# 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 07/01/2017 and ending 06/30/2018

**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
HYSPAN PRECISION PRODUCTS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

**1b** Three-digit plan number (PN) ▶ 003

**1c** Effective date of plan 07/03/2016

**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)

HYSPAN PRECISION PRODUCTS, INC.

1685 BRANDYWINE AVENUE
CHULA VISTA, CA 91911

**2b** Employer Identification Number (EIN)
95-2890599

**2c** Plan Sponsor's telephone number
619-421-1355

**2d** Business code (see instructions)
332900

**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. | 01/18/2019 | ERIC BARNES |
| | **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** | 292 |
| **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)** | 292 |
| **a(2)** Total number of active participants at the end of the plan year | **6a(2)** | 336 |
| **b** Retired or separated participants receiving benefits | **6b** | 0 |
| **c** Other retired or separated participants entitled to future benefits | **6c** | 17 |
| **d** Subtotal. Add lines **6a(2)**, **6b**, and **6c** | **6d** | 353 |
| **e** Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. | **6e** | 0 |
| **f** Total. Add lines **6d** and **6e**. | **6f** | 353 |
| **g** Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) | **6g** | 270 |
| **h** Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested | **6h** | 62 |
| **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:

2I 2P 2Q 3I

**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)** [X] **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)** [ ] **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 07/01/2017 and ending 06/30/2018

**A** Name of plan
HYSPAN PRECISION PRODUCTS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

**B** Three-digit plan number (PN) ▶ 003

**C** Plan sponsor's name as shown on line 2a of Form 5500
HYSPAN PRECISION PRODUCTS, INC.

**D** Employer Identification Number (EIN)
95-2890599

## 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 | | |
| **b** Receivables (less allowance for doubtful accounts): | | | |
| **(1)** Employer contributions | 1b(1) | | |
| **(2)** Participant contributions | 1b(2) | | |
| **(3)** Other | 1b(3) | 3004926 | 2714737 |
| **c** General investments: | | | |
| **(1)** Interest-bearing cash (include money market accounts & certificates of deposit) | 1c(1) | | |
| **(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) | | |
| **(4)** Corporate stocks (other than employer securities): | | | |
| **(A)** Preferred | 1c(4)(A) | | |
| **(B)** Common | 1c(4)(B) | | |
| **(5)** Partnership/joint venture interests | 1c(5) | | |
| **(6)** Real estate (other than employer real property) | 1c(6) | | |
| **(7)** Loans (other than to participants) | 1c(7) | | |
| **(8)** Participant loans | 1c(8) | | |
| **(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) | | |
| **(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) | 1030000 | 1880000 |
| | **(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 | 4034926 | 4594737 |
| | **Liabilities** | | | |
| **g** | Benefit claims payable | 1g | | |
| **h** | Operating payables | 1h | | |
| **i** | Acquisition indebtedness | 1i | 45119111 | 42120811 |
| **j** | Other liabilities | 1j | 6626 | 655654 |
| **k** | Total liabilities (add all amounts in lines 1g through1j) | 1k | 45125737 | 42776465 |
| | **Net Assets** | | | |
| **l** | Net assets (subtract line 1k from line 1f) | 1l | -41090811 | -38181728 |

## 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) | 3218291 | |
| | **(B)** Participants | 2a(1)(B) | | |
| | **(C)** Others (including rollovers) | 2a(1)(C) | | |
| | **(2)** Noncash contributions | 2a(2) | | |
| | **(3)** Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)** | 2a(3) | | 3218291 |
| **b** | **Earnings on investments:** | | | |
| | **(1)** Interest: | | | |
| | **(A)** Interest-bearing cash (including money market accounts and certificates of deposit) | 2b(1)(A) | | |
| | **(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) | | |
| | **(F)** Other | 2b(1)(F) | | |
| | **(G)** Total interest. Add lines **2b(1)(A)** through **(F)** | 2b(1)(G) | | |
| | **(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) | | |
| | **(D)** Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)** | 2b(2)(D) | | |
| | **(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) | | |
| | **(5)** Unrealized appreciation (depreciation) of assets: **(A)** Real estate | 2b(5)(A) | | |
| | **(B)** Other | 2b(5)(B) | 850000 | |
| | **(C)** Total unrealized appreciation of assets. Add lines **2b(5)(A)** and **(B)** | 2b(5)(C) | | 850000 |

