



Other Transaction (OT) for Prototype Fact Sheet

The statutory authority to award OT for Prototypes is found in 10 U.S.C. 2371 as modified by Section 845 of National Defense Authorization Act of 1994.

The authority states that the Director of DARPA and the Secretary of Military Departments may use “Other Transactions” for Prototype projects that are directly relevant to weapons or weapon systems proposed to be acquired or developed by the DoD

DARPA’s authority to award OT for Prototypes is not a permanent authority. Currently, the authority expires 30 Sep 2013.

When the OT is entered into, the team must have:

- At least one nontraditional defense contractor is participating to a significant extent, or
- 1/3 cost share of the total cost of the program, or
- Senior Procurement Executive determines exceptional circumstances

Approvals to use at OT for Prototype:

- Greater than \$100M — OSD(ATL);
- Greater than \$20M but less than \$100M — Director, DARPA;
- Less than \$20M — Contracting Officer

“Prototype” is defined as “a physical or virtual model used to evaluate the technical or manufacturing feasibility or military utility of a particular technology or process, concept, end item, or system.”

“Nontraditional” is defined as “an entity that has not, for a period of one year, entered into or performed a contract subject to full Cost Accounting Standards (CAS) coverage or, a FAR-based contract in excess of \$500K to carry out prototype projects or to perform basic, applied or advanced research.”

“Significant Contribution”:

- DoD OT Guide – The contribution causes a material reduction in the cost or schedule or increases the performance of the prototype.
- The non-traditional performer is responsible for a key component, technology, or process without which the prototype cannot be successfully developed (i.e., on the critical path)
- For a copy of the DoD Other Transactions (OT) Guide for Prototype Projects visit: http://www.acq.osd.mil/dpap/cpic/cp/specific_policy_areas.html#other_transactions

Positive Aspects of Using OTA

Changes

- No Government directed unilateral changes
- No claims for equitable adjustment caused by changes

Termination

- No “Termination for Default”
- No “Termination for Convenience”

Payable Milestones

- Negotiated and included in the Agreement
- Measurable events
- Upon milestone accomplishment, payment is made

Costs

- No mandatory cost principles or accounting standards

Subcontracting

- Government system not required
- No mandatory clause flow-downs

Sound business judgment absolutely necessary

Questions?

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