



**SBIR/STTR PHASE II-EXPANDED CONTRACTING HANDBOOK**

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## **1.0 Phase II Expanded Guidelines**

NASA has developed the Phase II Expanded Option (Phase II-X) to further encourage the transition of SBIR/STTR technologies into NASA programs and missions. Under this initiative, the Program will provide an eligible Phase II small business with additional Phase II SBIR or STTR funds matching the investment funds the small business obtains from non-SBIR/non-STTR NASA sources.

Note that investments from the private sector or other Government agencies are not eligible for Phase II-X matching fund options.

### **1.1 General Phase II Expanded Information**

The objective of the Phase II-X Option is to establish a strong and direct partnership between the NASA SBIR/STTR Program and other NASA projects undertaking the development of new technologies and innovations for future use. Eligible firms shall secure a NASA internal investor to partner with, which will invest in enhancing the firm's technology for further research, infusion, and/or commercialization.

### **1.2 Matching Levels**

Under this option, the NASA SBIR/STTR Program will match non-SBIR/STTR NASA funds with SBIR/STTR funds, on a 2-for-1 basis, to extend an existing Phase II project for a minimum of 4 months to perform additional R/R&D. The fund matching levels SBIR/STTR will provide will depend on matching levels offered at time of the Phase II-X proposal; please refer to <http://sbir.nasa.gov/content/post-phase-ii-initiatives> for matching levels and other related information.

The non-SBIR or non-STTR contribution is not limited. Please refer to Definition of NASA Internal Investor section for clarification of what qualifies as a NASA internal investor.

### **1.3 Period of Performance**

NASA expects the period of performance to be commensurate with the total SBIR/STTR and NASA internal investor funding received.

### **1.4 Definition of NASA Internal Investor**

A NASA internal investor for a Phase II-X must be a NASA entity (e.g., program, initiative, or center) other than the NASA SBIR/STTR Program. This shall not include such entities as another company, a venture capital firm, an individual "angel" investor, owners or relatives of the company as defined in Title 13 of the Code of Federal Regulations (C.F.R.), Section 121.103, a non-SBIR/non-STTR government program other than NASA, or any combination of the above.

### **1.5 NASA Investments**

The NASA SBIR/STTR Program will initiate negotiations to exercise the Phase II-X option and will provide matching funds on a 2-for-1 basis up to the applicable matching level at time of



proposal, if the Phase II-X option is exercised. Refer to <http://sbir.nasa.gov/content/post-phase-ii-initiatives> for matching levels.

For NASA to successfully exercise the Phase II-X contract option the entire intended investment funding payment from the NASA internal investor should be made in full to the firm within 45 business days after receipt of notification that the Phase II-X proposal/application has been selected. The funding to the firm shall be in a funding vehicle separate from the existing NASA Phase II contract, and must be fully funded. *The NASA SBIR/STTR Program will not add NASA internal investment funding to the existing Phase II contract.*

The NASA SBIR Phase III contracting handbook and basic information have the legal statutes that pertain to award of an SBIR Phase III contract. If necessary, please provide this documentation to your procurement office. These documents are available from download from the NASA SBIR/STTR website (<http://sbir.nasa.gov>).

If you or the Agency official has further questions on how to do a Phase III contract, please contact:

Mr. Carlos Torrez  
 SBIR/STTR Business Manager  
 MS 202A-3/Ames Research Center  
 Moffett Field, CA 94035-1000  
 Telephone: 650-604-5797  
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## 2.0 General Guidance on What Qualifies As Investment

The investment must be used to fund work that directly extends the work done in the Phase II.

Commitment must be made prior to the award, but the expenditure must be concurrent with the Phase II-X performance. The NASA internal investor's funds must pay for activities that further the development and/or commercialization of the company's SBIR/STTR technology beyond the Phase II work (e.g., further R&D, manufacturing, marketing, etc.).

