



**QUARTERLY REPORT
JUNE 30, 2020
UNAUDITED**

INDEX

	<u>Page No.</u>
OTC Pink Basic Disclosure Guidelines	3-13
Consolidated Balance Sheets - June 30, 2020 (unaudited) and December 31, 2019	14-15
Consolidated Statements of Income and Comprehensive Income for the Six and Three Months Ended June 30, 2020 and 2019 (unaudited)	16
Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2020 and 2019 (unaudited)	17-18
Consolidated Statements of Stockholders' Equity for the Six Months Ended June 30, 2020 (unaudited) and the Year Ended December 31, 2019	19
Notes to Consolidated Financial Statements (unaudited)	20-32

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

ORBIT INTERNATIONAL CORP.

A Delaware Corporation
80 Cabot Court
Hauppauge, NY 11788

631-435-8300
www.orbitintl.com
orbit.investor-relations@orbitintl.com
SIC Code: 3679

Quarterly Report
For the Period Ending: 6/30/2020
(the "Reporting Period")

As of 6/30/2020, the number of shares outstanding of our Common Stock was: 3,511,072

As of 12/31/2019, the number of shares outstanding of our Common Stock was: 3,545,407

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 Control¹ of the company has occurred over this reporting period:

Yes: No:

¹ "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 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 been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: No:

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

N/A

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: 6/30/2020

Total shares outstanding: 3,511,072 as of date: 6/30/2020

Number of shares in the Public Float²: 1,208,846 as of date: 6/30/2020

Total number of shareholders of record: 111 as of date: 6/30/2020

All Additional class(es) of publicly traded 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?³ Yes: No:

² "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.

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:

On August 22, 2019, the Company, through a newly formed subsidiary, Q-Vio Corp. ("Q-Vio"), purchased substantially all the assets and certain liabilities of Q-Vio, LLC, a manufacturer of LCD displays located in San Diego CA. The purchase price consisted almost entirely of an earn-out to Q-Vio, LLC based on the attainment of certain revenue and gross profit benchmarks through December 31, 2022. Q-Vio closed its operations in San Diego, CA and all manufacturing was moved to the Company's Hauppauge, NY facility. Q-Vio has become part of the Company's Orbit Electronics Group.

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)

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

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:

Shares outstanding as of the Second Most Recent Fiscal Year End: <u>12/31/17</u>		Opening Balance: Common: <u>3,619,504</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	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
<u>1/1/18-12/31/18</u>	<u>Shares returned to treasury</u>	<u>(47,557)</u>	<u>Common</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>1/1/19-12/31/19</u>	<u>Shares returned to treasury</u>	<u>(26,540)</u>	<u>Common</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>1/1/20-3/31/20</u>	<u>Shares returned to treasury</u>	<u>(31,594)</u>	<u>Common</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>4/1/20-6/30/20</u>	<u>Shares returned to treasury</u>	<u>(2,741)</u>	<u>Common</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Shares Outstanding on <u>6/30/20</u>		Ending Balance: Common: <u>3,511,072</u> Preferred: <u>N/A</u>							

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

B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or other debt instruments that may be converted into a class of the issuer's equity securities.

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 (entities must have individual with voting/investment control disclosed).	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)⁴:

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. Statement of Changes in Shareholders' Equity
- F. Financial notes; and
- G. Audit letter, if audited

⁴ 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 Statements must be compiled in one document.

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. ("Orbit" or the "Company") 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 and its Q-Vio subsidiary. 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 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. The Company and its divisions and subsidiaries are all located at 80 Cabot Court, Hauppauge, NY 11788 and can be contacted at 631-435-8300.

- B. Describe any subsidiaries, parents, or affiliated companies, if applicable, and a description of such entity's 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 the Company's subsidiaries and divisions and their contact information. Mitchell Binder, the Company's President and CEO, David Goldman, the Company's CFO and Karl Schmidt, the Company's COO, comprise all of the Directors and Officers of the Company's two subsidiaries-Behlman Electronics Inc. and Q-Vio Corp.

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, command display units ("CDUs") and the design and enhancement of LCD display modules. 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 75% 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.

