

DAF PY26.1 STRATFI Program Matching Funds Guidance

Version 1 – July 2025

Compliance with the following guidance is necessary for consideration in the Department of the Air Force (DAF) SBIR/STTR Supplemental Funding Pilot Program.

The DAF reserves the right to adjust these guidelines at any time. Changes to these guidelines will be sent to eligible companies.

GENERAL GUIDELINES

1. Funding used as matching for a prior SBIR or STTR Phase II award cannot be counted toward any funding increase contemplated under this program.
2. SBIR/STTR funds from other Federal Agencies do not count towards government matching.
3. Non-SBIR/STTR funds from Federal, State, or Local governments may count towards government matching.
4. Government funds from other nations may count towards third-party matching (and would not count towards 'government' matching). All such funds are subject to review and approval.
5. Subcontracts may count for the purposes of government matching if awarded as a Phase III or if the awarding agency used other means of affording preference for the "Phase III" work (examples include: reference to the SBIR/STTR Awardees brand-name as a required deliverable in the request for proposals; requiring the prime awardee to use evaluation factors favoring subcontracting to SBIR/STTR concerns; or providing other incentives to the prime contractor for utilizing SBIR/STTR Awardees as subcontractors, as referenced in 15 U.S.C. § 638(y).) Such awards will be reviewed to confirm that they logically extend, complete or derive from the subject phase II effort and satisfy the requirements above. See STRATFI specific guidance in the following sections for eligibility rules.
6. If the matching funds are to be applied to the STRATFI Phase IIB or Sequential Phase II Award directly, then the specific tasks for which non-SBIR matching funds will be applied must be identified in the **Spend Plan**, and the comptrollers from both 1) the organization that provides the funds and 2) the organization that awards the funds will need to agree with the use of those funds for those specific tasks that are identified.
7. The **Spend Plan** and respective **Funding Letters** must be completed and included in response to this Notice of Opportunity.
8. The amount of SBIR/STTR funds ultimately awarded is subject to funding availability, SBA Waiver Rules (as applicable), and negotiated agreement with the Air Force.

9. At no point throughout the effort will the SBIR/STTR contributions exceed 100% of the non-SBIR/STTR federal funds. SBIR/STTR funding will not be provided without the required matching funds

STRATEGIC FUNDING INCREASE (STRATFI) SPECIFIC GUIDANCE

1. The MINIMUM amount of SBIR/STTR funds that the DAF may provide any single participant in the entire STRATFI effort is \$3M.
2. The MAXIMUM amount of SBIR/STTR funds that the DAF may provide any single participant in the entire STRATFI effort is \$15M.
3. The MAXIMUM amount of SBIR/STTR funding that the Government may have provided at any point during the STRATFI program, is governed by the Matching Option (detailed below) chosen by the SBC and the amount of funds contributed:
 - **Government-Private Matching Option.** The matching ratio is one part SBIR funds for every one part non-SBIR/STTR government funding and two part eligible third party funds. An example of the minimum contribution would be \$3M from Air Force SBIR/STTR funds, \$3M from non-SBIR/STTR government funding, and \$6M from eligible third-party funds.
 - **Government Only Matching Option.** The matching ratio is one part SBIR funds for every two parts of non-SBIR/STTR Federal funding. An example of the minimum contribution would be \$3M from Air Force SBIR/STTR funds and \$6M from non-SBIR/STTR Government funds.
4. The SBC may decide which matching option above is most appropriate for the effort. The SBC may not combine options (e.g. apply the Government-Private Matching Option for a portion of the subject effort and apply the Government Only Matching Option for the remainder of the effort).
5. It is acceptable to receive more matching funds from Federal non-SBIR/STTR funding sources and/or eligible third-party funding sources than dictated by the Maximum Matching Ratio above.
6. Any eligible third-party funding the applicant receives: (1) after the start of the period of performance of the Phase II under which this funding increase is being requested and within the preceding 24 months of Capability Package submission or (2) during the course of the STRATFI effort may count as matching for the STRATFI program.
7. Any Phase III award (or other government contract/agreement/grant/subcontract) that logically extends, completes, or derives from the Phase II effort under which this funding increase is being requested that was executed within the preceding 6 months of Capability Package submission or is obligated during the course of the STRATFI effort may count as matching. Such awards must describe how they relate to/augment the STRATFI effort. They will also be reviewed to confirm that they logically extend, complete or derive from the subject Phase II effort. The 6-month date will be calculated from the date of funds obligation on the contract, and waivers will not be considered.
8. Any non-SBIR/STTR government funding that is directly applied towards this STRATFI effort may count as government Matching. These funds may be available

at the time of award, or may be applied during the course of the STRATFI effort.

