

SPAWAR GUIDELINES FOR PREPARATION AND SUBMISSION OF SBIR PHASE II PROPOSALS

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SECTION 1 – ELIGIBILITY AND LIMITATIONS

Only those Small Business Concerns (SBCs) that were awarded a phase I contract and have been invited to submit a phase II proposal by the SPAWAR SBIR Program Manager are eligible to submit a phase II proposal. Phase II awards will be made to firms on the basis of the results of their phase I effort and the scientific, technical, and commercial merit of the phase II proposal. Navy phase II awards are typically for a total of \$1,000,000 (\$750k base and \$250k option) over a period generally not to exceed 24 months (subject to negotiation). Period of performance for the base effort is 18 months, and 6 months for the option, unless otherwise noted by the Technical Point of Contact (TPOC) and/or the SPAWAR SBIR Program Office. The Navy reserves the right to make no award, one award, or more than one award on any topic.

Each proposing firm must:

- 1) Be at least 51% owned and controlled by one or more individuals who are citizens of, or permanent resident aliens in, the United States independently owned and operated small business qualified for research or research and development purposes, as defined in Section 2 of the most recent DoD solicitation, and certify to this on the cover sheet of the proposal.
- 2) Perform a minimum of one-half of the research and development effort.
- 3) Be the primary employment of the Principal Investigator at the time of award and during the conduct of the proposed effort. Primary employment means that more than one-half of the Principal Investigator's time is spent with the small business.
- 4) Perform the research or research and development within the United States. "United States" means the 50 states, the Territories and possessions of the Federal Government, the Commonwealth of Puerto Rico, the Republic of the Marshall Islands, the Federated States of Micronesia, the Republic of Palau, and the District of Columbia.

Joint ventures and limited partnerships are permitted, provided that the entity created qualifies as a small business in accordance with the Small Business Act, 15 USC 638, and the definition in Section 2 of the most recent DoD Solicitation.

Note: The Contracting Officer along with the SPAWAR SBIR Program Manager must explicitly approve any deviation from these requirements in writing during negotiations.

SECTION 2 – PROPOSAL PREPARATION

A. GENERAL REQUIREMENTS

Electronic submissions of SBIR phase II proposals are required by the SPAWAR SBIR Program Office and must include a proposal cover sheet, technical and cost proposal, Company Commercialization Report, and Commercialization Strategy. Offerors should adhere to the following proposal preparation requirements:

- 1) The proposed effort should be based on further development of the technological innovation supported in phase I, should stay within the scope of the solicitation topic, and should have high potential to provide new commercial products, processes, or services with benefits to the

government and the private sector. In assessing the DoD market, offerors are encouraged to use various resources, including the free technical information services available from the Defense Technical Information Center (DTIC) and other information assistance organizations noted in Section 7 of the most recent DoD solicitation. First-time awardees should register as a phase I contractor at DTIC to increase their access to DTIC's databases. The DTIC SBIR Services Internet link is <http://www.dtic.mil/dtic/aboutus/dodprograms/sbir.html>.

