

RELIABILITY INC
Form SC 13D/A
October 07, 2014

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

SCHEDULE 13D
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO § 240.13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO
§ 240.13d-2(a)

(Amendment No. 3)1

(Name of Issuer)
Reliability Incorporated

Common Stock, no par value
(Title of Class of Securities)

759903107
(CUSIP Number)

JEFFREY E. EBERWEIN
LONE STAR VALUE MANAGEMENT, LLC
53 Forest Avenue, 1st Floor
Old Greenwich, Connecticut 06870
(203) 489-9500

STEVE WOLOSKY, ESQ.
OLSHAN FROME WOLOSKY LLP
Park Avenue Tower
65 East 55th Street
New York, New York 10022
(212) 451-2300

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

October 1, 2014
(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box " .

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See § 240.13d-7 for other parties to whom copies are to be sent.

1 The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP NO. 759903107

1 NAME OF REPORTING PERSON

LONE STAR VALUE INVESTORS, LP

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)
 (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

DELAWARE

| | | |
|---|----|--------------------------|
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7 | SOLE VOTING POWER |
| | | 3,401,360 |
| | 8 | SHARED VOTING POWER |
| | | - 0 - |
| | 9 | SOLE DISPOSITIVE POWER |
| | | 3,401,360 |
| | 10 | SHARED DISPOSITIVE POWER |

- 0 -

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

3,401,360

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

20.1%

14 TYPE OF REPORTING PERSON

PN

CUSIP NO. 759903107

1 NAME OF REPORTING PERSON

LONE STAR VALUE INVESTORS GP, LLC

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

DELAWARE

| | | |
|---|----|--------------------------|
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7 | SOLE VOTING POWER |
| | | 3,401,360 |
| | 8 | SHARED VOTING POWER |
| | | - 0 - |
| | 9 | SOLE DISPOSITIVE POWER |
| | | 3,401,360 |
| | 10 | SHARED DISPOSITIVE POWER |

- 0 -

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

3,401,360

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

20.1%

14 TYPE OF REPORTING PERSON

OO

CUSIP NO. 759903107

1 NAME OF REPORTING PERSON

LONE STAR VALUE MANAGEMENT, LLC

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

CONNECTICUT

| | | |
|---|----|--------------------------|
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7 | SOLE VOTING POWER |
| | | 3,401,360 |
| | 8 | SHARED VOTING POWER |
| | | - 0 - |
| | 9 | SOLE DISPOSITIVE POWER |
| | | 3,401,360 |
| | 10 | SHARED DISPOSITIVE POWER |
| | | - 0 - |

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

3,401,360

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

20.1%

14 TYPE OF REPORTING PERSON

OO

CUSIP NO. 759903107

1 NAME OF REPORTING PERSON

JEFFREY E. EBERWEIN

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)
(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

AF, PF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

USA

| | | |
|---|----|--------------------------|
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7 | SOLE VOTING POWER |
| | | 10,187,948 |
| | 8 | SHARED VOTING POWER |
| | | -0- |
| | 9 | SOLE DISPOSITIVE POWER |
| | | 10,187,948 |
| | 10 | SHARED DISPOSITIVE POWER |
| | | -0- |

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

10,187,948*

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

60.2%*

14 TYPE OF REPORTING PERSON

IN

* Includes 6,786,588 shares of Common Stock held in the Jeffrey E. Eberwein Revocable Trust U/A 10-01-2010.

CUSIP NO. 759903107

The following constitutes Amendment No. 3 to the Schedule 13D filed by the undersigned (“Amendment No. 3”). This Amendment No. 3 amends the Schedule 13D as specifically set forth herein.

Item 2. Identity and Background.

Item 2 is hereby amended and restated to read as follows:

- (a) This statement is filed by:
- (i) Lone Star Value Investors, LP, a Delaware limited partnership (“Lone Star Value Investors”);
 - (ii) Lone Star Value Investors GP, LLC, a Delaware limited liability company (“Lone Star Value GP”), which serves as the general partner of Lone Star Value Investors;
 - (iii) Lone Star Value Management, LLC, a Connecticut limited liability company (“Lone Star Value Management”), which serves as the investment manager of Lone Star Value Investors; and
 - (iv) Jeffrey E. Eberwein, who serves as the manager of Lone Star Value GP and sole member of Lone Star Value Management.

