



# **COMMONWEALTH of VIRGINIA**

## **Office of the Governor**

Todd P. Haymore  
Secretary of Commerce and Trade

September 29, 2016

Ms. Florence G. Kingston  
Secretary/Treasurer  
Industrial Development Authority of  
the City of Newport News, Virginia  
2400 Washington Avenue, 3<sup>rd</sup> Floor  
Newport News, Virginia 23607

Re: **Advanced Shipbuilding Training Facility Grant Program  
Amended and Restated Memorandum of Understanding  
Transfer of Apprentice School**

Dear Ms. Kingston:

As you know, the Commonwealth of Virginia has made all of the Advanced Shipbuilding Training Facility Grant payments due under the Amended and Restated Memorandum of Understanding dated as of August 31, 2011 among the Commonwealth, Huntington Ingalls Incorporated and the Industrial Development Authority of the City of Newport News, Virginia. Capitalized terms used in this letter will have the meanings given to them in that Memorandum.

Section 6(d) of that Memorandum provides that upon the fulfillment of the conditions set forth in the Act, the Company may request a determination from the Commonwealth that the Company has met the conditions of the Act. Upon such determination, the IDA, in conjunction (as need be) with the developer of the private property located adjacent to the New Training Facility, will transfer title of the New Training Facility to the Company.

The Act required that the Company:

- Make a Capital Investment of at least \$300,000,000 from January 1, 2009 through December 31, 2011 related to advanced shipbuilding in the Eligible City;
- Create at least 1,000 New Full-Time Jobs within the Virginia Class Submarine Program;
- Maintain an apprenticeship program accredited by the Council for Occupational Education with an average annual enrollment of at least 750, and with articulation

agreements with local community colleges that allow its graduates to qualify for accredited associates degrees from those institutions; and

- Maintain a level of expenditures directly or indirectly supporting training activities at least equal to the Base Training Expense.

The Company has met each of these conditions.

The Act further required that:

- The Eligible City or a private developer build the New Training Facility;
- The Company use the New Training Facility during the period of the Grant;
- The New Training Facility be a part of a development plan approved by the Eligible City and the Company that includes additional private capital investment adjacent to the New Training Facility that is equal to or greater than the cost of the New Training Facility; and
- ~~The Company waive its right to apply for grants under subsection B of the Act.~~

Each of these conditions has also been met.

The Commonwealth hereby determines that the Company has met the conditions of the Act.

We are grateful to the Company for its continuing commitment to the Commonwealth, and to the IDA for its effective leadership in growing the economy of the Eligible City.

Sincerely,



Todd P. Haymore

TPH/sjm

cc: Mr. Daniel C. Gundersen, VEDP  
Mr. William C. Bell, Vice President, Human Resources and Administration, Newport  
News Shipbuilding



**Newport News  
Shipbuilding**

September 16, 2016

The Honorable Todd Haymore  
Secretary of Commerce and Trade  
P.O. Box 1475  
Richmond, VA 23218

Dear Secretary Haymore:

Five years ago the Newport News Shipbuilding Division of Huntington Ingalls Incorporated (“NNS”), the City of Newport News, Armada Hoffler, and the Commonwealth of Virginia embarked on a unique and successful partnership to create a new NNS Apprentice School campus in downtown Newport News.

The 2011 legislation (Section 59.1-284.23 of the Code of Virginia) and the subsequent Memorandum of Agreement (“MOA”) between the Commonwealth and Newport News Shipbuilding (“NNS”) gave the Company, as the Qualified Shipbuilder, the option of taking title to the real and tangible personal property of the Apprentice School at the end of the grant period established by the statute. By this letter we exercise that option. In accordance with Section 6(d) of the MOA, we request you to determine that NNS has met the requirements of the Act and to direct the private developer, Armada Hoffler, and the Newport News Industrial Development Authority to transfer ownership to NNS by the end of 2016.

The legislation and MOA established several specific performance standards which the Company has met or exceeded on schedule. This compliance has been documented in annual reports on our performance in the calendar years 2011 through 2015, the most recent of which was filed earlier this year in our final grant application.

Success in meeting the requirements has flowed from the Company’s success in fulfilling its obligations to the United States Navy to accelerate production of Virginia Class Submarines at its facility, from one ship per year to two ships per year.

- The Company pledged to invest \$300 million in new capital projects within a specified time period and instead invested \$358 million, most of it for a new facility building bow sections for the submarines.
- The Company pledged to add 1,000 full time equivalent jobs within the submarine program, and instead added more than 1,600 by the end of 2015. It has also met a requirement that those positions pay better than the city average.

A DIVISION OF HUNTINGTON INGALLS INDUSTRIES

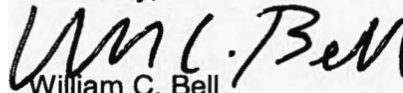
4101 Washington Avenue • Newport News, VA 23607 • Telephone (757) 380-2000 • [www.huntingtoningalls.com](http://www.huntingtoningalls.com)

- The Company pledged to maintain its Apprentice School at a certain enrollment and with certain accreditations and articulation agreements, and has done so.
- The Company pledged to maintain its overall internal training expenses, but instead has reported substantial growth in its internal training expenses during the period.

The requirements imposed on the Company were supplemented by requirements placed upon the city and a private developer to invest specific amounts to build a new training facility with adjacent housing, parking and commercial space. Those requirements and deadlines were also met, as previously reported, and the facilities are in use as intended.

This four-way agreement between a company, a locality, a private developer and the Commonwealth to pay for a new training facility has been of benefit to all of them. The new school building is an educational asset for the Company, for the region and for the Commonwealth, and its graduates will be leading the shipbuilding industry for decades to come. The success will continue and the partnership with the Commonwealth will remain strong. Thank you for all the support you have shown. If we can answer any additional questions related to our desire to assume full ownership of this vital facility, please let us know.

Sincerely,



William C. Bell

Vice President, Human Resources and  
Administration

Copy to:  
Sandra J. McNinch  
General Counsel  
Virginia Economic Development Partnership  
901 East Cary Street  
P.O. Box 798  
Richmond, VA 23219

March 24, 2016

Mr. Maurice Jones  
Office of the Secretary of Commerce and Trade  
Commonwealth of Virginia  
Patrick Henry Building  
1111 East Broad Street  
Richmond, VA 23219

**Re: Application #5 for Grant Payment in accordance with the Amended and Restated Memorandum of Understanding (“the MOU”) between the Commonwealth of Virginia, Huntington Ingalls Incorporated and the Industrial Development Authority of the City of Newport News, Virginia, dated August 31, 2011**

Dear Secretary Jones:

On behalf of the Industrial Development Authority of the City of Newport News, Virginia (“IDA”) and Huntington Ingalls Incorporated (“the Company”), I hereby certify and deliver pursuant to Section 3.(b) of the MOU, the required Application for Grant Payment with attached documentation which evidences fulfillment of all of the required Grant conditions and performance targets for the fifth grant payment.

Documentation for Section 3.(b)(i) through (vi) is provided by the attached report from the Vice President of Human Resources and Administration of Newport News Shipbuilding, a division of Huntington Ingalls Industries, with detail in Attachments A through C. Documentation 3.(b) (vii) is evidenced through the City of Newport News City Council Resolutions #12153-11 and #12260-12 which are attached. The IDA authorized execution of the Development Agreement and all other necessary documents on November 4, 2011. Closing and execution occurred on February 29, 2012. Construction and occupancy dates required to be reported under 3.(b)(viii) and 3.(b)(ix) are March 19, 2012 for construction startup of the New Training Facility and March 26, 2012 for construction start up on the private capital investment. The New Training Facility was substantially complete in November 2013 and a Certificate of Occupancy was issued on December 7, 2013. Attached is a letter from the Developer documenting construction start dates and private investment expenditure levels.

Mr. Maurice Jones  
Page Two  
March 24, 2016

Upon satisfaction of the Secretary that the grant payment conditions and targets have been met, I request the scheduled Fiscal Year 2017 and final Grant Payment for this project be made to the IDA in the amount of \$7,155,840.00. I have included for your convenience of reference a copy of the fully executed MOU, including Exhibit A which sets forth the scheduled payments of the grant. The Apprentice School facility is an exceptional economic asset to the City, the Hampton Roads area and the Commonwealth, and we appreciate your tremendous support of this project. If I may be of further assistance, please contact me at (757) 926-3792.

Sincerely,



Florence G. Kingston  
Secretary/Treasurer

Enclosures

FGK:zml

P:\Accounting\Accounting 16\Apprentice School\Grant Application#5.docx

Copy to: Interim President and CEO, VEDP (Dan Gundersen)  
General Counsel, VEDP (Sandra J. McNinch)  
Vice President of Human Resources and Administration, HII (William C. Bell)  
Manager, State Government Affairs, HII (Stephen D. Haner)  
Law Department, HII (Ann Pharr)  
IDA Chair (Wendy C. Drucker)  
General Counsel, IDA (Raymond H. Suttle, Jr.)  
Manager of Development (Cherry L. Croushore)  
Financial Services Administrator (Zoe M. Lumpkin)



**Newport News  
Shipbuilding**

**William C. Bell**  
Vice President  
Human Resources and Administration

4101 Washington Avenue  
Newport News, VA 23607  
Telephone 757-380-7447  
William.Bell@hii-nns.com

March 15, 2016

**Received**  
Dept. of Development

**MAR 21 2016**

Ms. Florence Kingston  
Secretary/Treasurer  
Industrial Development Authority  
Of the City of Newport News  
2400 Washington Avenue, 3<sup>rd</sup> Floor  
Newport News, VA 23607

File

**References:**

- (1) August 31, 2011 Amended and Restated Memorandum of Understanding (“the MOU”) between the Commonwealth of Virginia, Huntington Ingalls Incorporated, and the Industrial Development Authority of the City of Newport News
- (2) Section 59.1-284.23 (the “Act”) of the Code of Virginia of 1950

**Attachments:**

- (a) Steve Haner’s Memorandum to Bill Bell, dated 3/10/16, Virginia Class Submarine Employment Growth
- (b) Summary of 2015 Formal Training Costs
- (c) Everett Jordan’s Memorandum to Bill Bell, dated 1/11/16, Training Grant Application with the Commonwealth of Virginia

Dear Florence:

I’m pleased to report that Huntington Ingalls Incorporated has met the performance requirements of the 2011 MOU and the Act, and the Industrial Development Authority is eligible to receive the fifth and final Advanced Shipbuilding Training Facility Grant. Please include this report as part of your application to the Virginia Economic Development Partnership Authority, along with the supplemental information required of the IDA.

To summarize:

- ✓1) During the capital expenditure performance period of 2009 through 2011, the total capital expenditure within the City of Newport News was \$357.96 million, well in excess of the \$300 million required in the Act and the MOU. No additional capital spending was required to qualify. However, to maintain that compliance, we report that the assets purchased during that reporting period remain in place.
- ✓2) The 2015 full time equivalent employment level within the Virginia Class Submarine program was 4,648, measured in accordance with the MOU. This exceeds the 4,010 target outlined in the MOU. The base figure for 2008 was 3,010. More detail is provided in Attachment (a).
- ✓3) The average annual wage or salary for those employees was \$61,464. That figure does not include fringe benefits. This is also discussed further in Attachment (a).
- ✓4) Internal training expenses for 2015 were \$81.2 million, substantially higher than the baseline training expense of \$53 million for 2008 outlined in the MOU. They are described in detail in Attachment (b).
- ✓5) The Apprentice School met all performance requirements outlined in the MOU and the Act. A report from the school's director is Attachment (c).

The information summarized in this letter and provided in detail in the attachments is considered proprietary and confidential, because it includes details we do not publicly disclose. It is provided to meet the reporting requirements of the MOU and the Act. If you have additional questions or need additional details, please do not hesitate to contact me or Steve Haner.

We have used the new Apprentice School facility for more than a year and it is proving to be, as everyone expected, a major asset to both the shipyard and to the city. Thank you for all your leadership and guidance in this matter.

Very truly yours,



William C. Bell

cc: Matthew J. Mulherin  
Thomas J. Cosgrove  
Stephen D. Haner





Newport News  
Shipbuilding

# memo

To: Bill Bell  
From: Manager, State Government Affairs  
Date: March 10, 2016  
Subject: Virginia Class Submarine Employment Growth

The following is confidential proprietary information for release to the Newport News Industrial Development Authority and the Virginia Economic Development Partnership Authority for reporting purposes. It should not be further disseminated without our permission.

During 2015, Huntington Ingalls Incorporated met the employment growth requirements to qualify for the Advanced Shipbuilding Training Facility Grant. The annual average employment level within the Virginia Class Submarine Program for the year was 4,648, well above the target for 2015 of 4,010 listed in the August 31, 2011, Memorandum of Understanding.

Given the nature of our work, for the purposes of compliance with the grant requirements employment within the Virginia Class Submarine program is tracked by contract hours. The assumption is 8 additional hours worked by a full time Huntington Ingalls employee and billed to a VCS hull contract is an additional equivalent employee day. Full compliance with the MOU requires 8,000 additional hours per work day, as compared with the 2008 base year, during 2015. This will meet the definition of 1,000 additional jobs.

All hours tracked are worked by full time employees of the company, as defined by the statute. The hours are those of all employees, including those enrolled in our apprentice program, with time billed directly to the Program. Only hours billed directly to the VCS contracts are counted, so paid leave or time spent on some other contract or some other activity not billed to the contract are not included. No indirect hours are included. No employees of vendors, contractors or U.S. Navy personnel assigned to the Program are included.

The average annual base compensation for a full time employee who was on roll for all of 2015 was \$61,464 (that figure does not include the value of employee benefits).