| | | (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) | | |
| c Other income | 2c | | |
| d Total income. Add all **income** amounts in column (b) and enter total | 2d | | 4068291 |
| **Expenses** | | | |
| e Benefit payment and payments to provide benefits: | | | |
| (1) Directly to participants or beneficiaries, including direct rollovers | 2e(1) | | |
| (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) | | |
| f Corrective distributions (see instructions) | 2f | | |
| g Certain deemed distributions of participant loans (see instructions) | 2g | | |
| h Interest expense | 2h | | 1159208 |
| i Administrative expenses: (1) Professional fees | 2i(1) | | |
| (2) Contract administrator fees | 2i(2) | | |
| (3) Investment advisory and management fees | 2i(3) | | |
| (4) Other | 2i(4) | | |
| (5) Total administrative expenses. Add lines **2i(1)** through **(4)** | 2i(5) | | |
| j Total expenses. Add all **expense** amounts in column (b) and enter total | 2j | | 1159208 |
| **Net Income and Reconciliation** | | | |
| k Net income (loss). Subtract line **2j** from line **2d** | 2k | | 2909083 |
| 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: PENSION ASSURANCE LLP **(2)** EIN: 30-0840934

**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 | |
| **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 | | 1000000 |
| 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.)

# SCHEDULE R (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

## Retirement Plan Information

This schedule is required to be filed under sections 104 and 4065 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 07/01/2017 and ending 06/30/2018

**A** Name of plan
HYSPAN PRECISION PRODUCTS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

**B** Three-digit plan number (PN) ▶ 003

**C** Plan sponsor's name as shown on line 2a of Form 5500
HYSPAN PRECISION PRODUCTS, INC.

**D** Employer Identification Number (EIN)
95-2890599

## Part I Distributions

**All references to distributions relate only to payments of benefits during the plan year.**

**1** Total value of distributions paid in property other than in cash or the forms of property specified in the instructions ..... | **1** |

**2** Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):

EIN(s): _____ _____

**Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.**

**3** Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year ..... | **3** |

## Part II Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)

**4** Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

**If the plan is a defined benefit plan, go to line 8.**

**5** If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. **Date:** Month _____ Day _____ Year _____

**If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.**

**6** **a** Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived) ..... | **6a** |

**b** Enter the amount contributed by the employer to the plan for this plan year ..... | **6b** |

**c** Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount) ..... | **6c** |

**If you completed line 6c, skip lines 8 and 9.**

**7** Will the minimum funding amount reported on line 6c be met by the funding deadline? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

**8** If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

## Part III Amendments

**9** If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box. ..... ☐ **Increase** ☐ **Decrease** ☐ **Both** ☐ **No**

## Part IV ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.

**10** Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ..... ☐ **Yes** ☒ **No**

**11** **a** Does the ESOP hold any preferred stock? ..... ☐ **Yes** ☒ **No**

**b** If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... ☐ **Yes** ☒ **No**

**12** Does the ESOP hold any stock that is not readily tradable on an established securities market? ..... ☒ **Yes** ☐ **No**

## Part V Additional Information for Multiemployer Defined Benefit Pension Plans

**13** Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

**14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

| | | |
|---|---|---|
| **a** The current year | **14a** | |
| **b** The plan year immediately preceding the current plan year | **14b** | |
| **c** The second preceding plan year | **14c** | |

**15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

| | | |
|---|---|---|
| **a** The corresponding number for the plan year immediately preceding the current plan year | **15a** | |
| **b** The corresponding number for the second preceding plan year | **15b** | |

**16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

| | | |
|---|---|---|
| **a** Enter the number of employers who withdrew during the preceding plan year | **16a** | |
| **b** If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers | **16b** | |

**17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

## Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

**18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

**19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

**a** Enter the percentage of plan assets held as:
Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

**b** Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

**c** What duration measure was used to calculate line 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

**HYSPAN PRECISION PRODUCTS INC.**
**EMPLOYEE STOCK OWNERSHIP PLAN**

Financial Statements with Auditors' Report
As of June 30, 2018

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Note: Schedules other than those listed above have been omitted because the information is otherwise disclosed, not applicable or is not required by 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

