



Selected Acquisition Report (SAR)

RCS: DD-A&T(Q&A)823-374



LCS

As of December 31, 2010

Defense Acquisition Management
Information Retrieval
(DAMIR)

UNCLASSIFIED

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Program Information

Designation And Nomenclature (Popular Name)

Littoral Combat Ship (LCS)

DoD Component

Navy

Responsible Office

Responsible Office

CAPT Jeffery Riedel
 Naval Sea Systems Command
 1333 Issac Hull Avenue, S.E.
 Washington Navy Yard, DC 20376-2202
jeffery.riedel@navy.mil

Phone 202-781-2132
Fax 202-781-4538
DSN Phone 326-2132
DSN Fax --
Date Assigned August 10, 2010

References

SAR Baseline (Planning Estimate)

Defense Acquisition Executive (DAE) Approved Acquisition Program Baseline (APB) dated May 27, 2004

Approved APB

DAE Approved Acquisition Program Baseline (APB) dated April 7, 2011

Mission and Description

The Littoral Combat Ship (LCS) will be optimized for flexibility in the littorals as a system of systems that are both manned and unmanned, mission reconfigurable, and deployed in LCS. It will focus on three primary anti-access mission areas: Littoral Surface Warfare operations emphasizing prosecution of small boats, mine warfare, and littoral anti-submarine warfare. Its high speed and ability to operate at economical loiter speeds will enable fast and calculated response to small boat threats, mine laying and quiet diesel submarines. LCS employment of networked sensors for Intelligence, Surveillance, and Reconnaissance (ISR) in support of Special Operations Forces (SOF) will directly enhance littoral mobility. Its shallow draft will allow easier excursion into shallower areas for both mine countermeasures and small boat prosecution. Using LCS against these asymmetric threats will enable Joint Commanders to concentrate multi-mission combatants on primary missions such as precision strike, battle group escort and theater air defense.

Executive Summary

On February 18, 2011, USD(AT&L) conducted a Milestone B (MS B) Defense Acquisition Board (DAB) for the seaframe portion of the LCS program. The decision of the DAB was to separate the program into two separate and distinct programs with separate reporting requirements. The Seaframe portion of the program is reported in this SAR as approved at MS B. The Mission Module portion of the program will begin reporting when it receives its Milestone B decision. The LCS Seaframe program has been certified to Congress in accordance with section 2366b, title 10, United States Code.

This SAR is the first Milestone B SAR for the Research, Development, Test & Evaluation (RDT&E) and Ship Construction, Navy (SCN) Littoral Combat ships. The RDT&E have been utilized on the development of the seaframe design and the construction, delivery and post delivery testing and evaluation of USS FREEDOM (LCS 1) and USS INDEPENDENCE (LCS 2). The RDT&E will continue to support the sustaining engineering for the 55 ships of the LCS program. The ship construction, Navy (SCN) funds are being used for the construction of the recently launched LCS 3 (FORT WORTH) and on the construction of LCS 4 (CORONADO), plus the two FY 2010 ships recently awarded in the FY 2010 – 2015 Block Buy contracts, LCS 5 (MILWAUKEE) and LCS 6 (JACKSON).

The Acquisition Strategy approved by the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) on January 25, 2010 employed a down select strategy to one block buy of 10 ships of one design to achieve more competitive pricing.

The Navy conducted a limited competition amongst the existing LCS industry teams or team participants for the award of a contract for the construction of a block buy of up to ten (10) LCS Flight 0+ Class ships of one design from Fiscal Year 2010 through FY 2014. The industry teams/participants at that time were: (a) General Dynamics LCS Team: General Dynamics-Bath Iron Works, Austal USA, and General Dynamics Advanced Information Systems; and (b) the Lockheed Martin LCS Team: Lockheed Martin-Maritime Systems & Sensors, Fincantieri Marinette Marine Corporation, Bollinger Shipyards and Gibbs & Cox.

The request for proposal for the FY 2010 – 2014 LCS Flight 0+ Class ships was issued on January 26, 2010. Subsequently, Bath Iron Works decided to not compete for this competition, and the Navy received proposals from Austal USA and Lockheed Martin – Mission Systems & Sensors (LM) on April 12, 2010. The Navy evaluated these proposals, conducted detailed discussions with each offeror, and received Final Proposal Revisions with an objective of competitively awarding a single contract based upon the specified evaluation and award criteria set forth in the solicitation.

After careful review of the competitive prices received in response to the solicitation and consideration of total program costs and the benefits of continuing with two designs, the Navy determined that it was in the best interests of the Government to pursue an alternative acquisition strategy of a dual award of both designs. To execute this alternate strategy, the Navy required additional legislative authority from Congress to proceed. The dual-award strategy was approved on December 21, 2010 via Section 150 of H.R. 3082 amending the Continuing Appropriations Act, 2011 (P.L. 111-242).

An Acquisition Decision Memorandum, signed by USD (AT&L) on December 23, 2010, authorized execution of the alternative acquisition strategy for the FY 2010 through FY 2015 procurement of 20 Seaframes through two ten-ship block buy contracts and including economic order material (if authorized and appropriated by Congress).

On December 29, 2010, the Navy awarded a contract to each offeror for a block buy of up to ten ships beginning with the award of one FY 2010 ship and associated non-recurring engineering, development of the Technical Data Package, core class services, and associated data. On March 17, 2011, the Navy authorized and provided funding for the two FY 2011 ships, one to each contractor. This will be followed with two ships each in FY 2012 through FY 2015. The revised strategy also required the Navy to procure an additional ship in FY 2012 for a total of four ships and extends the block buy through FY 2015 vice FY 2014 as originally planned.

LCS 1, USS FREEDOM completed her initial deployment and on April 23, 2010 arrived in its homeport of San Diego, California. LCS 1, USS FREEDOM participated in the Rim of the Pacific (RIMPAC) fleet exercise in Summer 2010 and now continues with its post delivery test and trials phase.

LCS 2, USS INDEPENDENCE commissioned on January 16, 2010, sailed away from Austal Shipyard in late March 2010 and now continues with its post delivery test and trials phase.

LCS 3, FORT WORTH launched and was christened on December 4, 2010 at the Marinette Marine facility in Marinette, Wisconsin. LCS 3 was approximately 80 percent complete at the time of launch and now is continuing its production efforts pier side.

Construction of LCS 4, CORONADO at the Austal, USA facility in Mobile, Alabama continues with launch planned for 2011.

LCS 5 has been named USS MILWAUKEE and LCS 6 has been named USS JACKSON.

There are no significant software-related issues for this program at this time.

Threshold Breaches**APB Breaches**

| | | |
|--------------------|-------------|--------------------------|
| Schedule | | <input type="checkbox"/> |
| Performance | | <input type="checkbox"/> |
| Cost | RDT&E | <input type="checkbox"/> |
| | Procurement | <input type="checkbox"/> |
| | MILCON | <input type="checkbox"/> |
| | Acq O&M | <input type="checkbox"/> |
| Unit Cost | PAUC | <input type="checkbox"/> |
| | APUC | <input type="checkbox"/> |