- 2) A SBIR proposal to SPAWAR must provide sufficient information to persuade evaluators that it is worthy of support under the evaluation criteria stated in Section 4 below.
- 3) Cost-plus-fixed-fee contracts are generally used for phase II contracts; however, in certain instances a Firm Fixed Price contract may be awarded. At the time of award the contractor must have a job-order-based accounting system capable of accruing costs under a government CPFF contract. A list of Defense Contract Management Agency (DCMA) small business contacts is found at <http://www.dcmamail.com/DCMAHQ/dcma-sb/contact.htm>.
- 4) Please pay close attention to the following technical areas when developing your proposal:
 - a) Government-Furnished Equipment (GFE)/ Government-Furnished Information (GFI) requested material: provide a detailed list and statement that the availability of this GFE/GFI has been coordinated with the respective Program Office. If it is not available, a substitute MUST be identified and agreed upon by all parties. That same GFE/GFI requested material, if available from the government, will need to be specifically called out in the SBC's proposal as well.
 - b) Foreign Persons: If the topic is ITAR Restricted, foreign nationals are not allowed to take part in the work. If the topic is non-ITAR sensitive, foreign nationals may work on the effort, provided they disclose their country of origin, a copy of their VISA, and a list of exactly what tasks they will be working on during the effort.
 - c) DD 254: If access to, or plans to safeguard classified data will be required, it will need to be specifically identified in the proposal. The proposal must identify what level of access will be needed and on what exact tasks the classified work will be done.
 - d) Required deliverables: please clearly identify all deliverables and their due dates.
 - e) Sub-Contracting: Section 9(f)(3) of the policy directive states, "An agency must not issue an SBIR funding agreement that includes a provision for subcontracting any portion of that agreement back to the issuing agency, to any other Federal Government Agency, or to other units of the Federal Government." A waiver to this policy can be pursued if all the following conditions can be justified, in writing, from the SBC and the SPAWAR SBIR Manager:
 - that the use of a particular facility is essential to the conduct of the work;
 - that such a facility does not exist in the private sector, requiring the use of a Government facility;
 - why non-SBIR DoD funds are not being used for the Government's share of the work; and,
 - the total contract amount of the effort, and how much of it is being proposed for use by the Government facility (or facilities).

If this effort will need to sub-contract to any "government agency" or "FFRDC", it must be identified in the proposal. Before an award can be made, a waiver from the SBA must be attained (30 – 45 day process which the TPOC will assist with). This must be justified as the "one and only place that this type of work can be done." As a general rule, ten (10) percent of the total expected contract value would be considered acceptable.

- 5) When developing the cost proposal, SBCs should budget two trips to SPAWAR in San Diego to brief the TPOC, Technology Manager and PEO stakeholders. SBCs are required to brief the

- TPOC and PEO stakeholders prior to the release of the phase II option funds.
- 6) All phase II award winners must attend a one-day Transition Assistance Program (TAP) kickoff meeting in the Washington D.C. area during the second year of the phase II effort. If you receive a phase II award you will be contacted with more information regarding this program or you can visit <http://www.dawnbreaker.com/navytap/index.php>. Budget at least one trip to Washington in your phase II cost proposal.
 - 7) Submissions to SPAWAR must comply with all relevant instructions contained in the DoD SBIR solicitation associated with the phase I topic (including those in the Navy section, in particular); e.g., markings required for proprietary and classified information, etc. Do not include proprietary information, classified information, or sensitive unclassified information in the cover sheet and project summary.
 - 8) Use 1-inch margins and a type size no smaller than 12 pitch or 11 point.
 - 9) Limit your proposal to 40 pages including the option and cost proposal but excluding the Company Commercialization Report and Commercialization Strategy. All pages from the first through the last must be consecutively numbered.

Other guidelines in the DoD SBIR solicitation associated with the phase I topic are also applicable to phase II; e.g., on-line (electronic) submission, deliverable/payment schedules, copyrights, patents, technical data rights, cost sharing, joint ventures (or limited partnerships), and contractor commitments.

B. TECHNICAL PROPOSAL

The technical proposal should consist of the following sections:

- 1) Completed Cover Sheet and Project Summary Form (pages 1 and 2). The on-line data entry forms are accessible from the DoD Electronic Submission Web Site (<http://www.dodsbir.net/submission>). The abstract should include a brief description of the objectives and proposed approach. Anticipated benefits and commercial applications of the proposed effort should be summarized in the space provided. Data from cover sheets for proposals selected for award will be accessible to the public: therefore, cover sheets must not contain proprietary information, classified information, or sensitive unclassified information.
- 2) Identification of the Effort (Begin this text on page three of your proposal). Summarize the proposed effort and its anticipated results.
- 3) Phase II Technical Objectives. Enumerate the specific objectives of the phase II work. Clearly distinguish between the objectives of the basic phase II and those of the phase II option.
- 4) Phase II Work Plan. This section should be the major portion of the technical proposal and propose an advancement over the phase I results appropriate for phase II. This section must include a proposed statement of work to delineate clearly and unambiguously what the offeror proposes to do for the basic effort and for the option(s). The proposed statement of work should describe, in chronological order, each task to be performed. Each task description should include an explanation of the work to be performed; the product of the task (report, hardware, etc.); the roles (if any) of subcontractors and/or consultants; the use of materials, software, special equipment, special tooling, and the like in the performance of the task; the period of performance in days; the number of hours to be allocated to the task by the Principal Investigator and other principal personnel (by name); other personnel (by labor category); and subcontractors and/or consultants (by name).
- 5) Related Work. This section should demonstrate the offeror's awareness of the state-of-the-art and relevant concurrent efforts. Describe significant activities, including any conducted by the Principal Investigator, by the proposing firm, consultants, and others. Describe how these

- activities relate to the proposed effort and discuss any planned coordination with outside sources.
- 6) Relationship with Future Research or Research and Development. Describe the results and opportunities anticipated if the proposed approach is successful. Explain how the phase II effort will provide a foundation for commercialization.
 - 7) Commercialization Strategy. Describe in approximately two pages your SBC's strategy for commercializing this technology in DoD, other Federal Agencies, and/or private sector markets. Provide specific information on the market need the technology will address and the size of the market. Also, include a schedule showing the quantitative commercialization results from the SBIR project that your SBC expects to achieve and when (i.e., amount of additional investment, sales revenue, etc.).
 - 8) Key Personnel. Identify key personnel who will be involved in the phase II effort including information on directly related education and experience. A concise resume of the Principal Investigator, including a list of relevant publications (if any), must be included. Identify any foreign persons you expect to be involved on the project, country of origin and level of involvement. Clearly identify which personnel will perform on the basic effort and which will perform on the option.
 - 9) Facilities/Equipment. Describe availability of special instrumentation and physical facilities necessary to carry out the phase II effort. Items of equipment to be leased or purchased as detailed and priced in the cost proposal for the base award and option(s) must be justified under this section. Also state whether or not the facilities where the proposed work will be performed meet federal, state (name), and local government environmental laws and regulations for, but not limited to, the following groupings: airborne emissions, waterborne effluents, external radiation levels, outdoor noise, solid and bulk waste disposal practices, and handling and storage of toxic and hazardous materials.
 - 10) Consultants/Subcontractors. Involvement of a university, consultant, or other subcontractor(s) may be appropriate. Describe here any proposed use of consultants and/or subcontractors priced in the cost proposal. Clearly identify the nature of work and level(s) of effort to be performed by consultants and/or subcontractors for the basic effort and/or option(s). Describe their qualifications and provide resumes for key consultants and/or subcontractor personnel, as required.
 - 11) Prior, Current, and/or Pending Support. Indicate on the cover sheet if the proposal is relevant to or substantially the same as that of any completed, ongoing, or pending proposal by the offeror and provide the following information in this section:
 - a) Name and address of the federal agency(s) or DoD component to which the proposal was submitted, or will be submitted, or from which an award is expected or has been solicited.
 - b) Date of award or date of proposal submission.
 - c) Title of proposal.
 - d) Name and title of Principal Investigator.
 - e) Issuing agency, title, number and date of solicitation(s) under which the proposal was submitted.
 - f) If an award was received, state the contract or grant number.
 - g) Identify the topic number and title for each SBIR proposal submitted and award received.

Note: If there is no such effort, include the following statement in this section, "No prior, current or pending support for proposed work."

C. COST PROPOSAL

A thoroughly itemized cost proposal can significantly reduce the amount of time required for contract negotiation. Separate cost proposals must be submitted for the phase II base effort and for each phase II option. The period of performance for the phase II base is 18 months in duration and the phase II option is 6 months in duration, unless otherwise directed by the TPOC and/or the SPAWAR SBIR Program Office.

