



## Other Transactions for Prototypes Fact Sheet

The statutory authority to award Other Transactions (OT) for Prototypes is found in 10 U.S.C. 2371b.

The authority states that the Director of DARPA, the Secretary of a military department, or any other official designated by the Secretary of Defense may carry out prototype projects that are directly relevant to enhancing the mission effectiveness of military personnel and the supporting platforms, systems, components, or materials proposed to be acquired or developed by the Department of Defense, or to improvement of platforms, systems, components, or materials in use by the armed forces. The contractual instrument and legal agreement to carry out these prototype projects are called Other Transaction agreements or "OTs."

Under 10 U.S.C. 2371b, most of the Federal Government acquisition statutes and regulations are not applicable, which gives the parties to the OT agreement greater freedom to negotiate and tailor these agreements more like private-sector or commercial contracts. The standard Government solicitation process need not be followed, the agreement looks more like a commercial contract, and the terms and conditions can be negotiated among the parties. Contractors will not be required to follow the Government accounting rules and will have the option to propose the use of their own systems and processes. Issues of intellectual property rights between the parties are also negotiable.

Other Transactions for Prototypes must meet one of the following conditions:

- At least one nontraditional defense contractor or nonprofit research institution is participating to a significant extent; or
- All significant participants in the transaction other than the Federal Government are small businesses or nontraditional defense contractors; or
- At least one third of the total cost of the prototype project is to be paid out of funds provided by sources other than the Federal Government; or
- Senior Procurement Executive for the agency determines exceptional circumstances exist that would justify use of the authority

Government approval thresholds to use Other Transactions for Prototypes:

- |                     |                      |
|---------------------|----------------------|
| - \$100M or less    | Contracting Officer  |
| - \$100M+ to \$500M | Director, DARPA      |
| - \$500M+           | USD(R&E) or USD(A&S) |

"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 defense contractor" is defined as "an entity that is not currently performing and has not performed, for at least the one-year period preceding the solicitation of sources by the Department of Defense for the procurement or transaction, any contract or subcontract for the Department of Defense that is subject to full coverage under the cost accounting standards prescribed pursuant to section 1502 of title 41 and the regulations implementing such section."

"Significant contribution" means:

- The contribution causes a material reduction in the cost or schedule or increases the performance of the prototype.
- The nontraditional performer is responsible for a key component, technology, or process without which the prototype cannot be successfully developed (i.e., on the critical path)

## **Questions?**

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For a copy of the DoD Other Transactions (OT) Guide for Prototype Projects visit:  
<https://www.acq.osd.mil/dpap/cpic/cp/10USC2371bOTs.html>