The Aerospace Retiree Medical Plan

Employer ID No.: 95-2102389
Plan No.: 503

Financial Statements as of and for the
Years Ended September 30, 2018 and 2017,
Supplemental Schedules as of and for the
Year Ended September 30, 2018,
and Independent Auditor's Report

THE AEROSPACE RETIREE MEDICAL PLAN

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NOTE: All other schedules required by Section 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 have been omitted because they are not applicable.

INDEPENDENT AUDITOR'S REPORT

To the Plan Administrator of
the Aerospace Retiree Medical Plan

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of The Aerospace Retiree Medical Plan ("the Plan"), which comprise the statements of net assets available for benefits and statements of Plan's benefit obligations as of September 30, 2018, and 2017, and the related statements of changes in net assets available for benefits and statements of changes in Plan's benefit obligations for the years then ended, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4, which was certified by The Northern Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained certification from the trustee as of September 30, 2018 and 2017 and for the years then ended, that the information provided to the plan administrator by the trustee is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplemental Schedule H, Part IV, Line 4i – Schedule of Assets (Held at End of Year) and Schedule H, Part IV, Line 4j – Schedule of Reportable Transactions as of and for the year ended September 30, 2018 are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and are presented for purposes of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on the supplemental schedules.

Report on Form and Content in Compliance with DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Crowe LLP

Crowe LLP

South Bend, Indiana
June 12, 2019

THE AEROSPACE RETIREE MEDICAL PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF SEPTEMBER 30, 2018 AND 2017
(In thousands)

	2018	2017
ASSETS:		
Investments—at fair value (Notes 2, 4, and 7):		
Commingled trust funds	$ 171,652	$ 166,373
Short-term investment fund	1,249	408
Total investments—at fair value	172,901	166,781
Receivables—participant contributions	62	
Total assets	172,963	166,781
LIABILITIES—Fees payable	8	14
NET ASSETS AVAILABLE FOR BENEFITS	$ 172,955	$ 166,767

See notes to financial statements.

THE AEROSPACE RETIREE MEDICAL PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(In thousands)

	2018	2017
PARTICIPANT CONTRIBUTIONS (Note 3)	$ 5,373	$ 5,587
INVESTMENT INCOME (Note 4):		
Net appreciation in fair value of investments	9,863	13,717
Dividends	2,103	2,128
Interest income	1,838	1,618
Fees and expenses	(57)	(58)
Total investment income	13,747	17,405
PAYMENTS TO PROVIDE MEDICAL COVERAGE TO PARTICIPANTS OR BENEFICIARIES	(12,932)	(12,734)
INCREASE IN NET ASSETS	6,188	10,258
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	166,767	156,509
End of year	$ 172,955	$ 166,767

See notes to financial statements.

THE AEROSPACE RETIREE MEDICAL PLAN

STATEMENTS OF PLAN'S BENEFIT OBLIGATIONS
AS OF SEPTEMBER 30, 2018 AND 2017
(In thousands)

	2018	2017
RETIREE MEDICAL BENEFIT OBLIGATIONS:		
Retired participants and beneficiaries	$ 92,719	$ 94,502
Other participants fully eligible for benefits	28,644	35,095
Participants not yet fully eligible for benefits	45,015	70,809
PLAN'S TOTAL BENEFIT OBLIGATIONS	$ 166,378	$ 200,406

See notes to financial statements.

THE AEROSPACE RETIREE MEDICAL PLAN

STATEMENTS OF CHANGES IN PLAN'S BENEFIT OBLIGATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(In thousands)

	2018	2017
RETIREE MEDICAL BENEFIT OBLIGATIONS:		
Balance—beginning of year	$ 200,406	$ 210,398
Increase (decrease) during the year attributable to:		
Benefits earned	5,482	5,579
Interest	7,862	8,054
Benefit payments and expenses—net of retiree contributions	(7,559)	(7,147)
Changes in actuarial assumptions (Note 2)	(30,957)	(7,305)
Actuarial gains (Note 2)	(8,856)	(9,173)
PLAN'S TOTAL BENEFIT OBLIGATIONS—End of year	$ 166,378	$ 200,406

See notes to financial statements.