The VCS employment levels (as defined) and average annual wages (without benefits) are summarized on the following chart:

	<b>Average VCS EM</b>		<b>Annualized Base Pay</b>
<b>2008</b>	3,010		49,754
<b>2009</b>	3,439		52,374
<b>2010</b>	3,444		53,622
<b>2011</b>	3,391		55,578
<b>2012</b>	3,719		56,160
<b>2013</b>	3,925		57,138
<b>2014</b>	4,530		58,989
<b>2015</b>	4,648		61,464

While we are not required to report this under the agreements, the reported growth within the Virginia Class Submarine program can be substantiated by overall employment growth within the shipyard. The average annual employment level at the shipyard in Virginia, reported to the Virginia Employment Commission for unemployment insurance tax purposes, was 18,246 in 2008 and was 21,366 in 2015.

All data was pulled from reports produced by the VCS Program business office.



Thomas J. Cosgrove for  
Steve Haner

Attachment A

**Summary of 2015 Formal Training Costs - Final**

Total Formal Training Costs for 2015			
Category	Dollars	Hours	Avg. \$/Hrs.
2015 Overhead Costs*	\$ 27,795,739	617,640	N/A
Tuition Reimbursement**	6,146,620	-	N/A
Indirect Trainee Labor	32,705,993	1,175,693	\$ 27.82
Direct Training Labor	14,556,011	471,502	\$ 30.87
<b>Totals</b>	<b>\$ 81,204,363</b>	<b>2,264,836</b>	

\* Costs and Hours related to Training minus trainee labor hours and dollars.

\*\* Tuition Reimbursement appears under O35 (i.e., centralized cost for NNS)

Department	Total Hours	Trainee Hours	Percent of Trainee Hours to Total Hours	Percent of Total Trainee Hours
The Apprentice School	450,172	337,949	75%	20.5%
Production and Maintenance	548,713	400,366	73%	24.3%
Training Services	58,567	-	0%	0.0%
Nuclear Skills Training - O67	366,621	260,900	71%	15.8%
Leadership Development	75,945	42,019	55%	2.6%
Technical Skills Development	222,727	186,746	84%	11.3%
Career & Professional	80,278	68,851	86%	4.2%
Learning Technology	21,508	419	2%	0.0%
Nuclear Training - E84	34,465	19,978	58%	1.2%
Radiological Control	102,155	41,285	40%	2.5%
Reactor Services Training	35,356	35,356	100%	2.1%
Miscellaneous	268,328	253,326	94%	15.4%
<b>Total Hours</b>	<b>2,264,836</b>	<b>1,647,196</b>	<b>73%</b>	<b>100.0%</b>

Department	Total Training Dollars	Percent of Total Training Dollars	Total Trainee Dollars	Percent of Total Trainee Dollars
Production and Maintenance	\$ 15,864,924	19.5%	\$ 10,064,799	21.3%
The Apprentice School	\$ 15,731,237	19.4%	7,393,820	15.6%
Technical Skills Development	\$ 14,131,946	17.4%	6,214,149	13.1%
Nuclear Skills Training - O67	\$ 12,256,569	15.1%	8,123,512	17.2%
Radiological Control	\$ 3,262,930	4.0%	1,263,400	2.7%
Leadership Development	\$ 3,002,912	3.7%	2,110,256	4.5%
Training Services	\$ 2,321,546	2.9%	-	0.0%
Reactor Services Training	\$ 1,212,711	1.5%	1,212,711	2.6%
Nuclear Training - E84	\$ 1,167,456	1.4%	751,680	1.6%
Career & Professional	\$ 2,924,655	3.6%	2,492,065	5.3%
Learning Technology	\$ 1,315,629	1.6%	13,552	0.0%
Miscellaneous	\$ 8,011,848	9.9%	7,622,059	16.1%
<b>Total Dollars</b>	<b>\$ 81,204,363</b>	<b>100%</b>	<b>\$ 47,262,004</b>	<b>100%</b>

Indirect Dollars per Hour	Direct Dollars per Hour
\$24.08	\$32.56
\$21.88	\$0.00
\$33.28	\$0.00
\$31.38	\$30.95
\$30.68	\$30.60
\$50.22	\$0.00
\$0.00	\$0.00
\$0.00	\$34.30
\$36.52	\$39.00
\$36.20	\$0.00
\$32.31	\$0.00
\$32.13	\$29.41
<b>\$27.82</b>	<b>\$30.87</b>



**Newport News  
Shipbuilding**

# memo

To: William C. Bell  
Vice President, Human Resources and Administration

From: Everett H. Jordan  
Director, Education

Date: January 11, 2016

Subject: Training Grant Application with the Commonwealth of Virginia

I am pleased to update you on the current status of The Apprentice School with respect to the 5<sup>th</sup> and final training grant application with the Commonwealth of Virginia.

First, let me confirm that the School is operational with 782 apprentices enrolled in 19 trades and 8 optional, advanced programs. We have started the Winter 2016 Academic Term of the World Class Shipbuilder Curriculum and the Spring semester classes for advanced students in partnership with Thomas Nelson Community College, Tidewater Community College and Old Dominion University are underway as well.

Second, our average enrollment for the calendar year 2015 was 794 apprentices. We completed the year with 770 on roll, having graduated 170 apprentices. Preparations are underway for our formal graduation ceremony scheduled for February 20<sup>th</sup>.

Third, articulation agreements remain in effect with the following colleges and universities: Christopher Newport University, Hampton University, Old Dominion University, Saint Leo University, Strayer University, Thomas Nelson Community College, Tidewater Community College, Paul D. Camp Community College and Virginia Wesleyan College.

Fourth, we remain fully accredited with the Accrediting Commission of the Council on Occupational Education (COE), a national accrediting agency recognized by the U.S. Secretary of Education. COE's scope includes non-degree granting and applied associate degree-granting postsecondary occupational education institutions. Our last reaffirmation of accreditation was granted in 2010 for the maximum period of six years. We have spent much of 2015 preparing for an April 2016 site visit from the accrediting commission for reaffirmation. We fully expect to have our accreditation reaffirmed for the maximum period of six years.

Thank you for this opportunity to update you on the status of our program. We are excited about having completed our second full year in the new school and look forward to the opportunities it presents to our student body, faculty/staff, alumni and the company in the years ahead. We look forward to continuing to work with you and others on the fulfillment of the training grant application.

C: Stephen D. Haner  
Thomas J. Cosgrove  
Ray C. Bagley

HUNTINGTON INGALLS INDUSTRIES PRIVATE/PROPRIETARY LEVEL 1  
ATTACHMENT C

RESOLUTION NO. 12153-11

A RESOLUTION STATING THE CITY'S SUPPORT OF A SIGNIFICANT MIXED-USE REDEVELOPMENT PROJECT IN THE CITY'S TRADITIONAL DOWNTOWN, ENVISIONED ON A BROAD SCALE TO INCLUDE AN APPROXIMATELY 85,000-SQUARE-FOOT STATE-OF-THE-ART APPRENTICE SCHOOL, 174 MARKET-RATE/AFFORDABLE APPRENTICE AND WORKFORCE HOUSING UNITS, 30,000 SQUARE FEET OF RETAIL, 380-SPACE PARKING GARAGE AND GREEN AREA, IN A CAMPUS-LIKE SETTING ON AN APPROXIMATELY 6-ACRE SITE GENERALLY BOUNDED BY THE PARKING GARAGE AT 30TH STREET ON WASHINGTON AVENUE, 34TH STREET, WASHINGTON AVENUE AND WEST AVENUE (THE PROJECT).

WHEREAS, the City Council of the City of Newport News, Virginia (Council) has evaluated the above described Project, and determined that it is in the best interests of the citizens of the City of Newport News (City) for the City to support the Project on certain, limited terms generally outlined herein; and

WHEREAS, the Council recognizes that the Commonwealth of Virginia has provided innovative funding under the Advanced Shipbuilding Training Facility Grant Program (the Grant) for the development of a New Training Facility for Newport News Shipbuilding, a division of Huntington Ingalls Industries, Inc. (the Shipyard), currently referred to as the Apprentice School project (the A-School), to be located in Downtown Newport News; and

WHEREAS, the Council wholly supports the Commonwealth Grant to provide a new state-of-the-art A-School, as it will directly strengthen the Shipyard, the City's single largest employer and taxpayer, and facilitate the Shipyard's ability to attract and compete for the most qualified, talented students for the A-School program now and into the future; and

WHEREAS, the Council is aware that in the summer of 2010, the Shipyard publicly solicited proposals for development of the A-School and encouraged responders to submit plans that leveraged the Grant and included complementary development for the A-School and the traditional Downtown; and

WHEREAS, the Council was advised that the Shipyard subsequently selected Armada/Hoffler Development Company, L.L.C., a Virginia limited liability company (Armada Hoffler), or its assigns, as the preferred development partner to work with the City, the Commonwealth and the Shipyard to leverage the Grant and develop a sustainable, mixed-use, highly impactful project which furthers the City's longstanding redevelopment efforts; and

WHEREAS, the Council understands that Armada Hoffler proposes a public/private collaborative project with total capital investment exceeding \$70 million, including a state-of-the-art A-School, parking garage, apprentice and workforce housing, ground-level retail that includes much needed restaurants, medical and other services, and creates a sustainable, campus-style setting in the traditional downtown area of the City; and

WHEREAS, the Council believes the Project reinforces the City's longstanding redevelopment efforts in the Downtown, complementing prior successful collaborative projects including, but not limited to, VSS, Sears, Downtown Engineering Center, Herbert H. Bateman Virginia Advanced Shipbuilding and Carrier Integration Center, and notably, the nearby Navy Housing Project; and

WHEREAS, the Council further believes the Project will result in numerous additional important benefits to the City, such as generating increased tax revenues, adding to the vibrancy of the Downtown by providing Apprentice student and workforce residential opportunities and supporting retail services, and positively impacting the value of other publicly-owned land in the vicinity; and

WHEREAS, for these reasons the Council desires to support the Project; and

WHEREAS, to further the implementation of the Project, the Council is requesting the Industrial Development Authority of the City of Newport News, Virginia (IDA) to serve as a conduit for the Grant funding as requested by the Shipyard and Armada Hoffler, and to be the conduit for any local Project incentives; and

WHEREAS, it is the Council's expectation that the IDA will negotiate comprehensively and in good faith the terms and conditions of various agreements with Armada Hoffler, the Shipyard and the Commonwealth, as applicable, to detail the responsibilities of each respective party and will advise Council of material terms and conditions prior to execution of the agreements; and

WHEREAS, to further identify its support of the Project and to advance implementation of the Project, the Council directs the City Manager to proceed to undertake the necessary steps/actions to accomplish the City's participation in the Project, to include:

- a. Conveyance of City-owned property within the proposed Project boundaries (3301 Washington Avenue, 129 33<sup>rd</sup> Street and 126 34<sup>th</sup> Street) to the IDA;
- b. Requesting the Newport News Redevelopment and Housing Authority (NNRHA) to convey NNRHA - owned property within the proposed project boundaries (3105, 3315 and 3317 Washington Avenue) to the IDA;
- c. Preparing for future Council consideration a flexible plan of finance and documents relating thereto to fund the City's commitment of approximately \$15.5 million, primarily through inclusion annually in the City's Capital Improvement Plan, over a longer-term period, with options for early payment opportunities, to fund the City's participation in the Project components of land assembly, structured parking and off-site infrastructure and utility improvements/relocations;
- d. Initiating a plan for off-site public infrastructure, including necessary street closures

at 32<sup>nd</sup> and 33<sup>rd</sup> Streets, and utility relocation, undergrounding and upgrading surrounding the Project;

- e. Providing guidance and direction, as applicable, to the IDA in its negotiations of the various agreements needed to effectuate the Project; and
- f. Identifying, evaluating and coordinating suitable Downtown properties for option for potential future phases of development.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Newport News, Virginia:

1. That it hereby supports a significant mixed-use redevelopment project in the City's traditional Downtown, envisioned on a broad scale to include an approximately 85,000-square-foot state-of-the-art Apprentice School, 174 market-rate/affordable apprentice and workforce housing units, 30,000 square feet of retail, 380-space parking garage and green area, in a campus-like setting on an approximately 6-acre site generally bounded by the Parking Garage at 30<sup>th</sup> Street on Washington Avenue, 34<sup>th</sup> Street, Washington Avenue and West Avenue.

2. That based on the reasons stated in this Resolution, the totality of which clearly demonstrates to Council that the City's participation in the Project is in the best interests of the citizens of the City, Council hereby requests that the IDA serve in the role outlined herein with respect to the Project, and directs the City Manager to proceed to undertake all necessary steps/actions stated above to identify the City's participation in the Project as set forth herein and to schedule, as appropriate, all necessary City Council actions to accomplish the City's participation in the Project in a timely fashion.

3. That this resolution shall be in effect on and after the date of its adoption, June 14, 2011.

PASSED BY THE COUNCIL OF THE CITY OF NEWPORT NEWS ON JUNE 14, 2011

Mabel Washington Jenkins, MMC  
City Clerk

McKinley L. Price, DDS  
Mayor

A true copy, teste:

*Mabel Washington Jenkins*  
City Clerk

RESOLUTION NO. 12260-12

A RESOLUTION OF THE COUNCIL OF THE CITY OF NEWPORT NEWS, VIRGINIA, APPROVING A MORAL OBLIGATION AGREEMENT FOR THE BENEFIT OF THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF NEWPORT NEWS, VIRGINIA, IN SUPPORT OF AN ADVANCED SHIPBUILDING TRAINING FACILITY AND ADJACENT, RELATED, HIGH-QUALITY MIXED-USE DEVELOPMENT.