Sufficient information should be provided to allow SPAWAR to understand how the offeror plans to use the requested funds if the contract is awarded. The following paragraphs illustrate the level of cost detail that a Contracting Officer requires before beginning negotiations with an offeror. For proprietary reasons, subcontractors, consultants, or vendors may want to give you only bottom line quotes. In such cases, ask them to send detailed quotes to the government Contracting Officer, who will hold them in confidence.

- 1) Offeror's Direct Labor. List all key personnel by name and other personnel by labor category; e.g., senior scientist. Specify the number of hours to be dedicated to the project and hourly direct labor costs for each.
- 2) Consultants/Subcontractors. List consultants by name and specify, for each, the number of hours and hourly costs. Detailed quotes from subcontractors should be provided in the same format as the prime contractor. The subcontractor's cost proposals may be sealed or mailed directly for Government eyes only.
- 3) Special Tooling, Testing, Test Equipment, and Material. The need for these items, if proposed, will be carefully reviewed. The offeror should provide competitive quotes to support the proposed costs or should justify why only one source is available. Competitive quotes may be signed quotes from vendors or copies of catalogue pages. Normally the costs of any equipment should be quoted on a purchase basis, unless the offeror can demonstrate that lease or rent of the equipment is clearly advantageous to the Government. The Contracting Officer will make the final determination.
- 4) Travel costs. Travel (i.e., airfares, car rental and per diem) must be justifiable in terms of the proposed effort. Specify how many people will travel to what places for how many days. We recommend that you budget two trips to San Diego to brief the TPOC, Technology Manager and PEO stakeholders. Phase II SBCs are required to brief the TPOC and relevant PEO stakeholders prior to the release of the phase II option funds. Note also that all phase II award winners must attend a one-day Transition Assistance Program (TAP) kickoff meeting in the Washington D.C. area during the second year of the phase II effort. If you receive a phase II award, you will be contacted with more information regarding this program or you can visit <http://www.dawnbreaker.com/navytap/index.php>.
- 5) General and Administrative (G&A). If applicable, include your G&A rate and its application base consistent with your approved accounting system.
- 6) Facility Capital Cost of Money (FCCM). If applicable, include your FCCM rate(s) and its application base consistent with your approved accounting system. Please also include fringe benefits, overhead, and material/sub handling.
- 7) Fixed Fee/Profit. If applicable, include the proposed fixed fee/profit.
- 8) Cost Proposal Evaluation Facilitation. To facilitate the Government's evaluation of your cost proposal, you may provide the following information:
 - a) If you have an approved accounting system and a Government auditor has reviewed your indirect costs, provide the name, address, and telephone number of that auditor.
 - b) If your accounting system has not been approved by the Government auditor, please provide:

- i) Description of your accounting system
- ii) Method you used to compute your indirect costs. (Include the details of indirect cost pools and the base against which they are applied as summarized above.)

D. COMPANY COMMERCIALIZATION REPORT

All SBIR proposals must be accompanied by an on-line report that summarizes the “value” of all prior SBIR awards to the offeror. Provide the required data for each prior phase II award; e.g., name of the awarding agency, solicitation topic number, and cumulative revenue (award amounts) for both follow-on R&D and sales of products and services to:

- 1) Department of Defense (directly under a contract and/or indirectly under a subcontract to a prime contractor)
- 2) Other government agencies, and/or
- 3) Private sector.

A relevant success story (or multiple stories), which resulted directly from a phase I award or non-SBIR/STTR award, may be summarized briefly and submitted separately.

