions. The Electronics Group's Integrated Combat System ("ICS") division ceased operations during the fourth quarter of 2018. The OEG is engaged in the design, manufacture and sale of customized electronic components and subsystems. The Power Group ("OPG") is comprised of the Company's wholly owned subsidiary, Behlman Electronics Inc. ("Behlman"), and is engaged in the design and manufacture of VPX/VME power supplies, high quality commercial power units, AC power supplies, frequency converters, uninterruptible power supplies and commercial-off-the-shelf ("COTS") power solutions.

- B. Describe any subsidiaries, parents, or affiliated companies, if applicable, and a description of their business contact information for the business, officers, directors, managers or control persons. Subsidiary information may be included by reference

See 5) A. above for a description of subsidiaries and divisions.

- C. Describe the issuers' principal products or services, and their markets

The OEG's principal products include remote control units ("RCU"), intercommunication panels, displays, keyboards, keypads and pointing devices, operator control trays and command display units ("CDUs"). These products are used primarily in support of military programs. The OPG's principal products include power supplies, frequency converters,



uninterruptible power supply products, armament systems and inverters. These products are primarily used in commercial applications and in support of military programs.

## **6) Issuer's Facilities**

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

Our plant and executive offices are located at 80 Cabot Court, Hauppauge, New York. This facility, which consists of approximately 60,000 square feet (of which approximately 50,000 square feet are available for manufacturing operations) in a two-story, brick building, was completed in October 1982 and expanded in 1985. We are currently operating this facility at approximately 70% of capacity. In March 2001, we completed a sale-leaseback transaction whereby we sold our land and building for \$3,000,000 and entered into a twelve-year net lease with the buyer of the property. Effective January 1, 2011, we entered into an amendment to the lease. The amendment extended the lease expiration date to December 31, 2021 and modified the lease payments as follows: approximately \$32,500 per month for January 2011 through December 2013, approximately \$35,400 per month for January 2014 through December 2016, and approximately \$38,600 per month for January 2017 through December 2021. In connection with the lease amendment, our landlord agreed, at its sole expense, to make certain improvements to the facility.

In March 2017, we entered into a one-year lease for a 503 square foot facility located at 199 W. Hillcrest Drive, Thousand Oaks, California which was used as a selling office for the Electronics Group. The monthly lease payment was \$2,300 through March 31, 2018 and was renewed for another thirteen months at a monthly lease payment of \$2,530. We notified the landlord of our intent to not renew the lease for another year and the lease expired April 30, 2019. In April 2019, we entered into an eighteen-month lease for a 1,264 square foot facility located at 5207 26<sup>th</sup> Street West, Unit #104, Bradenton, FL. The monthly lease payment is \$1,250 through October 31, 2020. The lease contains a one-year renewal option, at the lessee's discretion, at the same monthly lease payment.

Our ICS division ceased operations during the fourth quarter of 2018. Our ICS division operated out of a 2,500 square foot facility in Louisville, Kentucky. The final lease payment for this facility was made in November 2018.

## 7) Officers, Directors, and Control Persons

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information regarding any person or entity owning 5% or more of the issuer, as well as any officer, and any director of the company, regardless of the number of shares they own. **If any listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information of an individual representing the corporation or entity in the note section.**

