

RELIABILITY INC
Form 10-K/A
March 29, 2019

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

**Annual Report Pursuant to Section 13 or 15 (d)
of the Securities Exchange Act of 1934**

For the Fiscal Year Ended December 31, 2018 Commission File Number 0-7092

RELIABILITY INCORPORATED

(Exact name of registrant as specified in its charter)

TEXAS 75-0868913
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

53 Forest Avenue, First Floor 06870
Old Greenwich, Connecticut
(Address of principal executive offices) (Zip Code)

(203) 489-9500

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

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

Common Stock, no par value per share

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

Indicate by check mark whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. YES NO

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): YES NO

State issuer's revenues for its most recent fiscal year: \$ 0

The aggregate market value of the voting and non-voting common equity held by non-affiliates; computed by reference to the June 30, 2018 average bid and asked price of \$0.045 is \$302,704, which value solely for the purposes of this calculation excludes shares held by the registrant's officer and directors, and 5% or greater shareholders. Such exclusions should not be deemed a determination by the registrant that all such individuals are, in fact, affiliates of the Registrant.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 16,914,693 shares of Common Stock, no par value, as of March 18, 2019.

EXPLANATORY NOTE

This amendment no. 1 is filed to submit the correct Certifications that were erroneously filed on March 28, 2019. that is the only

difference between the original filing and this amendment.

RELIABILITY INCORPORATED

Form 10-K/A

TABLE OF CONTENTS

December 31, 2018

PART I

Item 1. Business	2
Item 1A. Risk Factors.	2
Item 1B. Unresolved Staff Comments.	6
Item 2. Properties	6
Item 3. Legal Proceedings	6
Item 4. Mine Safety Disclosures	6

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	6
Item 6. Selected Financial Data	6
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	6

Item 7A. Quantitative and Qualitative Disclosures About Market Risk	8
Item 8. Financial Statements	8
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	8
Item 9A. Controls and Procedures	8
Item 9B. Other Information	9

PART III

Item 10. Directors, Executive Officers, and Corporate Governance	9
Item 11. Executive Compensation	10
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	11
Item 13. Certain Relationships and Related Transactions and Director Independence	11
Item 14. Principal Accountant's Fees and Services	12
Item 15. Exhibits and Financial Statement Schedules	12
Signatures	14

PART I

Item 1. *Business*

THE COMPANY

Reliability Incorporated (“we”, “our”, “or the “Company”) was incorporated under the laws of the State of Texas in 1953, and from 1971 to 2007 the Company was principally engaged in the design, manufacture, market, and support of high performance equipment used to test and condition integrated circuits. This business was closed down in 2007. The Company has no further operating activities and is now a shell company.

The Company has concluded that it should look for acquisitions or identify a merger partner or other business combination. There can be no assurances that the Company will be successful in completing such a transaction or be able to maintain sufficient liquidity over a period of time that will allow it to carry out this action.

The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the possible inability of the Company to continue as a going concern.

Copies of this Annual Report, including our financial statements, and our quarterly reports on Form 10-Q as well as other corporate information, including press releases, of interest to our stockholders are available by writing us at 53 Forest Avenue - First Floor, Old Greenwich, Connecticut 06870.

Available sources of liquidity at December 31, 2018 include cash and cash equivalents of \$8,098.

The Company’s common stock is a “penny stock,” as defined in Rule 3a51-1 under the Exchange Act. The penny stock rules require a broker-dealer, prior to a transaction in penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its sales person in the transaction, and monthly account

statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that the broker-dealer, not otherwise exempt from such rules, must make a special written determination that the penny stock is suitable for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure rules have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules. So long as the Company's common stock is subject to the penny stock rules, the level of trading activity could be limited and it may be difficult for investors to sell our common stock.

EMPLOYEES

The Company has no employees. It is managed by three directors/officers.

Item 1A. Risk Factors.

The Company Has No Means to Generate Revenue

We have no source of revenue. Our cash balance has been diminished by general and administrative expenses. We do not expect to generate any revenues until, and we will only potentially generate revenues if, we enter into a new business. We believe that we may need additional financing to pay accounting and professional fees and other expenses to fulfill our reporting obligations under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) until we commence business operations. The sale of additional equity or convertible debt securities could result in additional dilution to the stockholders. In addition, our failure to secure additional financing could have a material adverse effect on our ability to pay the accounting and other fees required in order to continue to fulfill our reporting obligations and pursue our business plan. We do not have any arrangements with any bank or financial institution to secure additional financing and there can be no assurance that any such arrangement would be available at all or on terms acceptable to us.