WHEREAS, the Industrial Development Authority of the City of Newport News, Virginia (the Authority), was duly established by the City Council (the Council) of the City of Newport News, Virginia (the City), and is duly organized under the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the Act); and

WHEREAS, under the Act it is the purpose of the Authority to promote industry and develop trade by inducing manufacturing, industrial, governmental, educational and commercial enterprises to locate in or remain in the Commonwealth of Virginia for the purpose of promoting the safety, health, welfare, convenience or prosperity of the inhabitants of the Commonwealth of Virginia, or for the increase of their commerce; and

WHEREAS, pursuant to an Advanced Shipbuilding Training Facility Grant Program (the Grant Program) established under Section 59.1-284.23 of the Code of Virginia of 1950, as amended, Huntington Ingalls Incorporated, a Virginia corporation, formerly Northrop Grumman Shipbuilding, Inc. (HII), the Authority and the City intend to cause the development of a new state-of-the-art shipbuilding training facility (the New Training Facility) on several parcels of land located in the downtown area of the City and, in concert therewith, cause additional high-quality development adjacent to the New Training Facility, including an approximately 380-space multi-story parking structure with controlled access to designated areas such that users may have access on a monthly, daily or hourly fee basis, along with surface parking spaces within the project area (the Parking Facilities), and apprentice and workforce rental housing to be made available to the public along with retail, restaurant or other commercial facilities (Housing/Retail), all such additional development to constitute the Private Capital Target, as defined and described in the Grant Program and required thereby, the New Training Facility, Parking Facilities and Housing/Retail defined herein collectively as the Project (the Project); and

WHEREAS, the New Training Facility, together with the Capital Investment (as defined and described in the Grant Program) to be made, the New Full-Time Jobs within the Virginia Class Submarine Program (as defined and described in the Grant Program) to be created and maintained, the Training Expense (as defined and described in the Grant Program) to be incurred and the Private Capital Target to be achieved, are expected to (a) create and maintain additional full-time jobs within the Virginia Class Submarine Program in the City totaling 1,000, (b) result in at least \$300 million of Capital Investment by HII, (c) maintain a level of Training Expense in each calendar year of no less than \$59,957,919, (d) maintain an apprenticeship program with an average annual enrollment of at least 750 students and articulation agreements with local community colleges, (e) create private non-public capital investment in real property, tangible personal



property or both, in an amount equal to or greater than the cost of the New Training Facility and (f) result in substantial increases in the City's tax base and tax and fee revenues benefitting the citizens of the City and promoting economic development within the City's downtown area; and

WHEREAS, Washington Avenue Associates, L.L.C. (the Developer), an affiliate of Armada Hoffer Development Company, has been selected by HII to develop the New Training Facility and to undertake the adjacent development in order to achieve the Private Capital Target; and

WHEREAS, to induce the Project (now expected to cost approximately \$70,000,000), the City and the Authority participation includes financial support of land assembly, delivery of structured and surface parking, utility relocations and improvements and other public infrastructure; and

WHEREAS, it has been represented to the Council that the Authority, the Developer and HII have agreed to a development plan for the Project and have delivered the appropriate agreements to proceed with such development plan (the Development Agreements) as required by the Grant Program and the Amended and Restated Memorandum of Understanding dated as of August 31, 2011, between the Commonwealth of Virginia, the Authority and HII; and

WHEREAS, under such Development Agreements, the Developer is required to construct the Parking Facilities for lease to the Authority, the Authority is required to enter into a Parking Structure lease (the Parking Structure Lease) which includes rental payments to provide recovery by the Developer of the development and financing costs for land assembly, parking facilities construction costs and utility relocations and improvements within and around the Project area and the Authority is required to secure such rental payments by entering into a moral obligation agreement with the City whereby the City, subject to annual appropriation by City Council, will provide the necessary funds to pay the Authority's rental payments under such Parking Structure Lease; and

WHEREAS, the Parking Structure Lease is expected to be for a term not to exceed fifteen (15) years, to provide for an annual rental payment and to provide for the Parking Facilities to be conveyed to the Authority at the end of the lease term or earlier under the Authority's purchase option set forth in the Parking Structure Lease; and

WHEREAS, a draft of such moral obligation agreement has been presented at this meeting and the Authority has requested and the City Manager recommends the Council's approval of a moral obligation agreement and the Council's authorization of its execution that substantially conforms to the terms contained in the attached draft; and

WHEREAS, the Council hereby determines that a valid public purpose will be served by the development of the New Training Facility and its adjacent development, including the Parking Facilities;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Newport News, Virginia:

1. That it hereby authorizes and directs the City Manager to execute, and the City Clerk to attest, on behalf of the City of Newport News, Virginia, a moral obligation agreement between the City and the Authority (the Agreement) which substantially complies and conforms with the terms of the draft agreement which is attached hereto, with any changes to the Agreement which the City Manager agrees to make first being reviewed as to form by the City Attorney and the City's Bond Counsel before execution thereof.

2. That the payment obligations of the City under the Agreement shall be subject to annual appropriation by the Council for such purpose and shall not constitute a debt or other binding legal obligation of the City for the payment of money.

3. That copies of the aforementioned Grant Program, and the executed Development Agreements and the Amended and Restated Memorandum of Understanding dated as of August 31, 2011, and the Parking Structure Lease shall be kept on file in the City's Department of Development.

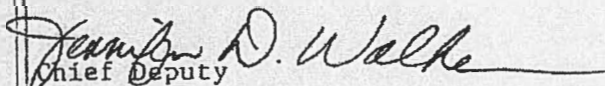
4. That this resolution shall be in effect on and after the date of its adoption, February 28, 2012.

PASSED BY THE COUNCIL OF THE CITY OF NEWPORT NEWS ON FEBRUARY 28, 2012

Mabel Washington Jenkins, MMC  
City Clerk

McKinley L. Price, DDS  
Mayor

A true copy, teste:

  
Jeanette D. Walker  
Chief Deputy  
City Clerk

**ARMADA HOFFLER**  
P R O P E R T I E S

March 10, 2016

Florence G. Kingston  
Director, Department of Development  
City of Newport News  
2400 Washington Avenue, 3<sup>rd</sup> Floor  
Newport News, Virginia 23607

Dear Mr. Kingston:

In response to your most recent inquiry regarding the mixed use Apprentice School project in downtown Newport News, I have updated the construction and investment goals below:

- The project contemplated by the Development Agreement executed February 29, 2012 by and between Washington Avenue Associates, LLC and the Industrial Development Authority of the City of Newport News, Virginia includes the New Training Facility. The Development Agreement also contemplates the sufficient development, construction and tenant improvement costs necessary for private capital investments to be equal to or greater than the Private Capital Target.
- On site Construction began on the New Training Facility on March 19, 2012.
- On site construction began on the project components comprising the private capital investment on March 26, 2012.
- Occupancy on the New Training Facility commenced on December 7, 2013.
- As of December 31, 2013, \$37,169,581.00 of development and construction expenses was incurred towards the Private Capital Target. As of January 2014, the garage portion of the project was complete and the Liberty Apartments were purchased by Armada Hoffer Properties and thus complete. The combination of these completed projects exceeds the Private Capital Target.
- On July 22, 2014, the parking facility was sold to the Industrial Development Authority of the City of Newport News, Virginia.
- As of August 2015, the Liberty Apartments attained a ninety percent (90%) occupancy rate.

222 CENTRAL PARK AVENUE, SUITE 2100 • VIRGINIA BEACH, VA 23462

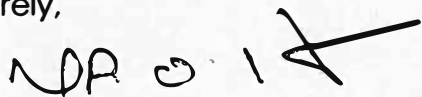
P: 757.366.4000 • F: 757.424.2513

WWW.ARMADAHOFFLER.COM

Florence G. Kingston  
March 9, 2016  
Page Two

Please let me know if I can answer any further questions or provide you with any additional information.

Sincerely,

Handwritten signature of Michael P. O'Hara, consisting of the letters 'MPO' followed by a stylized flourish.

Michael P. O'Hara  
CFO

**AMENDED AND RESTATED  
MEMORANDUM OF UNDERSTANDING**

**ADVANCED SHIPBUILDING TRAINING  
FACILITY GRANT PROGRAM**

**THIS AMENDED AND RESTATED MEMORANDUM OF UNDERSTANDING** (this "Memorandum"), dated as of the 31st day of August, 2011, among the **COMMONWEALTH OF VIRGINIA** (the "Commonwealth"), **HUNTINGTON INGALLS INCORPORATED**, a Virginia corporation, formerly Northrop Grumman Shipbuilding, Inc. (the "Company"), and the **INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF NEWPORT NEWS, VIRGINIA**, a political subdivision of the Commonwealth (the "IDA") provides:

Recitals

This Memorandum amends and restates the Memorandum of Understanding dated June 30, 2009 (the "Original Memorandum") between the Commonwealth and Northrop Grumman Shipbuilding, Inc., as the predecessor in interest to the Company.

Section 59.1-284.23 (the "Act") of the Code of Virginia of 1950, as amended (the "Virginia Code") created an Advanced Shipbuilding Training Facility Grant Program (the "Grant"). The Original Memorandum memorialized the terms and provisions of the Grant, in accordance with the original version of the Act. The Act was amended in the 2011 session of the General Assembly. In order to reflect the amendments to the Act and implement certain options now available under the Act for receiving the Grant, the Commonwealth, the Company and the IDA desire to enter into this Memorandum on the terms set forth herein. Upon the full execution and delivery hereof by the parties, the Original Memorandum shall be deemed to be amended and restated in conformity with this Memorandum.

The Commonwealth, in consideration of the Capital Investment to be made, the New Full-Time Jobs within the Virginia Class Submarine Program to be created and maintained, the Training Expenses to be incurred, the New Training Facility anticipated to be developed by or on behalf of the Company, and the Private Capital Target to be achieved, as such capitalized terms are defined below, has offered certain incentives, including the Grant. It is expected that the Grant will be paid to the Company or the IDA, as applicable, based on certain performance targets set forth in the Act and this Memorandum.

The stimulation of the additional tax revenue and economic activity to be generated by the Capital Investment, the private capital investment represented by the Private Capital Target, the New Full-Time Jobs within the Virginia Class Submarine Program and the Training Expenses, and the enhanced workforce training opportunities that may be offered by the Company at the New Training Facility constitute valid public purposes for the expenditure of public funds and are the animating purposes for the Advanced Shipbuilding Training Facility Grant Program.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, receipt of which is hereby acknowledged, the Commonwealth, the Company and the IDA agree as follows:

**Section 1. Definitions.**

As used in this Memorandum:

*"Act"* means Section 59.1-284.23 of the Virginia Code, as such Section may be amended or supplemented, as originally enacted by Chapters 798 and 850 of the Acts of the General Assembly of Virginia of 2009 and as amended by Chapter 749 of the Acts of the General Assembly of Virginia of 2011.

*"Advanced Shipbuilding"* means (i) the manufacture, construction, assembly, overhaul, repair, and test of nuclear vessels and submarines for the United States Navy; (ii) the design or development of nuclear vessels and submarines for the United States Navy; or (iii) the manufacturing activities of a private company described under 2007 index number 336611 of the North American Industry Classification System.

*"Application"* means an annual written application for a Grant payment, with supporting documentation, provided to the Secretary by the Company or by the IDA and the Company, as described in Section 3(b).

*"Base Training Expense"* means the total Training Expenses made by the Company in calendar year 2008. The Base Training Expense is \$52,957,919.

*"Capital Investment"* means an investment by or on behalf of the Company on or after January 1, 2009, in real property, tangible personal property, or both, within the Eligible City. Such investment must be directly or indirectly related to Advanced Shipbuilding, but need not be related to the Company's Virginia Class Submarine program.

*"Eligible City"* means the City of Newport News, Virginia, or the IDA.

*"Fiscal Year"* means the Commonwealth's fiscal year, which runs from July 1 of one calendar year through June 30 of the following calendar year.

*"Full-Time Job"* means employment of an indefinite duration in the Eligible City, for Advanced Shipbuilding or activities ancillary to or supportive of Advanced Shipbuilding and as the direct result of the Capital Investment, for which the average annual wage is at least equal to the prevailing average annual wage in the Eligible City and for which the standard fringe benefits are paid by the Company, requiring a minimum of either (i) 35 hours of an employee's time per week for the entire normal year of the Company's operations, which "normal year" must consist of at least 48 weeks or (ii) 1,680 hours per year. Seasonal or temporary positions, and positions created when a job function is shifted from an existing location in the Commonwealth shall not qualify as Full-Time Jobs. The aggregate number of hours worked

(including paid holidays, vacation, sick leave, and all other paid time off) during a particular calendar year will count toward the Full-Time Jobs.

*"Full-Time Jobs within the Virginia Class Submarine Program"* shall be the total number of man hours of work in a work week on the Virginia Class Submarine program performed by people holding Full-Time Jobs, divided by 40 less any holiday time during that week. The man hours of work shall be as reported by the Qualified Shipbuilder to the United States Navy. The annual average will be for the first 48 work weeks of each calendar year.

For the employees and employers noted in clauses (a) through (d) below, jobs will count as Full-Time Jobs within the Virginia Class Submarine Program on a full-time equivalent basis, even if the jobs are not of an indefinite duration or even if the Company is not directly paying the wages or providing the fringe benefits, but only so long as the other conditions for a Full-Time Job have been satisfied. Whether to include the growth in these categories of jobs above their calendar year 2008 baseline numbers in determining the achievement of the New Full-Time Jobs Target shall be at the option of the Qualified Shipbuilder, but once included they must continue to be reported in subsequent Applications:

- (a) Employees of a subsidiary or partner, a joint venturer, or an affiliated company, if such employees are in the Commonwealth and are assigned to the Company's Virginia Class Submarine program;
- (b) Employees of contractors and subcontractors in the Commonwealth who provide dedicated full-time support during a particular calendar year related to the Company's technical, production, manufacturing or similar operations in support of the Company's Virginia Class Submarine program;
- (c) Members of the United States Navy assigned to duty in the Eligible City to support the Virginia Class Submarine Program or to serve on Virginia Class Submarines during construction, testing or outfitting by the Qualified Shipbuilder in the Eligible City; and
- (d) Employees of the Qualified Shipbuilder enrolled full time in the Apprentice School above the calendar year 2008 base enrollment of 750.