### 2.1 Specific Examples of What Does and Does Not Qualify As Investment

This section contains questions and answers regarding NASA's guidance for the types of investment from NASA internal investors that qualify as an investment under the Phase II-X program. The following includes specific examples of company-investor relationships and whether these relationships qualify as a Phase II-X investment or not. If you have questions about whether a particular company-investor relationship qualifies, please contact the NASA SBIR/STTR Help Desk at [sbir@reisys.com](mailto:sbir@reisys.com) or (301) 937-0888. The Help Desk will refer any policy or substantive questions to appropriate NASA personnel for an official response.

Item Number:	Question:	Answer:
1	<i>Can a small business contribute its own internal funds to qualify for the</i>	No. For Phase II-X the funds must come directly from NASA sources, other than the



	<b><i>Phase II Expanded?</i></b>	SBIR/STTR Program, to the small business. Please note that a subcontractor of the SBIR/STTR project or another NASA contractor will not qualify as a NASA internal investor.
2	<b><i>Company A spins off company B, which wins a SBIR award. Company A then wants to contribute matching funds to qualify company B for the Phase II Expanded. Can A be considered an investor for purposes of the Phase II Expanded?</i></b>	No, This may be suitable for a Phase II-E, but not for a Phase II-X.
3	<b><i>Small business S wins a SBIR award. The president of S is a major shareholder in another company Y, which wants to contribute matching funds to qualify S for the Phase II Expanded. Can Y be considered an investor for the purposes of the Phase II Expanded?</i></b>	No, This may be suitable for a Phase II-E, but not for a Phase II-X.
4	<b><i>Does the NASA internal investor have to be a single entity (i.e., a single NASA mission or program)?</i></b>	No, it can be more than one NASA source.
5	<b><i>Can a family member of an employee of small business S contribute funds to qualify S for the Phase II Expanded?</i></b>	No.
6	<b><i>Venture capital firm V currently is a 22 percent shareholder in small company S. Can V invest additional funds in S to qualify S for the Phase II Expanded?</i></b>	No, this may be suitable for a Phase II-E, but not for a Phase II-X.
7	<b><i>Large company L makes a cash investment in small company S, and then serves as a subcontractor to S on an SBIR project. Can L's investment in S count as a matching contribution for purposes of the Phase II Expanded?</i></b>	No, this may be suitable for a Phase II-E, but not for a Phase II-X.
8	<b><i>Company Y makes a cash investment in small company S for purposes of Phase II Expanded, and also enters into a separate contract with S under which Y provides certain goods/services to S in return for</i></b>	No, this may be suitable for a Phase II-E, but not for a Phase II-X.



	<b><i>\$500,000. Can Y's cash investment in S count as a matching contribution for purposes of the Phase II Enhancement?</i></b>	
9	<b><i>Can a loan from an external party qualify as an "investment" for purposes of the Phase II Expanded?</i></b>	No.
10	<b><i>How about a loan that is convertible to equity?</i></b>	No, this may be suitable for a Phase II-E, but not for a Phase II-X.
11	<b><i>Can in-kind contributions from a NASA internal investor count as matching funds under the Phase II Expanded?</i></b>	No. The matching contribution must be in funds.
12	<b><i>Can purchases of a purchase order from a NASA internal investor count as a matching contribution under the Phase II Expanded?</i></b>	No. Purchases will not be considered an investment, since a purchase may only represent a procurement need, not a desire to further the technology. Refer to question 13.
13	<b><i>If a valid NASA internal investor pays small company S for work related to S's SBIR project and expects a deliverable (goods or services) from S in return, would that qualify as an "investment"?</i></b>	No. This arrangement would not qualify as an investment. Specifically, in this situation the NASA internal investor is not betting on the small company's success in bringing the technology to market, but merely is looking to purchase a deliverable. Refer to item 12.
14	<b><i>Can the NASA internal investor investment in small company S during the first month of S's Phase I SBIR project count as a matching contribution to qualify S for the Phase II-X?</i></b>	No. The investment must occur within 45 business days of the company's notification of selection, without constraints.
15	<b><i>Must the activities funded by the NASA internal investor be explained in the proposal statement of work for the small company's phase II-X option?</i></b>	Yes. The NASA internal investor's funds must pay for activities that further the development and/or commercialization of the company's Phase II work. Including this information in the proposal assists with verification.
16	<b><i>Our small business has existing NASA contracts and/or grants. Can these count as matching investments?</i></b>	Yes, if the existing contract or grant is directly related to the Phase II-X work proposed, e.g., a Phase III contract for the same technology or a modification and funding for another contract that specifically relates to the technology. Both of these must be awarded after the Phase II-E proposal is submitted to be considered a matching investment.



