



ACQUISITION
AND SUSTAINMENT

THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

AUG 27 2025

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
(ATTN: SERVICE ACQUISITION EXECUTIVES)
COMMANDERS OF THE COMBATANT COMMANDS
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES
DIRECTOR OF THE DEFENSE INNOVATION UNIT

SUBJECT: Authority for Use of Other Transactions for Prototype Projects Under Title 10,
United States Code, Section 4022

Reference: (a) "Authority for Use of Other Transactions for Prototype Projects Under Title 10,
United States Code, Section 2371b," dated November 20, 2018

The purpose of this memorandum is to update Other Transaction (OT) agreement approval authority and dollar threshold levels for prototype projects and follow-on production per title 10, United States Code (U.S.C.), section 4022. The Servicemember Quality of Life Improvement and the National Defense Authorization Act (NDAA) for FY 2025, Public Law 118-31 amended section 4022 to expand approval authority for prototype projects. In addition, Executive Order 14265, Modernizing Defense Acquisitions and Spurring Innovation in the Defense Industrial Base, dated April 9, 2025, articulated a general preference for Other Transaction Authority.

OT agreements for prototype projects valued in excess of \$500 million and executed by the Military Departments may be approved by the Senior Procurement Executive (SPE) in accordance with the requirements of title 10, U.S.C., section 4022 (a)(2)(B). Similarly, the Directors of the Defense Advanced Research Projects Agency (DARPA), Missile Defense Agency (MDA), and Defense Innovation Unit (DIU) have approval authority to execute OT agreements for prototype projects valued in excess of \$500 million in accordance with title 10, U.S.C., section 4022(a)(2)(B). Approval authorities for Combatant Commands (CCMDs) and Defense Agencies and Field Activities (DAs/FAs) are not specifically provided in section 4022(a)(2). Therefore, as a matter of policy, the approval authorities below are provided to be consistent with the intent of section 4022. In those cases, below where an Under Secretary is designated as the approval authority for transactions by the CCMDs, and non-specified DAs/FAs, such authority may be delegated, subject to the limitation in section 4022(a)(3). Based on these changes, reference (a) is rescinded and replaced with the approval authorities and thresholds listed below.

Approval of Prototype Projects OT Agreements

Organization	Transaction Value		
	Up to \$100M	\$100M to \$500M	Over \$500M
CCMDs with contracting authority	Head of Contracting Activity	Senior Procurement Executive	USD(R&E) or USD(A&S)
DAs/FAs with contracting authority	Head of Contracting Activity	Senior Procurement Executive	USD(R&E) or USD(A&S)
Military Departments	Head of Contracting Activity	Head of Contracting Activity	Senior Procurement Executive
DARPA, DIU, MDA	Head of Contracting Activity	Director	Director

The James M. Inhofe NDAA for FY 2023, Public Law 117-263 amended section 4022 to separate and change the approval levels for follow-on production OTs and contracts as indicated below.

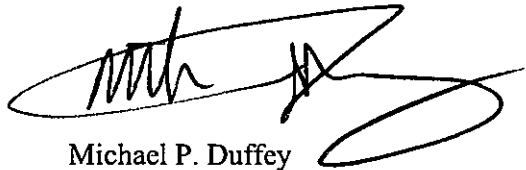
Section 4022(a)(2)(C) provides for approval of a follow-on production contract or transaction valued in excess of \$100 million by a “covered official.” A “covered official” under section 4022 means: a Service Acquisition Executive; the Director of DARPA; the Director of DIU; the Director of MDA; the Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)); or the Under Secretary of Defense for Research and Engineering (USD(R&E)). Approval of follow-on production OT agreements or contracts valued in excess of \$100 million requires a notice to the congressional defense committees, in writing, of the determinations required at the time such authority is exercised. As a matter of policy, approval of a follow-on production OT agreement or contract valued in excess of \$100 million requires prior coordination with the appropriate Under Secretary. The authority of the head of the contracting activity, directors of DARPA, DIU, MDA, or the SPE, as applicable may not be delegated pursuant to section 4022(a)(3).

Approval of Follow-On Production Contracts and OT Agreements

Organization	Transaction Value		
	Up to \$100M	\$100M to \$500M	Over \$500M
CCMDs with contracting authority	Commanding Officer	USD(R&E) or USD(A&S)	USD(R&E) or USD(A&S)
DAs/FAs with contracting authority	Director	USD(R&E) or USD(A&S)	USD(R&E) or USD(A&S)
Military Departments	Service Acquisition Executive	Service Acquisition Executive	Service Acquisition Executive
DARPA, DIU MDA	Director	Director	Director

As indicated in section 4022 for all threshold levels, the value shall include all options. In determining the value of a given transaction for the purposes of assessing compliance with the authority levels set forth above, OT agreements will be measured based on the value of each transaction, rather than the total value of all OT agreements that might be executed in a prototype project or for follow-on production. That is, a prototype project may consist of multiple transactions to the same or different parties, each of which shall be considered separately when considering dollar thresholds. Transaction value shall include all options with prices established in the OT agreement as awarded as well as the amount associated with any cost-sharing borne by the performer where the basis for the OT is subsection 4022(d)(1)(C). Regardless of value, a separate OT approval will be required for each phase—prototype or follow-on production—and separately within a phase for each transaction.

My point of contact for this memorandum is Mr. Larry McLaury, Defense Pricing, Contracting & Acquisition Policy, Contract Policy,
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