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director /Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
<u>Mitchell Binder</u>	<u>President, CEO, and Director</u>	<u>Hauppauge, NY</u>	<u>165,401</u>	<u>Common</u>	<u>4.64%</u>	<u>_____</u>
<u>David Goldman</u>	<u>CFO, Treasurer, Secretary, and Director</u>	<u>Hauppauge, NY</u>	<u>19,567</u>	<u>Common</u>	<u>0.55%</u>	<u>_____</u>
<u>Karl Schmidt</u>	<u>COO</u>	<u>Hauppauge, NY</u>	<u>30,250</u>	<u>Common</u>	<u>0.85%</u>	<u>_____</u>
<u>Wayne Cadwallader</u>	<u>Director</u>	<u>Hauppauge, NY</u>	<u>1,000</u>	<u>Common</u>	<u>0.03%</u>	<u>_____</u>
<u>William Collins</u>	<u>Director</u>	<u>Hauppauge, NY</u>	<u>157,508</u>	<u>Common</u>	<u>4.42%</u>	<u>Ownership amount includes shares owned by Brencourt Capital Management LLC, a family office in which Mr. Collins serves as CEO.</u>
<u>Bernard Karcinell</u>	<u>Director</u>	<u>Hauppauge, NY</u>	<u>7,124</u>	<u>Common</u>	<u>0.20%</u>	<u>_____</u>
<u>Donna Holzeis</u>	<u>Assistant Secretary</u>	<u>Hauppauge, NY</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>	<u>_____</u>
<u>Elkhorn Partners Limited Partnership - Alan S. Parsow, General Partner</u> <u>2222 Skyline Drive</u> <u>Elkhorn, NE 68022</u>	<u>Owner of more than 5%</u>	<u>Elkhorn, NE</u>	<u>1,809,700</u>	<u>Common</u>	<u>50.76%</u>	<u>Ownership based on information provided to the Company in June 2018. Includes shares owned individually by the partnership's general partner.</u>

**8) Legal/Disciplinary History**

A. Please identify whether any of the persons listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

## 9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

### Securities Counsel

Name: Irvin Brum  
Firm: Ruskin Moscou Faltischek, P.C.  
Address 1: 1425 RXR Plaza  
Address 2: East Tower, 15<sup>th</sup> Floor, Uniondale, NY 11556  
Phone: 516-663-6610  
Email: [ibrum@rmfpc.com](mailto:ibrum@rmfpc.com)

### Accountant or Auditor

Name: Michael Monahan  
Firm: CohnReznick LLP  
Address 1: 100 Jericho Quadrangle  
Address 2: Jericho, NY 11753  
Phone: 516-336-5509  
Email: [michael.monahan@cohnreznick.com](mailto:michael.monahan@cohnreznick.com)

### Investor Relations Consultant

N/A

### Other Service Providers

Provide the name of any other service provider(s), including, counsel, advisor(s) or consultant(s) **that assisted, advised, prepared or provided information with respect to this disclosure statement**, or provided assistance or services to the issuer during the reporting period.

N/A

## 10) Issuer Certification

*Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities).

The certifications shall follow the format below:

I, Mitchell Binder certify that:

1. I have reviewed this Quarterly Report of Orbit International Corp. and Subsidiaries;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 15, 2019

/s/ Mitchell Binder

CEO

*Principal Financial Officer:*

I, David Goldman certify that:

1. I have reviewed this Quarterly Report of Orbit International Corp. and Subsidiaries;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

5. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 15, 2019

/s/ David Goldman

CFO

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>	March 31, <u>2019</u> (unaudited)	December 31, <u>2018</u>
Current assets:		
Cash and cash equivalents.....	\$ 2,890,000	\$ 4,506,000
Accounts receivable (less allowance for doubtful accounts of \$115,000).....	3,421,000	2,105,000
Inventories.....	10,681,000	10,127,000
Contract assets.....	359,000	296,000
Other current assets.....	<u>267,000</u>	<u>345,000</u>
Total current assets.....	17,618,000	17,379,000
Property and equipment, net.....	284,000	266,000
Right of use assets, operating leases.....	1,226,000	-
Goodwill.....	868,000	868,000
Other assets.....	30,000	30,000
Deferred tax asset, net.....	<u>1,123,000</u>	<u>1,123,000</u>
TOTAL ASSETS.....	<u>\$21,149,000</u>	<u>\$19,666,000</u>

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

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(continued)