SECTION 3 – PROPOSAL SUBMISSION

The phase II proposal must be submitted in its entirety to the DoD Electronic Submission Web Site <http://www.dodsbir.net/submission/SignIn.asp>. Technical proposals should be in a single file, including all graphics and attachments, should have the SBC name and proposal number (from the cover sheets) in the header, and should be in Portable Document Format (PDF). The file should be virus checked prior to submission to the web site. Signatures are not required on the cover sheets, cost proposal and Company Commercialization Report at the time of submission for electronic submission. If the proposal is selected for award, the Government Contracting Officer will contact you for signatures. SBCs invited to submit a phase II proposal will typically be given four weeks to prepare and submit their final proposal. Once a proposal is “submitted and locked” onto the DoD Electronic Submission Web Site, the SPAWAR SBIR Program Office will receive an automated notification. If for some reason, the proposal requires additional revisions, please contact the SPAWAR SBIR Program Office to unlock the entry. Extensions to the submission due dates are granted on a case-by-case.

SECTION 4 – METHOD OF SELECTION AND EVALUATION CRITERIA

Phase II proposals will be evaluated by knowledgeable government scientists or engineers (unless specified otherwise in the request for the proposal). Decisions will be made based on the scientific and technical evaluations and other factors, such as a commitment for phase III follow-on funding, the possible duplication of effort with other research or research and development, program balance, budget limitations, and the potential of the phase II effort leading to a product of continuing interest to DoD. Across DoD, the median time between receipt of the phase II proposal and the award of a contract is 6.5 months.

In most cases, the competition for a phase II contract will have been completed through the phase I performance period and the evaluation of phase I final reports prior to extending an invitation to submit a phase II proposal. Unless you have been informed by the SBIR Program Office that a competition still

exists through the phase II proposal evaluation process, yours will be the only phase II proposal submitted for your topic and the primary purpose of the phase II evaluation process will be to establish an acceptable proposal with a statement of work that will govern your SBC's phase II efforts. Your TPOC may work with you to develop your phase II proposal. A phase II award is not guaranteed until the contract is signed.

If you were informed by the SPAWAR SBIR Program Office that proposals from multiple SBCs were requested, a competitive situation still exists and one or more SBCs may not receive an award. In this case, rules and procedures governing source selection defined by the FAR and DFARS apply. Direct contact between the TPOC and SBCs is prohibited from the time of the phase II proposal invitation until all of the proposal evaluations have been completed. All technical and non-technical questions and information exchanged during this period must go through the SPAWAR SBIR Program Office. Please direct all questions to: W_SPSC_SSC_PAC_sbir_US@navy.mil.

A. SELECTION PROCESS

- 1) Every effort will be made to protect information designated as proprietary in the proposals.
- 2) The Company Commercialization Report and Commercialization Strategy are not considered to be part of the technical proposal with respect to the 40-page limit; and they must be acceptable to the government if a contract is to be awarded. Commercialization strategies that provide evidence of a commitment for follow-on funding may receive extra consideration during the selection process. Such evidence should specify the amount of phase II and/or III funds that will be made available to the small business and by whom.
- 3) Phase II proposal evaluations may include on-site evaluations of the phase I effort by government personnel.
- 4) Where technical evaluations of phase II proposals are essentially equal in score, cost to the government will be considered in determining the successful offeror(s).
- 5) Any proposal not selected for support within 6 months of submission is considered to be rejected; however, you may be asked to resubmit your proposal at any time during the Phase I data rights period. In such cases, the proposal should be updated, as required.

B. EVALUATION CRITERIA

The base phase II proposal will be reviewed for overall merit based on the criteria presented below in descending order of importance with technical merit being most important, followed by qualifications and commercialization potential of equal importance. The proposed phase II option will be separately evaluated in the same manner."