PENSION ASSURANCE LLP
401(k) | 403(b) | DEFINED BENEFIT | ESOP | PENSION PLAN AUDITS

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# REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the plan administrator of the
Hyspan Precision Products Inc. Employee Stock Ownership Plan:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Hyspan Precision Products Inc. Employee Stock Ownership Plan (the Plan), which comprise the Statements of Net Assets Available for Plan Benefits as of June 30, 2018 and 2017, the related Statement of Changes in Net Assets Available for Plan Benefits for the Year Ended June 30, 2018, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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 audits. We conducted our audits 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 of 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 risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity'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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of June 30, 2018 and 2017, and the changes in its net assets available for plan benefits for the year ended June 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule, Schedule H, line 4i – Schedule of Assets (Held at End of Year) as of June 30, 2018, is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information 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 audits 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.




Pension Assurance LLP

Los Angeles, California
December 18, 2018

**HYSPAN PRECISION PRODUCTS INC. EMPLOYEE STOCK OWNERSHIP PLAN**
**Statement of Net Assets Available for Plan Benefits**
**As of June 30, 2018**

| | Allocated | Unallocated | Total |
|---|---|---|---|
| Assets: | | | |
| Investment in Hyspan Precision Products Inc. common stock, at fair value | $ 304,484 | $ 1,575,516 | $ 1,880,000 |
| Company contributions receivable | - | 2,714,737 | 2,714,737 |
| Total assets | 304,484 | 4,290,253 | 4,594,737 |
| Liabilities: | | | |
| Note payable | - | 42,120,811 | 42,120,811 |
| Interest payable | - | 655,654 | 655,654 |
| Total liabilities | - | 42,776,465 | 42,776,465 |
| Net assets (Deficit in net assets) available for plan benefits | $ 304,484 | $ (38,486,212) | $ (38,181,728) |

See accompanying notes.

**HYSPAN PRECISION PRODUCTS INC. EMPLOYEE STOCK OWNERSHIP PLAN**
**Statement of Net Assets Available for Plan Benefits**
**As of June 30, 2017**

| | Allocated | Unallocated | Total |
|---|---|---|---|
| Assets: | | | |
| Investment in Hyspan Precision Products Inc. common stock, at fair value | $ 111,685 | $ 918,315 | $ 1,030,000 |
| Company contributions receivable | - | 3,004,926 | 3,004,926 |
| Total assets | 111,685 | 3,923,241 | 4,034,926 |
| Liabilities: | | | |
| Note payable | - | 45,119,111 | 45,119,111 |
| Interest payable | - | 6,626 | 6,626 |
| Total liabilities | - | 45,125,737 | 45,125,737 |
| Net assets (Deficit in net assets) available for plan benefits | $ 111,685 | $ (41,202,496) | $ (41,090,811) |

See accompanying notes.

**HYSPAN PRECISION PRODUCTS INC. EMPLOYEE STOCK OWNERSHIP PLAN**
**Statement of Changes in Net Assets Available for Plan Benefits**
**For the Year Ended June 30, 2018**

| | Allocated | Unallocated | Total |
|---|---|---|---|
| Additions: | | | |
| Company contributions | $ - | $ 3,218,291 | $ 3,218,291 |
| Allocation of 53,528 shares of Hyspan Precision Products Inc. common stock | 100,632 | - | 100,632 |
| Net realized and unrealized appreciation in fair value of investments | 92,167 | 757,833 | 850,000 |
| Total additions | 192,799 | 3,976,124 | 4,168,923 |
| Deductions: | | | |
| Allocation of 53,528 shares of Hyspan Precision Products Inc. common stock | - | 100,632 | 100,632 |
| Interest expense | - | 1,159,208 | 1,159,208 |
| Total deductions | - | 1,259,840 | 1,259,840 |
| Net increase in plan assets | 192,799 | 2,716,284 | 2,909,083 |
| Net assets (Deficit in net assets) available for plan benefits: | | | |
| Beginning of period | 111,685 | (41,202,496) | (41,090,811) |
| End of period | $ 304,484 | $ (38,486,212) | $ (38,181,728) |

See accompanying notes.