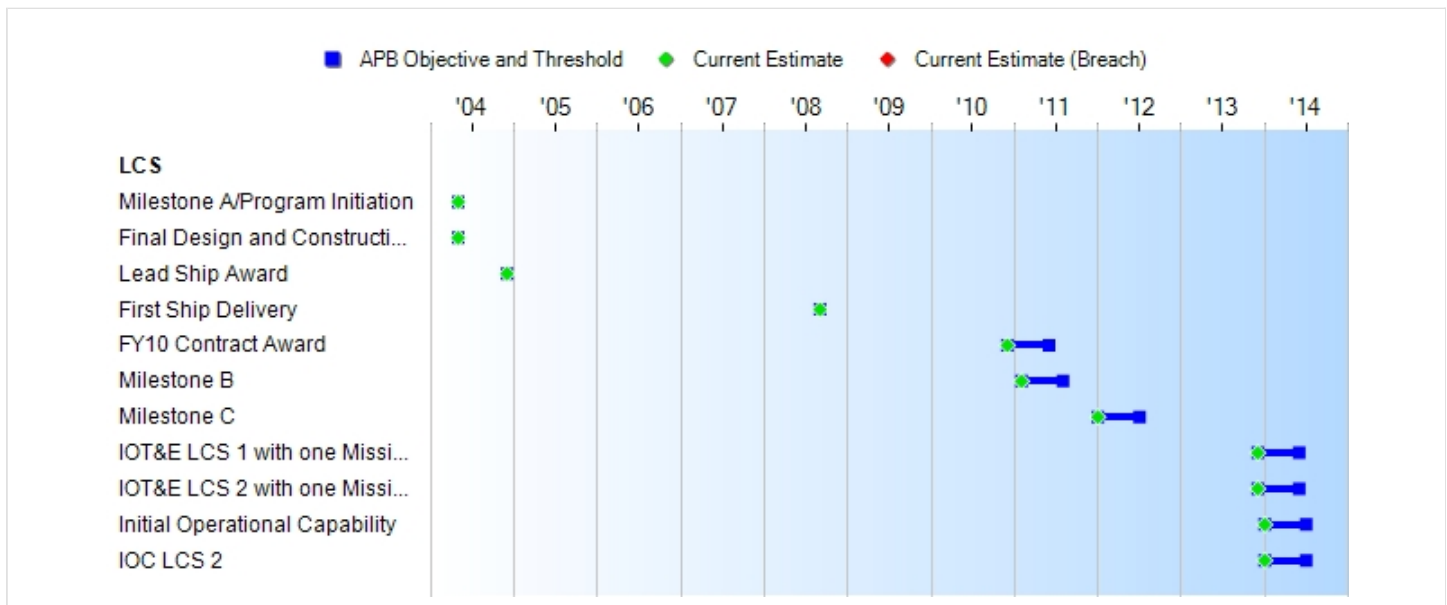
Nunn-McCurdy Breaches**Current UCR Baseline**

| | |
|------|------|
| PAUC | None |
| APUC | None |

Original UCR Baseline

| | |
|------|------|
| PAUC | None |
| APUC | None |

Schedule



| Milestones | SAR Baseline Plan Est | Current APB Development Objective/Threshold | | Current Estimate | |
|--|-----------------------|---|----------|------------------|--------|
| Milestone A/Program Initiation | MAY 2004 | MAY 2004 | MAY 2004 | MAY 2004 | |
| Final Design and Construction Contract Award | MAY 2004 | MAY 2004 | MAY 2004 | MAY 2004 | |
| Lead Ship Award | DEC 2004 | DEC 2004 | DEC 2004 | DEC 2004 | |
| First Ship Delivery | JAN 2007 | SEP 2008 | SEP 2008 | SEP 2008 | |
| FY10 Contract Award | N/A | DEC 2010 | JUN 2011 | DEC 2010 | (Ch-4) |
| Milestone B | JAN 2007 | FEB 2011 | AUG 2011 | FEB 2011 | (Ch-1) |
| Milestone C | DEC 2010 | JAN 2012 | JUL 2012 | JAN 2012 | (Ch-2) |
| IOT&E LCS 1 with one Mission Package | N/A | DEC 2013 | JUN 2014 | DEC 2013 | (Ch-4) |
| IOT&E LCS 2 with one Mission Package | N/A | DEC 2013 | JUN 2014 | DEC 2013 | (Ch-4) |
| Initial Operational Capability | OCT 2007 | JAN 2014 | JUL 2014 | JAN 2014 | (Ch-3) |
| IOC LCS 2 | N/A | JAN 2014 | JUL 2014 | JAN 2014 | (Ch-4) |

Acronyms And Abbreviations

APB - Acquisition Program Baseline
 IOC - Initial Operational Capability
 IOT&E - Initial Operational, Test and Evaluation

Change Explanations

(Ch-1) Milestone B date changed from June 2010 to February 2011. Change in date reflects when permission to proceed to Milestone B and transition to Engineering and Manufacturing Development acquisition phase was

received.

(Ch-2) Milestone C date changed from March 2015 to January 2012. Change in date reflects when the seaframe program will be prepared to proceed into Production and Deployment acquisition phase.

(Ch-3) Initial Operational Capability date changed from September 2013 to January 2014. Change in date reflects completion of an IOT&E event with any mission package on LCS 1.

(Ch-4) FY10 Contract Award, IOT&E LCS 1 with one Mission Package, IOT&E LCS 2 with one Mission Package and IOC LCS 2 Milestones added with the Milestone B approved APB.

| |
|-------------|
| Memo |
|-------------|

IOC for LCS 1 is achieved when IOT&E is conducted with any mission package.

IOC for LCS 2 is achieved when IOT&E is conducted with any mission package.

Performance

| Characteristics | SAR Baseline Plan Est | Current APB Development Objective/Threshold | | Demonstrated Performance | Current Estimate | |
|--|--|--|---|--------------------------|--|--------|
| Sprint Speed (kts) | 50 | 50 | 40 | TBD | 40 kts | |
| Navigational Draft (ft) | 10 | 10 | 20 | TBD | 14ft | |
| Range at Transit Speed (includes payload) | 4,300 nm @ 20 kt s | 4,300 nm @ 16 kts | 3,500 nm @ 14 kts | TBD | 4,300 nm @ 16 kts | |
| Mission Package Payload (Weight) | 210 MT (130 MT) mission package/80 MT mission package fuel) | 210 MT (130 MT) mission package/80 MT mission package fuel) | 180 MT (105 MT) mission package/75 MT mission package fuel) | TBD | 180 MT (105 MT) mission package/75 MT mission package fuel) | |
| Interoperability Informatin Exchange Requirements (IER) | Achieve 100% of top-level IERs | N/A | N/A | TBD | N/A | (Ch-1) |
| Core Crew Manning (# Core Crew Members) | 15 | 15 | 50 | TBD | 40 Core Crew Members | |
| Focused Mission Execution | Demonstrate separate DTE scenarios in MIW, SUW and ASW to confirm successful integration of each focused mission package (weapons and sensor systems) to the sea frame | N/A | N/A | TBD | N/A | (Ch-2) |
| Net- Ready: The system must support Net-Centric military operations. The system must be able to enter and be managed in the network, and exchange data in a secure manner to enhance mission | N/A | The system must fully support execution of all operational activities identified in the applicable joint and | The system must fully support execution of joint critical operational activities identified in the applicable joint and | TBD | The system must fully support execution of all operational activities identified in the applicable joint and | (Ch-3) |

| | | | | | |
|--|--|--|---|--|--|
| <p>effectiveness. The system must continuously provide survivable, interoperable, secure, and operationally effective information exchanges to enable a Net-Centric military capability.</p> | | <p>system integrated architectures and the system must satisfy the technical requirements for Net-Centric military operations to include 1) DISR mandated GIG IT standards and profiles identified in the TV-1, 2) DISR mandated GIG KIPs identified in the KIP declaration table, 3) NCOW RM Enterprise Services 4) Information assurance (IA) requirements including availability, integrity, authentication, confidentiality, and nonrepudiation, and issuance of an Approval to Operate (ATO) by the Designated Approval Authority (DAA), And 5) Operationally effective</p> | <p>system integrated architectures and the system must satisfy the technical requirements for transition to Net-Centric military operations to include 1) DISR mandated GIG IT standards and profiles identified in the TV-1, 2) DISR mandated GIG KIPs identified in the KIP declaration table, 3) NCOW RM Enterprise Services 4) IA requirements including availability, integrity, authentication, confidentiality, and nonrepudiation, and issuance of an Interim Approval to Operate (IATO) by the Designated Approval Authority (DAA), and 5) Operationally effective</p> | | <p>system integrated architectures and the system must satisfy the technical requirements for Net-Centric military operations to include 1) DISR mandated GIG IT standards and profiles identified in the TV-1, 2) DISR mandated GIG KIPs identified in the KIP declaration table, 3) NCOW RM Enterprise Services 4) Information assurance (IA) requirements including availability, integrity, authentication, confidentiality, and nonrepudiation, and issuance of an Approval to Operate (ATO) by the Designated Approval Authority (DAA), And 5) Operationally effective</p> |
|--|--|--|---|--|--|