The Market For Our Stock Is Not Liquid And The Stock Price Is Subject To Volatility

Our stock is quoted on the OTCQB of the OTC Marketplace under the symbol of “RLBY”, where low trading volume and high volatility is often experienced. While a few firms make a market in our stock, the historically low trading volume and relatively few market makers of our stock make it more likely that a severe fluctuation in volume, either up or down, will significantly impact the stock price. There can be no assurance that these market makers will continue to quote our stock and a reduction in such market makers would negatively impact trading liquidity. Lastly, the uncertainty of the future of the Company may limit the liquidity of our stock. This and the existing limited market and volume in the trading of our stock, may result in our stockholders having difficulty selling our common stock. The trading price of our common stock has been, and will likely continue to be, subject to wide fluctuations due to the uncertainty of the future of the Company, general market fluctuations and other events and factors, some of which may be beyond our control.

Our management will have broad discretion in connection with the selection of a business combination.

Any person who invests in our securities will do so without an opportunity to evaluate the specific merits or risks of any potential business combination in which we may engage. As a result, investors will be entirely dependent on the broad discretion and judgment of management in connection with the selection of a business combination. There can be no assurance that determinations made by the acting management will permit us to achieve our business objectives.

Since we have not yet selected a particular industry or any target business with which to complete our business combination, stockholders will be unable to ascertain the merits or risks of the industry or business in which we may

ultimately operate.

There is no basis for stockholders to evaluate the possible merits or risks of potential business combinations or the particular industry in which we may ultimately operate other than that which may be disclosed in a future proxy. To the extent that we effect a business combination with a financially unstable entity or an entity that is in its early stage of development or growth, including entities without established records of revenues or income, we will become subject to numerous risks inherent in the business and operations of such entity. In addition, to the extent that we effect a business combination with an entity in an industry characterized by a high degree of risk, we will become subject to the currently unascertainable risks of that industry. A high level of risk frequently characterizes certain industries that experience rapid growth. Although management will endeavor to evaluate and may defer to affiliated shareholders to evaluate the risks inherent in a particular new prospective business or industry, there can be no assurance that we will properly ascertain or assess all such risks or that subsequent events may not alter the risks that we perceive at the time of the consummation of a business combination.

The Company has no current binding arrangement, agreement or understanding with respect to engaging in a business combination with a specific entity but is currently in active communication with an entity. There can be no assurance that the Company will be successful in identifying and evaluating or in concluding a business combination. No particular industry or specific business within an industry has been selected for a target company. The Company has not established a specific length of operating history or a specified level of earnings, assets, net worth or other criteria that it will require a target company to have achieved, or without which the Company would not consider a business combination with such business entity. Accordingly, the Company may enter into a business combination with a business entity having no significant operating history, losses, limited or no potential for immediate earnings, limited assets, negative net worth or other negative characteristics. There can be no assurance that the Company will be able to negotiate a business combination on terms favorable to the Company. In addition, there can be no assurance that a business combination will benefit stockholders or prove to be more favorable to stockholders than any other investment that may be made by stockholders and investors.

We may have only limited ability to evaluate the management of the target business.

We may have only limited ability to evaluate the management of the target business. Although we intend to closely scrutinize the management of a prospective target business in connection with evaluating the desirability of effecting a business combination, we cannot assure you that our assessment of management will prove to be correct. These individuals may be unfamiliar with the requirements of operating a public company and the securities laws, which could increase the time and resources we must expend to assist them in becoming familiar with the complex disclosure and financial reporting requirements imposed on U.S. public companies, including the requirement to maintain an effective system of internal controls. This could be expensive and time-consuming and could lead to various regulatory issues that may adversely affect the price of our stock.

Reporting requirements may delay or preclude the consummation of a business combination.

Pursuant to the requirements of Section 13 of the Exchange Act, the Company is required to provide certain information about significant acquisitions including audited financial statements of the acquired company. These audited financial statements must be furnished within 4 days following the effective date of a business combination. Obtaining audited financial statements are the economic responsibility of the target company. The additional time and costs that may be incurred by some potential target companies to prepare such financial statements may significantly delay or essentially preclude consummation of an otherwise desirable acquisition by the Company. Acquisition prospects that do not have or are unable to obtain the required audited statements may not be appropriate for acquisition so long as the reporting requirements of the Exchange Act are applicable.

Our principal stockholders have significant voting power and may vote their shares in a manner that is not in the best interest of other stockholders.

Our principal stockholders control over 60% of the voting power represented by our outstanding shares of common stock and if these stockholders act together, they will be able to exert significant control over our management and affairs requiring stockholder approval, including approval of a business combination. This concentration of ownership may have the effect of delaying or preventing a change in control and might adversely affect the market price of our common stock. This concentration of ownership may not be in the best interests of all our stockholders.

Our officers and directors will allocate some portion of their time to other businesses thereby causing conflicts of interest in their determination as to how much time to devote to our affairs.

Our management is not required to commit its full time to our affairs. As a result, pursuing business combinations may require a greater period of time than if it would devote its full time to our affairs. Management is not precluded from serving as officers or directors of any other entity that is engaged in business activities similar to those of the Company. In the future, management may become associated or affiliated with entities engaged in business activities similar to those we intend to conduct. In such event, management may have conflicts of interest in determining to which entity a particular business combination should be presented. In cases where our management has multiple business affiliations, they may have similar legal obligations to present certain business opportunities to multiple entities. If several business opportunities or operating entities approach management with respect to a business combination, management will consider a number of factors, including preferences of the management of the operating company and availability of resources of the acquiring company. However, management will act in what it believes will be in the best interests of the stockholders of the Company and other respective public companies.