During April 2019, we entered into an eighteen-month lease for a 1,264 square foot facility located at 5207 26th Street West, Unit #104, Bradenton, FL to be used as a selling office for the Electronics Group. The lease has a monthly payment of \$1,250 and an original termination date of October 31, 2020. In August 2020, the Company and the landlord at this location agreed to terminate the lease effective August 31, 2020.

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, as of the period end date of this report, regarding any person or entity owning 5% or more of any class the issuer's securities, 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>165,601</u>	<u>Common</u>	<u>4.72%</u>	_____
<u>David Goldman</u>	<u>CFO, Treasurer and Director</u>	<u>Hauppauge, NY</u>	<u>19,567</u>	<u>Common</u>	<u>0.56%</u>	_____
<u>Karl Schmidt</u>	<u>COO</u>	<u>Hauppauge, NY</u>	<u>30,250</u>	<u>Common</u>	<u>0.86%</u>	_____
<u>Wayne Cadwallader</u>	<u>Director</u>	<u>Hauppauge, NY</u>	<u>1,000</u>	<u>Common</u>	<u>0.03%</u>	_____
<u>William Collins</u>	<u>Director</u>	<u>Hauppauge, NY</u>	<u>157,508</u>	<u>Common</u>	<u>4.49%</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>Marcus Bryant</u>	<u>Secretary</u>	<u>Hauppauge, NY</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>	_____
<u>Elkhorn Partners Limited Partnership - Alan S. Parsow, General Partner</u> <u>8405 Indian Hills Drive, #2A8</u> <u>Omaha, NE 68114</u>	<u>Owner of more than 5%</u>	<u>Omaha, NE</u>	<u>1,921,176</u>	<u>Common</u>	<u>54.72%</u>	<u>Ownership based on information provided to the Company in August 2020. 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, 15th Floor, Uniondale, NY 11556
Phone: 516-663-6610
Email: 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

Investor Relations

N/A

Other Service Providers

Provide the name of any other service provider(s), **that assisted, advised, prepared or provided information with respect to this disclosure statement.** This includes counsel, advisor(s) or consultant(s) 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.

August 17, 2020
/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.

August 17, 2020
/s/ David Goldman
CFO

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>	June 30, <u>2020</u> (unaudited)	December 31, <u>2019</u>
Current assets:		
Cash and cash equivalents.....	\$4,379,000	\$3,569,000
Accounts receivable (less allowance for doubtful accounts of \$115,000 at 2020 and 2019).....	3,114,000	2,851,000
Inventories.....	10,798,000	10,542,000
Contract assets.....	621,000	632,000
Income tax receivable.....	-	306,000
Other current assets.....	<u>366,000</u>	<u>265,000</u>
Total current assets.....	19,278,000	18,165,000
Property and equipment, net.....	367,000	273,000
Right of use assets, operating leases.....	715,000	923,000
Goodwill.....	905,000	905,000
Other assets.....	31,000	31,000
Deferred tax asset, net.....	<u>834,000</u>	<u>834,000</u>
TOTAL ASSETS.....	<u>\$22,130,000</u>	<u>\$21,131,000</u>

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

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

<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	June 30, 2020 (unaudited)	December 31, 2019
Current liabilities:		
Accounts payable.....	\$1,895,000	\$1,436,000
Accrued expenses.....	888,000	919,000
Notes payable, PPP loan.....	714,000	-
Lease liabilities, operating leases.....	465,000	453,000
Contingent liability.....	174,000	148,000
Dividend payable.....	-	36,000
Customer advances.....	<u>131,000</u>	<u>225,000</u>
Total current liabilities.....	4,267,000	3,217,000
Notes payable, PPP loan, net of current portion	892,000	-
Contingent liability, net of current portion...	301,000	268,000
Lease liabilities, operating leases.....	<u>296,000</u>	<u>531,000</u>
Total liabilities.....	<u>5,756,000</u>	<u>4,016,000</u>
STOCKHOLDERS' EQUITY		
Common stock - \$0.10 par value, 10,000,000 shares authorized, 3,615,000 shares issued at June 30, 2020 and December 31, 2019, respectively, and 3,511,000 and 3,545,000 shares outstanding at June 30, 2020 and December 31, 2019, respectively.....	361,000	361,000
Additional paid-in capital.....	17,667,000	17,667,000
Treasury stock, at cost, 104,000 and 70,000 shares at June 30, 2020 and December 31, 2019, respectively	(569,000)	(380,000)
Accumulated deficit.....	<u>(1,085,000)</u>	<u>(533,000)</u>
Total stockholders' equity.....	<u>16,374,000</u>	<u>17,115,000</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	<u>\$22,130,000</u>	<u>\$21,131,000</u>

