# Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

## Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

**2017**

**This Form is Open to Public Inspection**

## Part I Annual Report Identification Information

For calendar plan year 2017 or fiscal plan year beginning 01/01/2017 and ending 12/31/2017

**A** This return/report is for:
- ☐ a multiemployer plan
- ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.)
- ☒ a single-employer plan
- ☐ a DFE (specify) ___

**B** This return/report is:
- ☐ the first return/report
- ☐ the final return/report
- ☒ an amended return/report
- ☐ a short plan year return/report (less than 12 months)

**C** If the plan is a collectively-bargained plan, check here. . . . . ▶ ☐

**D** Check box if filing under:
- ☐ Form 5558
- ☐ automatic extension
- ☐ the DFVC program
- ☐ special extension (enter description)

## Part II Basic Plan Information—enter all requested information

**1a** Name of plan
SRC 401(K) PLAN

**1b** Three-digit plan number (PN) ▶ 002

**1c** Effective date of plan 01/01/1999

**2a** Plan sponsor's name (employer, if for a single-employer plan)
Mailing address (include room, apt., suite no. and street, or P.O. Box)
City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions)

STELLARTECH RESEARCH CORP.

560 COTTONWOOD DR.
MILPITAS, CA 95035

**2b** Employer Identification Number (EIN)
77-0212562

**2c** Plan Sponsor's telephone number
408-331-3000

**2d** Business code (see instructions)
339110

**Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.**

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

| | | | |
|---|---|---|---|
| **SIGN HERE** | Filed with authorized/valid electronic signature. | 01/23/2019 | DAN SPINOZZI |
| | **Signature of plan administrator** | Date | Enter name of individual signing as plan administrator |
| **SIGN HERE** | | | |
| | **Signature of employer/plan sponsor** | Date | Enter name of individual signing as employer or plan sponsor |
| **SIGN HERE** | | | |
| | **Signature of DFE** | Date | Enter name of individual signing as DFE |

**3a** Plan administrator's name and address [X] Same as Plan Sponsor

**3b** Administrator's EIN

**3c** Administrator's telephone number

**4** If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report:
**a** Sponsor's name
**c** Plan Name

**4b** EIN

**4d** PN

| | | |
|---|---|---|
| **5** Total number of participants at the beginning of the plan year | **5** | 132 |
| **6** Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines **6a(1), 6a(2), 6b, 6c,** and **6d**). | | |
| **a(1)** Total number of active participants at the beginning of the plan year | **6a(1)** | 105 |
| **a(2)** Total number of active participants at the end of the plan year | **6a(2)** | 105 |
| **b** Retired or separated participants receiving benefits | **6b** | 5 |
| **c** Other retired or separated participants entitled to future benefits | **6c** | 27 |
| **d** Subtotal. Add lines **6a(2)**, **6b**, and **6c** | **6d** | 137 |
| **e** Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. | **6e** | 0 |
| **f** Total. Add lines **6d** and **6e**. | **6f** | 137 |
| **g** Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) | **6g** | 136 |
| **h** Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested | **6h** | 0 |
| **7** Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) | **7** | |

**8a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:
2E 2G 2J 2R 3D

**b** If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:

**9a** Plan funding arrangement (check all that apply)

| | | |
|---|---|---|
| **(1)** | [ ] | Insurance |
| **(2)** | [ ] | Code section 412(e)(3) insurance contracts |
| **(3)** | [X] | Trust |
| **(4)** | [ ] | General assets of the sponsor |

**9b** Plan benefit arrangement (check all that apply)

| | | |
|---|---|---|
| **(1)** | [ ] | Insurance |
| **(2)** | [ ] | Code section 412(e)(3) insurance contracts |
| **(3)** | [X] | Trust |
| **(4)** | [ ] | General assets of the sponsor |

**10** Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

**a Pension Schedules**

| | | |
|---|---|---|
| **(1)** | [ ] | **R** (Retirement Plan Information) |
| **(2)** | [ ] | **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary |
| **(3)** | [ ] | **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary |

**b General Schedules**

| | | | |
|---|---|---|---|
| **(1)** | [X] | | **H** (Financial Information) |
| **(2)** | [ ] | | **I** (Financial Information – Small Plan) |
| **(3)** | [ ] | 0 | **A** (Insurance Information) |
| **(4)** | [ ] | | **C** (Service Provider Information) |
| **(5)** | [ ] | | **D** (DFE/Participating Plan Information) |
| **(6)** | [ ] | | **G** (Financial Transaction Schedules) |

## Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

**11a** If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) .....…… ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

**11b** Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ……..... ☐ Yes ☐ No

**11c** Enter the Receipt Confirmation Code for the 2017 Form M-1 annual report. If the plan was not required to file the 2017 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code_____

# SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

## Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

**2017**

**This Form is Open to Public Inspection**

For calendar plan year 2017 or fiscal plan year beginning 01/01/2017 and ending 12/31/2017

**A** Name of plan
SRC 401(K) PLAN

**B** Three-digit plan number (PN) ▶ 002

**C** Plan sponsor's name as shown on line 2a of Form 5500
STELLARTECH RESEARCH CORP.

**D** Employer Identification Number (EIN)
77-0212562

## Part I Asset and Liability Statement

**1** Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

| Assets | | (a) Beginning of Year | (b) End of Year |
|---|---|---|---|
| **a** Total noninterest-bearing cash | 1a | 0 | 0 |
| **b** Receivables (less allowance for doubtful accounts): | | | |
| **(1)** Employer contributions | 1b(1) | 0 | 148573 |
| **(2)** Participant contributions | 1b(2) | 48370 | 25726 |
| **(3)** Other | 1b(3) | | |
| **c** General investments: | | | |
| **(1)** Interest-bearing cash (include money market accounts & certificates of deposit) | 1c(1) | 4793594 | 4564384 |
| **(2)** U.S. Government securities | 1c(2) | | |
| **(3)** Corporate debt instruments (other than employer securities): | | | |
| **(A)** Preferred | 1c(3)(A) | | |
| **(B)** All other | 1c(3)(B) | 380612 | 132964 |
| **(4)** Corporate stocks (other than employer securities): | | | |
| **(A)** Preferred | 1c(4)(A) | | |
| **(B)** Common | 1c(4)(B) | 2591706 | 2277725 |
| **(5)** Partnership/joint venture interests | 1c(5) | 686218 | 49265 |
| **(6)** Real estate (other than employer real property) | 1c(6) | | |
| **(7)** Loans (other than to participants) | 1c(7) | | |
| **(8)** Participant loans | 1c(8) | 244900 | 274029 |
| **(9)** Value of interest in common/collective trusts | 1c(9) | | |
| **(10)** Value of interest in pooled separate accounts | 1c(10) | | |
| **(11)** Value of interest in master trust investment accounts | 1c(11) | | |
| **(12)** Value of interest in 103-12 investment entities | 1c(12) | | |
| **(13)** Value of interest in registered investment companies (e.g., mutual funds) | 1c(13) | 776054 | 2673395 |
| **(14)** Value of funds held in insurance company general account (unallocated contracts) | 1c(14) | | |
| **(15)** Other | 1c(15) | | |

| | | | (a) Beginning of Year | (b) End of Year |
|---|---|---|---|---|
| **1d** | Employer-related investments: | | | |
| | **(1)** Employer securities | 1d(1) | | |
| | **(2)** Employer real property | 1d(2) | | |
| **e** | Buildings and other property used in plan operation | 1e | | |
| **f** | Total assets (add all amounts in lines 1a through 1e) | 1f | 9521454 | 10146061 |
| | **Liabilities** | | | |
| **g** | Benefit claims payable | 1g | 0 | 0 |
| **h** | Operating payables | 1h | | |
| **i** | Acquisition indebtedness | 1i | | |
| **j** | Other liabilities | 1j | | |
| **k** | Total liabilities (add all amounts in lines 1g through1j) | 1k | 0 | 0 |
| | **Net Assets** | | | |
| **l** | Net assets (subtract line 1k from line 1f) | 1l | 9521454 | 10146061 |