*"Fund"* means the Advanced Shipbuilding Training Facility Fund created under the Act and established on the books of the Comptroller of the Commonwealth. Grant payments will be made to the Company or the IDA, as applicable, from the Fund.

*"Grant"* means the expected advanced shipbuilding training facility grant payments to be made by the Commonwealth to the Company or the IDA, as applicable, pursuant to the Act and in accordance with this Memorandum.

*"New Full-Time Job Target"* means each of the annual targets shown below for the aggregate number of New Full-Time Jobs within the Virginia Class Submarine Program, to be created and maintained by the Company:

<u>Calendar Year</u>	<u>Aggregate New Full-Time Jobs Within the Virginia Class Submarine Program Created and Maintained</u>
2011	81
2012	276
2013	500
2014	750
2015	1,000

*"New Full-Time Jobs within the Virginia Class Submarine Program"* means the number of Full-Time Jobs within the Virginia Class Submarine Program over the calendar year 2008 base of 3,010 including apprentices or 2,892 not including apprentices.

*"New Training Facility"* means a facility that may be constructed after January 1, 2009, that is to be operated by the Company, primarily to provide education, training and retraining of workers in the shipbuilding industry. Such New Training Facility may be owned by the Company, or may be operated by the Company through a lease agreement with the Eligible City or a private developer.

*"Private Capital Target"* means private non-public capital investment in real property, tangible personal property or both, in an amount equal to or greater than the cost of the New Training Facility, and which is located adjacent to the New Training Facility pursuant to a development plan approved by the Eligible City and the Company. For the purposes of determining whether the Private Capital Target has been achieved, the capital expenditures made on the New Training Facility through December 31, 2015 shall be the basis of the Private Capital Target.

*"Qualified Shipbuilder"* means a shipbuilder located in an Eligible City that (i) makes a Capital Investment of at least \$300 million from January 1, 2009 through December 31, 2011, related to Advanced Shipbuilding in an Eligible City; (ii) creates at least 1,000 New Full-Time Jobs within the Virginia Class Submarine Program from January 1, 2009 through December 31, 2015 in an Eligible City for Advanced Shipbuilding or activities ancillary to or supportive of Advanced Shipbuilding; (iii) maintains an apprenticeship program accredited by the Council for Occupational Education with an average annual enrollment of at least 750 and articulation agreements with local community colleges that allow its graduates to qualify for accredited associate degrees from those institutions; and (iv) maintains a level of Training Expenses in each calendar year no less than the Base Training Expense.

*"Secretary"* means the Secretary of Commerce and Trade for the Commonwealth, or his designee.



"*Substantial Reduction*" means either (i) the aggregate Capital Investment remaining at the end of a calendar year is more than 20% less than the Capital Investment remaining at the end of the previous calendar year because the assets that constitute the Capital Investment previously reported on an Application have been sold or otherwise disposed of, without an offsetting additional Capital Investment, or (ii) the number of New Full-Time Jobs within the Virginia Class Submarine Program remaining at the end of a calendar year is (A) more than 20% less than the number of New Full-Time Jobs within the Virginia Class Submarine Program during the previous calendar year and (B) is lower than the New Full-Time Job Target for that year.

"*Training Expense*" means an expense paid directly or indirectly by the Company to train or retrain a new or existing employee in Advanced Shipbuilding or activities ancillary to or supportive of Advanced Shipbuilding, including but not limited to (i) the personnel cost of employees of the Company conducting the training or being trained; (ii) materials and supplies used in providing that training; (iii) tuition and other costs paid to a school or vendor for training of a new or existing employee; or (iv) the capital or lease cost of any New Training Facility, including any lease cost for the New Training Facility paid by the IDA.

"*VEDP*" means the Virginia Economic Development Partnership Authority, and its successors and assigns.

"*Waiver*" means the exercise by the Company of its option to forego the receipt by the Company of Grant payments under Subsection B. of the Act in favor of the receipt by the IDA of Grant payments under Subsection F. of the Act.

**Section 2. Advanced Shipbuilding Training Facility Grant Program; Generally; Waiver.**

(a) Company as Qualified Shipbuilder. The parties anticipate that the Company will be a "Qualified Shipbuilder," as defined above and in the Act. The Company will undertake to continue to be a "Qualified Shipbuilder" throughout the entire period of the payment of the Grant.

(b) Memorandum. The parties intend that this Memorandum meet the requirement in the Act that there be a memorandum of understanding among the Company, the Commonwealth and the Eligible City setting forth the requirements for the payment and receipt of Grant payments.

(c) Grant Payments Subject to Appropriation. The Commonwealth's obligations under this Memorandum and the Act to make Grant payments to the Company or the IDA, as applicable, shall constitute contractual obligations to make such payments; *provided* that the parties acknowledge that all of the Grant payments described in this Memorandum are subject to appropriation by the Virginia General Assembly, will be paid from the Fund, and are subject to reduction should there be insufficient moneys in the Fund to make the Grant payments in full.

Although payments to the Company or the IDA, as applicable, under this Memorandum are subject to appropriation by the Virginia General Assembly, the Secretary, on behalf of the

Commonwealth, agrees to exercise diligence in seeking the necessary funding for Grant payments under this Memorandum from the Virginia General Assembly. The Secretary will include such funding in the appropriate budget requests to the Governor for the appropriate fiscal years and for later fiscal years, should there be any deferrals of Grant payments or failures to appropriate in earlier fiscal years. The Governor shall include in the Budget Bill he submits to the General Assembly in 2011 and later years pursuant to §2.2-1509 of the Virginia Code all appropriations necessary to fulfill the obligations of the Commonwealth pursuant to this Memorandum. The obligation to include such funding in budget requests to the Governor for later fiscal years based on the Commonwealth's failure to appropriate in a prior fiscal year will cease three fiscal years after the failure to appropriate.

(d) No Double-Counting. No capital expenditures made nor new jobs created that are subject to any other performance agreement with the Commonwealth, the Eligible City or any other Virginia locality may count as Capital Investments or New Full-Time Jobs within the Virginia Class Submarine Program under this Memorandum. For example, the capital expenditures to be made and the new jobs to be created by AREVA Newport News, LLC or by Newport News Energy Company that are related to the nuclear power industry, may not be counted as Capital Investments or New Full-Time Jobs within the Virginia Class Submarine Program.

When reporting on the New Full-Time Jobs within the Virginia Class Submarine Program, the Company or the IDA and the Company, as applicable, will be consistent throughout the Grant payment period on whether to include or exclude apprentices.

(e) Use of Grant Proceeds. The Company or the IDA, whichever is the Grant recipient, agrees to expend the proceeds of each Grant payment on Training Expenses for the benefit of the Company, including, without limitation, the lease costs or development and capital costs of the New Training Facility.

(f) Waiver. By October 3, 2011, the Company shall provide to the Commonwealth written notice indicating whether it has or has not elected to make the Waiver. Once such notice is provided to the Commonwealth, the election is irrevocable. Unless the Company has elected to make the Waiver, the IDA shall not be eligible to apply for a Grant payment.

### **Section 3. Grant Payments.**

(a) Maximum Payments.

(i) *If no Waiver is Made:* If the Company does not make the Waiver, the maximum aggregate amount of the Grant payments to be made under this Memorandum is \$25 million. Notwithstanding the foregoing, as described in the last paragraph of this clause (i), the Secretary may recommend to the Virginia General Assembly that the Company be eligible for an additional \$25 million in Grant payments to be paid in five annual installments of \$5 million each in a future five-year period, on terms and conditions to be considered by the Virginia General Assembly at that time.

Except as noted in Section 4 related to deferred payments, the maximum Grant payment to be made hereunder in any of the Commonwealth's Fiscal Years is \$5 million.

No later than 90 days following the Secretary's receipt of the Application for the fifth Grant installment payment, the Secretary shall provide a report to the chairmen of the House Committee on Appropriations and the Senate Committee on Finance detailing the performance of the Company under the Grant. Such review shall include, but not be limited to, an evaluation of (i) the return on investment, (ii) the time frame for return on investment to the Commonwealth, (iii) the average wages of the New Full-Time Jobs within the Virginia Class Submarine Program created by the Company, (iv) the additional Capital Investment made by the Company, and (v) the status of the Company's apprenticeship program and facilities. If the Secretary finds the Company has met the terms of the Grant program, he may recommend to the Virginia General Assembly eligibility for an additional \$25 million in grants for additional training activities by the Company payable over a subsequent five-year period.

(ii) *If Waiver is Made:* If the Company makes the Waiver, the maximum aggregate amount of the Grant payments to be made under this Memorandum is \$32,777,745, payable to the IDA in accordance with the schedule set forth on Exhibit A attached hereto and made a part hereof.

Except as noted in Section 4 related to deferred payments, the maximum Grant payment to be made hereunder in any of the Commonwealth's Fiscal Years is the amount shown for that Fiscal Year on Exhibit A.

(b) Annual Application for Grant Payment. On or before April 1 of each year, commencing April 1, 2012, (i) the Company, if the Waiver is not made, or (ii) the IDA and the Company, if the Waiver is made, shall provide an Application for a Grant payment providing evidence, satisfactory to the Secretary, of:

(i) the aggregate number of New Full-Time Jobs within the Virginia Class Submarine Program in the period from January 1, 2009 through the end of the previous calendar year, and the average annual wage paid for the Full-Time Jobs within the Virginia Class Submarine Program in the previous calendar year;

(ii) the extent to which, if any, the number of New Full-Time Jobs within the Virginia Class Submarine Program at the end of the previous calendar year is less than the number of New Full-Time Jobs within the Virginia Class Submarine Program at the end of the second previous calendar year;

(iii) the aggregate amount of the Capital Investment made or lost in the period from July 1, 2009 through December 31, 2011 and through the end of the previous calendar year;

(iv) the extent to which, if any, the aggregate Capital Investment at the end of the previous calendar year is less than the aggregate Capital Investment at the end of the second previous calendar year;

(v) (A) the continued existence of the Company's apprenticeship program, (B) the continued accreditation of that program by the Council for Occupational Education, or a successor or similar accreditation organization, (C) the continued existence of articulation agreements between that program and one or more of Virginia's community colleges, and (D) the number of apprentices enrolled in that program in the previous calendar year;

(vi) the aggregate amount of Training Expenses incurred during the previous calendar year;

(vii) only if the Waiver is made, the approval by the Eligible City and the Company of a development plan that includes the New Training Facility and additional private capital investment located adjacent to the New Training Facility that is equal to or greater than the Private Capital Target;

(viii) only if the Waiver is made, the date construction began on a New Training Facility, the date or projected date of occupation by the Company, and once occupied, the continued use by the Company, and for the Application due by April 1, 2016, the total capital cost of the New Training Facility, which will become the measure of the amount of the Private Capital Target; and

(ix) only if the Waiver is made, the date construction began on the private capital investment and the amount expended by the end of the previous calendar year towards the Private Capital Target amount.

Failure to meet the April 1 filing deadline shall result in a deferral of a scheduled Grant payment, as set forth in Section 4(a). For filings by mail, the postmark cancellation shall govern the date of the filing determination.

(c) Annual Grant Payment. Assuming that the following conditions have been met and have been demonstrated to the satisfaction of the Secretary in a timely-filed Application for a Grant payment, (1) if the Waiver has not been made, in each of the five Fiscal Years 2013 through 2017, a Grant payment will be made to the Company in the amount of \$5 million each, or (2) if the Waiver has been made, in each of the five Fiscal Years 2013 through 2017, a Grant will be made to the IDA in the amount for that Fiscal Year shown on Exhibit A. Such Grant payment will be made in the Fiscal Year following the filing of the Application. To receive the full scheduled Grant payment in each Fiscal Year, the Company or the IDA and the Company, as applicable, must have timely filed an Application by the prior April 1 demonstrating to the satisfaction of the Secretary:

(i) that the Company has achieved the New Full-Time Jobs Target in the period from January 1, 2009 through the end of the previous calendar year;

(ii) that no Substantial Reduction in the number of New Full-Time Jobs within the Virginia Class Submarine Program occurred during the previous calendar year;

(iii) that the aggregate amount of the Capital Investment made in the period from January 1, 2009 through December 31, 2011, was at least \$300 million;

(iv) that no Substantial Reduction in the aggregate amount of Capital Investment occurred during the previous calendar year;

(v) that (A) the Company's apprenticeship program continues to exist, (B) that program continues to be accredited by the Council for Occupational Education, or a successor or similar accreditation organization, (C) the articulation agreements between that program and one or more of Virginia's community colleges continue to exist, and (D) the number of apprentices enrolled in that program in the prior calendar year is not less than 750;

(vi) that the amount of Training Expenses incurred by the Company and the IDA in the prior calendar year was at least \$52,957,919 plus the amount of any Grant payment received in the previous calendar year;

(vii) only if the Waiver is made, that the Eligible City and the Company have approved the development plan described in clause 3(b)(vii) above;

(viii) only if the Waiver is made, that (A) the New Training Facility is under construction and is still intended to be used by the Company, or (B) the New Training Facility has been completed and is actually being used the Company; and

(ix) only if the Waiver is made, for the Application due by April 1, 2016, that the Private Capital Target has been achieved.