Each of the foregoing is referred to as a “Reporting Person” and collectively as the “Reporting Persons.” Each of the Reporting Persons is party to that certain Joint Filing Agreement, as further described in Item 6 of Amendment No. 2 to the Schedule 13D. Accordingly, the Reporting Persons are hereby filing a joint Schedule 13D.

- (b) The address of the principal office of each of Lone Star Value Investors, Lone Star Value GP, Lone Star Value Management and Mr. Eberwein is 53 Forest Avenue, 1st Floor, Old Greenwich, Connecticut 06870.
- (c) The principal business of Lone Star Value Investors is investing in securities. The principal business of Lone Star Value GP is serving as the general partner of Lone Star Value Investors. The principal business of Lone Star Value Management is serving as the investment manager of Lone Star Value Investors. The principal occupation of Mr. Eberwein is serving as the manager of Lone Star Value GP and the sole member of Lone Star Value Management.
- (d) No Reporting Person has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).
- (e) No Reporting Person has, during the last five years, been party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.
- (f) Mr. Eberwein is a citizen of the United States of America.

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Item 3. Source and Amount of Funds or Other Consideration.

Item 3 is hereby amended and restated to read as follows:

The shares of Common Stock purchased by Lone Star Value Investors were purchased with working capital (which may, at any given time, include margin loans made by brokerage firms in the ordinary course of business). Lone Star Value Investors purchased the 3,401,360 shares of Common Stock it beneficially owns in a private transaction with the Issuer for \$50,000 on January 15, 2014.

The shares of Common Stock held in the Jeffrey E. Eberwein Revocable Trust U/A 10-01-2010 (the "Eberwein Trust") were purchased with personal funds. The 6,786,588 shares of Common Stock held in the Eberwein Trust were purchased from the Issuer for an aggregate purchase price of \$100,000 (approximately \$0.0147 per share) pursuant to a Stock Purchase Agreement by and between the Issuer and Mr. Eberwein dated as of October 1, 2013. Any contribution agreement between Lone Star Value Investors and the Eberwein Trust contemplating the transfer of such shares of Common Stock on August 29, 2014 is void ab initio.

Item 4. Purpose of Transaction.

Item 4 is hereby amended and restated to read as follows:

The Reporting Persons purchased the shares of Common Stock based on the Reporting Persons' belief that the shares of Common Stock, when purchased, were undervalued and represented an attractive investment opportunity. Depending upon overall market conditions, other investment opportunities available to the Reporting Persons, and the availability of shares of Common Stock at prices that would make the purchase or sale of shares of Common Stock desirable, the Reporting Persons may endeavor to increase or decrease their position in the Issuer through, among other things, the purchase or sale of shares of Common Stock on the open market or in private transactions or otherwise, on such terms and at such times as the Reporting Persons may deem advisable.

Kyle Hartley, the chief operating officer of Lone Star Value Management, is the Chairman of the Board of Directors, President, Chief Executive Officer, Chief Financial Officer, Secretary and Treasurer of the Issuer. Hannah Bible, the chief compliance officer of Lone Star Value Management, is a director of the Issuer.

No Reporting Person has any present plan or proposal which would relate to or result in any of the matters set forth in subparagraphs (a) - (j) of Item 4 of Schedule 13D except as set forth herein or such as would occur upon or in connection with completion of, or following, any of the actions discussed herein. The Reporting Persons intend to review their investment in the Issuer on a continuing basis. Depending on various factors including, without limitation, the Issuer's financial position and investment strategy, the price levels of the shares of Common Stock, conditions in the securities markets and general economic and industry conditions, the Reporting Persons may in the future take such actions with respect to their investment in the Issuer as they deem appropriate including, without limitation, engaging in communications with management and the Board of Directors of the Issuer, engaging in discussions with stockholders of the Issuer and others about the Issuer and the Reporting Persons' investment, making proposals to the Issuer concerning changes to the capitalization, ownership structure, board structure (including board composition) or operations of the Issuer, purchasing additional shares of Common Stock, selling some or all of their shares of Common Stock, engaging in short selling of or any hedging or similar transaction with respect to the shares of Common Stock, or changing their intention with respect to any and all matters referred to in Item 4.

CUSIP NO. 759903107

Item 5. Interest in Securities of the Issuer.