## Part II Income and Expense Statement

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

| | Income | | (a) Amount | (b) Total |
|---|---|---|---|---|
| **a** | **Contributions:** | | | |
| | **(1)** Received or receivable in cash from: **(A)** Employers | 2a(1)(A) | 148573 | |
| | **(B)** Participants | 2a(1)(B) | 681221 | |
| | **(C)** Others (including rollovers) | 2a(1)(C) | 15107 | |
| | **(2)** Noncash contributions | 2a(2) | | |
| | **(3)** Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)** | 2a(3) | | 844901 |
| **b** | **Earnings on investments:** | | | |
| | **(1)** Interest: | | | |
| | **(A)** Interest-bearing cash (including money market accounts and certificates of deposit) | 2b(1)(A) | 152147 | |
| | **(B)** U.S. Government securities | 2b(1)(B) | | |
| | **(C)** Corporate debt instruments | 2b(1)(C) | | |
| | **(D)** Loans (other than to participants) | 2b(1)(D) | | |
| | **(E)** Participant loans | 2b(1)(E) | 8966 | |
| | **(F)** Other | 2b(1)(F) | | |
| | **(G)** Total interest. Add lines **2b(1)(A)** through **(F)** | 2b(1)(G) | | 161113 |
| | **(2)** Dividends: **(A)** Preferred stock | 2b(2)(A) | | |
| | **(B)** Common stock | 2b(2)(B) | | |
| | **(C)** Registered investment company shares (e.g. mutual funds) | 2b(2)(C) | 70632 | |
| | **(D)** Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)** | 2b(2)(D) | | 70632 |
| | **(3)** Rents | 2b(3) | | |
| | **(4)** Net gain (loss) on sale of assets: **(A)** Aggregate proceeds | 2b(4)(A) | | |
| | **(B)** Aggregate carrying amount (see instructions) | 2b(4)(B) | | |
| | **(C)** Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result | 2b(4)(C) | | 0 |
| | **(5)** Unrealized appreciation (depreciation) of assets: **(A)** Real estate | 2b(5)(A) | | |
| | **(B)** Other | 2b(5)(B) | | |
| | **(C)** Total unrealized appreciation of assets. Add lines **2b(5)(A)** and **(B)** | 2b(5)(C) | | 0 |

| | | (a) Amount | (b) Total |
|---|---|---|---|
| (6) Net investment gain (loss) from common/collective trusts | 2b(6) | | |
| (7) Net investment gain (loss) from pooled separate accounts | 2b(7) | | |
| (8) Net investment gain (loss) from master trust investment accounts | 2b(8) | | |
| (9) Net investment gain (loss) from 103-12 investment entities | 2b(9) | | |
| (10) Net investment gain (loss) from registered investment companies (e.g., mutual funds) | 2b(10) | | 613725 |
| c Other income | 2c | | 4553 |
| d Total income. Add all **income** amounts in column (b) and enter total | 2d | | 1694924 |
| **Expenses** | | | |
| e Benefit payment and payments to provide benefits: | | | |
| (1) Directly to participants or beneficiaries, including direct rollovers | 2e(1) | 1056301 | |
| (2) To insurance carriers for the provision of benefits | 2e(2) | | |
| (3) Other | 2e(3) | | |
| (4) Total benefit payments. Add lines **2e(1)** through **(3)** | 2e(4) | | 1056301 |
| f Corrective distributions (see instructions) | 2f | | |
| g Certain deemed distributions of participant loans (see instructions) | 2g | | 196 |
| h Interest expense | 2h | | |
| i Administrative expenses: **(1)** Professional fees | 2i(1) | | |
| (2) Contract administrator fees | 2i(2) | | |
| (3) Investment advisory and management fees | 2i(3) | 13820 | |
| (4) Other | 2i(4) | | |
| (5) Total administrative expenses. Add lines **2i(1)** through **(4)** | 2i(5) | | 13820 |
| j Total expenses. Add all **expense** amounts in column (b) and enter total | 2j | | 1070317 |
| **Net Income and Reconciliation** | | | |
| k Net income (loss). Subtract line **2j** from line **2d** | 2k | | 624607 |
| l Transfers of assets: | | | |
| (1) To this plan | 2l(1) | | |
| (2) From this plan | 2l(2) | | |

