**SPECIAL PROVISIONS APPLICABLE TO THE SURFACE COMBATANT INDUSTRIAL BASE (SCIB)   
CAPITAL EXPENDITURE INCENTIVE FUNDING**

DDG 51 PROGRAM PRIME CONTRACT NO. N00024-18-C-2307

1. Seller/Supplier has submitted a fully supported Business Case Analysis (as subsequently amended or supplemented by additional documentation submitted by Supplier, is referred to as the “BCA”) to Huntington Ingalls Incorporated, acting through its Ingalls Shipbuilding division (Ingalls). The BCA includes a description of the specific objectives to be achieved; description and rationale for the proposed approach; the benefits that address the concerns of the Supplier, Ingalls and the Government; metrics for evaluation of investment benefits; a statement of investment risks and risk mitigation; a project framework and implementation timeframe; investment cost estimates; and the portion of the investment proposed to be funded by the Supplier. The Supplier’s BCA described the basis for all costs and project elements. The BCA also includes the Supplier’s perspective net present value (NPV) of cost savings, schedule improvements, quality improvements, and/or security risk reductions calculations on future DDG 51s and any other Government ships that reflects consideration of the return on investment, share-line ratio, cost and/or schedule and/or risk reductions, and/or increased quality validated by expanded warranties in order to calculate actual benefit to the Government.

2. The BCA was submitted to the Government to justify that the proposed costs are fair and reasonable, as compared to other projects, and was relied upon by Ingalls and the Government in approving the project.

3. The CAPEX Incentive for the approved project(s) will be paid in accordance with the investment implementation timeframe included in the BCA. CAPEX Incentive payments are subject to the availability of funds for such projects under Ingalls’ prime contract.

1. The parties agree that for the Supplier’s allowability of calculating depreciation expenses (FAR 31.205-11) and Facilities Capital Cost of Money (FCCM) (FAR 31.205-10) associated with the facilities and/or equipment acquired by the Supplier in accordance with this clause, shall be dependent on the cash flow assumptions submitted with the NPV calculations in the BCA. If the cash flow assumed that the depreciable basis of capitalized assets was not reduced by the special incentive before calculating allowable depreciation and FCCM in the NPV calculation, the full capitalized value of the facilities and/or equipment (without reduction for the special incentives) shall be utilized in the calculation of indirect rates. If the cash flow assumed that the depreciable basis of capitalized assets was reduced by the special incentive before calculating allowable depreciation and FCCM in the NPV calculation, the capitalized value of the facilities and/or equipment reduced by the special incentives for facilities and/or equipment shall be utilized in the calculation of indirect rates.
2. All projects for which Special Incentive for Supplier Investments in Facilities and Process Improvement Projects awarded to the Supplier shall be accounted for in accordance with the Supplier’s Cost Accounting Standards Board (CASB) disclosure statement.
3. Notwithstanding any other clause of this Order, if, in her/his sole discretion, the Government Contracting Officer determines that any Government-approved Surface Combatant Industrial Base (SCIB) Supplier project significantly fails to meet the BCA savings or capitalization estimates, or fails to make progress in project execution, therein contained, the Contracting Officer may unilaterally withhold future milestone payments from the Supplier under the project and/or recover from Supplier (via Ingalls) all or any portion of any CAPEX Incentive payments paid to Supplier; following such Government Contracting Officer determination that any Seller repayment is required, Ingalls shall provide written notice thereof to Supplier, who shall repay such funds to Ingalls within 30 days of receipt of such notice. INGALLS SHALL HAVE NO LIABILITY TO SUPPLIER FOR ANY SUCH GOVERNMENT ACTION.
4. The parties acknowledge that they have relied upon the approved BCA and the facilities/project investment evaluation model provided by the Supplier to the Government in establishing the amount of the CAPEX Incentive available under this provision. In the event that either the Government or Ingalls or Supplier discover a formula or computational error in such model that would result in an overpayment of CAPEX Incentive to the Supplier, the discovering party shall provide prompt written notice to the others, and the parties shall endeavor in good faith to negotiate the appropriate corrections to the BCA. The Supplier shall promptly refund to the Government any overpayment of CAPEX Incentive resulting from such modification.
5. (i) The Supplier will be paid the CAPEX incentive amount(s) earned upon submittal of proper invoices to Ingalls. The Supplier shall not submit an invoice for funding until Ingalls and the Government Contracting Officer have reviewed objective quality evidence that the incentive milestone was accomplished and reviewed, and until Ingalls and the Contracting Officer have provided their concurrence. The Supplier’s invoice shall attach the Government Contracting Officer’s written concurrence via email that the Supplier earned the claimed amount of CAPEX Milestone Incentive. The Supplier’s invoice must cite the appropriate CLIN and accounting data (which can be obtained from Ingalls) in order for payment to be effected.

(ii) In addition to the above, an invoice must include (as applicable):

1) invoice date and Supplier’s invoice number;

2) name of Supplier;

3) the P.O. number, line item number, description and amount of milestone claimed;

4) name and address to which payment is to be sent;

5) name, title, phone number and address of person to be notified in the event of a defective invoice;

6) any other information or documentation required by other provisions this Order; and

7) The invoice amounts for individual milestones shall be shown separately on any invoice.

(iii) Invoices shall be prepared and submitted via e-mail to Buyer’s authorized purchasing representative as listed on this Order.

(iv) Payments.

a. Ingalls shall pay Seller, upon the submission of valid invoices, the prices stipulated in this Order AS MAY BE ADJUSTED BY THE CONTRACTING OFFICER.

b. Supplier's valid invoices are payable by Ingalls no later than sixty (60) calendar days after receipt thereof, SUBJECT TO CONTRACTING OFFICER APPROVAL AND AVAILABILITY OF FUNDS. The invoice will be deemed to have been received five (5) days after the invoice date.

c. Payment shall be considered to have been made on the date that appears on the payment check.

d. Payment shall not be considered as an indication of the acceptability of Products for which payment is made.

5. IN NO EVENT SHALL INGALLS HAVE ANY LIABILITY TO SUPPLIER UNDER THIS CAPEX INCENTIVE PROGRAM. This provision survives any termination or expiration of the Special Incentive Program.

6. Notwithstanding provision 6 of form SBF P9328, Order of Precedence, in the event of any inconsistency between terms of these Special Provisions and other terms incorporated by reference into this Order, the terms of these Special Provisions will take precedence as applied to this CAPEX Incentive program.

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