| | | | | | | |
|------------------------------|-----|--|--|-----|--|--------|
| | | information exchanges; and mission critical performance and IA attributes, data correctness, data availability, and consistent data processing specified in the applicable joint and system integrated architecture views. | information exchanges; and mission critical performance and IA attributes, data correctness, data availability, and consistent data processing specified in the applicable joint and system integrated architecture views. | | information exchanges; and mission critical performance and IA attributes, data correctness, data availability, and consistent data processing specified in the applicable joint and system integrated architecture views. | |
| Matériel Availability | N/A | 0.712 | 0.64 | TBD | 0.712 | (Ch-3) |
| Systems Training (Core Crew) | N/A | Trained-to-Certify at all Team (Watch Section) levels | Trained-to-Qualify at individual level (billet/watch station) | TBD | Trained-to-Qualify at individual level (billetWatch station) | (Ch-3) |

Requirements Source:

Littoral Combat Ship (LCS) Flight 0 Capability Development Document (CDD), JROCM 083-04, May 25, 2004
Littoral Combat Ship (LCS) Flight 0+ Capability Development Document (CDD), JROCM 126-08, June 17, 2008

Acronyms And Abbreviations

ASW - Anti-Submarine Warfare
ATO - Authority to Operate
DAA - Designated Approval Authority
DISR - DoD IT Standards Registry
DoD - Department of Defense
DTE - Detect to Engage
FT - Feet
GIG - Global Information Grid
IA - Information Assurance
IATO - Interim Authority to Operate
IER - Information Exchange Requirement
IT - Information Technology
KIP - Key Interface Profile
KPP - Key Performance Parameter
KTS - Knots

MIW - Mine Counter Measure

MT - Metric Ton

NCOW - Net Centric Operations and Warfare

NCOW RM - Net-Centric Operations Warfare Reference Model

NM - Nautical Miles

SUW - Surface Warfare

Change Explanations

(Ch-1) Interoperability Information Exchange Requirement KPP replaced by Net Ready KPP.

(Ch-2) Focused Mission Execution KPP replaced by classified KPPs to be reported by the Mission Module Program.

(Ch-3) Net Ready, Materiel Availability, and Systems Training KPPs added to reflect Milestone B APB and Flight 0+ CDD requirements.

Classified Performance information is provided in the classified annex to this submission.

Track To Budget**RDT&E**

| | | | | |
|-----------|-------------------|---|----------|--------|
| APPN 1319 | BA 04 | PE 0603581N | (Navy) | |
| | Project 3096 | Littoral Combat Ship/Littoral Combat Ship Development | (Shared) | |
| | Project 3129 | Littoral Combat Ship/LCS Mission Package Development | | |
| | Project 4018 | Littoral Combat Ship/Littoral Combat Ship Construction | | |
| | Project 9999 | Littoral Combat Ship/Revised Acquisition Strategy | (Shared) | (Sunk) |
| | Congressional Add | | | |

RDT&E PE 0603581N Project 3129 is no longer reported in this SAR. A portion of Project 3096 was shared in prior fiscal years 2004 and 2005 is no longer reported in this SAR. The funds from Project 3129 and the amount apportioned in Project 3096 specifically utilized for Mission Module Development will be reported in the Mission Module Program SAR.

Procurement

| | | | | |
|-----------|----------|--------------------------|----------|--|
| APPN 1611 | BA 02 | PE 0204230N | (Navy) | |
| | ICN 2127 | Littoral Combat Ship | | |
| APPN 1611 | BA 05 | PE 0204230N | (Navy) | |
| | ICN 5110 | Outfitting/Post Delivery | | |
| APPN 1810 | BA 01 | PE 0204230N | (Navy) | |
| | ICN 1320 | Seaframe LCS Training | (Shared) | |

MILCON

| | | | | |
|-----------|------------------|-----------------------|----------|--|
| APPN 1205 | BA 01 | PE 0203176N | (Navy) | |
| | Project 00245500 | LCS Training Facility | (Shared) | |
| APPN 1205 | BA 03 | PE 0901211N | (Navy) | |
| | Project 64482044 | Planning | (Shared) | |

Cost and Funding

Cost Summary

Total Acquisition Cost and Quantity

| Appropriation | BY2010 \$M | | | BY2010 \$M | TY \$M | | |
|----------------|-----------------------|---|------------------|------------------|-----------------------|-----------------------------------|------------------|
| | SAR Baseline Plan Est | Current APB Development Objective/Threshold | Current Estimate | Current Estimate | SAR Baseline Plan Est | Current APB Development Objective | Current Estimate |
| RDT&E | 1339.9 | 3433.3 | 3776.6 | 3426.8 | 1211.7 | 3481.7 | 3481.7 |
| Procurement | 0.0 | 28369.2 | 31206.1 | 28364.0 | 0.0 | 33720.5 | 33720.5 |
| Flyaway | 0.0 | -- | -- | 28364.0 | 0.0 | -- | 33720.5 |
| Recurring | 0.0 | -- | -- | 28364.0 | 0.0 | -- | 33720.5 |
| Non Recurring | 0.0 | -- | -- | 0.0 | 0.0 | -- | 0.0 |
| Support | 0.0 | -- | -- | 0.0 | 0.0 | -- | 0.0 |
| Other Support | 0.0 | -- | -- | 0.0 | 0.0 | -- | 0.0 |
| Initial Spares | 0.0 | -- | -- | 0.0 | 0.0 | -- | 0.0 |
| MILCON | 0.0 | 208.5 | 229.4 | 206.0 | 0.0 | 236.6 | 236.6 |
| Acq O&M | 0.0 | 0.0 | -- | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 1339.9 | 32011.0 | N/A | 31996.8 | 1211.7 | 37438.8 | 37438.8 |

Cost and Funding data represented in this SAR supports the LCS Milestone B Defense Acquisition Board decisions as approved in February 2011 and represents an 80 percent confidence factor when considering 28 of the 55 ships of the LCS Seaframe Program will be funded outside the 2012 fiscal year defense program (FYDP) budget submission.

RDT&E PE 0603581N Project 3129 is no longer reported in this SAR. A portion of the Project 3096 for prior fiscal years 2004 and 2005 are no longer reported in this SAR. The funds from Project 3129 and the amount apportioned in Project 3096 specifically utilized for Mission Module Development will be reported in the Mission Module Program SAR.

In support of the Milestone B decision approved in February 2011, the base year of the LCS Seaframe program has been revised from FY 2004 to FY 2010. An approved OSD deflator of 1.13 for RDT&E and 1.12 for procurement was used to revise the base year from FY 2004 to FY 2010.

| Quantity | SAR Baseline Plan Est | Current APB Development | Current Estimate |
|--------------|-----------------------|-------------------------|------------------|
| RDT&E | | 2 | 2 |
| Procurement | | 0 | 53 |
| Total | | 2 | 55 |

Total Procurement and RDT&E Seaframe Quantity is 55.