## Part III Accountant's Opinion

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

**(1)** [X] Unqualified **(2)** [ ] Qualified **(3)** [ ] Disclaimer **(4)** [ ] Adverse

**b** Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? [ ] Yes [X] No

**c** Enter the name and EIN of the accountant (or accounting firm) below:

**(1)** Name: SILICON VALLEY ACCOUNTANCY **(2)** EIN: 77-0573994

**d** The opinion of an independent qualified public accountant is **not attached** because:

**(1)** [ ] This form is filed for a CCT, PSA, or MTIA. **(2)** [ ] It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

## Part IV Compliance Questions

**4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

| | | Yes | No | Amount |
|---|---|---|---|---|
| **a** Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.) | 4a | X | | 278831 |
| **b** Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.) | 4b | | X | |

| | | | Yes | No | Amount |
|---|---|---|---|---|---|
| c | Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.) | 4c | | X | |
| d | Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.) | 4d | | X | |
| e | Was this plan covered by a fidelity bond? | 4e | X | | 500000 |
| f | Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? | 4f | | X | |
| g | Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser? | 4g | | X | |
| h | Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser? | 4h | | X | |
| i | Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.) | 4i | X | | |
| j | Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.) | 4j | | X | |
| k | Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? | 4k | | X | |
| l | Has the plan failed to provide any benefit when due under the plan? | 4l | | X | |
| m | If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.) | 4m | | X | |
| n | If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3. | 4n | | | |

**5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? ☐ Yes ☐ No
If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

**5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

| **5b(1)** Name of plan(s) | **5b(2)** EIN(s) | **5b(3)** PN(s) |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

**5c** If the plan is a defined benefit plan, is it covered under the PBGC insurance program (See ERISA section 4021.)? ..... ☐ Yes ☐ No ☐ Not determined
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year_____. (See instructions.)

***SRC 401(k) PLAN***

Financial Statements and Supplemental Schedules

*December 31, 2017 and 2016 (Unaudited) and for the year ended December 31, 2017 with Independent Auditors' Report*

**SRC 401(k) PLAN**

Financial Statements and Supplemental Schedules

**December 31, 2017 and 2016 (Unaudited)**
**and for the year ended December 31, 2017**

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Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

Silicon Valley Accountancy Corporation

Certified Public Accountants
and Business Advisors

## Independent Auditors' Report

To the Plan Administrator and Participants
of the SRC 401(k) Plan

## Report on the Financial Statements

We have audited the accompanying financial statements of the SRC 401(k) Plan ("the Plan"), which comprise the statement of net assets available for benefits as of December 31, 2017, and the related statement of changes in net assets available for benefits for the year then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3150 Almaden Expwy, Suite 105
San Jose CA 95118
Tel: 408-448-8000
www.cpas-svac.com

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and the changes in net assets available for benefits for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedule of Delinquent Participant Contributions for the year ended December 31, 2017 and the supplemental Schedule of Assets (Held at End of Year) as of December 31, 2017 are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Matter – Prior Period Financial Statement not Audited**

We have compiled the accompanying statement of net assets available for benefits of the Plan as of December 31, 2016 in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of the Plan's management. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by plan management. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on these financial statements.

Silicon Valley Accountancy Corporation

SILICON VALLEY ACCOUNTANCY CORPORATION

San Jose, California
January 22, 2019

**SRC 401(k) PLAN**

## STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

| | December 31, 2017 | December 31, 2016 (Unaudited) |
|---|---|---|
| Assets: | | |
| Investments at fair value | $ 9,697,733 | $ 9,228,184 |
| Assets held for investment purposes | 9,697,733 | 9,228,184 |
| Notes receivable from participants | 274,029 | 244,900 |
| Employer contributions receivable | 148,573 | - |
| Participants contributions receivable | 25,726 | 48,370 |
| Total assets | 10,146,061 | 9,521,454 |
| Net assets available for benefits | $ 10,146,061 | $ 9,521,454 |