9. For government-private matching option, specific third-party matching POCs must be identified, and signed **Private Funding Letters** must be provided for all third-party matching funds that are to be received within the first 24 months of STRATFI execution; for third-party matching funds that are to be received beyond the first 24 months of STRATFI execution, there still must be a clearly articulated plan for third-party funding, but specific investors need-not be named and Funding Letters need-not be provided at the time of submission (though they can be if desired).

NOTE - Documentation for third-party matching funds received after submission, to match funding for performance beyond the first 24 months of STRATFI execution, must be provided for review and verification before SBIR/STTR matching funds can be issued for the contractual period of performance beyond the first 24 months (years 3 and 4 of the contract).

THIRD-PARTY MATCHING FUNDS ELIGIBILITY GUIDANCE

Third-Party Matching funding, also referred to as “Private Matching”, is defined as investment, financing, or pre-sales from eligible third parties. For questions regarding specific situations’ qualification, please contact the AFVentures team at arfl.rgv.stratf-tacfi@us.af.mil.

What Qualifies as "Third-Party Investment" (General):

1. **Eligible third parties include:** Other business concerns, academic institutions, nonprofits, venture capital firms, individual “angel” investors, or any combination thereof.
2. **NOT eligible third parties include:** The small business’s internal R&D funding, owners, their family members, and/or “affiliates” of the small business, as defined in Title 13 of the *Code of Federal Regulations* (CFR.), Section 121.103 and the Combined SBIR/STTR Policy Directive (2020), as highlighted below:
 - Concerns are affiliated when one concern controls or has the power to control the other, or a third party/parties controls or has the power to control both.
 - Factors such as ownership, management, previous relationships with or ties to another concern, and contractual relationships, are considered to determine whether affiliation exists.
 - Individuals or firms with identical or substantially identical business or economic interests, such as family members, persons with common investments, or firms economically dependent through contractual or other relationships, may be treated as one party with such interests aggregated.
 - Pursuant to 13 C.F.R. §121.103(b), business concerns owned in whole or substantial part by investment companies licensed, or development companies qualifying, under the Small Business Investment Act of 1958, as amended, are not considered affiliates of such investment companies or

development companies.

3. Joint Ventures and limited partnerships are eligible for consideration in STRATFI awards, provided that the entity qualifies as a Small Business Concern (SBC).
4. The funding must be an arrangement wherein the third party provides cash to the small company in return for such items as equity, a share of royalties, rights in the technology, a profit percentage, an advance purchase orders for products resulting from the technology, debt convertible to equity, or any combination thereof.
5. The funding must be directed at reducing technical and commercialization risk of the subject solution (e.g. cannot be sales of your existing product, but can be 'pre-sales' of more advanced product).
6. The investment cannot be expected to be repaid in cash (e.g. NOT a loan, unless convertible to equity; if something like a SAFE convertible note, it must automatically convert to non-cash repayment within 5 years of issuance).

EXAMPLES AND FREQUENTLY ASKED QUESTIONS

Qualifying as a Third Party Outside Investor/Funder

1. ***Can a small company contribute its own internal funds to qualify for the STRATFI Third-Party Matching Program?***

A: No. DAF is seeking outside validation of the company's technology commercialization potential, and therefore requires funds be provided by one or more outside investors/funders. Additionally, outside investor funding is more readily verifiable in the small business's financial records than internal funding.

2. ***Company A spins off Company B; Company B receives a Phase II SBIR award. Company A then wants to contribute matching funds to qualify Company B for the or STRATFI Third-Party Matching. Can Company A be considered an outside investor for purposes of Third-Party Matching?***

A: In this example A and B would likely be considered "affiliates". Company A would not qualify as an outside investor under the Third-Party Matching Program. This presumption could be rebutted by, e.g., showing the spin-off occurred several years ago; neither Company A and B exercise control over the other; do not have common ownership or management; pursue different business interests, etc., in accordance with 13 C.F.R. Part 121.