Cost and Funding

Funding Summary

Appropriation and Quantity Summary FY2012 President's Budget / December 2010 SAR (TY\$ M)

| Appropriation | Prior | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | To Complete | Total |
|---------------|--------|--------|--------|--------|--------|--------|--------|-------------|---------|
| RDT&E | 2138.4 | 117.2 | 145.1 | 183.9 | 206.1 | 74.7 | 41.6 | 574.7 | 3481.7 |
| Procurement | 2596.4 | 1512.1 | 1876.9 | 1865.4 | 1919.0 | 2058.0 | 1757.4 | 20135.3 | 33720.5 |
| MILCON | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 236.6 | 236.6 |
| Acq O&M | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PB 2012 Total | 4734.8 | 1629.3 | 2022.0 | 2049.3 | 2125.1 | 2132.7 | 1799.0 | 20946.6 | 37438.8 |
| PB 2011 Total | 3043.0 | 226.3 | 183.4 | 110.3 | 82.2 | 87.3 | 0.0 | 0.0 | 3732.5 |
| Delta | 1691.8 | 1403.0 | 1838.6 | 1939.0 | 2042.9 | 2045.4 | 1799.0 | 20946.6 | 33706.3 |

The unit of measure for the LCS Seaframe program is 53 procurement ships and two RDT&E procured ships for a program total of 55.

| Quantity | Undistributed | Prior | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | To Complete | Total |
|---------------|---------------|-------|--------|--------|--------|--------|--------|--------|-------------|-------|
| Development | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| Production | 0 | 4 | 2 | 4 | 4 | 4 | 4 | 4 | 3 | 28 |
| PB 2012 Total | 2 | 4 | 2 | 4 | 4 | 4 | 4 | 4 | 3 | 28 |
| PB 2011 Total | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| Delta | 0 | 4 | 2 | 4 | 4 | 4 | 4 | 4 | 3 | 28 |

Cost and Funding

Annual Funding By Appropriation

Annual Funding TY\$

1319 | RDT&E | Research, Development, Test, and Evaluation, Navy

| Fiscal Year | Quantity | End Item Recurring Flyaway TY \$M | Non End Item Recurring Flyaway TY \$M | Non Recurring Flyaway TY \$M | Total Flyaway TY \$M | Total Support TY \$M | Total Program TY \$M |
|-----------------|----------|-----------------------------------|---------------------------------------|------------------------------|----------------------|----------------------|----------------------|
| 2003 | -- | -- | -- | -- | -- | -- | 35.8 |
| 2004 | -- | -- | -- | -- | -- | -- | 116.8 |
| 2005 | -- | -- | -- | -- | -- | -- | 369.8 |
| 2006 | -- | -- | -- | -- | -- | -- | 384.5 |
| 2007 | -- | -- | -- | -- | -- | -- | 573.1 |
| 2008 | -- | -- | -- | -- | -- | -- | 200.9 |
| 2009 | -- | -- | -- | -- | -- | -- | 197.4 |
| 2010 | -- | -- | -- | -- | -- | -- | 260.1 |
| 2011 | -- | -- | -- | -- | -- | -- | 117.2 |
| 2012 | -- | -- | -- | -- | -- | -- | 145.1 |
| 2013 | -- | -- | -- | -- | -- | -- | 183.9 |
| 2014 | -- | -- | -- | -- | -- | -- | 206.1 |
| 2015 | -- | -- | -- | -- | -- | -- | 74.7 |
| 2016 | -- | -- | -- | -- | -- | -- | 41.6 |
| 2017 | -- | -- | -- | -- | -- | -- | 177.0 |
| 2018 | -- | -- | -- | -- | -- | -- | 26.3 |
| 2019 | -- | -- | -- | -- | -- | -- | 31.5 |
| 2020 | -- | -- | -- | -- | -- | -- | 42.8 |
| 2021 | -- | -- | -- | -- | -- | -- | 43.4 |
| 2022 | -- | -- | -- | -- | -- | -- | 32.6 |
| 2023 | -- | -- | -- | -- | -- | -- | 23.0 |
| 2024 | -- | -- | -- | -- | -- | -- | 31.2 |
| 2025 | -- | -- | -- | -- | -- | -- | 43.5 |
| 2026 | -- | -- | -- | -- | -- | -- | 44.1 |
| 2027 | -- | -- | -- | -- | -- | -- | 32.4 |
| 2028 | -- | -- | -- | -- | -- | -- | 23.3 |
| 2029 | -- | -- | -- | -- | -- | -- | 23.6 |
| Subtotal | 2 | -- | -- | -- | -- | -- | 3481.7 |

Annual Funding BY\$**1319 | RDT&E | Research, Development, Test, and Evaluation, Navy**

| Fiscal Year | Quantity | End Item Recurring Flyaway BY 2010 \$M | Non End Item Recurring Flyaway BY 2010 \$M | Non Recurring Flyaway BY 2010 \$M | Total Flyaway BY 2010 \$M | Total Support BY 2010 \$M | Total Program BY 2010 \$M |
|--------------------|-----------------|---|---|--|----------------------------------|----------------------------------|----------------------------------|
| 2003 | -- | -- | -- | -- | -- | -- | 41.1 |
| 2004 | -- | -- | -- | -- | -- | -- | 130.5 |
| 2005 | -- | -- | -- | -- | -- | -- | 402.8 |
| 2006 | -- | -- | -- | -- | -- | -- | 406.1 |
| 2007 | -- | -- | -- | -- | -- | -- | 590.8 |
| 2008 | -- | -- | -- | -- | -- | -- | 203.4 |
| 2009 | -- | -- | -- | -- | -- | -- | 197.5 |
| 2010 | -- | -- | -- | -- | -- | -- | 257.3 |
| 2011 | -- | -- | -- | -- | -- | -- | 114.3 |
| 2012 | -- | -- | -- | -- | -- | -- | 139.4 |
| 2013 | -- | -- | -- | -- | -- | -- | 173.8 |
| 2014 | -- | -- | -- | -- | -- | -- | 191.5 |
| 2015 | -- | -- | -- | -- | -- | -- | 68.3 |
| 2016 | -- | -- | -- | -- | -- | -- | 37.4 |
| 2017 | -- | -- | -- | -- | -- | -- | 156.4 |
| 2018 | -- | -- | -- | -- | -- | -- | 22.8 |
| 2019 | -- | -- | -- | -- | -- | -- | 26.9 |
| 2020 | -- | -- | -- | -- | -- | -- | 35.9 |
| 2021 | -- | -- | -- | -- | -- | -- | 35.8 |
| 2022 | -- | -- | -- | -- | -- | -- | 26.5 |
| 2023 | -- | -- | -- | -- | -- | -- | 18.4 |
| 2024 | -- | -- | -- | -- | -- | -- | 24.5 |
| 2025 | -- | -- | -- | -- | -- | -- | 33.6 |
| 2026 | -- | -- | -- | -- | -- | -- | 33.5 |
| 2027 | -- | -- | -- | -- | -- | -- | 24.2 |
| 2028 | -- | -- | -- | -- | -- | -- | 17.1 |
| 2029 | -- | -- | -- | -- | -- | -- | 17.0 |
| Subtotal | 2 | -- | -- | -- | -- | -- | 3426.8 |

RDT&E for the LCS Seaframe Program includes the detail design and construction of two Flight 0 ships in addition to the program development, test and evaluation and sustaining engineering.

RDT&E PE 0603581N Project 3129 is no longer reported in this SAR. A portion of the Project 3096 for prior fiscal years 2004 and 2005 are no longer reported in this SAR. The funds from Project 3129 and the amount apportioned in Project 3096 specifically utilized for Mission Module Development will be reported in the Mission Module Program SAR.