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

**SRC 401(k) PLAN**

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

| | Year ended December 31, 2017 |
|---|---|
| Additions: | |
| Investment income: | |
| Interest | $ 152,147 |
| Dividends | 70,632 |
| Net appreciation in fair value of investments | 618,278 |
| Interest income on notes receivable from participants | 8,966 |
| Contributions: | |
| Employer | 148,573 |
| Participants | 681,221 |
| Rollovers | 15,107 |
| Total additions | 1,694,924 |
| Deductions: | |
| Benefits paid to participants | 1,056,497 |
| Plan expenses | 13,820 |
| Total deductions | 1,070,317 |
| Net increase in net assets | 624,607 |
| Net assets available for benefits: | |
| Beginning of year (unaudited) | 9,521,454 |
| End of year | $ 10,146,061 |

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

**SRC 401(k) PLAN**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016 (Unaudited) (See Independent Auditors' Report)

## NOTE 1 - DESCRIPTION OF PLAN

The following description of the SRC 401(k) Plan ("the Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

***General* -** The Plan is a defined contribution plan that was established on January 1, 1999 by Stellartech Research Corporation ("the Company" or "Plan Administrator") covering all eligible employees of the Company as defined in the Plan agreement. Certain classes of employees as defined in the Plan agreement are excluded from plan participation. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

A Plan Committee ("the Committee") manages the operation and administration of the Plan, including the appropriateness of the Plan's investment offerings and investment performance. The Company has contracted with Charles Schwab Institutional ("Charles Schwab") to act as custodian and with a third party record-keeper to process and maintain the records of participant data. Certain Company personnel serve as plan trustees.

***Contributions* -** Each year, participants may contribute an amount of eligible pre-tax annual compensation as defined in the Plan agreement, not to exceed the maximum statutory amount. Participants who are age 50 or older can elect to make catch-up contributions to the Plan, not to exceed the maximum statutory amount. Participants may also contribute amounts representing distributions from other qualified eligible plans.

The Plan allows for an employer discretionary safe harbor non-elective contribution subject to certain eligibility requirements; none was made for 2017. The Plan also allows for an employer discretionary contribution to eligible employees as determined annually by the Company subject to certain eligibility requirements; the Company's employer discretionary contribution was $148,573 which was a receivable as of December 31, 2017 and was paid in January 2018.

***Participant Accounts* -** Each participant's account is credited with the participant's contribution, the Company's discretionary safe harbor non-elective contribution (if any), an allocation of the employer discretionary contribution, plan earnings and losses, and plan expenses as applicable to the Plan. Allocations of the employer discretionary contribution are based on participant compensation. Allocations of plan earnings and losses are based on individual participant investment choices. All contributions/investments are participant directed. The

benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Certain investment and fund fees are charged to the funds and are included in plan investment income and losses and charged to participant accounts. Participants should refer to the funds' prospectuses for further information on these fees.

***Vesting* -** Participants are 100% vested in their contributions rollover amounts and employer discretionary safe harbor non-elective contributions plus actual earnings thereon. Vesting in the employer discretionary contributions and earnings is based on years of credited service based on 20% per year at the second year and full vesting after six years. Participants become fully vested in the event of death, disability, normal retirement age, or plan termination.

***Notes Receivable from Participants* -** Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum of $50,000 or 50% of their vested account balance, whichever is less. The notes are secured by the balance in the participant's account and bear interest at rates, which are commensurate with local prevailing rates as determined by the Plan Administrator. Outstanding notes receivable from participants as of December 31, 2017 and 2016 carry an interest rate of 5.00%. Principal and interest is paid ratably through payroll deductions. The notes must be repaid within a five-year period, unless it is used for the purchase of a principal residence in which case the maximum repayment period may be longer. The Plan Administrator establishes the specific terms and conditions of such notes.

***Payment of Benefits* -** Upon the satisfaction of certain distributable events, participants or their beneficiaries may elect to receive their vested account balance and are paid in accordance with plan provisions.

***Forfeited Accounts* -** Forfeited non-vested employer discretionary accounts can be used to reduce plan expenses or employer contributions or reallocated to eligible participants.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Accounting* -** The financial statements of the Plan are prepared on the accrual basis of accounting.