	March 31, 2019 (unaudited)	December 31, 2018
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable.....	\$ 1,861,000	\$ 1,273,000
Accrued expenses.....	853,000	1,175,000
Lease liabilities, operating leases.....	436,000	-
Dividend payable.....	143,000	36,000
Customer advances.....	<u>72,000</u>	<u>171,000</u>
Total current liabilities.....	3,365,000	2,655,000
Lease liabilities, operating leases.....	<u>873,000</u>	<u>-</u>
Total liabilities.....	<u>4,238,000</u>	<u>2,655,000</u>
STOCKHOLDERS' EQUITY		
Common stock - \$.10 par value, 10,000,000 shares authorized, 3,615,000 shares issued at March 31, 2019 and December 31, 2018, respectively, and 3,565,000 and 3,572,000 shares outstanding at March 31, 2019 and December 31, 2018, respectively.....	361,000	361,000
Additional paid-in capital.....	17,634,000	17,623,000
Treasury stock, at cost, 50,000 and 43,000 shares at March 31, 2019 and December 31, 2018, respectively	(265,000)	(227,000)
Accumulated deficit.....	<u>(819,000)</u>	<u>(746,000)</u>
Total stockholders' equity.....	<u>16,911,000</u>	<u>17,011,000</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	<u>\$21,149,000</u>	<u>\$19,666,000</u>

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

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME  
(unaudited)

	Three Months Ended March 31,	
	<u>2019</u>	<u>2018</u>
Net sales.....	\$ 6,492,000	\$ 5,349,000
Cost of sales.....	<u>4,803,000</u>	<u>3,197,000</u>
Gross profit.....	<u>1,689,000</u>	<u>2,152,000</u>
Selling, general and administrative expenses.....	1,611,000	1,717,000
Investment and other (income) expense, net...	<u>(11,000)</u>	<u>2,000</u>
Income before tax provision.....	89,000	433,000
Income tax provision....	<u>19,000</u>	<u>12,000</u>
<b>NET INCOME.....</b>	<b>70,000</b>	<b>421,000</b>
Change in unrealized gains (losses) on marketable securities, net of income tax.....	<u>-</u>	<u>(1,000)</u>
Comprehensive income	<u>\$ 70,000</u>	<u>\$ 420,000</u>
Net income per common share:		
Basic	<u>\$ 0.02</u>	<u>\$ 0.12</u>
Diluted	<u>\$ 0.02</u>	<u>\$ 0.12</u>
Weighted average number of common shares outstanding:		
Basic	<u>3,554,000</u>	<u>3,594,000</u>
Diluted	<u>3,558,000</u>	<u>3,602,000</u>

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



ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

	Three Months Ended March 31,	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Net income.....	\$ 70,000	\$ 421,000
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Stock based compensation expense.....	11,000	9,000
Depreciation and amortization.....	21,000	24,000
Loss on sale of marketable securities.....	-	6,000
Changes in operating assets and liabilities:		
Accounts receivable.....	(1,316,000)	710,000
Contract assets.....	(63,000)	(521,000)
Inventories.....	(554,000)	(402,000)
Other current assets.....	78,000	(1,069,000)
Accounts payable.....	588,000	149,000
Right-of-use assets, operating leases.....	(152,000)	-
Accrued expenses.....	(231,000)	(88,000)
Lease liabilities, operating leases.....	144,000	-
Customer advances.....	<u>(99,000)</u>	<u>20,000</u>
Net cash used in by operating activities.....	<u>(1,503,000)</u>	<u>(741,000)</u>
Cash flows from investing activities:		
Purchases of property and equipment.....	(40,000)	(138,000)
Sale of marketable securities.....	<u>-</u>	<u>296,000</u>
Net cash (used in) provided by investing Activities.....	<u>(40,000)</u>	<u>158,000</u>

(continued)

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)  
(continued)