Items 5(a) – (c) are hereby amended and restated to read as follows:

The aggregate percentage of shares of Common Stock reported owned by each person named herein is based upon 16,914,693 shares of Common Stock outstanding, as of July 20, 2014, which is the total number of shares of Common Stock outstanding as reported in the Issuer's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 11, 2014.

A. Lone Star Value Investors

(a) As of the close of business on the date hereof, Lone Star Value Investors beneficially owned 3,401,360 shares of Common Stock.

Percentage: Approximately 20.1%

- (b)
1. Sole power to vote or direct vote: 3,401,360
 2. Shared power to vote or direct vote: 0
 3. Sole power to dispose or direct the disposition: 3,401,360
 4. Shared power to dispose or direct the disposition: 0

(c) Lone Star Value Investors has not entered into and completed any transactions in the shares of Common Stock within the past 60 days. A contribution agreement set to occur on August 29, 2014 was rescinded and void ab initio, and all shares of Common Stock contemplated to be transferred by the agreement remain the sole shares of the Eberwein Trust.

B. Lone Star Value GP

(a) Lone Star Value GP, as the general partner of Lone Star Value Investors, may be deemed the beneficial owner of the 3,401,360 shares of Common Stock owned by Lone Star Value Investors.

Percentage: Approximately 20.1%

- (b)
1. Sole power to vote or direct vote: 3,401,360
 2. Shared power to vote or direct vote: 0
 3. Sole power to dispose or direct the disposition: 3,401,360
 4. Shared power to dispose or direct the disposition: 0

(c) Lone Star Value GP has not entered into any transactions in the shares of Common Stock during the past 60 days.

C. Lone Star Value Management

(a) Lone Star Value Management, as the investment manager of Lone Star Value Investors, may be deemed the beneficial owner of the 3,401,360 shares of Common Stock owned by Lone Star Value Investors.

Percentage: Approximately 20.1%

CUSIP NO. 759903107

- (b)
 - 1. Sole power to vote or direct vote: 3,401,360
 - 2. Shared power to vote or direct vote: 0
 - 3. Sole power to dispose or direct the disposition: 3,401,360
 - 4. Shared power to dispose or direct the disposition: 0

(c) Lone Star Value Management has not entered into any transactions in the shares of Common Stock during the past 60 days.

D. Mr. Eberwein

(a) As of the close of business on the date hereof, 6,786,588 shares of Common Stock were held in the Eberwein Trust. Mr. Eberwein, as the manager of Lone Star Value GP, sole member of Lone Star Value Management and the trustee of the Eberwein Trust, may be deemed the beneficial owner of the (i) 3,401,360 shares of Common Stock owned by Lone Star Value Investors and (ii) 6,786,588 shares of Common Stock held in the Eberwein Trust.

Percentage: Approximately 60.2%

- (b)
 - 1. Sole power to vote or direct vote: 10,187,948
 - 2. Shared power to vote or direct vote: 0
 - 3. Sole power to dispose or direct the disposition: 10,187,948
 - 4. Shared power to dispose or direct the disposition: 0

(c) Mr. Eberwein has not entered into any transactions in the shares of Common Stock during the past 60 days. A contribution agreement set to occur on August 29, 2014 was rescinded and void ab initio, and all shares of Common Stock contemplated to be transferred by the agreement remain the sole shares of the Eberwein Trust.

The Reporting Persons, as members of a "group" for the purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, may be deemed the beneficial owner of the shares of Common Stock directly owned by the other Reporting Person. Each Reporting Person disclaims beneficial ownership of such shares of Common Stock except to the extent of his or its pecuniary interest therein.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

Item 6 is hereby amended to add the following:

The disclosure set forth in Items 3 and 5(c) pertaining to any purported transfer of shares of Common Stock between Lone Star Value Investors and the Eberwein Trust is incorporated herein by reference.

CUSIP NO. 759903107

SIGNATURES

After reasonable inquiry and to the best of his knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: October 7, 2014

Lone Star Value Investors, LP

By: Lone Star Value Investors GP, LLC
General Partner

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Manager

Lone Star Value Investors GP, LLC

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Manager

Lone Star Value Management, LLC

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Sole Member

/s/ Jeffrey E. Eberwein
JEFFREY E. EBERWEIN