***Use of Estimates* -** The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

***Investment Valuation and Income Recognition* -** Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan's Committee determines the Plan's valuation policies utilizing information provided by Charles Schwab. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

***Notes Receivable from Participants* -** Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2017 and 2016.

***Excess Contributions Payable* -** Amounts payable to participants for contributions in excess of amounts allowed by the Internal Revenue Service ("IRS") are recorded as a liability. As of December 31, 2017 and 2016 there were no excess contributions payable.

***Plan Expenses* -** In 2017, some plan fees were paid by the Company and these amounts are excluded from the Plan's financial statements. Investment/fund fees, certain participant and annual administration fees are paid by participants and charged to their accounts as applicable.

***Payment of Benefits* -** Benefits are recorded when paid.

***Accounting Method* -** The Plan has implemented the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2015-12 - *Plan Accounting: Defined Contribution Pension Plans (Topic 962)* that was issued in July 2015.

***Subsequent Events* -** The Plan has evaluated subsequent events through January 22, 2019, the date the financial statements were available to be issued.

## NOTE 3 - RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

## NOTE 4 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

**Level 1 -** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

**Level 2 -** Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3 -** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value

measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

**Mutual Funds, Bonds, Stocks, Other, Exchange Traded Funds ("ETFs"):** Valued based on year-end closing market prices in the active market in which the security is traded. These securities held by the Plan are deemed to be actively traded.

**Money Market Account:** Valued on a cash equivalency basis.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2017 and 2016. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

| | Assets at Fair Value as of December 31, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money Market | $4,564,384 | $ - | $ - | $4,564,384 |
| Stocks | 2,277,725 | - | - | 2,277,725 |
| ETFs | 1,503,815 | - | - | 1,503,815 |
| Bonds | 132,964 | - | - | 132,964 |
| Mutual Funds | 1,169,580 | | | 1,169,580 |
| Other | 49,265 | - | - | 49,265 |
| Investments at fair value | $9,697,733 | $ - | $ - | $9,697,733 |

| | Assets at Fair Value as of December 31, 2016 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money Market | $4,793,595 | $ - | $ - | $4,793,595 |
| Stocks | 2,591,705 | - | - | 2,591,705 |
| ETFs | 43,506 | - | - | 43,506 |
| Bonds | 380,612 | - | - | 380,612 |
| Mutual Funds | 732,548 | - | - | 732,548 |
| Other | 686,218 | - | - | 686,218 |
| Investments at fair value | $9,228,184 | $ - | $ - | $9,228,184 |

## NOTE 5 - PARTY-IN-INTEREST AND RELATED PARTY TRANSACTIONS

Plan investments are held by Charles Schwab the custodian of the Plan. Any purchases and sales of these investments are performed in the open market at fair value. The Plan has other service providers. All these transactions while considered party-in-interest transactions under ERISA regulations, are permitted under the provisions of the Plan and are specifically exempt from the prohibition of party-in-interest transactions under ERISA.

## NOTE 6 - PLAN TERMINATION AND/OR MODIFICATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

## NOTE 7 - TAX STATUS

The Plan has adopted a volume submitter plan which received an opinion letter from the IRS dated August 20, 2015. The Plan has been amended since, however, the Plan Administrator believes that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the Internal Revenue Code and, therefore, believes the Plan is qualified, and the related trust is tax exempt.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by various taxing authorities and

government agencies. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

## NOTE 8 - NONEXEMPT TRANSACTIONS

During 2013, 2014 and 2015, certain participant contributions and loan repayments in the amount of $278,831 were not deposited with the custodian on a timely basis, in accordance with the Department of Labor's regulations, resulting in lost earnings of $337 (prohibited transaction amount) which was deposited into the Plan by the Plan Sponsor 2018. The Plan Sponsor made the necessary excise tax filing with the IRS in 2018.

## NOTE 9 - SUBSEQUENT EVENTS

Effective November 16, 2018 the Plan changed its third party administrator to Benefit Resources, Inc.

Effective January 1, 2019, the Plan changed its custodian from Charles Schwab to John Hancock Life Insurance Company (U.S.A) and plan assets were transferred in accordance with the provisions of ERISA. The black-out period in connection with the change began on December 17, 2018 and will end on January 25, 2019.