## 1. Plan Description

The following description of the Hyspan Precision Products Inc. Employee Stock Ownership Plan (the Plan) provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

### a. General

Hyspan Precision Products Inc. (the Company) established the Plan, effective July 3, 2016. The Plan operates, in relevant part, as a leveraged employee stock ownership plan, is designed to comply with Section 4975(e)(7) of the Internal Revenue Code (IRC), and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974 (ERISA). On June 29, 2017, the Plan purchased 100 percent of the Company's common stock, a total of 1 million shares, for $46 million, with a cash contribution of $2.8 million and a loan of $43.2 million. The note payable provisions are described in Note 6.

### b. Eligibility

Employees of the Company are eligible to participate in the Plan after the completion of one year of service and attaining age 21. Participants are credited with one year of service upon the completion of at least 1,000 hours of service during the plan year. Active employees who attained the age of 21 as of June 29, 2017, were deemed to be participants as of July 3, 2016.

### c. Contributions

The Company is obligated to make cash contributions in amounts sufficient to enable the Plan to make its regularly scheduled payments of principal and interest due on its securities acquisition loan. Participant contributions are not permitted. For the year ended June 30, 2018, the Company contributed $3,218,291 to the Plan under Section 404(a)(9) of the IRC.

### d. Participant Accounts

The Plan is a defined contribution plan under which a separate individual account is established for each participant. Each participant's account is credited as of the last day of each plan year with an allocation of shares of Company Stock released by the Trustee from the unallocated account and forfeitures of terminated participants' non-vested accounts. Participants must be employed on the last day of the plan year to receive an allocation. Allocations are based on a participant's eligible compensation. Plan earnings are allocated to each participant's account based on the ratio of the participant's account balance.

e. Vesting

Participants are vested in their accounts based on years of service. Participants are 20 percent vested after the completion of two years of service and then vest 20 percent each following year until 100 percent vested after six years. Participants are credited with a year of service for any plan year during which they complete at least 1,000 hours. Participants become 100 percent vested upon normal retirement, disability, or death.

f. Distribution of Benefits

Upon termination of employment due to termination of service, death, disability, or retirement, participants may elect to receive the value of their vested account balance in a lump-sum distribution or installments depending on the participant's vested balance. If the value of the participant's vested account is $1,000 or less, the participant generally will receive an automatic distribution from the Plan. Distributions of individual participant benefits are made in a lump sum, with certain exceptions set forth in the plan document.

g. Forfeited Accounts

Forfeitures arising under the Plan are allocated to the accounts of participants who are eligible to receive an allocation of contributions for the plan year that the forfeitures are allocated for.

h. Voting Rights

Each participant is entitled to exercise voting rights in matters involving a proposed merger or consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all the assets of a trade or business, or any similar transactions. Each participant is entitled to exercise voting rights attributable to the shares allocated to his or her account and is notified by the Trustee prior to the time that such rights are to be exercised. The Trustee shall vote the shares of the Company Stock which are not allocated to any participant and the shares of allocated Company Stock with respect to which no direction is received from the participants to whose accounts the shares are allocated, on behalf of the collective best interests of plan participants.

i. Diversification

Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in Company Stock into investments that are more diversified. Participants who are at least age 55 with at least 10 years of participation in the Plan may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a six-year period. In each of the first five years, a participant may diversify up to 25 percent of the number of shares of Company Stock credited to his or her Company Stock account, less any shares previously diversified. In the sixth year, the percentage increases to 50 percent. The election to diversify can be made within the 90-day period immediately following the close of any plan year.

j. Put Option

Under the Plan, the Company is obligated to issue a put option to each participant receiving a distribution of Company Stock. The put option permits the participant to sell the Company Stock to the Company at the current fair market value. This option may be exercised either within a 60 day period from the date of the distribution or within a 60 day period following the date of the determination of the Company Stock's fair market value in the subsequent plan year.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting.

