

QUARTERLY REPORT
MARCH 31, 2015
UNAUDITED

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OTC Pink Basic Disclosure Guidelines

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

Orbit International Corp.

2) Address of the issuer's principal executive offices

Company Headquarters
Address 1: 80 Cabot Court
Address 2: Hauppauge, NY 11788
Address 3:
Phone: 631-435-8300
Email: info@orbitintl.com
Website(s): www.orbitintl.com

IR Contact
Address 1: 80 Cabot Court
Address 2: Hauppauge, NY 11788
Address 3:
Phone: 631-435-8300
Email: dgoldman@orbitintl.com
Website(s): www.orbitintl.com

3) Security Information

Trading Symbol: ORBT
Exact title and class of securities outstanding: Common Stock
CUSIP: 685559304
Par or Stated Value: $.10
Total shares authorized: 10,000,000 as of: 3/31/2015
Total shares outstanding: 4,485,118 as of: 3/31/2015

Additional class of securities (if necessary):
Trading Symbol:
Exact title and class of securities outstanding:
CUSIP:
Par or Stated Value:
Total shares authorized: as of:
Total shares outstanding: as of:

Transfer Agent
Name: American Stock Transfer and Trust Company, LLC
Address 1: 6201 15th Avenue
Address 2: Brooklyn, NY 11219
Address 3:
Phone: 718-921-8200
Is the Transfer Agent registered under the Exchange Act?* Yes: ☒ No: ☐

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

List any restrictions on the transfer of security:

None.

Describe any trading suspension orders issued by the SEC in the past 12 months.

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.

4) Issuance History

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period. The list shall include all offerings of equity 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, describing (1) the securities, (2) the persons or entities to whom such securities were issued and (3) the services provided by such persons or entities. The list shall indicate:

A. The nature of each offering (e.g., Securities Act Rule 504, intrastate, etc.);

The Company had no offerings in the past two fiscal years or in the current interim period.

The following is a reconciliation of the Company's outstanding shares from 12/31/2012-3/31/2015:

Outstanding shares at 12/31/12	4,514,872
Restricted stock issuance-1/1/2013	
Mitchell Binder-President and CEO	40,000
David Goldman-CFO	20,000
Ronald Storm-President, Orbit Power Group	25,000
Karl Schmidt-VP & COO of Orbit Electronics & Power Groups	25,000
Kenneth Ice-President, Orbit Electronics Group	10,000
David Gutman-Former President, TDL	10,000
	130,000
Purchase of treasury shares (1/1/13-12/31/13)	(124,574)
Outstanding shares at 12/31/13	4,520,298
Forfeiture of restricted shares (1/1/14-12/31/14):	
David Gutman-Former President, TDL	(8,600)
Purchase of treasury shares (1/1/14-12/31/14)	(26,580)
Purchase of treasury shares (1/1/15-3/31/15)	-
Shares outstanding at 3/31/2015	4,485,118

B. Any jurisdictions where the offering was registered or qualified;

N/A

C. The number of shares offered;
Restricted stock grant-130,000 shares-Issued on 1/1/13

D. The number of shares sold;

Forfeiture of 8,600 shares of restricted stock on 7/9/14

E. The price at which the shares were offered, and the amount actually paid to the issuer;

Restricted stock grant-130,000 shares-Issued on 1/1/13
Market value at time of issuance $3.23 per share, $0 paid to the Company, Intrinsic value $3.23

F. The trading status of the shares; and

Restricted stock grant-130,000 shares-Issued on 1/1/13
35,000 shares vested
86,400 shares unvested
8,600 shares forfeited

G. Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.

The 130,000 share restricted stock grant contains a restrictive legend on the stock certificates.

5) Financial Statements

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

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

The financial statements requested pursuant to this item shall be prepared in accordance with US GAAP by persons with sufficient financial skills.

You may either (i) attach/append the financial statements to this disclosure statement or (ii) post such financial statements through the OTC Disclosure & News Service 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 reports separately as described in part (ii) 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.com in the field below.