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

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

	Six Months Ended June 30,		Three Months Ended June 30,	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net sales.....	\$11,617,000	\$13,403,000	\$ 5,765,000	\$ 6,911,000
Cost of sales.....	<u>8,760,000</u>	<u>9,474,000</u>	<u>4,681,000</u>	<u>4,671,000</u>
Gross profit.....	<u>2,857,000</u>	<u>3,929,000</u>	<u>1,084,000</u>	<u>2,240,000</u>
Selling, general and administrative expenses.....	3,149,000	3,269,000	1,432,000	1,658,000
Interest expense....	3,000	-	3,000	-
Investment and other (income) expense, net.....	<u>52,000</u>	<u>(24,000)</u>	<u>30,000</u>	<u>(13,000)</u>
(Loss) income before income tax provision	(347,000)	684,000	(381,000)	595,000
Income tax provision	<u>29,000</u>	<u>30,000</u>	<u>15,000</u>	<u>11,000</u>
NET (LOSS) INCOME...	<u>\$ (376,000)</u>	<u>\$ 654,000</u>	<u>\$ (396,000)</u>	<u>\$ 584,000</u>
Comprehensive (loss) income.....	<u>\$ (376,000)</u>	<u>\$ 654,000</u>	<u>\$ (396,000)</u>	<u>\$ 584,000</u>
Net (loss) income Per common share:				
Basic	<u>\$ (0.11)</u>	<u>\$ 0.18</u>	<u>\$ (0.11)</u>	<u>\$ 0.16</u>
Diluted	<u>\$ (0.11)</u>	<u>\$ 0.18</u>	<u>\$ (0.11)</u>	<u>\$ 0.16</u>
Weighted average number of common shares outstanding:				
Basic	<u>3,517,000</u>	<u>3,552,000</u>	<u>3,511,000</u>	<u>3,551,000</u>
Diluted	<u>3,517,000</u>	<u>3,557,000</u>	<u>3,511,000</u>	<u>3,556,000</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)

	Six Months Ended June 30,	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net (loss) income.....	\$ (376,000)	\$ 654,000
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Stock based compensation expense.....	-	22,000
Depreciation and amortization.....	46,000	45,000
Changes in operating assets and liabilities:		
Accounts receivable.....	(263,000)	(342,000)
Contract assets.....	11,000	(961,000)
Inventories.....	(256,000)	117,000
Income tax receivable.....	306,000	2,000
Other current assets.....	(101,000)	189,000
Accounts payable.....	459,000	(130,000)
Right-of-use assets, operating leases.....	208,000	(51,000)
Accrued expenses.....	(32,000)	(199,000)
Lease liabilities, operating leases.....	(223,000)	36,000
Other liabilities.....	-	(1,000)
Contingent liability.....	59,000	-
Customer advances.....	<u>(94,000)</u>	<u>(57,000)</u>
Net cash used in by operating activities.....	<u>(256,000)</u>	<u>(676,000)</u>
Cash flows from investing activities:		
Purchases of property and equipment.....	<u>(139,000)</u>	<u>(47,000)</u>
Net cash used in investing activities.....	<u>(139,000)</u>	<u>(47,000)</u>

(continued)

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

	Six Months Ended	
	June 30,	
	2020	2019
Cash flows from financing activities:		
Purchase of treasury stock.....	\$ (189,000)	\$ (41,000)
Notes Payable - PPP Loan.....	1,606,000	-
Cash dividends paid.....	<u>(212,000)</u>	<u>(179,000)</u>
Net cash provided by (used in) financing activities.....	<u>1,205,000</u>	<u>(220,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>810,000</u>	<u>(943,000)</u>
Cash and cash equivalents - Beginning of period	<u>3,569,000</u>	<u>4,506,000</u>
CASH AND CASH EQUIVALENTS - End of period.....	<u>\$ 4,379,000</u>	<u>\$3,563,000</u>
Supplemental cash flow information:		
Cash paid (refunds received) for income taxes	<u>\$ (287,000)</u>	<u>\$ 34,000</u>
Supplemental disclosure of noncash investing and financing activities:		
Cash dividends declared and not paid	<u>\$ -</u>	<u>\$ 36,000</u>