Annual Funding TY\$

1611 | Procurement | Shipbuilding and Conversion, Navy

| Fiscal Year | Quantity | End Item Recurring Flyaway TY \$M | Non End Item Recurring Flyaway TY \$M | Non Recurring Flyaway TY \$M | Total Flyaway TY \$M | Total Support TY \$M | Total Program TY \$M |
|-----------------|-----------|-----------------------------------|---------------------------------------|------------------------------|----------------------|----------------------|----------------------|
| 2006 | -- | 500.0 | -- | -- | 500.0 | -- | 500.0 |
| 2007 | -- | -- | -- | -- | -- | -- | -- |
| 2008 | -- | -- | -- | -- | -- | -- | -- |
| 2009 | 2 | 1017.0 | -- | -- | 1017.0 | -- | 1017.0 |
| 2010 | 2 | 1079.4 | -- | -- | 1079.4 | -- | 1079.4 |
| 2011 | 2 | 1512.1 | -- | -- | 1512.1 | -- | 1512.1 |
| 2012 | 4 | 1856.2 | -- | -- | 1856.2 | -- | 1856.2 |
| 2013 | 4 | 1856.3 | -- | -- | 1856.3 | -- | 1856.3 |
| 2014 | 4 | 1894.6 | -- | -- | 1894.6 | -- | 1894.6 |
| 2015 | 4 | 2045.3 | -- | -- | 2045.3 | -- | 2045.3 |
| 2016 | 3 | 1745.4 | -- | -- | 1745.4 | -- | 1745.4 |
| 2017 | 3 | 2029.7 | -- | -- | 2029.7 | -- | 2029.7 |
| 2018 | 3 | 1696.0 | -- | -- | 1696.0 | -- | 1696.0 |
| 2019 | 3 | 1703.9 | -- | -- | 1703.9 | -- | 1703.9 |
| 2020 | 2 | 1247.0 | -- | -- | 1247.0 | -- | 1247.0 |
| 2021 | 2 | 1779.6 | -- | -- | 1779.6 | -- | 1779.6 |
| 2022 | 2 | 1303.3 | -- | -- | 1303.3 | -- | 1303.3 |
| 2023 | 2 | 1290.4 | -- | -- | 1290.4 | -- | 1290.4 |
| 2024 | 2 | 1290.2 | -- | -- | 1290.2 | -- | 1290.2 |
| 2025 | 1 | 758.3 | -- | -- | 758.3 | -- | 758.3 |
| 2026 | 2 | 1912.5 | -- | -- | 1912.5 | -- | 1912.5 |
| 2027 | 1 | 863.1 | -- | -- | 863.1 | -- | 863.1 |
| 2028 | 2 | 1406.7 | -- | -- | 1406.7 | -- | 1406.7 |
| 2029 | 1 | 822.4 | -- | -- | 822.4 | -- | 822.4 |
| 2030 | 2 | 1460.4 | -- | -- | 1460.4 | -- | 1460.4 |
| 2031 | -- | 97.9 | -- | -- | 97.9 | -- | 97.9 |
| 2032 | -- | 85.0 | -- | -- | 85.0 | -- | 85.0 |
| 2033 | -- | 100.7 | -- | -- | 100.7 | -- | 100.7 |
| 2034 | -- | 48.4 | -- | -- | 48.4 | -- | 48.4 |
| Subtotal | 53 | 33401.8 | -- | -- | 33401.8 | -- | 33401.8 |

Annual Funding BY\$
1611 | Procurement | Shipbuilding and Conversion, Navy

| Fiscal Year | Quantity | End Item Recurring Flyaway BY 2010 \$M | Non End Item Recurring Flyaway BY 2010 \$M | Non Recurring Flyaway BY 2010 \$M | Total Flyaway BY 2010 \$M | Total Support BY 2010 \$M | Total Program BY 2010 \$M |
|--------------------|-----------------|---|---|--|----------------------------------|----------------------------------|----------------------------------|
| 2006 | -- | 537.0 | -- | -- | 537.0 | -- | 537.0 |
| 2007 | -- | -- | -- | -- | -- | -- | -- |
| 2008 | -- | -- | -- | -- | -- | -- | -- |
| 2009 | 2 | 1001.5 | -- | -- | 1001.5 | -- | 1001.5 |
| 2010 | 2 | 1045.1 | -- | -- | 1045.1 | -- | 1045.1 |
| 2011 | 2 | 1441.8 | -- | -- | 1441.8 | -- | 1441.8 |
| 2012 | 4 | 1741.5 | -- | -- | 1741.5 | -- | 1741.5 |
| 2013 | 4 | 1712.8 | -- | -- | 1712.8 | -- | 1712.8 |
| 2014 | 4 | 1718.9 | -- | -- | 1718.9 | -- | 1718.9 |
| 2015 | 4 | 1824.6 | -- | -- | 1824.6 | -- | 1824.6 |
| 2016 | 3 | 1531.0 | -- | -- | 1531.0 | -- | 1531.0 |
| 2017 | 3 | 1750.6 | -- | -- | 1750.6 | -- | 1750.6 |
| 2018 | 3 | 1438.4 | -- | -- | 1438.4 | -- | 1438.4 |
| 2019 | 3 | 1420.9 | -- | -- | 1420.9 | -- | 1420.9 |
| 2020 | 2 | 1022.5 | -- | -- | 1022.5 | -- | 1022.5 |
| 2021 | 2 | 1434.8 | -- | -- | 1434.8 | -- | 1434.8 |
| 2022 | 2 | 1033.3 | -- | -- | 1033.3 | -- | 1033.3 |
| 2023 | 2 | 1005.9 | -- | -- | 1005.9 | -- | 1005.9 |
| 2024 | 2 | 989.0 | -- | -- | 989.0 | -- | 989.0 |
| 2025 | 1 | 571.5 | -- | -- | 571.5 | -- | 571.5 |
| 2026 | 2 | 1417.4 | -- | -- | 1417.4 | -- | 1417.4 |
| 2027 | 1 | 629.0 | -- | -- | 629.0 | -- | 629.0 |
| 2028 | 2 | 1007.9 | -- | -- | 1007.9 | -- | 1007.9 |
| 2029 | 1 | 579.4 | -- | -- | 579.4 | -- | 579.4 |
| 2030 | 2 | 1011.7 | -- | -- | 1011.7 | -- | 1011.7 |
| 2031 | -- | 66.7 | -- | -- | 66.7 | -- | 66.7 |
| 2032 | -- | 56.9 | -- | -- | 56.9 | -- | 56.9 |
| 2033 | -- | 66.3 | -- | -- | 66.3 | -- | 66.3 |
| 2034 | -- | 31.3 | -- | -- | 31.3 | -- | 31.3 |
| Subtotal | 53 | 28087.7 | -- | -- | 28087.7 | -- | 28087.7 |

Cost Quantity Information**1611 | Procurement | Shipbuilding and Conversion, Navy**

| Fiscal Year | Quantity | End Item Recurring Flyaway (Aligned with Quantity) BY 2010 \$M |
|--------------------|-----------------|---|
| 2006 | -- | -- |
| 2007 | -- | -- |
| 2008 | -- | -- |
| 2009 | 2 | 1629.3 |
| 2010 | 2 | 1133.4 |
| 2011 | 2 | 1567.6 |
| 2012 | 4 | 1877.8 |
| 2013 | 4 | 1838.3 |
| 2014 | 4 | 1825.4 |
| 2015 | 4 | 1839.9 |
| 2016 | 3 | 1489.3 |
| 2017 | 3 | 1641.8 |
| 2018 | 3 | 1372.1 |
| 2019 | 3 | 1391.2 |
| 2020 | 2 | 986.0 |
| 2021 | 2 | 1389.5 |
| 2022 | 2 | 994.0 |
| 2023 | 2 | 1006.5 |
| 2024 | 2 | 995.3 |
| 2025 | 1 | 538.3 |
| 2026 | 2 | 1402.5 |
| 2027 | 1 | 592.4 |
| 2028 | 2 | 1007.1 |
| 2029 | 1 | 554.0 |
| 2030 | 2 | 1016.0 |
| 2031 | -- | -- |
| 2032 | -- | -- |
| 2033 | -- | -- |
| 2034 | -- | -- |
| Subtotal | 53 | 28087.7 |