	Three Months Ended March 31,	
	<u>2019</u>	<u>2018</u>
Cash flows from financing activities:		
Purchase of treasury stock.....	\$ (37,000)	\$ -
Cash dividends paid.....	(36,000)	-
Advances under line of credit.....	<u>-</u>	<u>500,000</u>
Net cash (used in) provided by financing activities.....	<u>(73,000)</u>	<u>500,000</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	<u>(1,616,000)</u>	<u>(83,000)</u>
Cash and cash equivalents - Beginning of period	<u>4,506,000</u>	<u>941,000</u>
CASH AND CASH EQUIVALENTS - End of period.....	<u>\$ 2,890,000</u>	<u>\$ 858,000</u>
Supplemental cash flow information:		
Cash paid for income taxes	<u>\$ 23,000</u>	<u>\$ 5,000</u>
Supplemental disclosure of noncash investing and financing activities:		
Cash dividends declared and not paid	<u>\$ 143,000</u>	<u>\$ -</u>

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

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

(NOTE 1) - Basis of Presentation and Summary of Significant Accounting Policies:

General

The interim financial information contained herein is unaudited. However, in the opinion of management, such information reflects all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods being reported. Additionally, it should be noted that the accompanying consolidated financial statements do not purport to contain complete disclosures required for annual financial statements in accordance with accounting principles generally accepted in the United States of America.

The results of operations for the three months ended March 31, 2019 are not necessarily indicative of the results of operations that can be expected for the year ending December 31, 2019.

The December 31, 2018 balance sheet has been derived from the audited consolidated financial statements at that date but does not include all disclosures required by GAAP. These condensed consolidated statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018 contained in the Company's 2018 Annual Report filed with the OTC Pink Marketplace on March 29, 2019.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains cash in bank deposit and brokerage accounts, which, at times, exceed federally insured limits. The Company has not experienced any losses on these accounts.

Marketable Securities

The Company's investments in debt securities were classified as available-for-sale securities and stated at fair value, based on quoted market prices, with the unrealized gains and losses, net of income tax, reported in accumulated other comprehensive income (loss). Realized gains and losses on debt securities are included in investment income. Any decline in value judged to be other-than-temporary on available-for-sale securities are included in earnings to the extent they relate to a credit loss. A credit loss is the difference between the present value of cash flows expected to be collected from the security and the amortized cost basis. The amount of any impairment related to other factors will be recognized in comprehensive income (loss). The cost of securities is based on the specific-identification method. Interest and dividends on such securities are included in investment income. In accordance with Accounting Standards Update ("ASU") 2016-01, the Company will account for any equity investments at fair value with the change in fair value recognized in net income.

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(NOTE 1) - Basis of Presentation and Summary of Significant Accounting Policies (continued):

Allowance for Doubtful Accounts

Accounts receivable are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Company estimates doubtful accounts based on historical bad debts, factors related to specific customers' ability to pay and current economic trends. The Company writes off accounts receivable against the allowance when a balance is determined to be uncollectible.

Inventories

Inventories, which consist of raw materials, work-in-process, and finished goods, are recorded at cost (average cost method) or net realizable value. Inventories are shown net of any reserves relating to any potential slow moving or obsolete inventory.

Property and Equipment

Property and equipment is recorded at cost. Depreciation and amortization of the respective assets are computed using the straight-line method over their estimated useful lives ranging from 3 to 10 years. Leasehold improvements are amortized using the straight-line method over the remaining term of the lease or the estimated useful life of the improvement, whichever is less.

Long-Lived Assets

When impairment indicators are present, the Company reviews the carrying value of its long-lived assets in determining the ultimate recoverability of their unamortized values using future undiscounted cash flow analyses. In the event the future undiscounted cash flows of the long-lived asset are less than the carrying value, the Company will record an impairment charge for the difference between the carrying value and the fair value of the long-lived asset.