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

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Six Months Ended June 30, 2020 (unaudited) and Year Ended December 31, 2019

	Common Stock 10,000,000 Shares Authorized		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total
	Shares Issued	Amount			Shares	Amount	
Balance at December 31, 2018	3,615,000	\$361,000	\$17,623,000	\$ (746,000)	43,000	(\$227,000)	\$17,011,000
Share-based compensation expense	-	-	44,000	-	-	-	44,000
Purchase of treasury stock	-	-	-	-	27,000	(153,000)	(153,000)
Cash dividends	-	-	-	(250,000)	-	-	(250,000)
Net income	-	-	-	463,000	-	-	463,000
Balance at December 31, 2019	3,615,000	361,000	17,667,000	(533,000)	70,000	(380,000)	17,115,000
Purchase of treasury stock	-	-	-	-	31,000	(189,000)	(189,000)
Cash dividends	-	-	-	(176,000)	-	-	(176,000)
Net loss	-	-	-	(376,000)	-	-	(376,000)
Balance at June 30, 2020	3,615,000	\$361,000	\$17,667,000	\$ (1,085,000)	101,000	\$(569,000)	\$16,374,000

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 six months ended June 30, 2020 are not necessarily indicative of the results of operations that can be expected for the year ending December 31, 2020.

The December 31, 2019 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, 2019 contained in the Company's 2019 Annual Report filed with the OTC Pink Marketplace on April 3, 2020.

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.

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.

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

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

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, 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

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

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

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.

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 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. The timing of revenue recognition for all of the Company's contracts, which include revenue recognized at a point in time as well as over time, is primarily related to the customer delivery schedules outlined in its contracts. Revenue may be recognized sooner on contracts accounted for over time since product may be in the finished goods or top assembly stage for a short period of time before shipment is made. This may overlap a financial reporting period causing revenue to be recognized, if certain conditions are met, on certain finished goods or top assembly inventory.

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

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

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. The Company's remaining performance obligations, which it refers to as its backlog, was \$21,824,000 at June 30, 2020. The period of performance for its backlog, pursuant to current delivery schedules, is estimated to be approximately \$13,493,000 in 2020, \$7,577,000 in 2021 and \$754,000 in 2022.

The Company's contract liabilities at June 30, 2020 and December 31, 2019 consist of advance payments from customers in the amount of \$131,000 and \$225,000, respectively. 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 payment terms with its customers are typically net 30 days. All contracts are for products made to customer specifications with no right of return. All units are shipped with a one-year warranty.

The following table summarizes our contract assets balances:

Contact Assets-January 1, 2020	\$ 632,000
Contact Assets-June 30, 2020	\$ 621,000
Change	\$ 11,000

The change from January 1, 2020 to June 30, 2020 was primarily the result of the shipment of product for which revenue was previously recognized.

Advertising

The Company elects to expense advertising as incurred. The Company recorded \$25,000 and \$51,000 of advertising expense during the periods ending June 30, 2020 and June 30, 2019, 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 but created accounts for right of use assets and lease liabilities.

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

(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 varied by type of grant and generally the awards vested 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 June 30, 2020 and 2019 was \$0 and \$11,000, 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 was being amortized to compensation expense over the vesting period, which was 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.

The unvested portion of restricted stock awards at June 30, 2020 and 2019 were approximately 0 and 14,000 shares, respectively.

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

The following table summarizes the Company's nonvested restricted stock activity for the three months ended June 30, 2020:

	<u>Number of Shares</u>	<u>Weighted-Average Grant-Date Fair Value</u>
Nonvested restricted stock at January 1, 2020.....	14,000	\$3.23
Granted	-	-
Vested.....	(14,000)	3.23
Forfeited.....	<u>-</u>	<u>-</u>
Nonvested restricted stock at June 30, 2020.....	<u><u>-</u></u>	<u><u>\$3.23</u></u>

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

(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 (3.25% at June 30, 2020) 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 June 30, 2020. The Company had \$4,000,000 of availability under its line of credit at June 30, 2020.