1. DESCRIPTION OF THE PLAN

The following brief description of The Aerospace Retiree Medical Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

General—The Plan is a defined benefit health and welfare plan sponsored by The Aerospace Corporation ("Aerospace" or the "Plan's Sponsor") and was established to provide supplemental payments for various health care services for eligible retired employees, spouses, and dependents. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Aerospace Retiree Medical Plan Committee (the "Committee") controls and manages the operation and administration of the Plan. The Northern Trust Company (the "Trustee") (see Note 8) serves as the trustee, Willis Towers Watson as the recordkeeper, and Mercer is the actuary for the Plan.

Benefits—The principal benefits provided under the Plan are supplemental payments for insurance premiums that cover health benefit services, including hospital, medical, prescription drug, and mental health. This supplemental payment is a portion of the cost of retiree medical insurance premiums, paid by the Plan to various insurance carriers, and is called the Defined Dollar Benefit (DDB). Participants are required to pay their cost-sharing portion of the premium, if any, which is the amount not paid by the Plan. Cost-sharing amounts to pay insurance premiums are normally deducted monthly from the retirees' pension checks received from the Aerospace Employees' Retirement Plan.

Eligibility—Substantially all employees who have retired from active service, are at least 55 years old, and have completed the required length of 10 years of continuous service, as stated in the Plan document, are eligible to participate in the Plan. The Plan document describes detailed eligibility requirements and benefits for retirees, employees, spouses, and dependents.

Contributions—Contributions under the Plan are made by Aerospace and participants in amounts determined by Aerospace to meet funding requirements and the requirements of participant cost sharing, respectively. The DDB amount is based on whether the participant is Medicare eligible and whether the participant has elected to provide medical benefit coverage to one or more dependents. Effective January 1, 2010, the DDB amount is based on whether or not a participant has elected to provide medical benefit coverage for the retiree only, or retiree, plus dependents. Retiree medical benefits are not vested.

In addition to the deductibles and copayments, participant contributions in 2018 and 2017 were as follows:

Participants Hired or Rehired	Participant Contribution
(A) Before July 1, 1987	(A) The difference between the total premium due to the insurance carrier for medical coverage selected and the DDB.
(B) On or after July 1, 1987	(B) The difference between the total premium due to the insurance carrier for medical coverage selected and the DDB, plus a portion of the DDB, based on a service-related percentage, which is defined below.

The service-related percentage is 66% for participants who completed 10 years of service prior to retirement, less 3% for each year of service in excess of 10 years. After 32 years of service, the service-related percentage is zero.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The accompanying financial statements of the Plan have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties—The Plan invests in various investments. Investments, in general, are exposed to various risks, such as interest rate risk, liquidity risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The actuarial present value of benefit obligations is reported based on certain assumptions pertaining to interest rates, DDB increase rates, and employee demographics, all of which are subject to change. Due to the uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Investment Valuation and Income Recognition—Investments are stated at fair value. Fair value of a financial instrument 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.

See Note 7 for discussion of fair value measurements.

Investments are valued based upon quoted market prices (when available), or upon values provided by third-party services, or the net asset values reported by the fund managers as of the financial statement dates and recent transaction prices. Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Committee.

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.

Premium Payments—Premium payments are recorded when paid.

Net Appreciation (Depreciation) in Fair Value of Investments—The Plan presents in the statements of changes in net assets available for benefits the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains (losses), and the unrealized appreciation (depreciation) on those investments.

Administrative Expenses—Administrative expenses of the Plan are paid by the Plan's Sponsor as provided in the Plan document. Administrative expenses paid by the Plan are included as a reduction of the return earned on investments.

Subsequent Events—For the year ended September 30, 2018, subsequent events were evaluated by management through June 12, 2019, the date these financial statements were available to be issued.

