

RELIABILITY INC
Form 8-K
April 18, 2006

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

Form 8-K

Current Report

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

Date of Report (Date of earliest event reported): 04/18/2006

RELIABILITY INCORPORATED

(Exact name of registrant as specified in its charter)

Commission File Number: 0-7092

TX
(State or other jurisdiction of
incorporation)

75-0868913
(IRS Employer
Identification No.)

P.O. Box 218370, Houston, TX 77218-8370
(Address of principal executive offices, including zip code)

281-492-0550
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Information to be included in the report

Item 1.01. Entry into a Material Definitive Agreement

On April 12, 2006, Reliability Incorporated ("the Company") entered into a real estate purchase agreement with Fuller Realty Partners, LLC ("Fuller") under which Fuller will acquire the Company's Houston headquarters building. There are no material relationships between the Company and Fuller.

Terms of the agreement call for a "feasibility period" (as defined in the agreement) of 30 days during which Fuller may inspect and perform due diligence procedures with respect to the property. The purchaser may elect to terminate the agreement at any time during this 30-day feasibility period. After this period, the purchaser would forfeit \$100,000 of earnest money to the Company, should it elect not to proceed with the transaction. The agreement also subjects both parties to various conditions that must be met prior to closing that are usual and customary in such real estate transactions.

Net proceeds are expected to be approximately \$3.9 million and will be used to pay off the Company's term debt and line of credit and to fund operations. The closing is expected to occur in late May 2006.

Item 2.05. Costs Associated with Exit or Disposal Activities

On April 11, 2006, as a result of a significant decrease in projected volumes, the Company made a determination to close its Services Division. This action will result in employee termination costs and may result in other costs such as lease termination costs and other costs to wind down its operations. At this time, the Company is unable in good faith to determine estimates (i) for each major type of cost associated with the action, the total amount or range of amounts expected to be incurred, (ii) the total amount or range of amounts expected to be incurred in connection with the action, or (iii) the amount or range of amounts of the charge that will result in future cash expenditures. The Division will continue to process customer devices through early May, at which time it will terminate substantially all of its 56 Singapore-based employees. Certain administrative employees will remain with the Division for a period of time to wind down its operations.

Item 9.01. Financial Statements and Exhibits

Exhibit 99.1 Press Release Announcing Agreement to Sell Headquarters Building and to Close Services Division

Signature(s)

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RELIABILITY INCORPORATED

Date: April 18, 2006

By: /s/ Carl V. Schmidt

Carl V. Schmidt
Chief Financial Officer, Secretary and Treasurer

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
EX-99.1	Press Release Announcing Contract to Sell Houston Building, Plans to Close Services Division