Because of significant competition for business combination opportunities, including numerous companies with a business plan similar to ours, it may be more difficult for us to complete a business combination.

In identifying, evaluating and selecting a target business for our potential business combination, we may encounter intense competition from other entities having a business objective similar to ours, including other blank check companies and operating businesses seeking acquisitions. Many of these entities may be well established and may have extensive experience in identifying prospective business combinations. Many of these competitors may possess greater financial, technical, human and other resources than we do and there can be no assurance that we will have the ability to compete successfully. While we believe there are numerous potential target businesses with which we could enter into a business combination with, our ability to acquire larger target businesses will be limited by our available financial resources.

There may be state blue-sky law restrictions upon the ability of investors to resell our securities.

The holders of our shares of common stock and those persons who desire to purchase them in any trading market that might develop should be aware that there may be state blue-sky law restrictions upon the ability of investors to resell our securities. Accordingly, investors should consider the secondary market for the Registrant's securities to be a limited one.

We do not expect to pay dividends for the foreseeable future.

We do not expect to pay dividends for the foreseeable future because we have no revenues. The payment of dividends will be contingent upon our future revenues and earnings, if any, capital requirements and overall financial condition. The payment of any future dividends will be within the discretion of our board of directors. It is our expectation that after the consummation of a business combination that future management will determine to retain any earnings for use in business operations and, accordingly, we do not anticipate declaring any dividends in the foreseeable future.

There may be a change in control and management of the Company in connection with a business combination.

In conjunction with completion of a business combination, it is anticipated that the Company will issue an amount of the Company's authorized but unissued common stock that represents a majority of the voting power and total capital

stock of the Company, which will, in all likelihood, result in stockholders of a target company obtaining a controlling interest in the Company. As a condition of the business combination agreement, the current controlling stockholders of the Company may agree to sell or transfer all or a portion of the Company's common stock they own so as to provide the target company with all or majority control. The resulting change in control of the Company will likely result in removal of the present officer and directors of the Company and a corresponding reduction in or elimination of their participation in the future affairs of the

Company.

Issuance of additional shares of common stock in connection with a business combination may result in dilution of our common stock.

A business combination normally will involve the issuance of a significant number of additional shares of common stock. Depending upon the value of the assets acquired in such business combination, the per share trading value of the Company's common stock may increase or decrease, perhaps significantly.

It is possible that our business combination may not meet the statutory requirements of a tax-free reorganization or that the parties may not obtain the intended tax-free treatment upon a transfer of stock or assets.

Federal and state tax consequences will, in all likelihood, be major considerations in any business combination that the Company may undertake. Currently, such transactions may be structured so as to result in tax-free treatment to both companies, pursuant to various federal and state tax provisions. The Company intends to structure any business combination so as to minimize the federal and state tax consequences to both the Company and the target entity; however, there can be no assurance that such business combination will meet the statutory requirements of a tax-free reorganization or that the parties will obtain the intended tax-free treatment upon a transfer of stock or assets. A non-qualifying reorganization could result in the imposition of both federal and state taxes, which may have an adverse effect on both parties to the transaction.

If we locate a suitable target business outside of the United States, we would be subject to all the inherent risks of doing business in that foreign country.

Although we intend to focus our search on target businesses located within the United States, we are not limited to this geographical region. It is possible that prospective target businesses could be introduced to us in this and other areas. If we locate a suitable target business outside of the United States, we would be subject to all the inherent risks of doing business in that foreign country. For instance, many countries have had economic difficulties and political instability. If we were to complete a business combination with a target business located in another country, our operations and profitability could be negatively affected by that country's response to these and other issues. In addition, we cannot assure you that management of the target business will be familiar with United States securities laws. If new management is unfamiliar with our laws, it may have to expend time and resources becoming familiar with such laws. This could be expensive and time-consuming and could lead to various regulatory issues which may adversely affect our operations.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

None.

Item 3. *Legal Proceedings.*

None.

Item 4. *Mine Safety Disclosures.*

Not applicable.

PART II**Item 5. Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

The Company's common stock trades in the over-the-counter bulletin board market under the symbol RLBY. The high and low sale prices for 2017 and 2018 are set forth below.

	First	Second	Third	Fourth
	Quarter	Quarter	Quarter	Quarter
2017				
High	\$.065	\$.050	\$.050	\$.042
Low	.050	.040	.040	.020
2018				
High	\$.040	\$.053	.055	.065
Low	.022	.030	.029	.023

The Company paid no cash dividends in 2017 or 2018 and had over 400 shareholders of record as of December 31, 2018, not counting the shareholders who hold the Company's common stock in street name.

Item 6. Selected Financial Data.

Not applicable.