Retiree Medical Benefits—The retiree medical benefit obligation includes the actuarial present value of those estimated future benefits that are attributable to employee service rendered to September 30, 2018 and 2017, reduced by the actuarial present value of contributions expected to be received in the future from current Plan participants. Retiree medical benefits include future benefits expected to be paid on behalf of either (1) currently eligible retired employees and their spouses and dependents or (2) active employees and their spouses and dependents who are expected to receive benefits from the Plan in the future. Prior to an employee's eligibility date, the retiree medical benefit obligation is the portion of the expected retiree medical benefit obligation that is attributed to that employee's service rendered to the valuation date.

The actuarial present value of the expected retiree medical benefit obligation is determined by the Plan's independent actuary, and is the amount that results from applying actuarial assumptions to historical premium cost data to project the cost of future premiums and to adjust such estimates for the time value of money (through discounts for interest), estimated increase in the amount of benefits expected to be paid by the Plan, and the probability of payment (by expected participation and decrements, such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment; and to reflect the portion of those costs expected to be covered by Medicare, the retired participants, and other providers.

For measurement purposes, DDB increase rates were assumed to be 4.0% for 2019 and 4.0% thereafter.

The other significant assumptions used in the valuations as of September 30, 2018 and 2017, consist of the following:

a. Discount rate—4.4% for 2018; 4.0% for 2017

b. Investment return—6.50% compounded annually for 2018; 6.75% compounded annually for 2017

c. Mortality—Mercer Modified White Collar Mortality Table and 2018 Projection Scale for 2018 and Mercer Modified White Collar Mortality Table and 2016 Projection Scale for 2017

d. Retirement—Ranges from age 55 to age 70

e. Termination rate—Varies by age and service

The foregoing assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the retiree medical benefit obligations.

3. BENEFIT OBLIGATIONS FUNDING

Aerospace determines the requirement to make a contribution based on an actuarial determination of the amount eligible for reimbursement under government contracts. It is expected that the deficiency of net assets over benefit obligations (if any), will be funded through future increases in Aerospace's contribution and participants' contributions.

4. INFORMATION CERTIFIED BY THE TRUSTEE

Substantially all information pertaining to the Plan's investments included in the financial statements, including the associated investment income (loss), was obtained or derived from information supplied to the Plan administrator and certified as complete and accurate by the Trustee. This information has not been audited by independent accountants.

5. PLAN TERMINATION

Although Aerospace has not expressed any intent to do so, Aerospace reserves the right to amend, change, modify, or terminate the Plan at any time. Aerospace's decision to amend, change, modify, or terminate the Plan may be due to changes in federal or state laws governing welfare benefits; the requirements of the Internal Revenue Code (the "Code"); the requirements of ERISA, as amended; the provisions of a contract or a policy involving an insurance company; the requirements for cost reimbursement under government contracts; or for any other reason.

Upon discontinuance or termination of the Plan, if the Plan's assets are more than sufficient to satisfy the liabilities with respect to the Plan, the remainder of the Plan's assets shall be paid to Aerospace.

6. INCOME TAXES

The Plan's Sponsor believes that the Plan is designed and is currently being operated in compliance with the applicable provisions of the Code. As such, no provision for income taxes has been included in the Plan's financial statements.

GAAP requires the Plan's 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 taxing jurisdictions. The Plan's management has analyzed the tax positions taken by the Plan, and has concluded that as of September 30, 2018 and 2017, 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.

7. FAIR VALUE MEASUREMENTS

Accounting Standards Codification (ASC) 820 defines fair value, establishes a market-based framework for measuring fair value, and requires disclosures about fair value measurements.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The statement requires that assets and liabilities carried at fair value be classified and disclosed using a hierarchy based upon the inputs used to measure the fair value.

The Plan may use valuation techniques based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect internal market assumptions. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by management to estimate the fair values of the assets and liabilities:

Level 1, Level 2 and Level 3 Fair Value Measurements—The Plan does not have any assets or liabilities that are subject to ASC 820 that fall into these categories.