### 3.0 Phase II Expanded Application Requirements

Only active NASA SBIR/STTR Phase II contracts can apply for participation in the Phase II-X option.

A Phase II-X application may be submitted anytime starting the 13th month of performance of this contract and ending 60 days before it expires. Applications received after this timeframe will be deemed late and not considered, unless your firm explicitly requests an option to extend the term of the contract to secure matching funds. Please note there is no guarantee that the Government will exercise a Phase II-X option based on the fact that there are limited funds designated for the options.

Since the Phase II-X is a contract option, there will be no debriefings as defined by Part 15 of the FAR as to why the option was not exercised.

Phase II-X funding shall not be used to cover work that was part of the Phase II contract, e.g., incomplete or unsuccessful R&D.

During the Phase II effort, the small business shall submit a Phase II Expanded application through the NASA SBIR/STTR Contract Administration and Closeout EHB. It should be noted that all contractual rules and regulations that are applicable to the Phase II contract also apply to the Phase II-X since it is a continuation of the work.

#### 3.1 Phase II Expanded Application

A Phase II-X application package consists of the items listed below, and shall be submitted through the NASA EHB Submission website.

##### 3.1.1 Phase II Expanded Application Form

The application form must be submitted electronically, in its entirety, and requires the following:

- Anticipated SBIR/STTR Contribution: List the anticipated SBIR/STTR Program contribution to be matched. This value cannot be greater than the current offered level at time of Phase II-X proposal
- NASA Internal Investment: List the total amount of investment funds from the NASA internal investor(s). There is no maximum amount of NASA internal investor funds a firm can receive. The current applicable minimum investment must be proposed in order for the SBIR/STTR Program to match the invested funds. Refer to <http://sbir.nasa.gov/content/post-phase-ii-initiatives> for details.
- Proposed Start Date and End Date: List the proposed start and end date for the Phase II-X proposed work.
- Justification for period of performance: Required in application if a firm requires a period of performance longer than 12 months.
- Is NASA the source of investment?: List “Yes”; NASA must be the source of investment funds.
  - Mission Directorate Supported: (If “Yes” above) list the mission directorate that is supporting the investment.



- Program/Project/Application: List the program, project, or application for the mission directorate.
- Final TRL: Provide the estimated Technology Readiness Level (TRL) at the end of the Phase II-X.
- Comments: Provide any additional comments, if needed.

### 3.1.2 Letter of Commitment

A letter of commitment from the NASA internal investor shall be provided during the application period (similar documentation without a corresponding commitment letter will not be accepted). The letter of commitment must contain the following information:

- The NASA internal investor contact information including their business address, title, email address, phone number, and be on official letterhead;
- The NASA internal investor's willingness to verify the commitment;
- The total amount of the investment, accompanying an acknowledgment that the investment is being made in response to and referencing the company's specific Phase II R&D effort;
- An acknowledgment that the entire amount of matching funds will be available for transfer within 45 business days of the company's notification that it has been approved for a Phase II-X work, without constraints; and
- Statement of investment use for a NASA program
  - The statement shall include a brief statement of how the resulting Phase II-X technology will be integrated into the acquisition program's future activities and how they will provide funding to the SBC.

For letter of commitment example, please see the EHB Document Library.

### 3.1.3 Statement of Work (SOW)

A concise statement of work for the Phase II Expanded effort should be submitted as a PDF file.

The SOW must state the specific objectives of the Phase II-X effort and provide a detailed work plan defining specific tasks and the methods planned to achieve each task, performance schedules, project milestones, and deliverables. The SOW must address how it will significantly improve upon the work performed in the Phase II. The statement of work must show separately the work done for the Phase II-X SBIR/STTR portion from the portion funded by NASA internal investor matching funds.