Goodwill

The Company records goodwill as the excess of purchase price over the fair value of identifiable net assets acquired. In accordance with Accounting Standards Codification ("ASC") 350, goodwill is not amortized but instead tested for impairment on at least an annual basis. The Company, where appropriate, will utilize Accounting Standards Update ("ASU") 2011-08 which allows the Company to not perform the two-step goodwill impairment test if it determines that it is not more likely than not that the fair value of the reporting unit is less than the carrying amount based on a qualitative assessment of the reporting unit. The Company's annual goodwill impairment test is performed in the fourth quarter each year or sooner when impairment indicators are present. If the goodwill is deemed to be impaired,

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES  
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(NOTE 1) - Basis of Presentation and Summary of Significant Accounting Policies (continued):

the difference between the carrying amount reflected in the financial statements and the estimated fair value is recognized as an expense in the period in which the impairment occurs. In determining the recoverability of goodwill, assumptions are made regarding estimated future cash flows and other factors to determine the fair value of the assets.

Income Taxes

The Company recognizes deferred tax assets and liabilities in accordance with ASC 740 based on the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances have been established to reduce deferred tax assets to the amount expected to be realized. The Company evaluates uncertain tax positions and accounts for such items in accordance with ASC 740-10. The Company is subject to federal income taxes and files a consolidated U.S. federal income tax return. In addition to the federal tax return, the Company files income tax returns in various state jurisdictions on both an unconsolidated and consolidated basis depending on the respective state. The Company is subject to routine income tax audits in various jurisdictions and tax returns remain open to examination by such taxing authorities in accordance with their respective statutes.

Revenue and Cost Recognition

On January 1, 2018, the Company began accounting for its revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers. The core principle of this Topic is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

When adopting the new guidance, the Company elected to use the modified retrospective (cumulative effect) transition method which was applied only to contracts that were not completed at the date of initial application. The Company recorded an increase to opening retained earnings of \$330,000 at January 1, 2018, for the cumulative effect of adopting the new guidance which also resulted in an increase to contract assets of \$1,255,000 and a decrease to inventory of \$925,000.

The Company recognizes revenue when control transfers to its customer. The Company has determined that control transfers to its customers over time when a contract contains an enforceable right to payment for performance completed to date, such as a termination for convenience provision, and when the manufactured product has no alternative use. The Company has determined

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES  
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(NOTE 1) - Basis of Presentation and Summary of Significant Accounting Policies  
(continued):

that it has no alternative use for its product when it reaches the finished good/top assembly stage. Before that point, the product is considered inventory. The Company recognizes revenue over time using an output method based on units shipped with an adjustment to revenue and ending inventory for any product where control has deemed to transfer to the customer. The adjustment to revenue is based on the stand-alone selling price of the unit multiplied by the equivalent number of units in ending inventory. The adjustment to ending inventory and cost of sales is based on the estimated material, direct labor and overhead costs associated with the units in ending inventory. The Company recognizes revenue at a point in time (when shipped) for all other contracts that either do not contain an enforceable right to payment for performance completed to date or where the top assembly/finished good has alternative use.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue as of a point in time or over time. Our remaining performance obligations, which we refer to as our backlog, was \$17,882,000 at March 31, 2019. The period of performance for our backlog is estimated to be approximately \$15,332,000 in 2019, \$2,225,000 in 2020 and \$325,000 in 2021.

The Company's contract assets account represents revenue that it has recognized but has not yet shipped or billed its customer for. This account will be reversed, and accounts receivable will be increased when the Company ships its product and invoices its customer. The Company's contract liabilities at March 31, 2019 consist of advance payments from customers in the amount of \$72,000.

The following table summarizes our contract assets balances:

Contact Assets-January 1, 2019	\$ 296,000
Contract Assets-March 31, 2019	\$ 359,000
Change	\$ 63,000

The change from January 1, 2019 to March 31, 2019 was primarily the result of an increase in revenue recognized on finished good/top assembly inventory at March 31, 2019.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and unrealized gains and losses on marketable securities, net of tax. The Company has elected to present the components of net income (loss), the components of other comprehensive income (loss) and total comprehensive income (loss) as a single continuous statement.