- 1) The soundness, technical merit, and innovation of the proposed approach and its incremental progress toward topic or subtopic solution.
- 2) The qualifications of the proposed principal/key investigators, supporting staff, and consultants. Qualifications include not only the ability to perform the research and development but also the ability to commercialize the results.
- 3) The potential for commercial (Government or private sector) application and the benefits expected to accrue from this commercialization. A proposal's commercial potential will be assessed using the following criteria:
 - a) The commercialization strategy (see Sections 3.6 and 3.7 of the most recent DoD solicitation) and, as discussed in that strategy:
 - (i) any commitments of additional investment in the technology during phase II from the

- private sector, DoD prime contractors, non-SBIR DoD programs, or other sources, and
- (ii) any phase III follow-on funding commitments; and
- b) The record of commercializing its prior SBIR projects, as shown in its Company Commercialization Report (see Section 3.5d of the most recent DoD solicitation). If the “Commercialization Achievement Index” (CAI) shown on the first page of the report is at the 20th percentile or below, the proposer will receive no more than half of the evaluation points available under this evaluation criterion (potential for commercialization) unless the Navy SBIR Program Manager recommends, in writing, that an exception be made for that proposer, and the Contracting Officer approves the exception. Only firms with four or more phase II projects that were awarded at least two years prior will receive a CAI score; otherwise the CAI is N/A. A Company Commercialization Report showing that the proposing firm has no prior phase II awards will not affect the firm’s ability to win an award. Such a firm’s proposal will be evaluated for commercial potential based on its commercialization strategy in item B.3.a, above.

Evidence of a commitment for follow-on funding should specify the amount of phase II and/or III funds that will be made available to the small business and by whom, as well as a deadline for achieving certain technical objectives, which, if achieved in phase II, will precipitate such a transaction. Such terms cannot be contingent upon the issuance of a patent due to the time required for this process. Benefits to SPAWAR are considered to be possible reductions of total ownership costs of a naval or defense system or subsystem.

SECTION 5 – CONTRACTUAL CONSIDERATIONS

All clauses of the applicable DoD SBIR Program Solicitation also apply to the proposal (e.g., reports, copyrights, technical data rights, contractor commitments, etc.)

A. PHASE II BASIC AWARDS

An appropriate contract must be drawn up by a Government Contracting Officer and signed by both parties before any work is authorized and any work begins for proposals that have been selected for support. Any negotiations that may be necessary will be conducted between the offeror and the Government Contracting Officer. SPAWAR phase II awards are typically CPFF, fully funded. Each phase II proposal selected for an award may include a fee or profit unless “cost-shared” by the firm.

Near the end of the base, a base effort out-brief meeting, along with the reports and deliverables received to date, will be used as a decision point for the option award. You must work with your assigned TPOC to ensure this meeting is scheduled no later than four to six weeks prior to the end of the base effort to allow sufficient time for the execution of the option paperwork, if selected to continue. Otherwise, an unscheduled delay will most likely be experienced. If the initiation of the option decision is not made by the TPOC and their respective POR within 30 days after the end of the base effort, contract closeout proceedings will commence.

B. PHASE II OPTION

A phase II option may be exercised, if justified, pending the availability of funds. The phase II option may be awarded if the contractor has accomplished its phase II objectives, the firm followed its phase II Commercialization Strategy, and/or a commitment of funds for commercialization of the technology has been received. The Government has no obligation to exercise a negotiated phase II option. The

statement of work for the option may be revised only if the negotiated costs remain valid.

C. PHASE II STATUS AND FINAL REPORTS

Quarterly progress reports and the final technical report must be submitted to the technical point of contact (TPOC), Contract Specialist, SPAWAR SBIR Program Office, and the Defense Technical Information Center, as specified in the contract data requirements lists (CDRLs). A phase II Electronic Summary Report must be submitted to the Navy SBIR/STTR Internet Home Page at: <http://www.onr.navy.mil/sbir> (select "Submission"). Other deliverables, such as computer software products, should be submitted as required by the contract.

D. PHASE III AWARDS

Follow-on R&D (phase III commercialization) cannot be funded by the SBIR Program. However, each award should be summarized on-line by submission to the Navy SBIR/STTR Internet Home Page (select "Submission" or "Success Stories"). The SPAWAR SBIR Program Manager as well as the Technical Point of Contact should be able to assist you in acquiring non-SBIR funds, as required. Please notify them of any phase III award(s); i.e., the associated contract number and amount (\$).

E. ACKNOWLEDGMENT

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