3. ***Small company S wins a Phase II award. The president of S is a major shareholder in company Y. Company Y wants to contribute matching funds to qualify S for the STRATFI Third-Party Matching Program. Can Y be considered an outside investor?***

A: Company Y could not be considered an outside investor, unless the president's stake in Company Y and other ties between companies S and Y are not enough for S and Y to be considered "affiliates" IAW 13 CFR Section 121.103. That regulation specifically discusses affiliation based on stock ownership:

- i. A person is an affiliate of a concern if the person owns or controls, or has the power to control <50% of its voting stock, or a block of stock which

affords control because it is large compared to other outstanding blocks of stock.

- ii. *If two or more persons each own, control, or have power to control < 50% of a concern's voting stock, with minority holdings approximately equal in size, but the aggregate of which is large as compared with other stock holdings, each such person is presumed to be the concern's affiliate. If S and Y are determined to be affiliates, Y cannot be an outside investor.*

4. ***Does the third-party investor or funder have to be a single entity, e.g., a single venture capital firm, or can it be more than one entity e.g., two angel investors and a venture capital firm?***

A: The outside investor/funder can be composed of more than one eligible entity.

5. ***Small Company A contributes matching funds to Small Company B to qualify B for the STRATFI Third-Party Matching Program. At the same time, Small Company B contributes matching funds to Small Company A to qualify A for the Third-Party Matching Program. Do Small Companies A and B qualify as outside investors under the Third-Party Matching Program?***

A: No. A and B's investment in the other would not provide outside validation of the commercial potential of their respective efforts. They would therefore not be considered outside investors for purposes of the Third-Party Matching Program.

6. ***Can the brother of an employee of Small Company S contribute funds to qualify Small Company S for the STRATFI Third-Party Matching Program?***

A: The decision would be guided by the definition of "affiliates" in 13 CFR § 121.103. The brother would likely be considered an affiliate of Small Company S and not an outside investor, unless affiliation can be rebutted.

7. ***Venture Capital Firm V currently is a 22% shareholder in Small Company S. Can V invest additional funds in S to qualify S for the STRATFI Third-Party Matching Program?***

A: The determination would be based on whether V and S are "affiliates" as defined in 13 CFR § 121.103, and any restrictions applicable to venture investments under the Combined SBIR/STTR Policy Directive (2019), as modified by Section 884 of the FY2020 National Defense Authorization Act, Public Law 116-92.

8. ***Large Company L makes a cash investment in Small Company S, then serves as a subcontractor to S on a SBIR project. Can L's investment in S count as a matching contribution for purposes of the or STRATFI Third-Party Matching Program?***

A: Only L's net cash investment qualifies. For example, if L invests \$750,000 in S, then subcontracts with S for \$250,000, only L's net contribution of \$500,000 (\$750,000 - \$250,000) qualifies as matching funds for the Third-Party Matching Program. Subcontracting will be further subject to SBIR performance work-share restrictions, as well as SBA affiliation rules.

9. ***Company Y makes a cash investment of \$1,000,000 in Small Company S under the STRATFI Third-Party Matching Program. Y then enters into a separate contract with S to provide certain goods/services for \$500,000. Can Y's cash investment in S count as a matching contribution under the Third-Party Matching Program?***

A: Only Y's net cash investment of the \$500,000 qualifies as matching funds under the Third-Party Matching Program, unless the separate contract between Y and S precedes S's STRATFI submission. Then, Y's entire cash investment qualifies as matching funds.

10. ***A group of investors wishes to provide funding to Small Company S to qualify for the STRATFI Third-Party Matching Program. One of the investors is the mother of S's president, who wants to contribute \$50,000. Can the group's investment in S count as a matching contribution?***

A: The mother's \$50,000 is not considered a matching contribution because she does not qualify as an outside investor (see (6) above). Other investors' contributions qualify provided they meet the other conditions for the Third-Party Matching Program, i.e., each must meet the definition of third-party investor/funder.

11. ***Can a third-party investor, e.g., a Federal agency or a Large Company which operates a Federally-Funded Research and Development Center (FFRDC), require that any portion of the work be subcontracted to a Federal laboratory?***

A: No; please note that Air Force organizations who do not qualify as third-party funders/investors also cannot require this kind of subcontracting. The Contracting/Agreements Officer will not approve any STRATFI award where: the award is conditioned upon a subcontract to a Federal laboratory; the subcontract to a Federal laboratory violates SBIR performance work share requirements, the Federal laboratory is required to be paid in advance for more than 30 days of Federal laboratory's activities; or the subcontract to the Federal laboratory violates any statutory or regulatory protections, e.g., SBIR data rights protections.