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 June 30, 2020.

During April 2020, the Company closed on a \$1,606,000 loan ("PPP Loan") from Peoples United Bank ("Peoples") under the Paycheck Protection Program under the Coronavirus Aid, Relief and Economic Security Act ("the CARES Act"). The Loan is evidenced by a promissory note ("Note"), bears interest at 1.00% per annum with principal and interest deferred until the amount of loan forgiveness is determined by the Small Business Administration ("SBA"), has an initial term of two years from the date of the Note, may be prepaid at any time and is unsecured and guaranteed by the SBA. The Credit Agreement and The PPP Loan both contain cross default provisions whereby a default on one loan will create a default on the other loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of such loans based on the use of such loan proceeds for payment of payroll costs, mortgage interest, rent and utilities. There are no assurances that the Company's application for forgiveness will be accepted in whole or in part.

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

(NOTE 4) - Leases:

The Company accounts for its operating leases under ASC 842. As a practical expedient, the Company has determined that certain leases are immaterial if, at lease commencement the term is less than one (1) year and/or the present value of the lease payments are under a certain threshold considered to be material to our balance sheet.

The Company's leases include its manufacturing facility located in Hauppauge, NY, certain office equipment and certain other leases deemed immaterial.

The Company's weighted average lease term was 1.73 and 3.17 years at June 30, 2020 and 2019, respectively. The Company's weighted average discount rate was 5.50%. The discount rate within the Company's leases are not generally determinable, therefore the Company uses its incremental borrowing rate which was 5.50% as of January 1, 2019, the adoption date of ASC 842.

The Company's lease expense for all operating leases for the six and three months ending June 30, 2020 was \$244,000 and \$122,000, respectively. For the comparable prior year six and three month periods, the Company's lease expense for all operating leases was \$249,000 and \$123,000, respectively.

Future minimum lease payments as of June 30, 2020 under all operating lease agreements are as follows

Year	Minimum Lease Payments
Remainder of 2020	\$ 256,000
2021	502,000
2022	33,000
2023	25,000
Total minimum lease payments-undiscounted	\$ 816,000

Reconciliation of the undiscounted cash flows in the maturity analysis above and the lease liabilities recognized in the consolidated balance sheet as of June 30, 2020, is as follows:

Total minimum lease payments-undiscounted	\$ 816,000
Immaterial leases	(17,000)
Discount effect of cash flows	(38,000)
Lease liabilities per balance sheet	\$ 761,000

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

(NOTE 5) - Net Income Per Common Share:

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

	Six Months Ended		Three Months Ended	
	June 30,		June 30,	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Denominator:				
Denominator for basic net				
Income per share -				
weighted-average common shares.....	3,517,000	3,552,000	3,511,000	3,551,000
Effect of dilutive securities:				
Nonvested restricted stock to employees	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Denominator for diluted net				
Income per share -				
weighted-average common				
shares and assumed conversion....	<u>3,517,000</u>	<u>3,557,000</u>	<u>3,511,000</u>	<u>3,556,000</u>

The numerator for basic and diluted net income per share for the six and three month periods ended June 30, 2020 and 2019 is the net income (loss) for each period.

Approximately 0 and 14,000 shares of common stock were outstanding at June 30, 2020 and 2019, 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 6) - Cost of Sales:

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

(NOTE 7) - Inventories:

Inventories are comprised of the following:

	June 30,	December 31,
	<u>2020</u>	<u>2019</u>
Raw Materials.....	\$ 6,421,000	\$ 6,852,000
Work-in-process.....	4,114,000	3,473,000
Finished goods.....	263,000	217,000
TOTAL	<u>\$10,798,000</u>	<u>\$10,542,000</u>

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

(NOTE 8) - 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 and Tulip Development Laboratory ("TDL") Divisions and Q-Vio Corp. ("Q-Vio") subsidiary. Through its Orbit Instrument and TDL Divisions, the Company is engaged in the design, manufacture and sale of customized electronic components and subsystems. Through its Q-Vio subsidiary, the Company is engaged in the design and enhancement of LCD display modules. 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 and the Company's Chief Executive Officer evaluate 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 June 30, 2020 and 2019:

	Six Months Ended June 30,		Three Months Ended June 30,	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net sales:				
Electronics Group.....				
Domestic.....	\$ 4,986,000	\$ 4,802,000	\$ 2,204,000	\$ 3,286,000
Foreign.....	<u>131,000</u>	<u>362,000</u>	<u>104,000</u>	<u>26,000</u>
Total Electronics	5,117,000	5,164,000	2,308,000	3,312,000
Power Group.....				
Domestic.....	5,883,000	7,916,000	3,389,000	3,542,000
Foreign.....	<u>617,000</u>	<u>323,000</u>	<u>68,000</u>	<u>57,000</u>
Total Power Group	6,500,000	8,239,000	3,457,000	3,599,000
Total	<u>\$11,617,000</u>	<u>\$13,403,000</u>	<u>\$ 5,765,000</u>	<u>\$ 6,911,000</u>
Income (loss) before income tax provision:				
Electronics Group.....	\$ (216,000)	\$ 685,000	\$ (310,000)	\$ 746,000
Power Group.....	239,000	320,000	115,000	10,000
General corporate expenses not allocated.....	(315,000)	(345,000)	(153,000)	(174,000)
Interest expense.....	(3,000)	-	(3,000)	-
Investment and other income (expense), net.....	<u>(52,000)</u>	<u>24,000</u>	<u>(30,000)</u>	<u>13,000</u>
Income (loss) before income tax provision.....	<u>\$ (347,000)</u>	<u>\$ 684,000</u>	<u>\$ (381,000)</u>	<u>\$ 595,000</u>

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

(NOTE 9) - Goodwill:

As of June 30, 2020 and December 31, 2019, 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>\$905,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 905,000</u>

(NOTE 10) - Income Taxes:

For the six and three months ended June 30, 2020, Company recorded income tax expense of approximately \$29,000 and \$14,000, respectively, relating to state income and minimum tax expense. As of June 30, 2020, the Company has no material uncertain tax positions. The Tax Cuts and Jobs Act of 2017 eliminated the corporate Alternative Minimum Tax ("AMT") credit but allows for refunds of AMT credits not utilized. During the six months ended June 30, 2020, the Company received a refund of approximately \$289,000, representing a refund of approximately 50% of its AMT credit. The Company expects to receive a refund for its remaining AMT credit of \$289,000 after it files its 2019 tax return in the fourth quarter of 2020.

For the six and three months ended June 30, 2019, Company recorded income tax expense of approximately \$30,000 and \$11,000, respectively, relating to state income and minimum tax expense.

(NOTE 11) - Equity:

In March 2019, the Company's Board of Directors authorized management to enter into a 10b5-1 Plan ("2019 10b5-1 Plan"), effective July 1, 2019. The 2019 10b5-1 Plan allowed the Company to purchase up to \$850,000 of its common stock from July 1, 2019 through June 30, 2020, with the maximum dollar amount reduced by the amount of any cash dividends paid. Through June 30, 2020, the Company purchased 53,424 shares of its common stock under the 2019 Plan (19,089 in 2019 and 34,335 in 2020), for total cash consideration of approximately \$300,000 (\$112,000 in 2019 and \$188,000 in 2020) at an average price of \$5.62 per share. In addition, during that same period, the Company paid cash dividends of approximately \$284,000.

In April 2020, the Company's Board of Directors decided to suspend the Company's share repurchase program due to the economic uncertainty related to the COVID-19 pandemic.

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

(NOTE 12) - Cash Dividends:

In December 2019, the Company's Board of Directors declared a quarterly cash dividend of \$0.01 per share payable to stockholders of record as of December 31, 2019 with a payment date of January 7, 2020. The total cash dividend amounted to approximately \$36,000.

In March 2020, 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 \$0.04 per share. Both cash dividends were paid April 7, 2020. The total cash dividend amounted to approximately \$176,000.

In April 2020, the Company's Board of Directors decided to suspend the Company's \$0.01 quarterly cash dividend due to the economic uncertainty related to the COVID-19 pandemic.