b. Use of Estimates

The preparation of financial statements in conformity 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, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

c. Allocations

The financial statements of the Plan present separately the assets and liabilities and changes therein pertaining to (a) the accounts of participants with rights in allocated stock (allocated) and (b) stock not yet allocated to participants (unallocated), including shares that are committed to be released. Shares are generally released from collateral and become allocated in the period in which debt service is actually paid. The following table presents a summary of the cost and fair value associated with the allocated and unallocated shares of Common Stock as of June 30, 2018 and 2017.

| | 2018 | |
|---|---|---|
| | Allocated | Unallocated |
| Hyspan Precision Products Inc. common stock: | | |
| Number of shares | 161,960 | 838,040 |
| Cost | $ 5,195,967 | $ 42,723,144 |
| Fair value | $ 304,484 | $ 1,575,516 |

c. Allocations (Continued)

| | 2017 | |
|---|---|---|
| | Allocated | Unallocated |
| Hyspan Precision Products Inc. common stock: | | |
| Number of shares | 108,432 | 891,568 |
| Cost | $ 5,195,967 | $ 42,723,144 |
| Fair value | $ 111,685 | $ 918,315 |

d. Investment Valuation and Income Recognition

The shares of Company Stock are reported at fair value. See Note 4 for a discussion of the fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Net realized and unrealized depreciation in fair value of investments includes the Plan's gains and losses on investments bought and sold as well as held during the period.

e. Payment of Benefits

Benefits are recorded when paid.

f. Administrative Expenses

Certain administrative expenses incidental to the administration of the Plan, including fees of the administrative agent and independent public accountants, may be paid by the Plan. The Company, at its discretion, decided to pay for certain of these administrative expenses on behalf of the Plan.

g. Subsequent Events

The Plan has evaluated the subsequent events through December 18, 2018, the date the financial statements were available to be issued.

3. Risks and Uncertainties

The Plan investments consist primarily of Company Stock, which is exposed to various risks, such as interest rate, market, and credit risk, as well as valuation assumptions based on earnings, cash flows, and other such techniques. Due to the level of risk associated with the investment in the common stock and to uncertainties inherent in estimates and assumptions, it is at least reasonably possible that changes in the value of the common stock will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

4. Fair Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, provides the framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). 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<br>• quoted prices for similar assets or liabilities in active markets;<br>• quoted prices for identical or similar assets or liabilities in inactive markets;<br>• inputs other than quoted prices that are observable for the asset or liability;<br>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.<br>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's 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2018 and 2017.

**Assets at Fair Value as of June 30, 2018**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investment in Hyspan Precision Products Inc. common stock, at fair value | $ - | $ - | $ 1,880,000 | $ 1,880,000 |

**Assets at Fair Value as of June 30, 2017**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investment in Hyspan Precision Products Inc. common stock, at fair value | $ - | $ - | $ 1,030,000 | $ 1,030,000 |

4. Fair Value Measurement (Continued)

The following table sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended June 30, 2018.

**Level 3 Assets**
**For the Year Ended June 30, 2018**

| | | Investment in Hyspan Precision Products Inc. common stock |
|---|---|---|
| Balance, beginning of year | $ | 1,030,000 |
| Net unrealized appreciation in fair value of Company Stock still held at the reporting date | | 850,000 |
| Balance, end of year | $ | 1,880,000 |
| The amount of total gains or losses for the period attributable to the change in unrealized gains or losses relating to assets still held at the reporting date | $ | 850,000 |

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methods used at June 30, 2018 and 2017.

*Hyspan Precision Products Inc. common stock*: The stock is valued by an independent appraisal firm since the stock is not publicly traded on an open market. These valuations are used for purposes of determining Company contributions, account adjustments, and all other purposes for which valuations are required under the Plan. The fair value of the Company incorporated indicators using both income and market approaches. In general, the income approach using discounted cash flows was determined to be the most relevant methodology given the nature of the Company. Significant adjustments in the methodology included accruing a premium for control, since the Company's owners exercise operational control over the company, and a minor discount for lack of marketability of the Company given its current capital and ownership structures.