Net Asset Values—The fair market values of commingled trust funds and short-term investment funds were based on the reported net asset value (NAV), which is used as a practical expedient as of the balance sheet date. No adjustments were made to the NAV provided by the fund managers of the underlying funds for which the NAV was used, and none of the investments whose fair value was based upon NAV are expected to be sold at a value materially different from NAV.

Investments in commingled trust funds and short-term investment funds are valued based on the redemption price of the underlying fund assets. Unit values are determined by the financial institution sponsoring such funds by dividing the fund’s net assets at fair value by its units outstanding at the valuation date, commonly referred to as NAV. As of September 30, 2018 and 2017, the fair values of the short-term investments of $1,249 and $408 (in thousands), respectively, and commingled trust funds of $171,652 and $166,373 (in thousands), respectively, were based upon NAV. As of September 30, 2018 and 2017, there were no unfunded commitments, all had daily redemption frequencies, and redemption notice periods of five days or less for the short-term investments and the commingled trust funds.

The Plan’s investment policy has been established with a diversified asset allocation that aims to balance return generation and volatility. The long-term objective is for the Plan to continue to be well-funded allowing this plan to provide a strong DDB for the retirees at a reasonable contribution level for Aerospace. The primary asset classes utilized to attain these objectives are equity and debt securities, with target allocations of 60% and 40%, respectively.

8. EXEMPT PARTY-IN-INTEREST TRANSACTIONS

The short-term investment fund is managed by the Trustee of the Plan. Fees paid by the Plan for the investment management services are included as a reduction of the return earned on the fund and were based on customary and reasonable rates for such services.

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SUPPLEMENTAL SCHEDULES

THE AEROSPACE RETIREE MEDICAL PLAN

Employer ID No.: 95-2102389
Plan No.: 503

FORM 5500, SCHEDULE H, PART IV, LINE 4i—SCHEDULE OF ASSETS (HELD AT END OF YEAR)
AS OF SEPTEMBER 30, 2018

Security Description	CUSIP	Shares/ Par Value	Historical Cost	Current Value
CF BLACKROCK ACWI EX-US SUPERFUND B	0669HHCF1	556,592	$ 19,530,291	$ 16,910,778
CF BLACKROCK MONEY MKT FD B	066479CF1	267	267	267
CF BLACKROCK US DEBT INDEX FD B	066559CF0	1,501,316	64,495,294	65,393,417
CF BLACKROCK US EQUITY MARKET FUND B	066679CF6	658,544	63,822,361	89,348,252
COMMON SHORT TERM INVT FD*	200998102	1,248,392	1,248,392	1,248,392
TOTAL INVESTMENTS			$ 149,096,605	$ 172,901,106

*Permitted party-in-interest.

(See Independent Auditor's Report)

THE AEROSPACE RETIREE MEDICAL PLAN

Employer ID No.: 95-2102389
Plan No.: 503

FORM 5500, SCHEDULE H, PART IV, LINE 4j—SCHEDULE OF REPORTABLE TRANSACTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

(a) Identity of Party Involved	(b) Description of Asset	(c) Purchase Price	(d) Selling Price	(e) Lease Rental	No. of Transactions	(f) Expense Incurred with Transaction	(g) Cost of Asset	(h) Current Value of Asset on Transaction Date	(i) Net Gain or (Loss)
SINGLE TRANSACTIONS									
None									
SERIES OF TRANSACTIONS IN SAME SECURITY									
CUSIP 066679CF6	CF Blackrock US Equity Market FD B	$ -	$ 9,600,000	$ -	10	$ -	$ 8,953,635	$ 9,600,000	$ 646,365
CUSIP 200998102	Common short-term investment fund	12,872,901			47		12,872,901	12,872,901	
CUSIP 200998102	Common short-term investment fund		12,031,828		32		12,031,828	12,031,828	

(See Independent Auditor's Report)