Information contained in a Financial Report is considered current until the due date for the subsequent Financial Report. To remain in the OTC Pink Current Information tier, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of its fiscal quarter-end date.

The financial statements are attached to this disclosure statement.

6) Describe the Issuer's Business, Products and Services

Describe the issuer's business so a potential investor can clearly understand the company. In answering this item, please include the following:

A. a description of the issuer's business operations;

Orbit International Corp. conducts its operations through its Electronics and Power Groups. Its Electronics Group is comprised of its Orbit Instrument and Tulip Development Laboratory ("TDL") Divisions, and its wholly owned subsidiaries, Behlman Electronics, Inc. ("Behlman") and Integrated Consulting Services, Inc., d/b/a Integrated Combat Systems ("ICS"). Through its Orbit Instrument and TDL Divisions, it is engaged in the design, manufacture and sale of customized electronic components and subsystems. ICS, based in Louisville, Kentucky, performs systems integration for gun weapons systems and fire control interface, cable and harness assembly, as well as logistics support and documentation. 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 and commercial-off-the-shelf ("COTS") power solutions.

B. Date and State (or Jurisdiction) of Incorporation:

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.

C. the issuer's primary and secondary SIC Codes;

3679(Electronic Components, not elsewhere classified)

D. the issuer's fiscal year end date;

December 31

E. principal products or services, and their markets;

The Electronics Group's ("OEG") principal products include remote control units ("RCU"), intercommunication panels, displays, keyboards, keypads and pointing devices, operator control trays, command display units ("CDU'S"), MK 110 signal data converter ("SDC"), and cable and harness assemblies. These products are used primarily in support of military programs. The Power Group's principal products include power supplies, frequency converters, uninterruptible power supply products and inverters.

7) Describe the 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 December 2007, our Behlman subsidiary entered into a lease for a 2,000 square foot facility at 2363 Teller Road, Unit 108, Newbury Park, California, which is used as a selling office for all of the Company's operating units. In December 2012, the lease was amended whereby the expiration date was extended to December 31, 2017 at a lease payment of approximately $2,300 per month for the term of the lease.

In April 2009, our TDL subsidiary entered into a five-year lease, which expired October 31, 2014, for a 50,000 square foot facility at 300 Commerce Boulevard, Quakertown, Pennsylvania. This facility was used for manufacturing, engineering and administration. TDL only paid certain operating expenses from April through October 2009 and lease payments commenced November 1, 2009. In December 2011 and October 2012, the lease was amended. The lease provided for lease payments of approximately $15,300 per month for the first four years of the lease and approximately $17,800 per month for the fifth year. In October 2013, we decided to consolidate our Quakertown, PA facility into our Hauppauge, NY facility. The consolidation was completed prior to June 30, 2014 and the lease was not renewed.

Our ICS subsidiary operates out of a facility in Louisville, Kentucky. ICS entered into a new lease for a three year period, with a three year renewal option, for approximately 4,700 square feet. The lease payments are as follows: approximately $4,100 per month for April 2014 through March 2015, approximately $4,300 per month for April 2015 through March 2016, and approximately $4,500 per month for April 2016 through March 2017.

8) 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 shareholders.

A. Names of Officers, Directors, and Control Persons. In responding to this item, please provide the names of each of the issuer's executive officers, directors, general partners and control persons (control persons are beneficial owners of more than five percent (5%) of any class of the issuer's equity securities), as of the date of this information statement.

Officers and Directors
Mitchell Binder-President, CEO and Director
David Goldman-CFO and Treasurer
Mark Tublisky-Secretary
Kenneth Ice-President, Orbit Electronics Group
Ronald Storm-President, Orbit Power Group
Karl Schmidt-Executive Vice President and Chief Operating Officer of the Orbit Electronics and Power Groups
Wayne Cadwallader-Director
Fredric Gruder-Director
Sohail Malad-Director
Bernard Karcinell-Director

Control Persons:

Name and Address	Shares Beneficially Owned	Percentage of Class
Elkhorn Partners Limited Partnership 2222 Skyline Drive Elkhorn, NE 68022	1,414,902(1)	31.5%
Atlas Capital Management, L.P. 8214 Westchester Drive, Suite 650 Dallas, TX 7525	236,350(2)	5.3%

(1) Based on a Form 4 filed by Elkhorn Partners Limited Partnership with the SEC on February 13, 2015.
(2) Based on a Schedule 13G filed by Atlas Capital Management with the SEC on February 10, 2012.