#### **Section 4. Deferred or Reduced Grant Payments.**

(a) Deferral for Late Application. If an Application that otherwise would have demonstrated compliance with the conditions for a Grant payment is submitted after an April 1 deadline date, the Grant payment will not be made in the succeeding Fiscal Year, but will be made in the second succeeding Fiscal Year, together with any other Grant payment that may be due in that second succeeding Fiscal Year.

(b) Deferral for Failure to Meet Capital Investment Target. If the Company has failed to make Capital Investments of at least \$300 million in the period from January 1, 2009 through December 31, 2011, the Company will have until December 31, 2014, to make Capital Investments of at least \$300 million. No Grant payment will be made unless and until the Company has made Capital Investments of at least \$300 million. An Application demonstrating compliance may be filed no later than April 1, 2015, reflecting Capital Investments made by December 31, 2014. If so filed, that Grant payment or payments that were deferred will be paid in the first Fiscal Year after which the Company has demonstrated in an Application compliance

with such condition. Any such deferred payment will be added to any Grant payment otherwise due in such succeeding Fiscal Year.

(c) Deferral for Failure to Achieve New Full-Time Jobs Target. If the Company has failed to achieve the applicable New Full-Time Jobs Target as of the end of the preceding calendar year, the Company or the IDA, as applicable, will be ineligible for a Grant payment in the succeeding Fiscal Year, but that Grant payment will be deferred and paid in the first Fiscal Year after which the Company has demonstrated in an Application compliance with such condition. Any such deferred payment will be added to any Grant payment otherwise due in such succeeding Fiscal Year. An Application demonstrating compliance may be filed no later than April 1, 2016, reflecting achievement of the New Full-Time Jobs Target by December 31, 2015.

(d) Deferral for Failure to Maintain Targets Related to Apprenticeship Program. If an Application indicates that the Company has failed to achieve or maintain one or more of the conditions described in Section 3(c)(v), related to the Company's apprenticeship program, the Company or the IDA, as applicable, will be ineligible for a Grant payment in the succeeding Fiscal Year, but that Grant payment will be deferred and paid in the first Fiscal Year after which the Company has demonstrated in an Application compliance with such conditions. Any such deferred payment will be added to any Grant payment otherwise due in such succeeding Fiscal Year. An Application demonstrating compliance may be filed no later than April 1, 2016, reflecting achievement or maintenance of such conditions through December 31, 2015.

(e) Reduction and Deferral for Substantial Reduction. If an Application reveals that a Substantial Reduction, either in aggregate Capital Investment or New Full-Time Jobs within the Virginia Class Submarine Program has occurred, the amount of the Grant payment due in the following Fiscal Year shall be reduced, but not if the Capital Investment has been reduced below \$300 million or the New Full-Time Jobs within the Virginia Class Submarine Program retained has been reduced below the applicable New Full-Time Jobs Target. For this purpose, each regularly-scheduled Grant payment will be allocated 50% to the Capital Investment and 50% to the New Full-Time Jobs within the Virginia Class Submarine Program and the reduction will reflect the percentage by which there has been a Substantial Reduction. For example, if an Application reveals that there has been a reduction in the aggregate Capital Investment in the previous calendar year of 25% from the second previous calendar year and a reduction in the New Full-Time Jobs within the Virginia Class Submarine Program in the previous calendar year of 25% from the second previous calendar year, the Grant payment shall be reduced by 25% of that portion allocable to the Capital Investment and by 25% of that portion allocable to the New Full-Time Jobs within the Virginia Class Submarine Program. The amount of the reduction will be deferred for payment with any Grant payment otherwise due in a Fiscal Year following an Application which demonstrates that the Capital Investment and/or New Full-Time Jobs within the Virginia Class Submarine Program, as applicable, have returned to a level that existed in the second previous calendar year that served as the base year for the Substantial Reduction. No Grant payments so deferred will be paid unless the Capital Investment or New Full-Time Jobs within the Virginia Class Submarine Program have returned to such a level by the second Application after the Substantial Reduction.

If a Substantial Reduction has reduced the remaining Capital Investment below \$300 million or the New Full-Time Jobs within the Virginia Class Submarine Program retained below the applicable New Full-Time Jobs Target, no Grant payments, including deferrals from prior years, will be made until the level of aggregate Capital Investment has returned to at least \$300 million and the level of New Full-Time Jobs within the Virginia Class Submarine Program retained has returned to at least the applicable New Full-Time Jobs Target.

(f) Reduction and Deferral Related to Training Expenses; Clawback. If an Application shows that the Training Expenses for the prior calendar year were less than the Base Training Expense plus the amount of any Grant payment received by the Company or the IDA, as applicable, in the prior calendar year, the next Grant payment will be reduced by the amount of the shortfall. If a future Application demonstrates that the Training Expenses for the prior calendar year were more than the Base Training Expense plus the amount of any Grant payment received by the Company or the IDA, as applicable, in the prior calendar year, the Grant amount deferred in the prior year may be added to the Grant amount due in the next Fiscal Year, until the amount earlier deferred is fully recovered, subject to deferral and reduction as provided herein.

The Company or the IDA and the Company, as applicable, shall file an Application by April 1 in the year after the final Grant payment was made, which need only provide the information required by Section 3(b)(vi) above. If such Application shows that the Training Expenses for the prior calendar year were less than the Base Training Expense plus the amount of any Grant payment received by the Company or the IDA, as applicable, in the prior calendar year, the Company shall repay to the Commonwealth the amount of the shortfall. Such repayment is due by June 30 of that year.

(g) Substantial Reduction Caused by United States Government. If there are reductions in either Capital Investment or New Full-Time Jobs within the Virginia Class Submarine Program that occur because of a decision by the United States Government to reduce, delay or cancel the current Virginia Class Submarine program production schedule of two ships per year, or if, for the same reason, the Company is unable to achieve the New Full-time Job Target, the Commonwealth, the Company and the IDA will discuss and consider amendments to this Memorandum that may be appropriate to allow an additional period for achieving the Capital Investment and New Full-Time Job Target and to allow additional programs where job creation or growth are occurring or planned to be counted toward the New Full-Time Job Target. These amendments must conform to the provisions of the Act (including the provisions related to the status of the Company as a Qualified Shipbuilder), and, as to the Commonwealth, may be based in part upon an analysis of the economic impact to the Commonwealth of the adjusted capital expenditure and new jobs expectations. Further, the Commonwealth, the Company and the IDA will consider whether to present to the Virginia General Assembly amendments to the Act that will allow the Company or the IDA, as applicable, to continue to qualify for Grant payments.

(h) Deferral or Repayment for Failure to Provide a New Training Facility or Meet Private Capital Target. The provisions of this subsection (h) shall apply only if the Waiver has been made. If the construction of the New Training Facility has been abandoned or ceased prior to its completion, if (during the construction period) the Company indicates that it no longer plans to use the New Training Facility, or if the Company is not actually using the completed

New Training Facility, no Grant payment will be made unless and until, as applicable, the construction has recommenced, and the New Training Facility is intended to be used or is being used by the Company. An Application demonstrating compliance may be filed no later than April 1, 2016, reflecting performance through December 31, 2015. If so filed, the Grant payment or payments that were deferred will be paid in the first Fiscal Year after which the Application demonstrates compliance with such conditions. Any such deferred payment will be added to any Grant payment otherwise due in such succeeding Fiscal Year.

If the Private Capital Target has not been achieved by December 31, 2015, no further Grant payment will be made. An Application demonstrating compliance may be filed no later than April 1, 2016, reflecting performance through December 31, 2015. If compliance with such condition is not achieved, the IDA shall repay any Grant payments previously received, as described in Section 5.

(i) Other Provisions Related to a Substantial Reduction. In the case of any Substantial Reduction, the Company shall provide written notice to the Secretary and VEDP within thirty (30) days of becoming aware of such event and shall meet with VEDP to propose and discuss a recovery plan.

#### **Section 5. Repayment Obligation of the Company and the IDA.**

According to the Act, a Qualified Shipbuilder entitled to Grant payments must have created at least 1,000 New Full-Time Jobs within the Virginia Class Submarine Program. Until the Company creates at least 1,000 New Full-Time Jobs within the Virginia Class Submarine Program any Grant payments received by the Company or the IDA, as applicable, are subject to repayment to the Commonwealth. If by the Application filed by the Company or the IDA and the Company, as applicable, on or before April 1, 2016, reflecting the Company's performance as of December 31, 2015, the Company has not created at least 1,000 New Full-Time Jobs within the Virginia Class Submarine Program the Company or the IDA, as applicable, must repay to the Commonwealth all Grant payments previously received and will be entitled to no further Grant payments. Such repayment is due by June 30, 2016. If such a repayment is made by the IDA to the Commonwealth under this paragraph of this Section 5, the Company shall reimburse the IDA for such amount.

Further, according to the Act, if the Waiver has been made, the Private Capital Target must be achieved. Until the Private Capital Target has been achieved, any Grant payments received by the IDA are subject to repayment to the Commonwealth. If by the Application filed by the IDA on or before April 1, 2016, reflecting performance as of December 31, 2015, the Private Capital Target has not been achieved, the IDA must repay to the Commonwealth all Grant payments previously received and will be entitled to no further Grant payments. Such repayment is due by June 30, 2016.

#### **Section 6. Reporting and Tracking.**

(a) Pre-Submission Evaluation. In advance of submitting any Application, the Company or the IDA, as applicable, may request of the Secretary a pre-submission evaluation for



the purpose of determining the adequacy of records and other documentation proposed to be submitted.

(b) Secretary's Report on Application. Within thirty (30) days after receiving an Application, the Secretary shall certify to (i) the Comptroller of the Commonwealth, (ii) the Company, and (iii) if the Waiver has been made, the IDA, the amount of the Grant to which the Company or the IDA is entitled under this Memorandum. Such Grant amount will be paid to the Company or the IDA, as applicable, from the Fund in the next Fiscal Year. The Comptroller shall not draw any warrants to issue checks to the Company or the IDA, as applicable, without a specific legislative appropriation, as specified in the conditions and restrictions on expenditures in the applicable appropriation act.

(c) Confidential and Proprietary Information. Any documents containing confidential and proprietary information made available and identified as such by the Company or the IDA on the Company's behalf to the Commonwealth, shall be maintained as confidential by VEDP and the Secretary, to the extent permitted by law.

(d) Transfer of New Training Facility; Status of Lease. Upon its fulfillment of the conditions set forth in the Act, the Company may apply to the Commonwealth for a determination that the Company has met the conditions of the Act. The IDA acknowledges and agrees that upon such determination the IDA, in conjunction with the private developer, will provide for the transfer of title of the New Training Facility to the Company at the conclusion of the Grant period, if and when the Company so requests. At the conclusion of the Grant period, the Company shall have the right to assume ownership of the New Training Facility. The transfer of ownership shall be provided for in a separate agreement among any of a private developer, the IDA and the Company. The Commonwealth assumes no responsibility or liability of the IDA or the private developer for their obligation to transfer ownership of the New Training Facility to the Company.

The IDA covenants and agrees that the terms and provisions of the lease or other arrangement that it will enter into with a private developer with respect to the New Training Facility will not cause that lease or other arrangement to be characterized as a capital lease by the IDA, under the Internal Revenue Code of 1986, as amended, and the regulations thereunder. Upon request of the Secretary, the IDA will provide to the Secretary a copy of any such lease or other arrangement and documentation regarding any debt of the private developer supported by payments under the lease or other arrangement.

#### **Section 7. Miscellaneous.**

(a) Assignments. The Commonwealth acknowledges that the Company, now known as Huntington Ingalls Incorporated, was known as Northrop Grumman Shipbuilding, Inc. at the time of the Original Memorandum. None of the rights or responsibilities of any party under this Memorandum shall be transferred or assigned, including by operation of law, without the prior written consent of the other parties hereto; *provided*, that in the case of the IDA's assignment of its rights hereunder to a financial institution in connection with the financing of the construction

by the IDA or a private developer of the New Training Facility, such consent shall not be unreasonably withheld, conditioned or delayed.

(b) Successors and Assigns. Subject to the limitations on assignments set forth in subsection (a) above, all of the provisions of this Memorandum shall be binding upon and for the benefit of the respective successors and assigns of the parties hereto, to the same extent as if each successor and assign were in each case named as a party to this Memorandum.

(c) Completeness; Modification. This Memorandum constitutes the entire agreement among the parties with respect to the Grant and supersedes all prior discussions, understandings, agreements and negotiations among the parties, except the Act. This Memorandum may be modified only by a written instrument duly executed by the parties and any such modification must be in accordance with the Act. Any modification to this Memorandum shall be submitted by the Secretary to the chairmen of the House Committee on Appropriations and the Senate Committee on Finance no later than 30 days after being executed by the Secretary.

(d) Numbers; Gender. Whenever in this Memorandum the singular number is used, the same shall include the plural where appropriate, and vice versa. Words of any gender used in this Memorandum shall include each other gender where appropriate.