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES  
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(continued)

(NOTE 1) - Basis of Presentation and Summary of Significant Accounting Policies  
(continued):

Advertising

The Company elects to expense advertising as incurred. The Company recorded \$27,000 and \$29,000 of advertising expense during the periods ending March 31, 2019 and March 31, 2018, respectively.

Leases

On January 1, 2019, the Company began accounting for its leases in accordance with ASC Topic 842, Leases. The initial adoption of this standard had no effect on the Company's income statement or beginning accumulated deficit (retained earnings) but created accounts for right of use assets and lease liabilities.

The Company accounts for its operating leases under ASC 842 if, at lease commencement the term is greater than one (1) year and the present value of the lease payments are over a certain threshold considered to be material to our balance sheet.

The Company has accounted for three of its operating leases under ASC 842 which include its manufacturing facility located in Hauppauge, NY, its sales office previously located in Thousand Oaks CA now located in Bradenton, FL and certain office equipment.

The Company's only operating lease that contains a renewal option is its Florida sale's office which contains a one-year renewal option at the Company's sole discretion.

The Company's weighted average lease term and weighted average discount rate are 3.17 years and 5.50%, respectively. The discount rate within the Company's leases are not generally determinable, therefore the Company uses its incremental borrowing rate which was 5.50%.

The Company's lease expense for all operating leases was \$126,000 and \$132,000 for the three months ending March 31, 2019 and 2018, respectively.

Future minimum lease payments as of March 31, 2019 under all operating lease agreements are as follows:

Year	Minimum Lease Payments
Remainder of 2019	\$ 379,000
2020	503,000
2021	502,000
2022	33,000
2023	25,000
Total minimum lease payments-undiscounted	\$ 1,442,000

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(NOTE 1) - Basis of Presentation and Summary of Significant Accounting Policies (continued):

Reconciliation of the undiscounted cash flows in the maturity analysis above and the lease liabilities recognized in the consolidated balance sheet as of March 31, 2019, is as follows:

Total minimum lease payments-undiscounted	\$1,442,000
Leases not accounted for under ASC 842	(22,000)
Discount effect of cash flows	( 111,000)
Lease liabilities	\$1,309,000

(Note 2) - Stock-Based Compensation:

The Company had stock-based employee compensation plans, which provided for the granting of nonqualified and incentive stock options, as well as restricted stock awards and stock appreciation rights to officers, employees and key persons. The plans granted options at the market value of the Company's stock on the date of such grant and all options expired ten years after grant. The terms and vesting schedules for stock-based awards vary by type of grant and generally the awards vest based upon time-based conditions. Stock option exercises were funded through the issuance of the Company's common stock. Stock-based compensation expense for the three months ended March 31, 2019 and 2018 was \$11,000 and \$9,000, respectively.

The Company's stock-based employee compensation plans allowed for the issuance of restricted stock awards that may not be sold or otherwise transferred until certain restrictions have lapsed. The unearned stock-based compensation related to restricted stock granted is being amortized to compensation expense over the vesting period, which is seven years. The stock-based expense for these awards was determined based on the market price of the Company's stock at the date of grant applied to the total number of shares that were anticipated to vest. As of March 31, 2019, the Company had unearned compensation of \$33,000 associated with all of the Company's restricted stock awards, which will be expensed through December 31, 2019. The unvested portion of restricted stock awards at March 31, 2019 and 2018 were approximately 14,000 and 26,000 shares, respectively.

There are currently no stock-based compensation plans in effect that provide for the granting of stock option or restricted shares.



ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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The following table summarizes the Company's nonvested restricted stock activity for the three months ended March 31, 2019:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested restricted stock at January 1, 2019.....	26,000	\$3.23
Granted .....	-	-
Vested.....	(12,000)	3.23
Forfeited.....	<u>-</u>	<u>-</u>
Nonvested restricted stock at March 31, 2019.....	<u>14,000</u>	<u>\$3.23</u>

(NOTE 3) - Debt:

On November 8, 2012, the Company entered into a credit agreement ("Credit Agreement") with a commercial lender pursuant to which the Company established a committed line of credit of up to \$6,000,000. This line of credit was used to pay off, in full, all of the Company's obligations to its former primary lender and to provide for its general working capital needs. In March 2015, the Credit Agreement was amended whereby the line of credit was reduced to \$4,000,000 from \$6,000,000. In January 2018, the Company's Credit Agreement was further amended whereby the expiration date on its credit facility was extended to August 1, 2020. In May 2019, the Company's Credit Agreement was amended again to extend the expiration date on its credit facility to August 1, 2022.

Payment of interest on the line of credit is due at a rate per annum as follows: either (i) variable at the lender's prime lending rate (5.50% at March 31, 2019) and/or (ii) 2% over LIBOR for 30, 60 and 90 day LIBOR maturities, at the Company's sole discretion. The line of credit is collateralized by a first priority security interest in all of the Company's tangible and intangible assets. The Company had no borrowings under the line of credit at March 31, 2019. The Company had \$4,000,000 of availability under its line of credit at March 31, 2019.

The Credit Agreement contains customary affirmative and negative covenants and certain financial covenants. Additionally, available borrowings under the line of credit are subject to a borrowing base of eligible accounts receivable and inventory. All outstanding borrowings under the line of credit are accelerated and become immediately due and payable (and the line of credit terminates) in the event of a default, as defined, under the Credit Agreement. The Company was in compliance with the financial covenants contained in its Credit Agreement at March 31, 2019.

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES  
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(NOTE 4) - Net Income Per Common Share:

The following table sets forth the computation of basic and diluted net income per common share:

	Three Months Ended March 31,	
	<u>2019</u>	<u>2018</u>
Denominator:		
Denominator for basic net income per share - weighted-average common shares	3,554,000	3,594,000
Effect of dilutive securities:		
Nonvested restricted stock to employees	<u>4,000</u>	<u>8,000</u>
Denominator for diluted net income per share - weighted-average common shares and assumed conversion.....	<u>3,558,000</u>	<u>3,602,000</u>

The numerator for basic and diluted net income per share for the three-month periods ended March 31, 2019 and 2018 is the net income for each period.

Approximately 14,000 and 26,000 shares of common stock were outstanding at March 31, 2019 and 2018, respectively, but were not included in the computation of basic income per share. These shares were excluded because they represent the unvested portion of restricted stock awards.

(NOTE 5) - Cost of Sales:

For interim periods, the Company estimates certain components of its inventory and related gross profit.

(NOTE 6) - Inventories:

Inventories are comprised of the following:

	March 31, <u>2019</u>	December 31, <u>2018</u>
Raw Materials.....	\$ 6,352,000	\$ 6,319,000
Work-in-process.....	3,723,000	3,293,000
Finished goods.....	<u>606,000</u>	<u>515,000</u>
TOTAL	<u>\$10,681,000</u>	<u>\$10,127,000</u>

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES  
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(NOTE 7) - Business Segments:

The Company conducts its operations through two business segments, the Electronics Segment (or "Electronics Group") and the Power Units Segment (or "Power Group"). The Electronics Group is comprised of the Company's Orbit Instrument, Tulip Development Laboratory ("TDL") and Integrated Combat System ("ICS") Divisions. Through its Orbit Instrument and TDL Divisions, the Company is engaged in the design, manufacture and sale of customized electronic components and subsystems. ICS, located in Louisville, Kentucky, performs systems integration for gun weapons systems and fire control interface and cable and harness assembly. ICS ceased operations during the fourth quarter of 2018. The Power Group is comprised of Behlman and is engaged in the design and manufacture of high-quality commercial power units, AC power, frequency converters, uninterruptible power supplies, armament systems and commercial-off-the-shelf ("COTS") power solutions.