Effective January 1, 2019:

1. The Plan allows for an employer discretionary matching contribution.
2. The Plan allows for ROTH contributions.
3. The Plan only allows for two outstanding loans per participant at any time.

# SUPPLEMENTAL SCHEDULES

# REQUIRED BY THE DEPARTMENT OF LABOR

**SRC 401(k) PLAN** **EIN: 77-0212562**
**PLAN # 002**

**SCHEDULE H LINE 4a - SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS**
**DECEMBER 31, 2017**

| Participant Contributions Transferred Late to Plan | Total that Constitute Nonexempt Prohibited Transactions | | | Total Fully Corrected Under VFCP and PTE 2002-51 |
|---|---|---|---|---|
| Includes late Participant Loan repayments | Contributions Not Corrected | Contributions Corrected Outside VFCP | Contributions Pending Correction in VFCP | |
| $278,831* | | $278,831* | | |

*Represents participant contributions and loan repayments which were deposited late into the Plan in 2013, 2014 and 2015. The Plan Sponsor reimbursed the Plan for lost earnings of $337 (prohibited transaction amount) in 2018. The Plan Sponsor made the necessary excise tax filing with the IRS in 2018.

See Independent Auditors' Report.

**SRC 401(k) PLAN** **EIN: 77-0212562**
**PLAN # 002**

**SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)**
**DECEMBER 31, 2017**

| (a) | (b) Identity of issue, borrower, lessor or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par or maturity value | (d) Current value |
|---|---|---|---|
| * | Charles Schwab Money Market | Cash | $ 4,564,384 |
| * | Charles Schwab - Stocks | Stocks | 2,277,725 |
| * | Charles Schwab - ETFs | Exchange Traded Funds | 1,503,815 |
| * | Charles Schwab - Bonds | Bonds | 132,964 |
| * | Charles Schwab - Mutual Funds | Mutual Funds | 1,169,580 |
| * | Charles Schwab - Other | Other | 49,265 |
| | Assets held for investment purposes | | 9,697,733 |
| ** | Participant Loans/Notes receivable from participants | Interest rate at 5.00% | 274,029 |
| | Total | | $ 9,971,762 |

* Held or invested through Charles Schwab, a party-in-interest to the Plan.
** Party-in-interest.

See Independent Auditors' Report.

## Schedule H/I, Line 4a
## Schedule of Delinquent Participant Contributions

Name of Plan:

►SRC 401(k) Plan

Employer Identification No.: ► 77-0212562

Plan year (beginning/ending):► 01/01/2017-12/31/2017 Plan number:► 002

| Participant Contributions Transferred Late to Plan | Total that Constitute Nonexempt Prohibited Transactions | | | Total Fully Corrected Under VFCP and PTE 2002-51 |
|---|---|---|---|---|
| Check here if Late Participant Loan Repayments are included: ☐ | Contributions Not Corrected | Contributions Corrected Outside VFCP | Contributions Pending Correction in VFCP | |
| 222398.97 | | 222398.97 | | |
| 27596.22 | | 27596.22 | | |
| 28835.96 | | 28835.96 | | |

**SRC 401(k) PLAN** **EIN: 77-0212562**
**PLAN # 002**

**SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)**
**DECEMBER 31, 2017**

| (a) | (b) Identity of issue, borrower, lessor or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par or maturity value | (d) Current value |
|---|---|---|---|
| * | Charles Schwab Money Market | Cash | $ 4,564,384 |
| * | Charles Schwab - Stocks | Stocks | 2,277,725 |
| * | Charles Schwab - ETFs | Exchange Traded Funds | 1,503,815 |
| * | Charles Schwab - Bonds | Bonds | 132,964 |
| * | Charles Schwab - Mutual Funds | Mutual Funds | 1,169,580 |
| * | Charles Schwab - Other | Other | 49,265 |
| | Assets held for investment purposes | | 9,697,733 |
| ** | Participant Loans/Notes receivable from participants | Interest rate at 5.00% | 274,029 |
| | Total | | $ 9,971,762 |

* Held or invested through Charles Schwab, a party-in-interest to the Plan.
** Party-in-interest.

See Independent Auditors' Report.