(NOTE 13) - Acquisition:

On August 22, 2019, the Company, through a newly formed subsidiary, Q-Vio Corp. ("Q-Vio"), purchased substantially all the assets and certain liabilities of Q-Vio, LLC, a manufacturer of LCD displays located in San Diego, CA. The principal reasons for the acquisition were to attain accretion to earnings, cross-marketing opportunities and the expansion of both customer and product bases. The acquisition was accounted for as a business combination in accordance with ASC Topic 805, Business Combinations. Accordingly, the Company is required to determine and record the fair value of the assets acquired, including any potential intangible assets, and liabilities assumed at the date of acquisition.

The purchase price for the acquisition was estimated at \$388,000, which consists of an earn-out to Q-Vio, LLC based on the projected attainment of certain revenue and gross profit benchmarks through December 31, 2022. The measurement dates for the earnout are as follows: i) August 23, 2019 through December 31, 2020 ii) the twelve months ending December 31, 2021 and (iii) the twelve months ending December 31, 2022. This amount is recorded as a contingent liability and appears under that caption in the Company's Consolidated Balance Sheets as of June 30, 2020. The assets purchased and liabilities assumed are included in the Consolidated Balance Sheets as of June 30, 2020.

In accordance with ASC 805, the purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess purchase price over those fair values is recorded as goodwill. The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on estimates and assumptions made by management. These estimates are expected to be finalized within the measurement period which is one year after the acquisition date. The total estimated purchase price has been allocated as follows:

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

(NOTE 13) - Acquisition (continued):

Tangible assets and liabilities:

Accounts Receivable	\$ 478,000
Inventory	482,000
Other current assets	59,000
Accounts payable	(49,000)
Accrued expenses	(518,000)
Customer deposits	<u>(101,000)</u>
 Total net tangible assets and liabilities	 351,000
 Goodwill	 <u>37,000</u>
 Total purchase price	 <u>\$ 388,000</u>

Included in accrued expenses were two loan payable amounts totaling \$99,000 and an accrued interest payable amount of \$29,000, which the Company agreed to pay at the acquisition date. Direct costs associated with the acquisition totaled \$131,000 for the year ended December 31, 2019 and are included as a separate line item entitled Acquisition Costs in the Consolidated Statements of Income for the year ending December 31, 2019. The direct acquisition costs consisted of legal and professional fees, and general and administrative expenses. For the six months ended June 30, 2020 Q-Vio recorded revenue and earnings of \$1,341,000 and \$180,000, respectively, which amounts are included in the Consolidated Statements of Income.

The following summarized pro forma financial information presents the combined results of the Company as if the acquisition had occurred as of January 1, 2019. The unaudited summarized pro forma financial information is presented for informational purposes only and may not be indicative of what the actual results of operations would have been had the acquisition occurred at the beginning of the periods presented nor does it purport to represent the results of operations for future periods.

	Six Months Ended June 30, 2019 <u>(Pro forma and Unaudited)</u>
Net Sales	<u>\$14,128,000</u>
Net Income	<u>\$337,000</u>
Income per share-Basic and Diluted	<u>\$ 0.09</u>

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

(NOTE 14) - COVID-19 Pandemic:

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) (the "Pandemic") a global pandemic and recommended containment and mitigation measures worldwide. The Company was classified as an essential business by New York State and therefore was exempt from the state's mandate that all non-essential businesses close their business locations until further notice. Moreover, as a member of the Defense Industrial Base ("DIB"), the Company was mandated by the Secretary of Defense to continue working. The Company, in response to the Pandemic and to comply with the New York State on PAUSE executive order issued by the Governor of New York State, has made several changes throughout its organization to deal with the health and safety of its employees. These changes have protected our employees but have also negatively impacted productivity. In addition, the Company has experienced issues with its supply chain, which has impacted customer deliveries. The Company's bookings and revenue have been impacted by the Pandemic, especially at the Power Group's commercial division. Furthermore, the Company's Q-Vio subsidiary is also experiencing delays for most of its commercial and industrial opportunities. As a result, the Pandemic has had an adverse effect on the Company's business, financial condition, results of operations and cash flows. The Company cannot reasonably estimate the length or severity of this pandemic and therefore cannot be certain how long its business, supply chain, financial position, results of operations, and cash flows will continue to be negatively impacted.