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

Management's discussion and analysis of its financial condition and results of operations is based on the Company's financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities, if any exist. The Company evaluates its estimates on an on-going basis. The Company bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values and disclosure of amounts recorded or disclosed in the financial statements of the Company.

CRITICAL ACCOUNTING POLICIES

This discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Our audited financial statements have been prepared assuming that the Company will continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of any uncertainty articulated in Item 1.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis and other parts of this report contain forward-looking statements that involve risks and uncertainties, as well as current expectations and assumptions. From time to time, the Company may publish forward-looking statements, including those that are contained in this report, relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of the Company's business include, but are not limited to, its ability to maintain sufficient working capital, adverse changes in the economy, the ability to attract and maintain key personnel, its ability to identify or complete an acceptable merger or acquisition, and future results related to acquisition, merger or investment activities. The Company's actual results could differ materially from those anticipated in these forward-looking statements, including those set forth elsewhere in this report. The Company assumes no obligation to update any such forward-looking statements.

We intend to seek new business opportunities. As we have only limited cash resources, our ability to complete any acquisition or investment opportunities we may identify will depend on our ability to raise additional financing, as to which there can be no assurance. There can be no assurance that we will successfully identify, complete or integrate any future acquisition or investment, or that acquisitions or investments, if completed, will contribute favorably to our operations and future financial condition.

ANALYSIS OF FINANCIAL CONDITION

Net cash used in operating activities for the year ended December 31, 2018 was \$14,945 compared to \$22,436 during 2017. The usage of cash was attributable to the net loss, which in turn resulted from general and administrative expenses. The principal items contributing to the usage of \$14,945 in 2018 were a loss of \$32,794, with an increase in accounts payable and accrued liabilities, offset by accrued interest on the loans from stockholder and affiliate.

Financing activities provided cash flows of \$15,000 via the issuance of a promissory note in 2018 with no financing activities occurring in 2017.

The Company is now a shell corporation. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities.

The Company continuously is evaluating the prospects for an acceptable merger or acquisition, but the likelihood and timing of such merger or acquisition cannot be estimated with any reasonable certainty. There can be no assurances that the Company will be successful in completing such a transaction or be able to maintain sufficient liquidity over a period of time that will allow it to carry out this action, in which case the Company might be forced to dissolve.

RESULTS OF OPERATIONS

Net Revenues and Gross Profit

Revenues and gross profit for 2018 and 2017 were zero for both years, as all operations were discontinued as of September 30, 2007.

General and Administrative

General and administrative (“G&A”) expenses primarily consist of legal, accounting and other professional services.

G&A expenses increased from \$19,901 in 2017 to \$23,236 in 2018.

Interest Expense

Interest expense increased from \$9,000 in 2017 to \$9,558 in 2018 due to the additional loan from shareholder and affiliate in 2018.

OFF-BALANCE SHEET ARRANGEMENTS

None.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

Not applicable.

Item 8. *Financial Statements*

The financial statements of the Company and the related report of the Company's independent registered public accounting firm thereon are included in this report on pages 15 through 23.

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

None.

Item 9A. *Controls and Procedures.*

(a) Evaluation of Disclosure Controls and Procedures. The Principal Executive Officer/Principal Financial Officer evaluated the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Principal Executive Officer/Principal Financial Officer concluded that the disclosure controls and procedures as of the end of the period covered by this report were effective such that the information required to be disclosed in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the Principal Executive Officer/Principal Financial Officer to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Management's Annual Report on Internal Control over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

The Principal Executive Officer/ Principal Financial Officer evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. Based on this evaluation, the Principal Executive Officer and Principal Financial Officer concluded that, as of December 31, 2018, internal control over financial reporting was effective.

The financial statements of the Company for 2017 and 2018 have been audited by the independent registered public accounting firm of Ramirez Jimenez International CPAs who were given unrestricted access to all financial records and related data, including minutes of all meetings of stockholders and the Board of Directors. This annual report does not include an attestation report from the independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

(b) Changes in Internal Control over Financial Reporting. There were no changes in the Company's internal controls during the current period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

The following table sets forth the name, age and position with the Company of (i) each of the persons currently appointed to the Company's Board of Directors and (ii) each of the persons currently appointed as Executive Officer(s) of the Company. The information is current as of March 28, 2019

NAME	AGE	PRINCIPAL POSITION
Hannah M. Bible	39	Chairman of the Board of Directors, President, Chief Executive Officer, Chief Financial Officer, Secretary and Treasurer
Shawn Miles	26	Director
Julia Dayton	50	Director

Below is the biography of the members of the Board of Directors as of March 20, 2019:

Hannah M. Bible is Chief Financial Officer and in-house counsel of Lone Star Value Management, LLC (“Lone Star Value Mgmt.”). Ms. Bible has over 12 years of combined legal and accounting experience across a variety of industries. From May 2016 through August 2017 Ms. Bible served on the board of Crossroads Systems, Inc. (NASDAQ: CRDS), a data storage company. Prior to joining Lone Star Value Mgmt. in June 2014, Ms. Bible was the Director of Finance/CFO at Trinity Church in Greenwich, CT. From October 2011 to December 2012, Ms. Bible served as a legal advisor to RRMS Advisors, a company providing advisory and due diligence services to banking and other institutions with high risk assets. From June 2009 to December 2013, Ms. Bible advised family fund and institutional clients of International Consulting Group, Inc., and its affiliates within the Middle East on matters of security, corporate governance, and U.S. legal compliance. From 2006 to 2008, Ms. Bible served within the U.N. General Assembly as a diplomatic advisor to the Asian-African Legal Consultative Organization, a permanent observer mission to the United Nations. From 2007 until recently, Ms. Bible taught as an Adjunct Professor at Thomas Jefferson School of Law, within the International Tax and Financial Services program. Prior to this Ms. Bible held various accounting positions with Samaritan’s Purse, a large \$300MM+ 501(c)(3) organization dedicated to emergency relief and serving the poor worldwide. Previously, Ms. Bible served as a director of AMRH Holdings, Inc. (formerly Spatializer Audio Laboratories). Ms. Bible earned an LLM in Tax from New York University School of Law, a JD with honors from St. Thomas University School of Law, and a BBA in Accounting from Middle Tennessee State University.

Shawn Miles, a director of Reliability since May 2018, has served as an analyst at Hudson Global, Inc., a global recruitment company, since April 2018. Prior to joining Hudson, Mr. Miles served as a research analyst at Lone Star Value Management, LLC, an investment firm based in Old Greenwich, CT. Mr. Miles earned master's and bachelor's degrees in Applied Economics from Cornell University's Dyson School of Applied Economics & Management.

Julia M. Dayton, a director of Reliability since May 2018, is a Consultant in the Health, Nutrition and Population Global Practice at the World Bank, Washington, D.C., working to analyze the cost-effectiveness and optimal allocation of nutrition interventions at the country and global level. Past research topics include the inter-generation impact of HIV/AIDS, health program evaluation and cost-effectiveness analysis. She also served as a research associate at the Population Council and was a post-doctoral fellow at Yale University's Center for Interdisciplinary Research on AIDS. She holds a PhD in Health Economics from Yale University, MPA from the Middlebury Institute of International Studies and a BA from Emory University. She lives in Old Greenwich, CT, with her husband Jeffrey Eberwein, a significant shareholder of the Company and five children.

Directors serve and hold office until their successors are elected by the shareholders, unless they shall sooner resign.

None of the members of the board of directors or executive officers of the Company has, in the last ten years, been involved in any legal proceeding of the type described under Item 401(f) of Regulation S-K.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of Forms 3 and 4 furnished to us during the fiscal year ended December 31, 2018, we are not aware of any director, officer or beneficial owner of more than 10% of the common stock of the Company who failed to file on a timely basis any reports required by Section 16(a) of the Securities Exchange Act of 1934.

Code of Ethics

At present we have not adopted a Code of Ethics applicable to our directors, officers and employees.

Corporate Governance

At present, the Company does not have an audit committee. The entire board of directors is responsible for the assessment and oversight of the Company's financial risk exposure.

Item 11. *Executive Compensation.*

The Company did not pay any salary to its officers or Directors in 2017 or 2018 and currently has no stock option plan or outstanding stock options.

Under the Company's Amended and Restated 1997 Stock Option Plan ("Option Plan"), which expired in 2006, stock option grants were available for officers, directors, and key employees. The objective of the Option Plan was to promote the interest of the Company by providing an ownership incentive to officers, directors, and key employees, to reward outstanding performance, and to encourage continued employment. The Board of Directors, which acted as the Plan Administrator, determined to whom options were granted, the type of options, the number of shares covered by such options and the option vesting schedule. All options were issued at market value on the date of the grant and generally had a ten-year contractual term with graded vesting.

Outstanding equity awards

There are no items required to be disclosed in accordance with Regulation S-K for the year 2018.

Director Compensation

None of the Company's directors received any cash compensation, stock option awards or other arrangements for services provided in their capacity as directors during the fiscal year ended December 31, 2018. However, all of the Company's directors are paid employees of Lone Star Value Management, the investment manager of Lone Star Value Investors, LP and Lone Star Value Co-Invest I, LP.

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

Principal shareholders

Based on information available to the Company through filings with the Securities and Exchange Commission, each of the following persons or groups beneficially owned 5% or more of the 16,914,693 shares of common stock outstanding as of March 20, 2019.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class	
Jeffrey E. Eberwein (1) 53 Forest Avenue, First Floor, Old Greenwich, CT 06870	10,187,948	60.23	%
Lone Star Value Co-Invest I, LP 53 Forest Avenue, First Floor, Old Greenwich, CT 06870	6,786,588	40.12	%
Lone Star Value Investors, LP 53 Forest Avenue, First Floor, Old Greenwich, CT 06870	3,401,360	20.11	%

(1)

Includes the 3,401,360 shares owned by Lone Star Value Investors, LP (“Lone Star Value Investors”), and 10,187,948 shares owned by Lone Star Value Co-Invest I, LP (“Lone Star Value Co-Invest I”), for which Mr. Eberwein may be deemed the beneficial owner. Mr. Eberwein is the sole investor of Lone Star Value Co-Invest I, and contributed the shares to Lone Star Value Co-Invest I. Mr. Eberwein disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.