(e) Notices. All notices, communications and other information provided under this Memorandum shall be in writing and shall be given by (i) personal delivery, (ii) a nationally recognized overnight courier (providing confirmation receipts) for delivery on the following business day, (iii) confirmed facsimile, or (iv) first class mail postage prepaid, as follows:

If to the Commonwealth:

Address: Commonwealth of Virginia  
1111 East Broad Street, 4<sup>th</sup> Floor (zip code: 23219)  
P.O. Box 1475  
Richmond, VA 23218  
Attention: Secretary of Commerce and Trade  
Telecopier: (804) 371-0250

With a copy to:

Address: Virginia Economic Development Partnership  
901 East Byrd Street, 19<sup>th</sup> Floor (zip code: 23219)  
P.O. Box 798  
Richmond, VA 23218-0798  
Attention: President and Chief Executive Officer  
Telecopier: (804) 545-5611

If to the Company:

Address: Huntington Ingalls Incorporated  
4101 Washington Avenue  
Building 86-3  
Newport News, Virginia 23607  
Attention: Vice President, Human Resources and Administration  
Telecopier: (757) 688-7750

With a copy to:

Address: Law Department  
4101 Washington Ave.  
Building 86-3  
Newport News, Virginia 23607  
Attention: Ann L. Pharr, Assistant General Counsel  
Telecopier: (757) 380-3875

If to the IDA:

Address: Industrial Development Authority of the City of Newport News, Virginia  
2400 Washington Avenue, 3<sup>rd</sup> Floor  
Newport News, Virginia 23607  
Attention: Secretary/Treasurer  
Telecopier: (757) 926-3504

With a copy to:

Address: Raymond H. Suttle, Jr. Esquire  
Jones, Blechman, Woltz & Kelly, P.C.  
701 Town Center Drive, Suite 800  
Newport News, Virginia 23606  
Telecopier: (757) 873-8103

or to such other address or telecopier number as shall be notified by any party to the other parties. Except as noted in the next sentence, any notice shall be deemed given when received or first refused by the addressee. Any evidence provided by the Company or the Eligible City by mail pursuant to Section 3 shall be deemed given when postmarked.

(f) Governing Law. This Memorandum shall be governed by and construed in accordance with the laws of the Commonwealth, without reference to its choice of law rules.

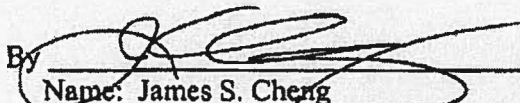
(g) Severability. If any court determines that any clause, provision or section of this Memorandum is illegal or invalid, the parties shall negotiate in good faith a substitute clause, provision or section, which such substitute must be in accordance with the Act, and the unaffected provisions shall remain in effect.

(h) Counterparts. This Memorandum may be executed in several counterparts, each of which will be an original, and the counterparts will together constitute one and the same instrument.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

WITNESS the following signatures as of the day and year first written above.

**COMMONWEALTH OF VIRGINIA**

By   
Name: James S. Cheng  
Title: Secretary of Commerce and Trade

**HUNTINGTON INGALLS INCORPORATED**

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE CITY OF NEWPORT NEWS, VIRGINIA**

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTEST:**

\_\_\_\_\_  
Florence G. Kingston  
Secretary/Treasurer

(SEAL)

Approved as to Form:

\_\_\_\_\_  
Raymond H. Suttle, Jr., Esquire  
IDA Counsel

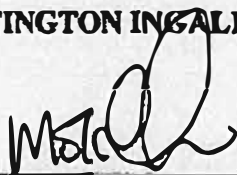
Exhibit A: Schedule of Grant Payments if Waiver is Made

WITNESS the following signatures as of the day and year first written above.

**COMMONWEALTH OF VIRGINIA**

By \_\_\_\_\_  
Name: James S. Cheng  
Title: Secretary of Commerce and Trade

**HUNTINGTON INGALLS INCORPORATED**

By  \_\_\_\_\_  
Name: Matthew Mulherin  
Title: President

**INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE CITY OF NEWPORT NEWS, VIRGINIA**

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTEST:**

\_\_\_\_\_  
Florence G. Kingston  
Secretary/Treasurer

(SEAL)

Approved as to Form:

\_\_\_\_\_  
Raymond H. Suttle, Jr., Esquire  
IDA Counsel

Exhibit A: Schedule of Grant Payments if Waiver is Made

WITNESS the following signatures as of the day and year first written above.

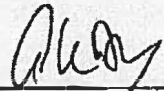
**COMMONWEALTH OF VIRGINIA**

By \_\_\_\_\_  
Name: James S. Cheng  
Title: Secretary of Commerce and Trade

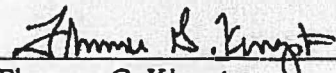
**HUNTINGTON INGALLS INCORPORATED**

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE CITY OF NEWPORT NEWS, VIRGINIA**

By   
Name: Alonzo R. Bell Jr.  
Title: Mayor

**ATTEST:**

  
Florence G. Kingston  
Secretary/Treasurer

(SEAL)


Approved as to Form  
  
Raymond H. Suttle, Jr., Esquire  
IDA Counsel

Exhibit A: Schedule of Grant Payments if Waiver is Made

**Exhibit A**  
**Schedule of Grant Payments**  
**If Waiver is Made**  
**Under Section 59.1-284.23.F of the Act**

Expected Payment Date	09/01/12	09/01/13	09/01/14	09/01/15	09/01/16
Fiscal Year	2013	2014	2015	2016	2017
Amount of Grant	\$5,000,000	\$5,000,000	\$8,029,323	\$7,592,582	\$7,155,840

Total: \$32,777,745



**AMENDED AND RESTATED  
MEMORANDUM OF UNDERSTANDING**

**ADVANCED SHIPBUILDING TRAINING  
FACILITY GRANT PROGRAM**

**THIS AMENDED AND RESTATED MEMORANDUM OF UNDERSTANDING** (this “Memorandum”), dated as of the 31st day of August, 2011, among the **COMMONWEALTH OF VIRGINIA** (the “Commonwealth”), **HUNTINGTON INGALLS INCORPORATED**, a Virginia corporation, formerly Northrop Grumman Shipbuilding, Inc. (the “Company”), and the **INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF NEWPORT NEWS, VIRGINIA**, a political subdivision of the Commonwealth (the “IDA”) provides:

Recitals

This Memorandum amends and restates the Memorandum of Understanding dated June 30, 2009 (the “Original Memorandum”) between the Commonwealth and Northrop Grumman Shipbuilding, Inc., as the predecessor in interest to the Company.

Section 59.1-284.23 (the “Act”) of the Code of Virginia of 1950, as amended (the “Virginia Code”) created an Advanced Shipbuilding Training Facility Grant Program (the “Grant”). The Original Memorandum memorialized the terms and provisions of the Grant, in accordance with the original version of the Act. The Act was amended in the 2011 session of the General Assembly. In order to reflect the amendments to the Act and implement certain options now available under the Act for receiving the Grant, the Commonwealth, the Company and the IDA desire to enter into this Memorandum on the terms set forth herein. Upon the full execution and delivery hereof by the parties, the Original Memorandum shall be deemed to be amended and restated in conformity with this Memorandum.

The Commonwealth, in consideration of the Capital Investment to be made, the New Full-Time Jobs within the Virginia Class Submarine Program to be created and maintained, the Training Expenses to be incurred, the New Training Facility anticipated to be developed by or on behalf of the Company, and the Private Capital Target to be achieved, as such capitalized terms are defined below, has offered certain incentives, including the Grant. It is expected that the Grant will be paid to the Company or the IDA, as applicable, based on certain performance targets set forth in the Act and this Memorandum.

The stimulation of the additional tax revenue and economic activity to be generated by the Capital Investment, the private capital investment represented by the Private Capital Target, the New Full-Time Jobs within the Virginia Class Submarine Program and the Training Expenses, and the enhanced workforce training opportunities that may be offered by the Company at the New Training Facility constitute valid public purposes for the expenditure of public funds and are the animating purposes for the Advanced Shipbuilding Training Facility Grant Program.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, receipt of which is hereby acknowledged, the Commonwealth, the Company and the IDA agree as follows:

**Section 1. Definitions.**

As used in this Memorandum:

“*Act*” means Section 59.1-284.23 of the Virginia Code, as such Section may be amended or supplemented, as originally enacted by Chapters 798 and 850 of the Acts of the General Assembly of Virginia of 2009 and as amended by Chapter 749 of the Acts of the General Assembly of Virginia of 2011.

“*Advanced Shipbuilding*” means (i) the manufacture, construction, assembly, overhaul, repair, and test of nuclear vessels and submarines for the United States Navy; (ii) the design or development of nuclear vessels and submarines for the United States Navy; or (iii) the manufacturing activities of a private company described under 2007 index number 336611 of the North American Industry Classification System.

“*Application*” means an annual written application for a Grant payment, with supporting documentation, provided to the Secretary by the Company or by the IDA and the Company, as described in Section 3(b).

“*Base Training Expense*” means the total Training Expenses made by the Company in calendar year 2008. The Base Training Expense is \$52,957,919.

“*Capital Investment*” means an investment by or on behalf of the Company on or after January 1, 2009, in real property, tangible personal property, or both, within the Eligible City. Such investment must be directly or indirectly related to Advanced Shipbuilding, but need not be related to the Company’s Virginia Class Submarine program.

“*Eligible City*” means the City of Newport News, Virginia, or the IDA.

“*Fiscal Year*” means the Commonwealth’s fiscal year, which runs from July 1 of one calendar year through June 30 of the following calendar year.

“*Full-Time Job*” means employment of an indefinite duration in the Eligible City, for Advanced Shipbuilding or activities ancillary to or supportive of Advanced Shipbuilding and as the direct result of the Capital Investment, for which the average annual wage is at least equal to the prevailing average annual wage in the Eligible City and for which the standard fringe benefits are paid by the Company, requiring a minimum of either (i) 35 hours of an employee’s time per week for the entire normal year of the Company’s operations, which “normal year” must consist of at least 48 weeks or (ii) 1,680 hours per year. Seasonal or temporary positions, and positions created when a job function is shifted from an existing location in the Commonwealth shall not qualify as Full-Time Jobs. The aggregate number of hours worked

(including paid holidays, vacation, sick leave, and all other paid time off) during a particular calendar year will count toward the Full-Time Jobs.

*“Full-Time Jobs within the Virginia Class Submarine Program”* shall be the total number of man hours of work in a work week on the Virginia Class Submarine program performed by people holding Full-Time Jobs, divided by 40 less any holiday time during that week. The man hours of work shall be as reported by the Qualified Shipbuilder to the United States Navy. The annual average will be for the first 48 work weeks of each calendar year.

For the employees and employers noted in clauses (a) through (d) below, jobs will count as Full-Time Jobs within the Virginia Class Submarine Program on a full-time equivalent basis, even if the jobs are not of an indefinite duration or even if the Company is not directly paying the wages or providing the fringe benefits, but only so long as the other conditions for a Full-Time Job have been satisfied. Whether to include the growth in these categories of jobs above their calendar year 2008 baseline numbers in determining the achievement of the New Full-Time Jobs Target shall be at the option of the Qualified Shipbuilder, but once included they must continue to be reported in subsequent Applications:

- (a) Employees of a subsidiary or partner, a joint venturer, or an affiliated company, if such employees are in the Commonwealth and are assigned to the Company’s Virginia Class Submarine program;
- (b) Employees of contractors and subcontractors in the Commonwealth who provide dedicated full-time support during a particular calendar year related to the Company’s technical, production, manufacturing or similar operations in support of the Company’s Virginia Class Submarine program;
- (c) Members of the United States Navy assigned to duty in the Eligible City to support the Virginia Class Submarine Program or to serve on Virginia Class Submarines during construction, testing or outfitting by the Qualified Shipbuilder in the Eligible City; and
- (d) Employees of the Qualified Shipbuilder enrolled full time in the Apprentice School above the calendar year 2008 base enrollment of 750.

*“Fund”* means the Advanced Shipbuilding Training Facility Fund created under the Act and established on the books of the Comptroller of the Commonwealth. Grant payments will be made to the Company or the IDA, as applicable, from the Fund.

*“Grant”* means the expected advanced shipbuilding training facility grant payments to be made by the Commonwealth to the Company or the IDA, as applicable, pursuant to the Act and in accordance with this Memorandum.

*“New Full-Time Job Target”* means each of the annual targets shown below for the aggregate number of New Full-Time Jobs within the Virginia Class Submarine Program, to be created and maintained by the Company:

<u>Calendar Year</u>	<u>Aggregate New Full-Time Jobs Within the Virginia Class Submarine Program Created and Maintained</u>
2011	81
2012	276
2013	500
2014	750
2015	1,000

“*New Full-Time Jobs within the Virginia Class Submarine Program*” means the number of Full-Time Jobs within the Virginia Class Submarine Program over the calendar year 2008 base of 3,010 including apprentices or 2,892 not including apprentices.

“*New Training Facility*” means a facility that may be constructed after January 1, 2009, that is to be operated by the Company, primarily to provide education, training and retraining of workers in the shipbuilding industry. Such New Training Facility may be owned by the Company, or may be operated by the Company through a lease agreement with the Eligible City or a private developer.

“*Private Capital Target*” means private non-public capital investment in real property, tangible personal property or both, in an amount equal to or greater than the cost of the New Training Facility, and which is located adjacent to the New Training Facility pursuant to a development plan approved by the Eligible City and the Company. For the purposes of determining whether the Private Capital Target has been achieved, the capital expenditures made on the New Training Facility through December 31, 2015 shall be the basis of the Private Capital Target.

“*Qualified Shipbuilder*” means a shipbuilder located in an Eligible City that (i) makes a Capital Investment of at least \$300 million from January 1, 2009 through December 31, 2011, related to Advanced Shipbuilding in an Eligible City; (ii) creates at least 1,000 New Full-Time Jobs within the Virginia Class Submarine Program from January 1, 2009 through December 31, 2015 in an Eligible City for Advanced Shipbuilding or activities ancillary to or supportive of Advanced Shipbuilding; (iii) maintains an apprenticeship program accredited by the Council for Occupational Education with an average annual enrollment of at least 750 and articulation agreements with local community colleges that allow its graduates to qualify for accredited associate degrees from those institutions; and (iv) maintains a level of Training Expenses in each calendar year no less than the Base Training Expense.

“*Secretary*” means the Secretary of Commerce and Trade for the Commonwealth, or his designee.