Annual Funding TY\$

1810 | Procurement | Other Procurement, Navy

| Fiscal Year | Quantity | End Item Recurring Flyaway TY \$M | Non End Item Recurring Flyaway TY \$M | Non Recurring Flyaway TY \$M | Total Flyaway TY \$M | Total Support TY \$M | Total Program TY \$M |
|-----------------|----------|-----------------------------------|---------------------------------------|------------------------------|----------------------|----------------------|----------------------|
| 2012 | -- | -- | 20.7 | -- | 20.7 | -- | 20.7 |
| 2013 | -- | -- | 9.1 | -- | 9.1 | -- | 9.1 |
| 2014 | -- | -- | 24.4 | -- | 24.4 | -- | 24.4 |
| 2015 | -- | -- | 12.7 | -- | 12.7 | -- | 12.7 |
| 2016 | -- | -- | 12.0 | -- | 12.0 | -- | 12.0 |
| 2017 | -- | -- | 59.0 | -- | 59.0 | -- | 59.0 |
| 2018 | -- | -- | 46.0 | -- | 46.0 | -- | 46.0 |
| 2019 | -- | -- | 54.5 | -- | 54.5 | -- | 54.5 |
| 2020 | -- | -- | 43.3 | -- | 43.3 | -- | 43.3 |
| 2021 | -- | -- | 37.0 | -- | 37.0 | -- | 37.0 |
| Subtotal | -- | -- | 318.7 | -- | 318.7 | -- | 318.7 |

Annual Funding BY\$

1810 | Procurement | Other Procurement, Navy

| Fiscal Year | Quantity | End Item Recurring Flyaway BY 2010 \$M | Non End Item Recurring Flyaway BY 2010 \$M | Non Recurring Flyaway BY 2010 \$M | Total Flyaway BY 2010 \$M | Total Support BY 2010 \$M | Total Program BY 2010 \$M |
|-----------------|----------|---|---|--------------------------------------|------------------------------|------------------------------|------------------------------|
| 2012 | -- | -- | 19.7 | -- | 19.7 | -- | 19.7 |
| 2013 | -- | -- | 8.5 | -- | 8.5 | -- | 8.5 |
| 2014 | -- | -- | 22.4 | -- | 22.4 | -- | 22.4 |
| 2015 | -- | -- | 11.5 | -- | 11.5 | -- | 11.5 |
| 2016 | -- | -- | 10.7 | -- | 10.7 | -- | 10.7 |
| 2017 | -- | -- | 51.6 | -- | 51.6 | -- | 51.6 |
| 2018 | -- | -- | 39.6 | -- | 39.6 | -- | 39.6 |
| 2019 | -- | -- | 46.1 | -- | 46.1 | -- | 46.1 |
| 2020 | -- | -- | 36.0 | -- | 36.0 | -- | 36.0 |
| 2021 | -- | -- | 30.2 | -- | 30.2 | -- | 30.2 |
| Subtotal | -- | -- | 276.3 | -- | 276.3 | -- | 276.3 |

Annual Funding TY\$
1205 | MILCON | Military Construction,
Navy and Marine Corps

| Fiscal Year | Total Program TY \$M |
|--------------------|-----------------------------|
| 2017 | 236.6 |
| Subtotal | 236.6 |

Annual Funding BY\$
1205 | MILCON | Military Construction,
Navy and Marine Corps

| Fiscal Year | Total Program BY 2010 \$M |
|--------------------|----------------------------------|
| 2017 | 206.0 |
| Subtotal | 206.0 |

Low Rate Initial Production

| | Initial LRIP Decision | Current Total LRIP |
|--------------------------|---------------------------------|---------------------------------|
| Approval Date | 2/18/2011 | 2/18/2011 |
| Approved Quantity | 24 | 24 |
| Reference | Acquisition Decision Memorandum | Acquisition Decision Memorandum |
| Start Year | 2005 | 2005 |
| End Year | 2015 | 2015 |

The LRIP decision of 24 ships includes 2 ships procured with RDT&E, 2 ships procured in fiscal year (FY) 2009 and the 20 ships being procured in a block buy arrangement in FY 2010 through FY 2015. The Milestone B decision to approve an LRIP quantity of more than 10 percent, by including the ships through FY 2015, covers the LCS Seaframe program requirements up to the full rate production (FRP) acquisition decision planned for FY 2015.

Foreign Military Sales

None

Nuclear Cost

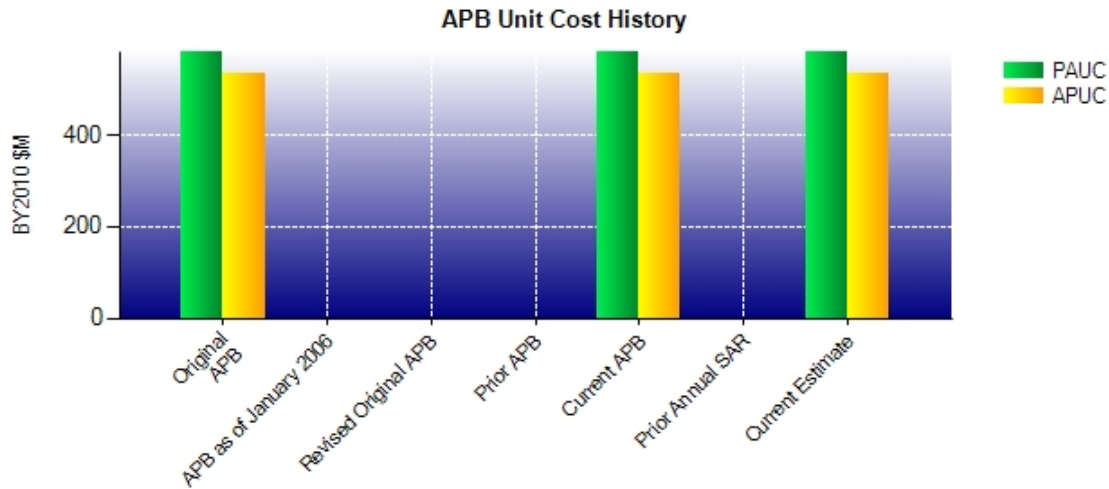
None

Unit Cost**Unit Cost Report**

| | BY2010 \$M | BY2010 \$M | |
|--------------------------------------|---|------------------------------------|----------------|
| Unit Cost | Current UCR Baseline (APR 2011 APB) | Current Estimate (DEC 2010 SAR) | BY % Change |
| Program Acquisition Unit Cost (PAUC) | | | |
| Cost | 32008.2 | 31996.8 | |
| Quantity | 55 | 55 | |
| Unit Cost | 581.967 | 581.760 | -0.04 |
| Average Procurement Unit Cost (APUC) | | | |
| Cost | 28369.2 | 28364.0 | |
| Quantity | 53 | 53 | |
| Unit Cost | 535.268 | 535.170 | -0.02 |

| | BY2010 \$M | BY2010 \$M | |
|--------------------------------------|--|------------------------------------|----------------|
| Unit Cost | Original UCR Baseline (APR 2011 APB) | Current Estimate (DEC 2010 SAR) | BY % Change |
| Program Acquisition Unit Cost (PAUC) | | | |
| Cost | 32008.2 | 31996.8 | |
| Quantity | 55 | 55 | |
| Unit Cost | 581.967 | 581.760 | -0.04 |
| Average Procurement Unit Cost (APUC) | | | |
| Cost | 28369.2 | 28364.0 | |
| Quantity | 53 | 53 | |
| Unit Cost | 535.268 | 535.170 | -0.02 |