B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five 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.

C. Beneficial Shareholders. Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.

Name and Address	Shares Beneficially Owned	Percentage of Class
Elkhorn Partners Limited Partnership, Alan S. Parsow-General Partner 2222 Skyline Drive Elkhorn, NE 68022	1,414,902 (1)	31.5%

(1) Based on a Form 4 filed by Elkhorn Partners Limited Partnership with the SEC on February 13, 2015.

9) Third Party Providers

Please provide the name, address, telephone number, and email address of each of the following outside providers that advise your company on matters relating to operations, business development and disclosure:

Legal 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: Stephen Ebinger
Firm: CohnReznick LLP
Address 1: 100 Jericho Quadrangle
Address 2: Jericho, NY 11753

Phone: 516-336-5502
Email: stephen.ebinger@cohnreznick.com

Investor Relations Consultant-N/A

Other Advisor: Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement.-N/A

10) Issuer Certification

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.;

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 13, 2015

/s/ Mitchell Binder
CEO

I, David Goldman certify that:

1. I have reviewed this quarterly report of Orbit international Corp.;

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 13, 2015

/s/ David Goldman
CFO

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 2015 (unaudited)	December 31, 2014
Current assets:		
Cash and cash equivalents	$ 614,000	$ 2,139,000
Investments in marketable securities	283,000	284,000
Accounts receivable (less allowance for doubtful accounts of $125,000)	2,936,000	1,891,000
Inventories	11,431,000	11,089,000
Income tax receivable	-	2,000
Other current assets	208,000	220,000
Total current assets	15,472,000	15,625,000
Property and equipment, net	587,000	641,000
Goodwill	868,000	868,000
Other assets	40,000	40,000
TOTAL ASSETS	$16,967,000	$17,174,000

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

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

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2015 (unaudited)	December 31, 2014
Current liabilities:		
Line of credit	$ 1,650,000	$ 1,725,000
Accounts payable	669,000	503,000
Income taxes payable	15,000	-
Accrued expenses	879,000	902,000
Customer advances	217,000	190,000
Total current liabilities	3,430,000	3,320,000
Other liabilities	31,000	37,000
Total liabilities	3,461,000	3,357,000
STOCKHOLDERS' EQUITY		
Common stock - $.10 par value, 10,000,000 shares authorized, 5,223,000 shares issued at March 31, 2015 and December 31, 2014 and 4,485,000 shares outstanding at March 31, 2015 and December 31, 2014	522,000	522,000
Additional paid-in capital	22,862,000	22,848,000
Treasury stock, at cost, 738,000 shares at March 31, 2015 and December 31, 2014	(2,225,000)	(2,225,000)
Accumulated other comprehensive loss, net of tax	(7,000)	(8,000)
Accumulated deficit	(7,646,000)	(7,320,000)
Total stockholders' equity	13,506,000	13,817,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$16,967,000	$17,174,000

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

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

	Three Months Ended March 31, 2015	2014
Net sales.....	$ 4,214,000	$ 5,007,000
Cost of sales.....	2,831,000	3,507,000
Gross profit.....	1,383,000	1,500,000
Selling, general and administrative expenses.....	1,683,000	2,543,000
Interest expense.....	9,000	11,000
Investment and other income, net.....	(4,000)	(10,000)
Loss before income tax provision.....	(305,000)	(1,044,000)
Income tax provision....	21,000	18,000
NET LOSS.....	**(326,000)**	**(1,062,000)**
Change in unrealized gains on marketable securities, net of income tax.....	1,000	2,000
Comprehensive loss.....	$ (325,000)	$(1,060,000)
Net loss per common share:		
Basic and diluted	$ (0.07)	$ (0.24)
Weighted average number of common shares outstanding: Basic and diluted	4,399,000	4,379,000