Security ownership of management

As of March 20, 2019, the amount of common stock owned by the directors of the Company was:

Name of individual or group	Amount and Nature of Beneficial Ownership	Percent of Class
Hannah Bible	-	- %
Shawn Miles	-	- %
Julia M. Dayton	6,786,588	40.12 %
All executive officers and directors as a group	-	- %

(1) Includes the 6,786,588 shares owned by Lone Star Value Co-Invest I, LP (“Lone Star Value Co-Invest I”), for which Mr. Eberwein is the 100% owner. Mr. Eberwein is the spouse of Mrs. Dayton. Mrs. Dayton disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.

Certain Relationships and Related Transactions and Director Independence

Item 13.

Transactions with Related Persons

Previously, on January 15, 2014, the Company issued 3,401,360 shares of common stock to Lone Star Value Investors, LP, an entity ultimately controlled by Mr. Eberwein, who was a director and majority shareholder at the time of the transaction at \$0.0147 per share for total proceeds of \$50,000.

On June 6, 2014, Lone Star Value Investors, LP issued a promissory note to the Company in the principal amount of \$50,000 (“2014 Note”) and on August 2, 2016, Lone Star Value Co-Invest I issued a promissory note in the amount of \$40,000 (“2016 Note”). On August 10, 2018, the Company issued a promissory note to a shareholder in the amount of \$15,000 (“2018 Note”). Lone Star Value Investors and Lone Star Value Co-Invest I are significant shareholders of the Company’s common stock. Under the terms of the 2014 Note, 2016 Note, and 2018 Note interest on the outstanding principal amount accrues at a rate of 10% per annum, and all amounts outstanding under the notes are due and payable on or before June 30, 2019 in respect of the 2014 Note, and August 31, 2021 in respect to the 2016 Note and 2018 Note. All payments of the 2016 Note and 2018 Note are subordinate to the payment of all outstanding amounts due under the 2014 Note. The Company intends to use the proceeds for operating expenses.

Our common stock is quoted on the OTC Marketplace, which does not have director independence requirements. Under NASDAQ Rule 4200(a)(15), a director is not considered independent if he or she has also been an executive officer or employee of the corporation during the current year or any of the past three years. As such, only Mr. Miles can be classified as independent under this definition.

Item 14. *Principal Accountant’s Fees and Services*

Aggregate fees paid or payable to Ramirez Jimenez International CPAs in connection with their services during fiscal years 2017 and 2018 are listed below:

Fee category	2018	2017
Audit Fees	\$14,500	\$14,500
Audit-related fees	-	-
Tax fees	\$1,100	1,100
All other fees	-	-
Total fees	\$15,600	\$15,600

Audit Fees: Consists of fees billed for professional services rendered for the audits of Reliability’s annual financial statements and the review of Reliability’s quarterly financial statements.

Tax Fees: Consists of tax compliance/preparation and other tax services. Tax compliance/preparation consists of fees billed for professional services related to federal and state tax compliance.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following exhibits are filed as part of this report or incorporated by reference:

Financial Statements: as referenced in Item 8 hereof.

- 3.1 Restated Articles of Incorporation (with amendment). Reference is made to Exhibit 3 to the Company's Current Report on Form 8-K for the quarter ended June 30, 1995.
- 3.2 Certificate of Amendment to Articles of Incorporation. Reference is made to Exhibit 5.03 of the Company's Form 10-Q filed on November 14, 2016.
- 3.3 Certificate of Amendment to Articles of Incorporation. Reference is made to Exhibit 5.03 of the Company's Form 8-K filed on January 28, 2014.
- 3.4 Certificate of Amendment to Articles of Incorporation. Reference is made to Exhibit 5.03 of the Company's Form 8-K filed on April 30, 2014.
- 3.5 Certificate of Amendment to Articles of Incorporation. Reference is made to Exhibit 3.03 of the Company's Form 8-K filed on October 3, 2013.
- 3.6 Restated Bylaws. Reference is made to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003.
- 3.7 Amended Bylaws. Reference is made to Exhibit 3.01 of the Company's Form 8-K, filed on April 6, 2007.
- 23.1 Consent of Independent Registered Public Accounting Firm - Ramirez Jimenez International CPAs.
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.

32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith. (Certification will not be deemed “filed” for purposes of Section 18 of the Securities Act of 1934, as amended).