Unit Cost History



| | Date | BY2010 \$M | | TY \$M | |
|-------------------------------|----------|------------|---------|---------|---------|
| | | PAUC | APUC | PAUC | APUC |
| Original APB | APR 2011 | 581.967 | 535.268 | 680.705 | 636.236 |
| APB as of January 2006 | N/A | N/A | N/A | N/A | N/A |
| Revised Original APB | N/A | N/A | N/A | N/A | N/A |
| Prior APB | N/A | N/A | N/A | N/A | N/A |
| Current APB | APR 2011 | 581.967 | 535.268 | 680.705 | 636.236 |
| Prior Annual SAR | N/A | N/A | N/A | N/A | N/A |
| Current Estimate | DEC 2010 | 581.760 | 535.170 | 680.705 | 636.236 |

SAR Unit Cost History

Current SAR Baseline to Current Estimate (TY \$M)

| Initial PAUC Plan Est | Changes | | | | | | | | PAUC Current Est |
|-----------------------|---------|-------|-------|-------|--------|-------|-------|--------|------------------|
| | Econ | Qty | Sch | Eng | Est | Oth | Spt | Total | |
| 605.850 | 0.747 | 0.000 | 3.495 | 7.175 | 63.438 | 0.000 | 0.000 | 74.855 | 680.705 |

Current SAR Baseline to Current Estimate (TY \$M)

| Initial APUC Plan Est | Changes | | | | | | | | APUC Current Est |
|-----------------------|---------|-------|-------|-------|-------|-------|-------|-------|------------------|
| | Econ | Qty | Sch | Eng | Est | Oth | Spt | Total | |
| 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 636.236 |

SAR Baseline History

| Item/Event | SAR Planning Estimate (PE) | SAR Development Estimate (DE) | SAR Production Estimate (PdE) | Current Estimate |
|-----------------------------|----------------------------------|-------------------------------------|-------------------------------------|---------------------|
| Milestone A | MAY 2004 | N/A | N/A | MAY 2004 |
| Milestone B | JAN 2007 | N/A | N/A | FEB 2011 |
| Milestone C | DEC 2010 | N/A | N/A | JAN 2012 |
| IOC | OCT 2007 | N/A | N/A | JAN 2014 |
| Total Cost (TY \$M) | 1211.7 | N/A | N/A | 37438.8 |
| Total Quantity | 2 | N/A | N/A | 55 |
| Prog. Acq. Unit Cost (PAUC) | 605.850 | N/A | N/A | 680.705 |

Cost Variance**Cost Variance Summary**

| Summary Then Year \$M | | | | |
|------------------------------|------------------|-------------|---------------|--------------|
| | RDT&E | Proc | MILCON | Total |
| SAR Baseline (Plan Est) | 1211.7 | -- | -- | 1211.7 |
| Previous Changes | | | | |
| Economic | +34.0 | -- | -- | +34.0 |
| Quantity | -- | -- | -- | -- |
| Schedule | +192.2 | -- | -- | +192.2 |
| Engineering | +194.5 | -- | -- | +194.5 |
| Estimating | +2100.1 | -- | -- | +2100.1 |
| Other | -- | -- | -- | -- |
| Support | -- | -- | -- | -- |
| Subtotal | +2520.8 | -- | -- | +2520.8 |
| Current Changes | | | | |
| Economic | +7.1 | -- | -- | +7.1 |
| Quantity | -- | -- | -- | -- |
| Schedule | -- | -- | -- | -- |
| Engineering | +200.1 | -- | -- | +200.1 |
| Estimating | +873.2 | -- | -- | +873.2 |
| Other | -- | -- | -- | -- |
| Support | -- | -- | -- | -- |
| Subtotal | +1080.4 | -- | -- | +1080.4 |
| Adjustments | -1331.2 | +33720.5 | +236.6 | +32625.9 |
| Total Changes | +2270.0 | +33720.5 | +236.6 | +36227.1 |
| CE - Cost Variance | 3481.7 | 33720.5 | 236.6 | 37438.8 |
| CE - Cost & Funding | 3481.7 | 33720.5 | 236.6 | 37438.8 |

| Summary Base Year 2010 \$M | | | | |
|-----------------------------------|------------------|-----------------|---------------|-----------------|
| | RDT&E | Proc | MILCON | Total |
| SAR Baseline (Plan Est) | 1339.9 | -- | -- | 1339.9 |
| Previous Changes | | | | |
| Economic | -- | -- | -- | -- |
| Quantity | -- | -- | -- | -- |
| Schedule | +188.9 | -- | -- | +188.9 |
| Engineering | +193.2 | -- | -- | +193.2 |
| Estimating | +2105.0 | -- | -- | +2105.0 |
| Other | -- | -- | -- | -- |
| Support | -- | -- | -- | -- |
| Subtotal | +2487.1 | -- | -- | +2487.1 |
| Current Changes | | | | |
| Economic | -- | -- | -- | -- |
| Quantity | -- | -- | -- | -- |
| Schedule | -- | -- | -- | -- |
| Engineering | +188.4 | -- | -- | +188.4 |
| Estimating | +750.4 | -- | -- | +750.4 |
| Other | -- | -- | -- | -- |
| Support | -- | -- | -- | -- |
| Subtotal | +938.8 | -- | -- | +938.8 |
| Adjustments | -1339.0 | +28364.0 | +206.0 | +27231.0 |
| Total Changes | +2086.9 | +28364.0 | +206.0 | +30656.9 |
| CE - Cost Variance | 3426.8 | 28364.0 | 206.0 | 31996.8 |
| CE - Cost & Funding | 3426.8 | 28364.0 | 206.0 | 31996.8 |

Previous Estimate: December 2009

Cost Variance Memo

RDT&E adjustments above reflect the removal of the amount apportioned in the RDT&E PE 0603581N Project 3096 for prior fiscal years 2004 and 2005 specifically utilized for Mission Module Development and the funds from Project 3129. These funds will be reported in the Mission Module Program SAR upon Milestone B approval.

The Procurement and MILCON adjustments above reflect the addition of Procurement and MILCON funds in accordance with Section 2432, Title 10, USC.

| RDT&E | \$M | |
|---|---------------|----------------|
| | Base Year | Then Year |
| Current Change Explanations | | |
| Revised escalation indices. (Economic) | N/A | +7.1 |
| Adjustment for current and prior escalation. (Estimating) | -6.6 | -6.4 |
| Increased estimate supports the Milestone B decision to fully fund the required planning and execution of the program including full requirements for Developmental Test (DT), Operational Test (OT) and Live Fire Test and Evaluation (LFT&E, including Full Scale Shock Trials) both for the Seaframes and with the different Mission Packages, and sustaining systems engineering including mission package integration for both designs for the LCS class of 55 ships through the year 2029. (Estimating) | +701.9 | +822.0 |
| Revised estimate for Congressional Small Business Innovative Research (SBIR). (Estimating) | -3.3 | -3.3 |
| Increase for engineering effort to complete shipboard Trainers. (Engineering) | +177.7 | +189.3 |
| Increase for completion of post delivery efforts for LCS 1 and LCS 2. (Estimating) | +58.4 | +60.9 |
| Increase for engineering support to Industrial Post Delivery availabilities and the close out of Trial card deficiencies. (Engineering) | +10.7 | +10.8 |
| RDT&E Subtotal | +938.8 | +1080.4 |

Contracts

Appropriation: Procurement

| | |
|-----------------------|-----------------------------|
| Contract Name | Construction - LCS 3 |
| Contractor | Lockheed Martin |
| Contractor Location | Baltimore, MD 21220 |
| Contract Number, Type | N00024-09-C-2303/101, FPIF |
| Award Date | March 23, 2009 |
| Definitization Date | March 23, 2009 |

| Initial Contract Price (\$M) | | | Current Contract Price (\$M) | | | Estimated Price At Completion (\$M) | |
|------------------------------|---------|-----|------------------------------|---------|-----|-------------------------------------|-----------------|
| Target | Ceiling | Qty | Target | Ceiling | Qty | Contractor | Program Manager |
| 383.2 | 450.4 | 1 | 386.8 | 453.6 | 1 | 379.5 | 396.0 |

| Variance | Cost Variance | Schedule Variance |
|---|---------------|-------------------|
| Cumulative Variances To Date (12/26/2010) | +11.1 | -5.5 |
| Previous Cumulative Variances | -- | -- |
| Net Change | +11.1 | -5.5 |

Cost And Schedule Variance Explanations

Favorable Net Cost Variance is attributable to continued positive performance in production labor.