The accompanying notes are in 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,	
	2015	2014
Cash flows from operating activities:		
Net loss	$ (326,000)	$(1,062,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation expense	13,000	26,000
Depreciation and amortization	68,000	246,000
Loss (gain) on sale of marketable securities	1,000	(3,000)
Bond discount	(1,000)	(2,000)
Changes in operating assets and liabilities:		
Accounts receivable	(1,045,000)	(286,000)
Inventories	(342,000)	20,000
Other current assets	12,000	1,000
Other assets	-	(5,000)
Accounts payable	166,000	72,000
Accrued expenses	(23,000)	(152,000)
Income taxes payable	15,000	9,000
Income tax receivable	2,000	-
Customer advances	27,000	281,000
Other liabilities	(6,000)	-
Net cash provided by operating activities	(1,439,000)	(855,000)
Cash flows from investing activities:		
Purchases of property and equipment	(14,000)	(32,000)
Purchase of marketable securities	(143,000)	(143,000)
Sale of marketable securities	146,000	154,000
Net cash used in investing activities	(11,000)	(21,000)

(continued)

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

	Three Months Ended March 31,	
	2015	2014
Cash flows from financing activities:		
Purchase of treasury stock.....	$ -	$ (92,000)
Repayments of line of credit.....	(75,000)	(130,000)
Net cash used in financing activities.....	(75,000)	(222,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	(1,525,000)	(1,098,000)
Cash and cash equivalents – Beginning of period	2,139,000	2,562,000
CASH AND CASH EQUIVALENTS – End of period.....	$ 614,000	$1,464,000
Supplemental cash flow information:		
Cash paid for interest.....	$ 9,000	$ 11,000
Cash paid for income taxes.....	$ 4,000	$ 9,000

The accompanying notes are an integral part of these 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, 2015 are not necessarily indicative of the results of operations that can be expected for the year ending December 31, 2015.

The December 31, 2014 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, 2014 contained in the Company’s 2014 Annual Report filed with the OTC Pink Marketplace on March 31, 2015.

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 accounts, which, at times, exceed federally insured limits. The Company has not experienced any losses on these accounts.

Marketable Securities

The Company's investments are classified as available-for-sale securities and are 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 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.

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

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

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 the lower of cost (average cost method) or market. 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, 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.

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

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

The Company recognizes its revenue upon the shipment of product. The Company recognizes such revenue when title and risk of loss are transferred to the customer and when: i) there is persuasive evidence that an arrangement with the customer exists, which is generally a customer purchase order, ii) the selling price is fixed and determinable, iii) collection of the customer receivable is deemed probable, and iv) we do not have any continuing obligations.

All contracts are for products made to specific customer specifications with no right of return. All units are shipped with a one-year warranty.

Deferred Rent

The Company’s leases have escalation clauses which are recognized on a straight line basis over the life of the lease. The amounts are recorded in accrued expenses in the accompanying financial statements.

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.

(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 are funded through the issuance of the Company's common stock. Stock-based compensation expense for the three months ended March 31, 2015 and 2014 was $13,000 and $26,000, 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 ranges from seven to ten 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, 2015, the Company had unearned compensation of $266,000 associated with all of the Company's restricted stock awards, which will be expensed over approximately the next six years. The unvested portion of restricted stock awards at March 31, 2015 and 2014 were approximately 86,000 and 103,000 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 March 31, 2015:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested restricted stock at January 1, 2015	103,000	$3.23
Granted	-	-
Vested	(17,000)	3.23
Forfeited	-	-
Nonvested restricted stock at March 31, 2015	86,000	$3.23