**Significant Unobservable Inputs Related to Level 3 Assets at June 30, 2018**

| Type | Fair value | Valuation technique | Significant unobservable inputs |
|---|---|---|---|
| Hyspan Precision Products Inc. common stock | $1,880,000 | Income (discounted cash flow) | EBITDA<br>Discount rate<br>Unlevered cash flow<br>Terminal enterprise value |

4. Fair Value Measurement (Continued)

**Significant Unobservable Inputs Related to Level 3 Assets at June 30, 2017**

| Type | Fair value | Valuation technique | Significant unobservable inputs |
|---|---|---|---|
| Hyspan Precision Products Inc. common stock | $1,030,000 | Income (discounted cash flow) | EBITDA<br>Discount rate<br>Unlevered cash flow<br>Terminal enterprise value |

The valuation process involved the appointment of an appraiser. Plan management accumulates the data for the appraiser from historical and projected financial information of the Company. The appraiser prepares a report of estimated per share value that a participant will receive upon distribution. Plan management reviews the report to ensure the appropriate inputs were used based on the information provided by the Company and recalculates appraiser calculations to ensure mathematical accuracy.

The preceding method 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 method is 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.

5. Tax Exempt Status

Plan administration believe that the Plan terms have been drafted in compliance with IRC Section 401(a). The plan administrator has applied for a determination letter from the Internal Revenue Service (IRS) and is awaiting a response. The Plan is required to operate in conformity with the IRC to maintain its tax exemption. Plan management believes that the Plan is currently designed and operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income tax has been included in the Plan's financial statements.

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 organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. The plan administrator believes that as of June 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

6. Note Payable

On June 29, 2017, the Plan entered into a $45,119,111 term loan agreement with the Company. The proceeds of the loan were used to purchase Company Stock. Shares are released from collateral and allocated to participants as payments of principal and interest are made. The number of shares released in any year is the number of shares held as collateral, multiplied by the ratio of the current year payments divided by the total of this year's payments, plus all future years' principal and interest payments. This resulted in 53,528 shares being released and allocated for the year ended June 30, 2018. This agreement provides for the loan to be repaid over 20 years. The carrying amount of the note payable as of June 30, 2018, materially approximates fair value. The note bears interest at a nominal annual rate of 2.68 percent. Payments are scheduled in annual installments. Additional payments may be made pursuant to any contributions the Company makes under Section 404(a)(9) of the IRC. The note is secured by unallocated shares of Company Stock.

The scheduled amortization of the loan's principal for the next five years is as follows. The table reflects a principal payment on September 18, 2018, pursuant to a Company contribution made under Section 404(a)(9) of the IRC.

| | |
|---|---|
| September 18, 2018 | $ 2,059,083 |
| June 30, 2019 | 2,105,584 |
| June 30, 2020 | 1,926,692 |
| June 30, 2021 | 1,978,328 |
| June 30, 2022 | 2,031,347 |
| June 30, 2023 | 2,085,787 |
| Thereafter | 29,933,990 |
| | $ 42,120,811 |

7. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the plan document to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100 percent vested in their accounts. Upon the termination of the Plan, the plan administrator shall direct the distribution of plan assets to participants in accordance with plan provisions.

8. Related Party Transactions

The Plan invests in Company Stock and has indebtedness guaranteed by the Company. Transactions with the Company are party-in-interest transactions, as defined by ERISA.

9. Subsequent Events

The Company acquired Flexial Corporation (Flexial) on October 12, 2017. It is expected that Flexial employees will begin entering the Plan on or around July 1, 2019.

**HYSPAN PRECISION PRODUCTS INC. EMPLOYEE STOCK OWNERSHIP PLAN**
**EIN: 95-2890599 PLAN: 003**
**Schedule H, line 4i - Schedule of Assets (Held at End of Year)**
**As of June 30, 2018**

| a) | b) Identity of Issue, Borrower, Lessor, or Similar Party | c) Description of Investment | d) Cost | e) Current Value |
|---|---|---|---|---|
| * | Hyspan Precision Products Inc. | 1 million shares common stock | $ 47,919,111 | $ 1,880,000 |

* Represents a party-in-interest as defined by ERISA

See report of independent public accountants and accompanying notes.

# Federal Statements

## Hyspan Precision Products, Inc. Employee Stock Plan: 003

**Assets Held for Investment**

| Party in Interest | Identity | Description | Cost | Current Value |
|---|---|---|---|---|
| X | Hyspan PP Stock | 1,000,000 shares | $ 47,919,111 | $ 1,880,000 |