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

RELIABILITY INCORPORATED

(Registrant)

DATE: March 28,
2019

/s/ Hannah Bible

By: Hannah Bible

Its: Chairman of the Board of Directors, President, Chief Executive Officer, Chief Financial Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

DATE: March 28,
2019

/s/ Hannah Bible

By: Hannah Bible

Its: President, Chief Executive Officer, Chief Financial Officer and Director (Principal Executive and Financial Officer)

DATE: March 28,
2019

/s/ Shawn Miles

By: Shawn Miles

Its: Director

DATE: March 28,
2019

/s/ Julia M. Dayton

By: Julia M. Dayton

Its: Director, Treasurer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors

Reliability Incorporated:

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Reliability Incorporated (the “Company”) as of December 31, 2018 and 2017, and the related statements of operations, stockholders’ equity (deficit), and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Security and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as

evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has no operating activities. It is now a shell company and its future plans are uncertain. These factors raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Ramirez Jimenez International CPAs

We have served as the Company's auditor since 2009.

Irvine, California

March 28, 2019

F-1

RELIABILITY INCORPORATED**BALANCE SHEETS**

	December 31,	
	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$8,098	\$8,043
Total current assets	8,098	8,043
Total Assets	\$8,098	\$8,043
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable and accrued liabilities	\$15,961	\$7,670
Loan from stockholder and affiliate, current portion	50,000	0
Interest on loans, current portion	22,864	0
Total current liabilities	88,825	7,670
Long-term Liabilities:		
Loans from stockholder and affiliate	55,000	90,000
Interest on loans	10,218	23,524
Total Long-term Liabilities	65,218	113,524
Total Liabilities	154,043	121,194
Stockholders' Equity (Deficit):		
Preferred stock, without par value; 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, without par value; 300,000,000 shares authorized; 17,268,993 shares issued	9,912,150	9,912,150
Accumulated deficit	(8,963,578)	(8,930,784)
Less treasury stock at cost, 354,300 shares	(1,094,517)	(1,094,517)
Total stockholders' deficit	(145,945)	(113,151)
Total Liabilities and Stockholders' Deficit	\$8,098	\$8,043

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

F-2

RELIABILITY INCORPORATED**STATEMENTS OF OPERATIONS**

	Year ended	
	December 31,	
	2018	2017
Operating Expenses:		
General and administrative	\$23,236	\$19,901
Interest expense	9,558	9,000
Total Operating Expenses	32,794	28,901
Other income		
Loss Before Income Taxes	(32,694)	(28,901)
Income Taxes	100	250
Net Loss	\$(32,794)	\$(29,151)
Basic and diluted loss per share:	\$-	\$-
Weighted average shares outstanding:		
Basic	16,914,693	16,914,693
Diluted	16,914,693	16,914,693

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

RELIABILITY INCORPORATED**STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**

(Shares in thousands)

	Common Stock		Treasury Stock (At Cost)		Accumulated Deficit	Total
	Shares	Amount	Shares	Amount		Stockholders' (Deficit)
Balance at December 31, 2016	17,268	\$9,912,150	(354)	\$(1,094,517)	\$(8,901,633)	\$(84,000)
Net loss					(29,151)	(29,151)
Balance at December 31, 2017	17,268	\$9,912,150	(354)	\$(1,094,517)	\$(8,930,784)	\$(113,151)
Net loss					(32,794)	(32,794)
Balance at December 31, 2018	17,268	\$9,912,150	(354)	\$(1,094,517)	\$(8,963,578)	\$(145,945)

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

RELIABILITY INCORPORATED**STATEMENTS OF CASH FLOWS**

	Year ended	
	December 31,	
	2018	2017
Cash flows from operating activities:		
Net loss	\$(32,794)	\$(29,151)
Adjustments to reconcile net loss to net cash used in operating activities:		
Accrued interest on loans from stockholder and affiliate	9,558	9,000
Changes in operating assets and liabilities:		
Accounts payable and accrued liabilities	8,291	(2,285)
Net cash used in operating activities	(14,945)	(22,436)
Cash flows from financing activities:		
Proceeds from loan from affiliate	15,000	-
Net cash provided by financing activities		-
Net increase (decrease) in cash and cash equivalents	15,000	(22,436)
Cash and cash equivalents:		
Beginning of year	8,043	30,479
End of year	\$8,098	\$8,043
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$-	\$-
Income taxes	\$100	\$250

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

RELIABILITY INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Reliability Incorporated (the “Company”) was incorporated under the laws of the State of Texas in 1953, but the principal business of the Company started in 1971, and was closed down in 2007. The Company has no further operating activities and is now a shell company.

GOING CONCERN

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has no operating activities and is now a shell company. The Company has concluded that it should look for acquisitions or identify a merger partner. There can be no assurances that the Company will be successful in completing such a transaction or be able to maintain sufficient liquidity over a period of time that will allow it to carry out this action. There can be no assurances that the Company will be successful in completing such a transaction or be able to maintain sufficient liquidity over a period of time that will allow it to carry out these actions, in which case the Company might be forced to liquidate or seek protection under the Federal bankruptcy statutes, or both.