### 3.1.4 Cost Proposal

Detailed cost proposals are required and should be submitted as a PDF file.

The cost proposal should be broken into two sections, containing first the budget summary for the work being done with the SBIR/STTR Program matching funds and second the budget summary for the work being done with the NASA internal investment funds. The Cost Proposal should contain estimated costs with detailed information for each cost element, consistent with the offeror's cost accounting system.



### 3.1.5 Briefing Chart

An updated briefing chart with non-proprietary information for the Phase II–E work proposed shall be provided with the application; this briefing chart may be freely distributed by the Government.

### 3.1.6 Commercialization Plan

Per the guidelines outlined in the Solicitation, an updated plan for commercialization (Phase III) of the proposed innovation must be provided. The commercialization plan should be submitted as a PDF file and at a minimum, shall address the following areas:

- **Market Feasibility and Competition:** Describe (a) the target market(s) of the innovation and the associated product or service, (b) the competitive advantage(s) of the product or service; (c) key potential customers, including NASA mission programs and prime contractors; (d) projected market size (NASA, other Government and/or non-Government); (e) the projected time to market and estimated market share within five years from market-entry; and (f) anticipated competition from alternative technologies, products and services and/or competing domestic or foreign entities.
- **Commercialization Strategy and Relevance to the Offeror:** Present the commercialization strategy for the innovation and associated product or service and its relationship to the SBC's business plans for the next five years. Infusion into NASA missions and projects is an option for commercialization strategy.
- **Key Management, Technical Personnel and Organizational Structure:** Describe: (a) the skills and experiences of key management and technical personnel in technology commercialization; (b) current organizational structure; and (c) plans and timelines for obtaining expertise and personnel necessary for commercialization.
- **Production and Operations:** Describe product development to date as well as milestones and plans for reaching production level, including plans for obtaining necessary physical resources.
- **Financial Planning:** Delineate private financial resources committed to the development and transition of the innovation into market-ready product or service. Describe the projected financial requirements and the expected or committed capital and funding sources necessary to support the planned commercialization of the innovation. Provide evidence of current financial condition (e.g., standard financial statements including a current cash flow statement).
- **Intellectual Property:** Describe plans and current status of efforts to secure intellectual property rights (e.g., patents, copyrights, trade secrets) necessary to obtain investment, attain at least a temporal competitive advantage, and achieve planned commercialization.



## **4.0 General Information on Exercising the Phase II Expanded Contract Option**

### **4.1 Exercising the Phase II Expanded Contract Option**

If it is decided that the contract option should be exercised, the firm will receive a “Notice of Intent” from the NASA Shared Services Center (NSSC). The letter will notify the firm of the Government's intent, in accordance with FAR Clause 52.217-9 entitled, "Option to Extend the Term of the Contract", to exercise the Phase II–E Option.

This notification does not commit the NASA SBIR/STTR Program to exercise the pre-priced Option nor does it in any manner obligate NASA SBIR/STTR funds against the subject contract. The firm must show proof of funds transferred from the NASA internal investor to the small business 45 business days after receipt of notification that the Phase II-X proposal/application has been selected. If proof of receipt of the investment funds is not received by the NASA SBIR/STTR Program within the 45 business days, the option for Phase II-X matching funds will expire.

If the SBIR/STTR Program exercises the Option, it will be accomplished via a bilateral modification. The modification will specifically identify the Option period of performance and contract amount. NSSC is responsible for executing the Phase II-X modifications to the contract. Please note that the firm is not authorized to commence work or incur any SBIR/STTR Program costs under the Phase II-X option until the Phase II-X modification to contract has been executed.

### **4.2 Not Exercising the Phase II Expanded Contract Option**

If it is decided that the contract option should be not exercised, the firm will receive a notice from NSSC. Since the Phase II-X is a contract option, there will be no debriefings or explanation as to why the option was not exercised.

## **5.0 Time to Remedy Deficiencies**

If a deficiency in the Phase II-X application or proposal is noted to the SBIR/STTR small business, the small business will have 45 calendar days to remedy this deficiency from the first time it is notified of a deficiency; otherwise the proposal will not be selected.