(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 June 2013, the Company's Credit Agreement was amended whereby (i) the expiration date on its credit facility was extended to July 1, 2015 and (ii) the Company is permitted to purchase up to $400,000 of its common stock in each year beginning July 1 and ending June 30 during the term of the Credit Agreement. In April 2014, the Company's Credit Agreement was further amended whereby (i) the Company was required, for a defined period of time, to have an aggregate of cash, marketable securities and excess availability under its borrowing base of no less than $3,000,000 (ii) the definition of the Company's consolidated fixed charge coverage ratio was amended and compliance with such amended ratio was waived for the quarter ended March 31, 2014 and the Company was not required to comply with this amended ratio until the year ending December 31, 2014 and each fiscal quarter and year thereafter, and (iii) the Company was required to maintain consolidated tangible net worth of no less than $13,500,000 for the quarters ending June 30, 2014 and September 30, 2014.

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 March 31, 2015) 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. Outstanding borrowings under the line of credit were $1,650,000 at March 31, 2015 at an interest rate of 2.18% representing 2% plus the 30 day LIBOR rate. Outstanding borrowings under the line of credit were $1,725,000 at December 31, 2014 at an interest rate of 2.16% representing 2% plus the 30 day LIBOR rate. The Company had approximately $2,350,000 of availability under its line of credit at March 31, 2015.

The Company was not in compliance with one of the financial covenants contained in its Credit Agreement at December 31, 2014. In March 2015, the Company's Credit Agreement was amended whereby (i) compliance with the Company's consolidated fixed charge coverage ratio was waived for the year ended December 31, 2014 (ii) the Company's consolidated fixed charge coverage ratio was amended and compliance with such amended ratio was waived for the quarter ending March 31, 2015 (iii) the Company is required to maintain consolidated tangible net worth of no less than $12,350,000 for each quarter beginning with the quarter ending March 31, 2015 (iv) the line of credit was reduced to $4,000,000 from $6,000,000 and (v) the Company is no longer required to have an aggregate of cash, marketable securities and excess availability under its borrowing base of no less than $3,000,000.

(NOTE 3) – Debt (continued):

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, 2015.

(NOTE 4) – Net Loss Per Common Share:

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

	Three Months Ended March 31,	
	2015	2014
Denominator:		
Denominator for basic net loss per share – weighted-average common shares.....	4,399,000	4,379,000
Effect of dilutive securities:		
Employee and directors stock options	-	-
Unearned portion of restricted stock awards.....	-	-
Denominator for diluted net loss per share - weighted-average common shares and assumed conversion.....	4,399,000	4,379,000

The numerator for basic and diluted net loss per share for the three month periods ended March 31, 2015 and 2014 is the net loss for each period.

Approximately 86,000 and 121,000 shares of common stock were outstanding at March 31, 2015 and 2014, respectively, but were not included in the computation of basic (loss) 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:

(NOTE 6) – Inventories (continued):

	March 31, 2015	December 31, 2014
Raw Materials.....	$ 6,897,000	$ 6,934,000
Work-in-process.....	4,217,000	3,884,000
Finished goods.....	317,000	271,000
TOTAL	$11,431,000	$11,089,000

(NOTE 7) – Marketable Securities:

The following is a summary of the Company's available-for-sale marketable securities at March 31, 2015 and December 31, 2014:

March 31, 2015	Amortized Cost	Fair Value	Unrealized Holding Loss
Corporate Bonds	$ 295,000	$ 283,000	$(12,000)
December 31, 2014			
Corporate Bonds	$ 297,000	$ 284,000	$(13,000)

(NOTE 8) - Fair Value of Financial Instruments:

ASC 820, *Fair Value Measurements and Disclosures,* establishes a framework for measuring fair value in GAAP and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to ASC 820.

(NOTE 8) - Fair Value of Financial Instruments (continued):

The table below presents the balances, as of March 31, 2015 and December 31, 2014, of assets measured at fair value on a recurring basis by level within the hierarchy.

