

Report on the Advanced Shipbuilding Production Facility Grant Program

As of November 12, 2017

Project Number: 2016-133016

Project Name: Huntington Ingalls

Established for the Ohio Class Replacement Submarine Program (ORP), the Advanced Shipbuilding Production Facility Grant Program provides for two grants to Huntington Ingalls: (i) the Foundry Grant to upgrade the existing facilities at the Foundry to produce the required castings and (ii) the Advanced Shipbuilding Production Facility (ASPF) Grant for the New Production Facility for construction or manufacture of the components.

Foundry Grant

The Company is currently within the performance period for the capital investment in the Foundry. **There is no progress reporting obligation at this time.**

There are no capital investment and new job requirements for the Foundry Grant. The Company must maintain 120 Full-Time Jobs, with an average annual wage at least equal to \$50,289, within the Foundry.

The maximum aggregate Foundry Grant amount is \$6,000,000. The total amount of the Foundry Grant may not exceed 25% of the projected Total Foundry Improvement Cost. The Company expects to file its application for the Foundry Grant on or before 04-01-18, for one payment of \$6,000,000 in FY18. This application must be filed no later than 04-01-22. The application for the Foundry Grant will set forth: (i) the projected Total Foundry Improvement Cost; (ii) that the total amount of the Foundry Grant is not estimated to exceed 25% of the projected Total Foundry Improvement Cost; (iii) the date or projected date for completing improvements to meet U.S. Navy Standards; (iv) that the Foundry is or will be casting components for the ORP; and (v) the number of full-time jobs within the Foundry.

There are reporting requirements once the Foundry grant is paid and several potential clawback provisions. On or before 04-01-22, the Company must file a report providing information as to whether the Company has maintained 120 Jobs within the Foundry as of 12-31-21; if not so maintained, the entire amount of any Foundry Grant must be repaid no later than 6-30-22. On or before 4-1-25, the Company must file a report providing information demonstrating that the Foundry Grant payment does not exceed 25% of the Total Foundry Improvement Cost; if it does, the Company must repay the excess no later than 06-30-22. On or before 4-1-25, the Company shall file a report demonstrating to the satisfaction of the Secretary of Commerce and Trade that the Company has met the U.S. Navy Standards; if not met, the entire Foundry Grant must be repaid no later than 6-30-25.

ASPF Grant

The Company is currently within the performance period for the capital investment in the ASPF. The performance period for the new jobs at the New Production Facility does not begin until January 1, 2021. **There is no progress reporting obligation at this time.**

The required aggregate \$750,000,000 capital investment amount is expected to be made between 01-01-15 and 12-31-20, but no later than 12-31-22.¹ The required aggregate number of 1,000 New Full-Time Jobs within the ORP at an average annual wage at least equal to \$50,289 is expected to be made between 01-01-21 and 12-31-25, with 200 such jobs being created each calendar year. The aggregate number of such jobs must be created no later than 12-31-28.²

The maximum aggregate ASPF Grant amount is \$40,000,000, with \$8,000,000 to be disbursed in each of FY 23 to FY27, except as may be deferred. The Company expects to file its first of five annual applications for the ASPF Grant on or before April 1, 2022. The annual application for the ASPF Grant will set forth: (i) the aggregate number of New Full-Time Jobs within the ORP created and the average annual wage paid from 01-01-16 through the end of the previous calendar year; (ii) any reduction in the number of New Full-Time Jobs within the ORP at the end of the previous calendar year from second previous calendar year; (iii) the aggregate amount of Capital Investment made or lost from 01-01-15 to 12-31-20 and through the end of the previous calendar year; (iv) any reduction in Capital Investment at the end of the previous calendar year since the second previous calendar year; and (v) the date or projected date of occupancy or use of the ASPF by the Company.³

There is a reporting requirement at the end of the ASPF Grant payment period and a potential clawback provision. Until the Company creates at least 1,000 New Full-Time Jobs within the ORP, any ASPF Grant payments are subject to repayment. If the Company has not created such jobs as of December 31, 2028, the Company must repay all ASPF Grant payments previously made no later than 06-30-29 and will be entitled to no further ASPF Grant payments.

¹ Payment will be deferred until the Company demonstrates it is in compliance with the required aggregate capital investment. No payment of the ASPF Grant will be made unless and until \$750,000,000 in capital investment has been made. An application demonstrating the required aggregate capital investment must be filed no later than 04-01-23.

² The Company will be ineligible for an ASPF Grant payment in the year following a calendar year in which the Company fails to create the required applicable number of New Full-Time Jobs within the ASPF. Payment will be deferred until the Company demonstrates it is in compliance. An application demonstrating the required aggregate number of New Full-Time Jobs within the ASPF must be filed no later than April 1, 2029.

³ Annual ASPF Grant payment will be made, reduced, and/or deferred depending upon the information provided in each annual application.