12. ***Can third-party investor/funder require that majority of the Phase II work be performed by someone other than the Phase II awardee?***

A: The SBIR performance work-share restrictions are found in the Combined SBIR/STTR Policy Directive (2019). During the entire Phase II award performance, including STRATFI awards, a minimum of one-half of the research and/or analytical effort must be performed by the phase II awardee unless otherwise approved in writing by the Contracting/Agreements Officer after consultation with the Air Force SBIR Program Manager. STRATFI performance will be covered by SBIR life-cycle certifications required by the original Phase II award.

Examples of Qualified "Investment"

1. ***Can a loan from an outside party qualify as investment under the Third-Party Matching Program?***

A: No. The basis of the Third-Party Matching Program is for an outside

party to invest in the company to successfully bring the technology to market, not solely on its ability to repay a loan.

2. Do loans/debt convertible to equity qualify?

A: A loan or other form of debt convertible to equity would qualify as an investment at the Contracting/Agreements Officers discretion, provided the loan is from (1) a public entity, e.g., a state agency; or (2) a private entity, with rights allowing the SBIR company to convert the loan to equity. At a minimum, the loan must include an automatic conversion clause within five (5) years of loan receipt. Notes similar to the Simple Agreement for Future Equity (SAFE) are generally NOT considered loans, and therefore qualify as "Investment".

3. Do in-kind contributions from outside investors qualify as matching funds under the Third-Party Matching Program?

A: No. Matching contributions must be cash. A cash contribution is a stronger indicator of the outside investor's interest in the technology and can be readily verified.

4. Would a purchase order from an outside investor qualify as a matching contribution under the Third-Party Matching Program?

A: An advance purchase order for new products resulting from the SBIR project could qualify as a matching contribution, assuming the other Third-Party Matching conditions are met.

5. Would funds raised through an initial public offering (IPO) qualify as matching funds for purposes of the Third-Party Matching Program?

A: Yes, as long as the offering memo indicates a portion of the IPO funds will pay for activities, e.g., R&D, marketing, etc., related to the STRATFI project.

6. My company is NOT interested in raising money via investment (i.e. selling equity), can other sources of private funding count towards the match?

A: Yes, the intent of the third-party matching is to leverage non-federal, non-affiliated funding to decrease technical and commercialization risk.

Matching Timing and Logistics

1. Can Entity E's investment in Small Company S during the first month of S's STRATFI SBIR performance qualify as a matching contribution for the Third-Party Matching Program?

A: Yes, provided E is an outside investor and the other Third-Party Matching Program conditions are met.

2. Small Company A, which was awarded a Phase II contract, spins off Small Company B to commercialize the SBIR technology. Small Company A then convinces Angel Investor I to invest funds in Small Company B. Is Angel Investor I's investment in

Small Company B considered a matching contribution to qualify Small Company A for the Third-Party Matching Program?

A: For Angel Investor I's investment in Small Company B to qualify Small Company A for the Third-Party Matching Program, USAF must determine A and B are not really distinct, but substantially one and the same entity, e.g., as evidenced by their meeting the 13 CFR Sec.121.103 "affiliates" definition. If USAF determines A and B are substantially the same entity, I's investment in B could qualify A for the Third-Party Matching Program. This assumes the parties also meet the other conditions for the Third Party Matching Program. However, A and B would then be aggregated for purposes of small business size, status, ownership, performance, eligibility, and other requirements of the SBIR program.

3. ***Small Company S is collaborating with a university on a STRATFI project. Investor I wishes to provide funds to the university to qualify Small Company S for the STRATFI Third-Party Matching Program. Is I's investment in the university a matching contribution to qualify S for the Third-Party Matching Program?***

A: In order to qualify S for the SBIR Third-Party Matching Program, I's investment must be in Small Company S, not the university. S can then subcontract to the university, although the Government cannot direct subcontracting to specific entities. The cash investment in the small company provides a strong indication of commercial potential, whereas an investment in the university or another subcontractor does not.