“*Substantial Reduction*” means either (i) the aggregate Capital Investment remaining at the end of a calendar year is more than 20% less than the Capital Investment remaining at the end of the previous calendar year because the assets that constitute the Capital Investment previously reported on an Application have been sold or otherwise disposed of, without an offsetting additional Capital Investment, or (ii) the number of New Full-Time Jobs within the Virginia Class Submarine Program remaining at the end of a calendar year is (A) more than 20% less than the number of New Full-Time Jobs within the Virginia Class Submarine Program during the previous calendar year and (B) is lower than the New Full-Time Job Target for that year.

“*Training Expense*” means an expense paid directly or indirectly by the Company to train or retrain a new or existing employee in Advanced Shipbuilding or activities ancillary to or supportive of Advanced Shipbuilding, including but not limited to (i) the personnel cost of employees of the Company conducting the training or being trained; (ii) materials and supplies used in providing that training; (iii) tuition and other costs paid to a school or vendor for training of a new or existing employee; or (iv) the capital or lease cost of any New Training Facility, including any lease cost for the New Training Facility paid by the IDA.

“*VEDP*” means the Virginia Economic Development Partnership Authority, and its successors and assigns.

“*Waiver*” means the exercise by the Company of its option to forego the receipt by the Company of Grant payments under Subsection B. of the Act in favor of the receipt by the IDA of Grant payments under Subsection F. of the Act.

**Section 2. Advanced Shipbuilding Training Facility Grant Program; Generally; Waiver.**

(a) Company as Qualified Shipbuilder. The parties anticipate that the Company will be a “Qualified Shipbuilder,” as defined above and in the Act. The Company will undertake to continue to be a “Qualified Shipbuilder” throughout the entire period of the payment of the Grant.

(b) Memorandum. The parties intend that this Memorandum meet the requirement in the Act that there be a memorandum of understanding among the Company, the Commonwealth and the Eligible City setting forth the requirements for the payment and receipt of Grant payments.

(c) Grant Payments Subject to Appropriation. The Commonwealth’s obligations under this Memorandum and the Act to make Grant payments to the Company or the IDA, as applicable, shall constitute contractual obligations to make such payments; *provided* that the parties acknowledge that all of the Grant payments described in this Memorandum are subject to appropriation by the Virginia General Assembly, will be paid from the Fund, and are subject to reduction should there be insufficient moneys in the Fund to make the Grant payments in full.

Although payments to the Company or the IDA, as applicable, under this Memorandum are subject to appropriation by the Virginia General Assembly, the Secretary, on behalf of the

Commonwealth, agrees to exercise diligence in seeking the necessary funding for Grant payments under this Memorandum from the Virginia General Assembly. The Secretary will include such funding in the appropriate budget requests to the Governor for the appropriate fiscal years and for later fiscal years, should there be any deferrals of Grant payments or failures to appropriate in earlier fiscal years. The Governor shall include in the Budget Bill he submits to the General Assembly in 2011 and later years pursuant to §2.2-1509 of the Virginia Code all appropriations necessary to fulfill the obligations of the Commonwealth pursuant to this Memorandum. The obligation to include such funding in budget requests to the Governor for later fiscal years based on the Commonwealth's failure to appropriate in a prior fiscal year will cease three fiscal years after the failure to appropriate.

(d) No Double-Counting. No capital expenditures made nor new jobs created that are subject to any other performance agreement with the Commonwealth, the Eligible City or any other Virginia locality may count as Capital Investments or New Full-Time Jobs within the Virginia Class Submarine Program under this Memorandum. For example, the capital expenditures to be made and the new jobs to be created by AREVA Newport News, LLC or by Newport News Energy Company that are related to the nuclear power industry, may not be counted as Capital Investments or New Full-Time Jobs within the Virginia Class Submarine Program.

When reporting on the New Full-Time Jobs within the Virginia Class Submarine Program, the Company or the IDA and the Company, as applicable, will be consistent throughout the Grant payment period on whether to include or exclude apprentices.

(e) Use of Grant Proceeds. The Company or the IDA, whichever is the Grant recipient, agrees to expend the proceeds of each Grant payment on Training Expenses for the benefit of the Company, including, without limitation, the lease costs or development and capital costs of the New Training Facility.

(f) Waiver. By October 3, 2011, the Company shall provide to the Commonwealth written notice indicating whether it has or has not elected to make the Waiver. Once such notice is provided to the Commonwealth, the election is irrevocable. Unless the Company has elected to make the Waiver, the IDA shall not be eligible to apply for a Grant payment.

### **Section 3. Grant Payments.**

(a) Maximum Payments.

(i) *If no Waiver is Made:* If the Company does not make the Waiver, the maximum aggregate amount of the Grant payments to be made under this Memorandum is \$25 million. Notwithstanding the foregoing, as described in the last paragraph of this clause (i), the Secretary may recommend to the Virginia General Assembly that the Company be eligible for an additional \$25 million in Grant payments to be paid in five annual installments of \$5 million each in a future five-year period, on terms and conditions to be considered by the Virginia General Assembly at that time.

Except as noted in Section 4 related to deferred payments, the maximum Grant payment to be made hereunder in any of the Commonwealth's Fiscal Years is \$5 million.

No later than 90 days following the Secretary's receipt of the Application for the fifth Grant installment payment, the Secretary shall provide a report to the chairmen of the House Committee on Appropriations and the Senate Committee on Finance detailing the performance of the Company under the Grant. Such review shall include, but not be limited to, an evaluation of (i) the return on investment, (ii) the time frame for return on investment to the Commonwealth, (iii) the average wages of the New Full-Time Jobs within the Virginia Class Submarine Program created by the Company, (iv) the additional Capital Investment made by the Company, and (v) the status of the Company's apprenticeship program and facilities. If the Secretary finds the Company has met the terms of the Grant program, he may recommend to the Virginia General Assembly eligibility for an additional \$25 million in grants for additional training activities by the Company payable over a subsequent five-year period.

(ii) *If Waiver is Made:* If the Company makes the Waiver, the maximum aggregate amount of the Grant payments to be made under this Memorandum is \$32,777,745, payable to the IDA in accordance with the schedule set forth on Exhibit A attached hereto and made a part hereof.

Except as noted in Section 4 related to deferred payments, the maximum Grant payment to be made hereunder in any of the Commonwealth's Fiscal Years is the amount shown for that Fiscal Year on Exhibit A.

(b) Annual Application for Grant Payment. On or before April 1 of each year, commencing April 1, 2012, (i) the Company, if the Waiver is not made, or (ii) the IDA and the Company, if the Waiver is made, shall provide an Application for a Grant payment providing evidence, satisfactory to the Secretary, of:

(i) the aggregate number of New Full-Time Jobs within the Virginia Class Submarine Program in the period from January 1, 2009 through the end of the previous calendar year, and the average annual wage paid for the Full-Time Jobs within the Virginia Class Submarine Program in the previous calendar year;

(ii) the extent to which, if any, the number of New Full-Time Jobs within the Virginia Class Submarine Program at the end of the previous calendar year is less than the number of New Full-Time Jobs within the Virginia Class Submarine Program at the end of the second previous calendar year;

(iii) the aggregate amount of the Capital Investment made or lost in the period from July 1, 2009 through December 31, 2011 and through the end of the previous calendar year;

- (iv) the extent to which, if any, the aggregate Capital Investment at the end of the previous calendar year is less than the aggregate Capital Investment at the end of the second previous calendar year;
- (v) (A) the continued existence of the Company's apprenticeship program, (B) the continued accreditation of that program by the Council for Occupational Education, or a successor or similar accreditation organization, (C) the continued existence of articulation agreements between that program and one or more of Virginia's community colleges, and (D) the number of apprentices enrolled in that program in the previous calendar year;
- (vi) the aggregate amount of Training Expenses incurred during the previous calendar year;
- (vii) only if the Waiver is made, the approval by the Eligible City and the Company of a development plan that includes the New Training Facility and additional private capital investment located adjacent to the New Training Facility that is equal to or greater than the Private Capital Target;
- (viii) only if the Waiver is made, the date construction began on a New Training Facility, the date or projected date of occupation by the Company, and once occupied, the continued use by the Company, and for the Application due by April 1, 2016, the total capital cost of the New Training Facility, which will become the measure of the amount of the Private Capital Target; and
- (ix) only if the Waiver is made, the date construction began on the private capital investment and the amount expended by the end of the previous calendar year towards the Private Capital Target amount.

Failure to meet the April 1 filing deadline shall result in a deferral of a scheduled Grant payment, as set forth in Section 4(a). For filings by mail, the postmark cancellation shall govern the date of the filing determination.

(c) Annual Grant Payment. Assuming that the following conditions have been met and have been demonstrated to the satisfaction of the Secretary in a timely-filed Application for a Grant payment, (1) if the Waiver has not been made, in each of the five Fiscal Years 2013 through 2017, a Grant payment will be made to the Company in the amount of \$5 million each, or (2) if the Waiver has been made, in each of the five Fiscal Years 2013 through 2017, a Grant will be made to the IDA in the amount for that Fiscal Year shown on Exhibit A. Such Grant payment will be made in the Fiscal Year following the filing of the Application. To receive the full scheduled Grant payment in each Fiscal Year, the Company or the IDA and the Company, as applicable, must have timely filed an Application by the prior April 1 demonstrating to the satisfaction of the Secretary:

- (i) that the Company has achieved the New Full-Time Jobs Target in the period from January 1, 2009 through the end of the previous calendar year;



- (ii) that no Substantial Reduction in the number of New Full-Time Jobs within the Virginia Class Submarine Program occurred during the previous calendar year;
- (iii) that the aggregate amount of the Capital Investment made in the period from January 1, 2009 through December 31, 2011, was at least \$300 million;
- (iv) that no Substantial Reduction in the aggregate amount of Capital Investment occurred during the previous calendar year;
- (v) that (A) the Company's apprenticeship program continues to exist, (B) that program continues to be accredited by the Council for Occupational Education, or a successor or similar accreditation organization, (C) the articulation agreements between that program and one or more of Virginia's community colleges continue to exist, and (D) the number of apprentices enrolled in that program in the prior calendar year is not less than 750;
- (vi) that the amount of Training Expenses incurred by the Company and the IDA in the prior calendar year was at least \$52,957,919 plus the amount of any Grant payment received in the previous calendar year;
- (vii) only if the Waiver is made, that the Eligible City and the Company have approved the development plan described in clause 3(b)(vii) above;
- (viii) only if the Waiver is made, that (A) the New Training Facility is under construction and is still intended to be used by the Company, or (B) the New Training Facility has been completed and is actually being used the Company; and
- (ix) only if the Waiver is made, for the Application due by April 1, 2016, that the Private Capital Target has been achieved.

**Section 4. Deferred or Reduced Grant Payments.**

(a) Deferral for Late Application. If an Application that otherwise would have demonstrated compliance with the conditions for a Grant payment is submitted after an April 1 deadline date, the Grant payment will not be made in the succeeding Fiscal Year, but will be made in the second succeeding Fiscal Year, together with any other Grant payment that may be due in that second succeeding Fiscal Year.

(b) Deferral for Failure to Meet Capital Investment Target. If the Company has failed to make Capital Investments of at least \$300 million in the period from January 1, 2009 through December 31, 2011, the Company will have until December 31, 2014, to make Capital Investments of at least \$300 million. No Grant payment will be made unless and until the Company has made Capital Investments of at least \$300 million. An Application demonstrating compliance may be filed no later than April 1, 2015, reflecting Capital Investments made by December 31, 2014. If so filed, that Grant payment or payments that were deferred will be paid in the first Fiscal Year after which the Company has demonstrated in an Application compliance

with such condition. Any such deferred payment will be added to any Grant payment otherwise due in such succeeding Fiscal Year.

(c) Deferral for Failure to Achieve New Full-Time Jobs Target. If the Company has failed to achieve the applicable New Full-Time Jobs Target as of the end of the preceding calendar year, the Company or the IDA, as applicable, will be ineligible for a Grant payment in the succeeding Fiscal Year, but that Grant payment will be deferred and paid in the first Fiscal Year after which the Company has demonstrated in an Application compliance with such condition. Any such deferred payment will be added to any Grant payment otherwise due in such succeeding Fiscal Year. An Application demonstrating compliance may be filed no later than April 1, 2016, reflecting achievement of the New Full-Time Jobs Target by December 31, 2015.

(d) Deferral for Failure to Maintain Targets Related to Apprenticeship Program. If an Application indicates that the Company has failed to achieve or maintain one or more of the conditions described in Section 3(c)(v), related to the Company's apprenticeship program, the Company or the IDA, as applicable, will be ineligible for a Grant payment in the succeeding Fiscal Year, but that Grant payment will be deferred and paid in the first Fiscal Year after which the Company has demonstrated in an Application compliance with such conditions. Any such deferred payment will be added to any Grant payment otherwise due in such succeeding Fiscal Year. An Application demonstrating compliance may be filed no later than April 1, 2016, reflecting achievement or maintenance of such conditions through December 31, 2015.