March 31, 2015	Total	Level 1	Level 2	Level 3
Corporate Bonds	$ 283,000	$ 283,000	$ -	$ -

December 31, 2014	Total	Level 1	Level 2	Level 3
Corporate Bonds	$ 284,000	$ 284,000	$ -	$ -

The Company's only asset or liability that is measured at fair value on a recurring basis is marketable securities, based on quoted market prices in active markets and therefore classified as level 1 within the fair value hierarchy. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and line of credit reasonably approximate their fair value due to their relatively short maturities. The fair value estimates presented herein were based on market or other information available to management. The use of different assumptions and/or estimation methodologies could have a significant effect on the estimated fair value amounts.

(NOTE 9) - 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 Orbit Instrument and Tulip Development Laboratory ("TDL") Divisions, and its wholly owned subsidiary Integrated Consulting Services, Inc., d/b/a Integrated Combat Systems ("ICS"). Through its Orbit Instrument and TDL Divisions, it is engaged in the design, manufacture and sale of customized electronic components and subsystems. ICS, based in Louisville, Kentucky, performs systems integration for gun weapons systems and fire control interface, cable and harness assembly, as well as logistics support and documentation. 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 and commercial-off-the-shelf ("COTS") power solutions.

The Company's reportable segments are business units that offer different products. The reportable segments are each managed separately as they manufacture and distribute distinct products with different production processes.

The following is the Company's business segment information for the three month periods ended March 31, 2015 and 2014:

(NOTE 9) - Business Segments (continued):

	Three Months Ended March 31,	
	2015	2014
Net sales:		
Electronics Group.....		
Domestic.....	$ 1,613,000	$ 2,767,000
Foreign.....	311,000	137,000
Total Electronics	1,924,000	2,904,000
Power Group.....		
Domestic.....	2,226,000	2,053,000
Foreign.....	64,000	50,000
Total Power Group	2,290,000	2,103,000
Intersegment sales.....	-	-
Total	$ 4,214,000	$ 5,007,000
Income (loss) before income tax provision:		
Electronics Group.....	$ (220,000)	$ (743,000)
Power Group.....	122,000	(1,000)
General corporate expenses not allocated.....	(202,000)	(299,000)
Interest expense.....	(9,000)	(11,000)
Investment and other income (expense), net.....	4,000	10,000
(Loss) income before income tax provision.....	$ (305,000)	$(1,044,000)

(NOTE 10) - Goodwill:

As of March 31, 2015 and December 31, 2014, the Company's goodwill consists of the following:

Gross Carrying Value	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
$868,000	$ -	$ -	$ 868,000

(NOTE 11) – Income Taxes:

For the three months ended March 31, 2015 and 2014, the Company recorded income tax expense of approximately $21,000 and $18,000, respectively, relating to state income and minimum taxes. As of March 31, 2015, the Company has no material uncertain tax positions. At March 31, 2015, the Company continued to record a full valuation allowance on its net deferred tax asset.

(NOTE 12) – Equity:

On November 6, 2013, the Company's Board of Directors authorized management to purchase up to $400,000 of its common stock pursuant to a buy back program. In conjunction with the buy back program, the Company's Board of Directors authorized management to enter into a 10b5-1 Plan through which the Company was permitted to purchase up to $200,000 of its common stock. The Company's previously authorized 10b5-1 Plan was completed and is no longer in effect. Management is authorized to repurchase up to the remaining $200,000 of common stock under the $400,000 buy back program.

(NOTE 13) – Consolidation of Operations:

In October 2013, the Company decided to consolidate the operations of its TDL subsidiary, located in Quakertown, PA into its Orbit International Corp. facility located in Hauppauge, New York. This decision was based on a number of factors, among them, TDL's lease which expired October 31, 2014, the uneven revenue stream at TDL, the uncertainty surrounding defense spending related to budget discussions in Washington DC and the Company's broader focus on cutting costs and promoting operating efficiencies. During the year ended December 31, 2014, the Company incurred a $1,089,000 operating loss from its TDL subsidiary, which included costs associated with the consolidation of its Quakertown facility including approximately $161,000 of accelerated non-cash amortization and depreciation expense.