Unfavorable Net Schedule Variance is attributable to pre-outfitting activities which lagged due to the availability of materials, primarily in piping and electrical.

Contract Comments

This is the first time this contract is being reported.

Program Managers Estimate and Contractors estimate as shown above is price to government which accounts for fee and is based on December 2010 actuals.

This report contains the construction CLIN 0101 only. It does not include the value of material reused from the fiscal year 2006 terminated ship contracts.

Appropriation: RDT&E

| | |
|-----------------------|-----------------------------|
| Contract Name | Construction - LCS 4 |
| Contractor | General Dynamics |
| Contractor Location | Bath, ME 04530 |
| Contract Number, Type | N00024-09-C-2302/101, FPIF |
| Award Date | May 01, 2009 |
| Definitization Date | May 01, 2009 |

| Initial Contract Price (\$M) | | | Current Contract Price (\$M) | | | Estimated Price At Completion (\$M) | |
|------------------------------|---------|-----|------------------------------|---------|-----|-------------------------------------|-----------------|
| Target | Ceiling | Qty | Target | Ceiling | Qty | Contractor | Program Manager |
| 357.2 | 410.2 | 1 | 368.2 | 422.6 | 1 | 368.2 | 391.0 |

| Variance | Cost Variance | Schedule Variance |
|---|---------------|-------------------|
| Cumulative Variances To Date (12/26/2010) | -12.8 | -14.8 |
| Previous Cumulative Variances | -- | -- |
| Net Change | -12.8 | -14.8 |

Cost And Schedule Variance Explanations

Unfavorable Net Cost Variance is attributable to in accurate time phasing of material costs to the current build schedule, which is delayed, leading to the inability to claim progress.

Unfavorable Net Schedule Variance is attributable to the late development of work packages and construction drawings needed to support construction. This late development and release of drawings has resulted in a schedule slip.

Contract Comments

This is the first time this contract is being reported.

Program Managers Estimate and Contractor estimate as shown above is price to government which accounts for fee and is based on December 2010 actuals.

This report contains the construction CLIN 0101 only. It does not include the value of material reused from the fiscal year 2006 terminated ship contracts.

Appropriation: Procurement

| | |
|-----------------------|-----------------------------|
| Contract Name | Construction - LCS 5 |
| Contractor | Lockheed Martin |
| Contractor Location | Baltimore, MD 21220 |
| Contract Number, Type | N00024-11-C-2300/1, FPIF |
| Award Date | December 29, 2010 |
| Definitization Date | December 29, 2010 |

| Initial Contract Price (\$M) | | | Current Contract Price (\$M) | | | Estimated Price At Completion (\$M) | |
|------------------------------|---------|-----|------------------------------|---------|-----|-------------------------------------|-----------------|
| Target | Ceiling | Qty | Target | Ceiling | Qty | Contractor | Program Manager |
| 436.8 | 436.8 | 1 | 436.8 | 436.8 | 1 | 436.8 | 436.8 |

| Variance | Cost Variance | Schedule Variance |
|-------------------------------|---------------|-------------------|
| Cumulative Variances To Date | 0.0 | 0.0 |
| Previous Cumulative Variances | -- | -- |
| Net Change | +0.0 | +0.0 |

Cost And Schedule Variance Explanations

The baseline cost performance report for this contract effort has not yet been developed and delivered to the Government. Reporting will begin with the next SAR.

Contract Comments

This is the first time this contract is being reported.

Appropriation: Procurement

| | |
|-----------------------|-----------------------------|
| Contract Name | Construction - LCS 6 |
| Contractor | Austal USA |
| Contractor Location | Mobile, AL 36601 |
| Contract Number, Type | N00024-11-C-2301/1, FPIF |
| Award Date | December 29, 2010 |
| Definitization Date | December 29, 2010 |

| Initial Contract Price (\$M) | | | Current Contract Price (\$M) | | | Estimated Price At Completion (\$M) | |
|------------------------------|---------|-----|------------------------------|---------|-----|-------------------------------------|-----------------|
| Target | Ceiling | Qty | Target | Ceiling | Qty | Contractor | Program Manager |
| 432.0 | 432.0 | 1 | 432.0 | 432.0 | 1 | 432.0 | 432.0 |

| Variance | Cost Variance | Schedule Variance |
|-------------------------------|---------------|-------------------|
| Cumulative Variances To Date | 0.0 | 0.0 |
| Previous Cumulative Variances | -- | -- |
| Net Change | +0.0 | +0.0 |

Cost And Schedule Variance Explanations

The baseline cost performance report for this contract effort has not yet been developed and delivered to the Government. Reporting will begin with the next SAR.

Contract Comments

This is the first time this contract is being reported.

Deliveries and Expenditures

| Deliveries To Date | Plan To Date | Actual To Date | Total Quantity | Percent Delivered |
|---|---------------------|-----------------------|-----------------------|--------------------------|
| Development | 2 | 2 | 2 | 100.00% |
| Production | 22 | 0 | 53 | 0.00% |
| Total Program Quantities Delivered | 24 | 2 | 55 | 3.64% |

| Expenditures and Appropriations (TY \$M) | | | |
|---|---------|----------------------------|--------|
| Total Acquisition Cost | 37438.8 | Years Appropriated | 9 |
| Expenditures To Date | 2815.2 | Percent Years Appropriated | 28.13% |
| Percent Expended | 7.52% | Appropriated to Date | 6364.1 |
| Total Funding Years | 32 | Percent Appropriated | 17.00% |

LCS Seaframe Deliveries and Expenditures current as of February 2, 2011.

Operating and Support Cost

Assumptions And Ground Rules

- a) 55 Seaframes with an average Service life of 25 years
- b) 83 Crews (40 personnel: 8 Officers /32 Enlisted per crew)
- c) Steaming Hours underway/not underway
- d) Defense Energy Support Center (DESC) Price of Fuel (Constant Year 2010) \$117.60/barrel
- e) Government Furnished Equipment (GFE) and Contractor Furnished Equipment (CFE) systems configurations are based on the equipment selected by each contractor

| Costs BY2010 \$M | | |
|--|--|----------------------|
| Cost Element | LITTORAL COMBAT SHIP 55 Seaframes average annual cost per ship | No Antecedent N/A |
| Unit-Level Manpower | 7.4 | -- |
| Unit Operations | 8.1 | -- |
| Maintenance | 6.1 | -- |
| Sustaining Support | 5.2 | -- |
| Continuing System Improvements | 7.2 | -- |
| Indirect Support | 2.6 | -- |
| Other | 0.0 | -- |
| Total Unitized Cost (Base Year 2010 \$) | 36.6 | -- |

| Total O&S Costs \$M | LITTORAL COMBAT SHIP | No Antecedent |
|---------------------|----------------------|---------------|
| Base Year | 50479.0 | -- |
| Then Year | 87089.3 | -- |

Source of estimate is the Navy Service Cost Position and OSD Independent Cost Estimate developed and approved in support of LCS Seaframe Milestone B decision February, 2011.