The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the possible inability of the Company to continue as a going concern.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

CASH EQUIVALENTS

For the purposes of the statements of cash flows, the Company considers all highly liquid cash investments that mature in three months or less when purchased, to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

STOCK OPTIONS

Compensation cost relating to stock-based payments, including grants of employee stock options, is recognized in financial statements based on the fair value of the equity instruments issued on the grant date. The Company recognized the fair value of stock-based compensation awards as compensation expense in its statement of operations on a straight line basis, over the vesting period.

RELIABILITY INCORPORATED

NOTES TO FINANCIAL STATEMENTS—(Continued)

December 31, 2018 and 2017

INCOME TAXES

Deferred income taxes are provided under the asset and liability method and reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. The Company establishes valuation allowances when the realization of specific deferred tax assets is subject to uncertainty. The Company records no tax benefits on its operating losses, as the losses will have to be carried forward and realization of any benefit is uncertain.

EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Since the Company generated net losses in 2018 and 2017, outstanding stock options would have been anti-dilutive and were not considered in these calculations.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, and accounts payable and accrued liabilities at December 31, 2018 and 2017 approximated fair value due to their short maturity or nature. It is not practicable to estimate the fair value of the loans from shareholder and affiliate due to the related party nature of the amounts.

RECLASSIFICATION

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

2. INCOME TAXES

At December 31, 2018, the Company had U.S. net operating loss carryforwards of approximately \$15 million that will expire commencing in 2023 through 2038. These carryforwards may be subject to certain limitations on annual utilization in the event of a change in ownership, as defined by tax law. The Company has established valuation allowances to fully offset the deferred income tax assets related to these loss carryforwards, based upon the available evidence that indicates that it is more likely than not that the Company will not realize the tax benefits. The Company's income tax returns remain subject to examination for the years 2015 through 2018 for federal and state purposes.

RELIABILITY INCORPORATED

NOTES TO FINANCIAL STATEMENTS—(Continued)

December 31, 2018 and 2017

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of December 31, 2018 and 2017 consist of the following:

	December 31,	
	2018	2017
Legal and accounting costs	\$ 15,140	7,670
Amount owed to related party- Loan Star Value Management	821	
Total	\$ 15,961	\$ 7,670

4. STOCK OPTION PLAN

Under the Company's Amended and Restated 1997 Stock Option Plan (the Option Plan), no further option grants are allowed after February 26, 2007, but options theretofore granted remain in effect until satisfied or terminated pursuant to the Option Plan. At December 31, 2006, all options were fully vested; thus no further stock option expense has been recorded related to the Option Plan. As of December 31, 2015, there were 370,000 options outstanding under the Option Plan which expired July 19, 2016.

5. STOCKHOLDERS' EQUITY (DEFICIT)

Previously on January 15, 2014, the Company issued 3,401,360 shares of its common stock, in a private placement to Lone Star Value Investors, LP at \$0.0147 per share of unregistered shares for total proceeds of \$50,000. Jeffrey E. Eberwein is the manager of Lone Star Value Investors LP's general partner and was the president, chief executive officer and a director of the Company and owned 6,786,588 shares of the Company at the time of the transaction. Lone Star Value Investors, LP and its affiliates thus had adequate access to information about the Company. Lone Star Value Investors, LP is an accredited investor, as defined under Rule 501 of the Securities Act.

6. RELATED PARTY TRANSACTIONS

As articulated above, on January 15, 2014, the Company issued 3,401,360 shares of common stock to Lone Star Value Investors, LP, an entity at the time of the transaction controlled by a director and officer of the Company, for proceeds of \$50,000. The proceeds of this issuance were used to assist in funding the Company's operating expenses. On June 6, 2014, Lone Star Value Investors, LP issued a five year promissory note in the principal amount of \$50,000, with interest accruing at a rate of 10% per annum (the 2014 Note) , and all amounts outstanding under this note are due and payable on or before June 30, 2019. Given the maturity date of 2019, the 2014 Note and related accrued interest have been classified as current liabilities on the 2018 balance sheet. Also on August 2, 2016 and August 13, 2018, Lone Star Value Co-Invest I, LP issued promissory notes in the principal amount of \$40,000 and \$15,000, respectively, with interest accruing at a rate of 10% per annum, and all amounts outstanding under these notes are due and payable on or before August 21, 2021. Given the maturity dates, these notes, they have been classified as long-term liabilities on the 2018 balance sheet. During the years ended December 31, 2018 and 2017, the Company recognized interest expense in the amount of \$9,557 and \$9,000, respectively, on these promissory notes. Such accrued interest in the amount of \$33,082 and \$23,524 as of December 31, 2018 and 2017, respectively, are reflected in interest on loans on the accompanying balance sheets.

Included in accounts payable and accrued liabilities at December 31, 2018 is \$821 payable to Loan Star Value Management (Loan Star) for professional fees paid by Lone Start on behalf of the Company.

7. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 28, 2019 and determined that there are no material subsequent events that have occurred since December 31, 2018 that require recognition or disclosure in the financial statements.