The Company's reportable segments are business units that offer different products with each segment utilizing its own direct labor personnel. The Company's reportable segments are each managed separately as they manufacture and distribute distinct products with different production processes. Management evaluates performance of the Company's reportable segments based on each segment's revenue and profitability.

The following is the Company's business segment information for the three-month periods ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	<u>2019</u>	<u>2018</u>
Net sales:		
Electronics Group.....		
Domestic.....	\$ 1,516,000	\$ 3,571,000
Foreign.....	336,000	150,000
Total Electronics	<u>1,852,000</u>	<u>3,721,000</u>
Power Group.....		
Domestic.....	4,374,000	1,378,000
Foreign.....	266,000	250,000
Total Power Group	<u>4,640,000</u>	<u>1,628,000</u>
Intersegment sales.....	-	-
Total	<u>\$ 6,492,000</u>	<u>\$ 5,349,000</u>

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(NOTE 8) - Business Segments (continued):

Income (loss) before income tax provision:		
Electronics Group.....	\$ (61,000)	\$ 1,033,000
Power Group.....	310,000	(383,000)
General corporate expenses not allocated.....	(171,000)	(215,000)
Investment and other income (expense), net.....	<u>11,000</u>	<u>(2,000)</u>
Income before income tax provision.....	<u>\$ 89,000</u>	<u>\$ 433,000</u>

(NOTE 9) - Goodwill:

As of March 31, 2019 and December 31, 2018, the Company's goodwill consists of the following:

<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Accumulated Impairment</u>	<u>Net Carrying Value</u>
<u>\$868,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 868,000</u>

(NOTE 11) - Income Taxes:

For the three months ended March 31, 2019 and 2018, the Company recorded income tax expense of approximately \$19,000 and \$12,000, respectively, relating to state income and minimum tax expense. As of March 31, 2019, the Company has no material uncertain tax positions.

(NOTE 12) - Equity:

In May 2018, the Company's Board of Directors authorized management to enter into a 10b5-1 Plan (the "2018 Plan"), effective July 1, 2018. The 2018 Plan allows the Company to purchase up to \$600,000 of its common stock from July 1, 2018 through June 30, 2019, with a maximum dollar amount reduced by the amount of any cash dividends paid. In March 2019, the Company's Board of Directors amended the 2018 Plan whereby the dollar value of common stock that management was authorized to purchase under this plan increased to \$850,000 less any dollar amount for both dividends paid and expected to be paid by June 30, 2019. From July 1, 2018 to May 13, 2019, the Company purchased a total of 55,008 shares of common stock under the 2018 Plan, as amended, for total cash consideration of approximately \$294,000 at an average price of \$5.35 per share. In addition, during that same period, the Company paid cash dividends of approximately \$215,000. As of May 13, 2019, the Company has approximately \$341,000 of availability remaining under the 2018 Plan, as amended.

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES  
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(NOTE 12) - Equity (continued):

In May 2019, the Company's Board of Directors authorized management to enter into a new 10b5-1 Plan ("2019 10b5-1 Plan"), effective July 1, 2019. The 2019 10b5-1 Plan allows the Company to purchase up to \$850,000 of its common stock from July 1, 2019 through June 30, 2020, however, \$250,000 of such amount is subject to approval by the Company's bank. The Company expects to receive bank approval but has not formally received it as of May 14, 2019. The maximum dollar amount under the 2019 Plan is reduced by the amount of any cash dividends paid.

(NOTE 13) - Cash Dividend:

In March 2019, the Company's Board of Directors declared two cash dividends: 1) a quarterly cash dividend of \$0.01 per share and 2) a special annual cash dividend of \$0.03 per share. Both cash dividends were payable to stockholders of record as of March 29, 2019 and were paid April 5, 2019.