(e) Reduction and Deferral for Substantial Reduction. If an Application reveals that a Substantial Reduction, either in aggregate Capital Investment or New Full-Time Jobs within the Virginia Class Submarine Program has occurred, the amount of the Grant payment due in the following Fiscal Year shall be reduced, but not if the Capital Investment has been reduced below \$300 million or the New Full-Time Jobs within the Virginia Class Submarine Program retained has been reduced below the applicable New Full-Time Jobs Target. For this purpose, each regularly-scheduled Grant payment will be allocated 50% to the Capital Investment and 50% to the New Full-Time Jobs within the Virginia Class Submarine Program and the reduction will reflect the percentage by which there has been a Substantial Reduction. For example, if an Application reveals that there has been a reduction in the aggregate Capital Investment in the previous calendar year of 25% from the second previous calendar year and a reduction in the New Full-Time Jobs within the Virginia Class Submarine Program in the previous calendar year of 25% from the second previous calendar year, the Grant payment shall be reduced by 25% of that portion allocable to the Capital Investment and by 25% of that portion allocable to the New Full-Time Jobs within the Virginia Class Submarine Program. The amount of the reduction will be deferred for payment with any Grant payment otherwise due in a Fiscal Year following an Application which demonstrates that the Capital Investment and/or New Full-Time Jobs within the Virginia Class Submarine Program, as applicable, have returned to a level that existed in the second previous calendar year that served as the base year for the Substantial Reduction. No Grant payments so deferred will be paid unless the Capital Investment or New Full-Time Jobs within the Virginia Class Submarine Program have returned to such a level by the second Application after the Substantial Reduction.

If a Substantial Reduction has reduced the remaining Capital Investment below \$300 million or the New Full-Time Jobs within the Virginia Class Submarine Program retained below the applicable New Full-Time Jobs Target, no Grant payments, including deferrals from prior years, will be made until the level of aggregate Capital Investment has returned to at least \$300 million and the level of New Full-Time Jobs within the Virginia Class Submarine Program retained has returned to at least the applicable New Full-Time Jobs Target.

(f) Reduction and Deferral Related to Training Expenses; Clawback. If an Application shows that the Training Expenses for the prior calendar year were less than the Base Training Expense plus the amount of any Grant payment received by the Company or the IDA, as applicable, in the prior calendar year, the next Grant payment will be reduced by the amount of the shortfall. If a future Application demonstrates that the Training Expenses for the prior calendar year were more than the Base Training Expense plus the amount of any Grant payment received by the Company or the IDA, as applicable, in the prior calendar year, the Grant amount deferred in the prior year may be added to the Grant amount due in the next Fiscal Year, until the amount earlier deferred is fully recovered, subject to deferral and reduction as provided herein.

The Company or the IDA and the Company, as applicable, shall file an Application by April 1 in the year after the final Grant payment was made, which need only provide the information required by Section 3(b)(vi) above. If such Application shows that the Training Expenses for the prior calendar year were less than the Base Training Expense plus the amount of any Grant payment received by the Company or the IDA, as applicable, in the prior calendar year, the Company shall repay to the Commonwealth the amount of the shortfall. Such repayment is due by June 30 of that year.

(g) Substantial Reduction Caused by United States Government. If there are reductions in either Capital Investment or New Full-Time Jobs within the Virginia Class Submarine Program that occur because of a decision by the United States Government to reduce, delay or cancel the current Virginia Class Submarine program production schedule of two ships per year, or if, for the same reason, the Company is unable to achieve the New Full-time Job Target, the Commonwealth, the Company and the IDA will discuss and consider amendments to this Memorandum that may be appropriate to allow an additional period for achieving the Capital Investment and New Full-Time Job Target and to allow additional programs where job creation or growth are occurring or planned to be counted toward the New Full-Time Job Target. These amendments must conform to the provisions of the Act (including the provisions related to the status of the Company as a Qualified Shipbuilder) , and, as to the Commonwealth, may be based in part upon an analysis of the economic impact to the Commonwealth of the adjusted capital expenditure and new jobs expectations. Further, the Commonwealth, the Company and the IDA will consider whether to present to the Virginia General Assembly amendments to the Act that will allow the Company or the IDA, as applicable, to continue to qualify for Grant payments.

(h) Deferral or Repayment for Failure to Provide a New Training Facility or Meet Private Capital Target. The provisions of this subsection (h) shall apply only if the Waiver has been made. If the construction of the New Training Facility has been abandoned or ceased prior to its completion, if (during the construction period) the Company indicates that it no longer plans to use the New Training Facility, or if the Company is not actually using the completed

New Training Facility, no Grant payment will be made unless and until, as applicable, the construction has recommenced, and the New Training Facility is intended to be used or is being used by the Company. An Application demonstrating compliance may be filed no later than April 1, 2016, reflecting performance through December 31, 2015. If so filed, the Grant payment or payments that were deferred will be paid in the first Fiscal Year after which the Application demonstrates compliance with such conditions. Any such deferred payment will be added to any Grant payment otherwise due in such succeeding Fiscal Year.

If the Private Capital Target has not been achieved by December 31, 2015, no further Grant payment will be made. An Application demonstrating compliance may be filed no later than April 1, 2016, reflecting performance through December 31, 2015. If compliance with such condition is not achieved, the IDA shall repay any Grant payments previously received, as described in Section 5.

(i) Other Provisions Related to a Substantial Reduction. In the case of any Substantial Reduction, the Company shall provide written notice to the Secretary and VEDP within thirty (30) days of becoming aware of such event and shall meet with VEDP to propose and discuss a recovery plan.

#### **Section 5. Repayment Obligation of the Company and the IDA.**

According to the Act, a Qualified Shipbuilder entitled to Grant payments must have created at least 1,000 New Full-Time Jobs within the Virginia Class Submarine Program. Until the Company creates at least 1,000 New Full-Time Jobs within the Virginia Class Submarine Program any Grant payments received by the Company or the IDA, as applicable, are subject to repayment to the Commonwealth. If by the Application filed by the Company or the IDA and the Company, as applicable, on or before April 1, 2016, reflecting the Company's performance as of December 31, 2015, the Company has not created at least 1,000 New Full-Time Jobs within the Virginia Class Submarine Program the Company or the IDA, as applicable, must repay to the Commonwealth all Grant payments previously received and will be entitled to no further Grant payments. Such repayment is due by June 30, 2016. If such a repayment is made by the IDA to the Commonwealth under this paragraph of this Section 5, the Company shall reimburse the IDA for such amount.

Further, according to the Act, if the Waiver has been made, the Private Capital Target must be achieved. Until the Private Capital Target has been achieved, any Grant payments received by the IDA are subject to repayment to the Commonwealth. If by the Application filed by the IDA on or before April 1, 2016, reflecting performance as of December 31, 2015, the Private Capital Target has not been achieved, the IDA must repay to the Commonwealth all Grant payments previously received and will be entitled to no further Grant payments. Such repayment is due by June 30, 2016.

#### **Section 6. Reporting and Tracking.**

(a) Pre-Submission Evaluation. In advance of submitting any Application, the Company or the IDA, as applicable, may request of the Secretary a pre-submission evaluation for

the purpose of determining the adequacy of records and other documentation proposed to be submitted.

(b) Secretary's Report on Application. Within thirty (30) days after receiving an Application, the Secretary shall certify to (i) the Comptroller of the Commonwealth, (ii) the Company, and (iii) if the Waiver has been made, the IDA, the amount of the Grant to which the Company or the IDA is entitled under this Memorandum. Such Grant amount will be paid to the Company or the IDA, as applicable, from the Fund in the next Fiscal Year. The Comptroller shall not draw any warrants to issue checks to the Company or the IDA, as applicable, without a specific legislative appropriation, as specified in the conditions and restrictions on expenditures in the applicable appropriation act.

(c) Confidential and Proprietary Information. Any documents containing confidential and proprietary information made available and identified as such by the Company or the IDA on the Company's behalf to the Commonwealth, shall be maintained as confidential by VEDP and the Secretary, to the extent permitted by law.

(d) Transfer of New Training Facility; Status of Lease. Upon its fulfillment of the conditions set forth in the Act, the Company may apply to the Commonwealth for a determination that the Company has met the conditions of the Act. The IDA acknowledges and agrees that upon such determination the IDA, in conjunction with the private developer, will provide for the transfer of title of the New Training Facility to the Company at the conclusion of the Grant period, if and when the Company so requests. At the conclusion of the Grant period, the Company shall have the right to assume ownership of the New Training Facility. The transfer of ownership shall be provided for in a separate agreement among any of a private developer, the IDA and the Company. The Commonwealth assumes no responsibility or liability of the IDA or the private developer for their obligation to transfer ownership of the New Training Facility to the Company.

The IDA covenants and agrees that the terms and provisions of the lease or other arrangement that it will enter into with a private developer with respect to the New Training Facility will not cause that lease or other arrangement to be characterized as a capital lease by the IDA, under the Internal Revenue Code of 1986, as amended, and the regulations thereunder. Upon request of the Secretary, the IDA will provide to the Secretary a copy of any such lease or other arrangement and documentation regarding any debt of the private developer supported by payments under the lease or other arrangement.

## **Section 7. Miscellaneous.**

(a) Assignments. The Commonwealth acknowledges that the Company, now known as Huntington Ingalls Incorporated, was known as Northrop Grumman Shipbuilding, Inc. at the time of the Original Memorandum. None of the rights or responsibilities of any party under this Memorandum shall be transferred or assigned, including by operation of law, without the prior written consent of the other parties hereto; *provided*, that in the case of the IDA's assignment of its rights hereunder to a financial institution in connection with the financing of the construction

by the IDA or a private developer of the New Training Facility, such consent shall not be unreasonably withheld, conditioned or delayed.

(b) Successors and Assigns. Subject to the limitations on assignments set forth in subsection (a) above, all of the provisions of this Memorandum shall be binding upon and for the benefit of the respective successors and assigns of the parties hereto, to the same extent as if each successor and assign were in each case named as a party to this Memorandum.

(c) Completeness; Modification. This Memorandum constitutes the entire agreement among the parties with respect to the Grant and supersedes all prior discussions, understandings, agreements and negotiations among the parties, except the Act. This Memorandum may be modified only by a written instrument duly executed by the parties and any such modification must be in accordance with the Act. Any modification to this Memorandum shall be submitted by the Secretary to the chairmen of the House Committee on Appropriations and the Senate Committee on Finance no later than 30 days after being executed by the Secretary.

(d) Numbers; Gender. Whenever in this Memorandum the singular number is used, the same shall include the plural where appropriate, and vice versa. Words of any gender used in this Memorandum shall include each other gender where appropriate.

(e) Notices. All notices, communications and other information provided under this Memorandum shall be in writing and shall be given by (i) personal delivery, (ii) a nationally recognized overnight courier (providing confirmation receipts) for delivery on the following business day, (iii) confirmed facsimile, or (iv) first class mail postage prepaid, as follows:

If to the Commonwealth:

Commonwealth of Virginia  
Address: 1111 East Broad Street, 4<sup>th</sup> Floor (zip code: 23219)  
P.O. Box 1475  
Richmond, VA 23218  
Attention: Secretary of Commerce and Trade  
Telecopier: (804) 371-0250

With a copy to:

Virginia Economic Development Partnership  
Address: 901 East Byrd Street, 19<sup>th</sup> Floor (zip code: 23219)  
P.O. Box 798  
Richmond, VA 23218-0798  
Attention: President and Chief Executive Officer  
Telecopier: (804) 545-5611

If to the Company:

Huntington Ingalls Incorporated  
Address: 4101 Washington Avenue  
Building 86-3  
Newport News, Virginia 23607  
Attention: Vice President, Human Resources and Administration  
Telecopier: (757) 688-7750

With a copy to:

Law Department  
Address: 4101 Washington Ave.  
Building 86-3  
Newport News, Virginia 23607  
Attention: Ann L. Pharr, Assistant General Counsel  
Telecopier: (757) 380-3875

If to the IDA:

Industrial Development Authority of the City of Newport News, Virginia  
Address: 2400 Washington Avenue, 3<sup>rd</sup> Floor  
Newport News, Virginia 23607  
Attention: Secretary/Treasurer  
Telecopier: (757) 926-3504

With a copy to:

Raymond H. Suttle, Jr. Esquire  
Jones, Blechman, Woltz & Kelly, P.C.  
Address: 701 Town Center Drive, Suite 800  
Newport News, Virginia 23606  
Telecopier: (757) 873-8103

or to such other address or telecopier number as shall be notified by any party to the other parties. Except as noted in the next sentence, any notice shall be deemed given when received or first refused by the addressee. Any evidence provided by the Company or the Eligible City by mail pursuant to Section 3 shall be deemed given when postmarked.

(f) Governing Law. This Memorandum shall be governed by and construed in accordance with the laws of the Commonwealth, without reference to its choice of law rules.

(g) Severability. { TC "Section 6.2. Severability" \f C \l "2" } If any court determines that any clause, provision or section of this Memorandum is illegal or invalid, the parties shall negotiate in good faith a substitute clause, provision or section, which such substitute must be in accordance with the Act, and the unaffected provisions shall remain in effect.

(h) Counterparts. { TC "Section 6.4. Counterparts" \f C \l "2"} This Memorandum may be executed in several counterparts, each of which will be an original, and the counterparts will together constitute one and the same instrument.

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WITNESS the following signatures as of the day and year first written above.

**COMMONWEALTH OF VIRGINIA**

By \_\_\_\_\_  
Name: James S. Cheng  
Title: Secretary of Commerce and Trade

**HUNTINGTON INGALLS INCORPORATED**

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE CITY OF NEWPORT NEWS, VIRGINIA**

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTEST:**

\_\_\_\_\_  
Florence G. Kingston  
Secretary/Treasurer

(SEAL)

Approved as to Form:

\_\_\_\_\_  
Raymond H. Suttle, Jr., Esquire  
IDA Counsel

Exhibit A: Schedule of Grant Payments if Waiver is Made

**Exhibit A**  
**Schedule of Grant Payments**  
**If Waiver is Made**  
**Under Section 59.1-284.23.F of the Act**

Expected Payment Date	09/01/12	09/01/13	09/01/14	09/01/15	09/01/16
Fiscal Year	2013	2014	2015	2016	2017
Amount of Grant	\$5,000,000	\$5,000,000	\$8,029,323	\$7,592,582	\$7,155,840

Total: \$32,777,745