



Defense Innovation Unit: Other Transaction Contract and Success Memo Guidance

DIU vendors that execute a competitive OT prototyping project that satisfy the commitments of the sponsoring Government customer can be awarded a **Success Memo**, which enables any Federal Government Agency to leverage this solution without having to rebid.

The OT Contract Award Advantage

- The **Other Transaction (OT) Contracting Vehicle** enables rapid prototyping of commercially available technologies to enable accelerated solutions to Department of Defense (DoD) problems.
- Vendors that execute a prototype project to the satisfaction of the sponsoring Government customer and their contract commitments are **awarded a Success Memo**.
- This Success Memo for the company's solution that was deemed a "success" enables **any Federal Government Agency** to leverage this solution without having to recompet. This could be thought of as similar to a sole source contract. There is no time restriction on the use of the Success Memo to award of a follow-on contract.
- For Contracting Offices and Government Organizations that are unfamiliar with the OT authority and the related Success Memos, the Defense Innovation Unit contracting team can help facilitate understanding and explain how production contracts can be awarded utilizing the Success Memo.

OT Statute and Success Memo Language

Section (f) of the prototype OT statute ([10 U.S.C. 4022](#)) is the authority for the sole-source OT production contract: (f) Follow-on Production Contracts or Transactions.—

(1) A transaction entered into under this section for a prototype project may provide for the award of a follow-on production contract or transaction to the participants in the transaction.

(2) A follow-on production contract or transaction provided for in a transaction under paragraph (1) may be awarded to the participants of the transaction ***without the use of additional competitive procedures***, notwithstanding the requirements of chapter 221 of this title and even if explicit notification was not listed within the request for proposal for the transaction if:

A) competitive procedures were used for the selection of parties for participation in the transaction;
and

(B) the participants in the transaction successfully completed the prototype project provided for in the transaction.

How to Use a Success Memo

- The Success Memo lets other Government Organizations know that the specified vendor's technology has been tested and proven in a prototyping process with the Department of Defense.
- A transaction for a prototype project is complete (successful) upon the written determination of the appropriate approving official (Program Manager and Agreement Officer) for the matter in question that efforts conducted under a Prototype OTA:
 - (1) met the key technical goals of a project;
 - (2) satisfied success metrics incorporated into the Prototype OTA; or
 - (3) accomplished a particularly favorable or unexpected result that justifies the transition to production.

Furthermore, successful completion can occur prior to the conclusion of a prototype project to allow the Government to transition any aspect of the prototype project determined to provide utility into production while other aspects of the prototype project have yet to be completed. Any Prototype OTA shall contain a provision that sets forth the conditions under which that prototype agreement must be successfully completed.

- There is no relationship between the prototype pricing and the follow-on production contract pricing. The vendor will present their pricing to the Government organization and the Government and vendor will negotiate pricing and terms.

How to Use a Success Memo (con't)

- Vendors who are awarded the Success Memo **MUST be the Prime** on production / transition contracts for the use of the success prototyped technology.
- Vendors with Success Memos are permitted to sub-contract for support services without having to compete for the support services. There are two ways that fair and reasonable pricing for support services will be evaluated:
 - a. The Government Contracting Officer will ensure that the pricing for the support services are fair and reasonable according to the services being provided in the location the services are being provided by utilizing internal tools to verify pricing.
 - b. The Government Contracting Officer will request that the vendors demonstrate that they bid the sub-contracting work(e.g., laboratory services, utility services, waste management services, etc.) for any significant components of the contract. Typically, this means that vendors document that they received three quotes for such work. This demonstrates that the Government is receiving fair pricing for these sub-contracted services.

Success Memo Resources

- DIU Success Memo Explanation Resources
 - DIU Process Video: https://youtu.be/JPJS4_iA01E
 - How to work with DIU: <https://www.diu.mil/work-with-us/commercial>

Production Contract Options / Methods

Contracting Type	Reason Chosen
Production OT Contract (Other Transaction Authority)	Gives vendors and project team more negotiation ability and flexibility
FAR Production Contract (Federal Acquisition Regulation)	Associated with some regulatory authorities; authorized by 10 USC 4022.

Questions?

For additional information, contact us at info@diu.mil