

**POLICY AND PROCEDURES FOR THE
DOD PILOT MENTOR-PROTEGE PROGRAM**
(Revised December 20, 2002)

I-100 Purpose.

(a) This Appendix I to 48 CFR Chapter 2 implements the Pilot Mentor-Protege Program (hereinafter referred to as the “Program”) established under Section 831 of Pub. L. 101-510, the National Defense Authorization Act for Fiscal Year 1991 (10 U.S.C. 2302 note). The purpose of the Program is to—

(1) Provide incentives to major DoD contractors, performing under at least one active approved subcontracting plan negotiated with DoD or another Federal agency, to assist protege firms in enhancing their capabilities to satisfy DoD and other contract and subcontract requirements;

(2) Increase the overall participation of protege firms as subcontractors and suppliers under DoD contracts, other Federal agency contracts, and commercial contracts; and

(3) Foster the establishment of long-term business relationships between protege firms and such contractors.

(b) Under the Program, eligible companies approved as mentor firms will enter into mentor-protege agreements with eligible protege firms to provide appropriate developmental assistance to enhance the capabilities of the protege firms to perform as subcontractors and suppliers. According to the law, DoD may provide the mentor firm with either cost reimbursement or credit against applicable subcontracting goals established under contracts with DoD or other Federal agencies.

(c) DoD will measure the overall success of the Program by the extent to which the Program results in—

(1) An increase in the dollar value of contract and subcontract awards to protege firms (under DoD contracts, contracts awarded by other Federal agencies, and commercial contracts) from the date of their entry into the Program until 2 years after the conclusion of the agreement;

(2) An increase in the number and dollar value of subcontracts awarded to a protege firm (or former protege firm) by its mentor firm (or former mentor firm);

(3) An increase in subcontracting with small disadvantaged business (SDB) and women-owned small business (WOSB) concerns in industry categories where SDBs and WOSBs traditionally have not participated within the mentor firm's vendor base;

(4) The involvement of emerging SDB protege firms in the Program; and

(5) An increase in the employment level of protege firms from the date of entry into the Program until 2 years after the completion of the agreement.

(d) This policy sets forth the procedures for participation in the Program applicable to companies that are interested in receiving—

(1) Reimbursement through a separate contract line item in a DoD contract or a separate contract with DoD; or

(2) Credit toward applicable subcontracting goals for costs incurred under the Program.

I-101 Definitions.

I-101.1 Emerging SDB protege firm.

A small disadvantaged business whose size is no greater than 50 percent of the Small Business Administration (SBA) numerical size standard applicable to the North American Industry Classification System (NAICS) code for the supplies or services that the protege firm provides or would provide to the mentor firm.

I-101.2 Historically Black college or university.

An institution determined by the Secretary of Education to meet the requirements of 34 CFR 608.2. The term also means any nonprofit research institution that was an integral part of such a college or university before November 14, 1986.

I-101.3 Minority institution of higher education.

An institution meeting the definition of "Minority Institution" at FAR 26.301.

I-102 General procedures.

(a) At any time between October 1, 1991, and September 30, 2005, companies interested in becoming mentor firms that want to take credit toward applicable subcontracting goals for costs incurred for providing developmental assistance to one or more protege firms must apply to DoD for participation in the Program pursuant to the application process set forth at I-106(a).

(b) At any time between October 1, 1991, and September 30, 2005, companies interested in becoming mentor firms that are able to identify funding from a DoD program manager(s) to provide developmental assistance to one or more protege firms must apply to DoD for participation in the Program, pursuant to the application process set forth at I-106(d).

I-103 Program duration.

Activities under the Program may occur only during the following periods:

(a) From October 1, 1991, until September 30, 2005, companies that have been approved for participation in the Program as mentor firms pursuant to I-102, General Procedures, may enter into mentor-protege agreements, pursuant to I-107, Mentor-Protege Agreements.

(b) From October 1, 1991, until September 30, 2008, DoD may reimburse a mentor firm's costs of providing developmental assistance to its protege firm only if a DoD program manager has identified the funding for such costs and—

(1)(i) For mentor-protege agreements entered into prior to October 1, 1999, the mentor firm incurs such costs after DoD and the mentor firm enter into a separate contract, cooperative agreement, or other agreement; or

(ii) For mentor-protege agreements entered into on or after October 1, 1999, the mentor firm incurs such costs after DoD and the mentor firm enter into a separate contract based upon a determination by the Director, Small and Disadvantaged Business Utilization, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) (SADBU, OUSD(AT&L)), that unusual circumstances justify using a separate contract; or

(2) The mentor firm incurs such costs pursuant to the execution of a separately priced contract line item added to a DoD contract(s).

(c) From October 1, 1991, until September 30, 2008, a mentor firm may receive credit toward the attainment of its applicable subcontracting goals, for unreimbursed costs incurred in providing developmental assistance to its protege firms, only if such costs are incurred pursuant to an approved mentor-protege agreement.

I-104 Eligibility requirements for a protege firm.

(a) An entity may qualify as a protege firm if it is—

(1)(i) An SDB concern as defined at 219.001, paragraph (1) of the definition of “small disadvantaged business concern”;

(ii) A business entity owned and controlled by an Indian tribe as defined in Section 8(a)(13) of the Small Business Act (15 U.S.C. 637(a)(13));

(iii) A business entity owned and controlled by a Native Hawaiian Organization as defined in Section 8(a)(15) of the Small Business Act (15 U.S.C. 637(a)(15));

(iv) A qualified organization employing the severely disabled as defined in Section 8064A of Pub. L. 102-172; or

(v) A small business concern owned and controlled by women, as defined in Section 8(d)(3)(D) of the Small Business Act (15 U.S.C. 637(d)(3)(D));

(2) Eligible for the award of Federal contracts; and

(3) A small business according to the SBA size standard for the NAICS code that represents the contemplated supplies or services to be provided by the protege firm to the mentor firm, if the firm is representing itself as a qualifying entity under paragraph (a)(1)(i) or (v) of this section.

(b) A protege firm may self-certify to a mentor firm that it meets the eligibility requirements in paragraph (a) of this section. Mentor firms may rely in good faith on a written representation that the entity meets the requirements of paragraph (a) of this section, except for a protege’s status as a small disadvantaged business concern (see FAR 19.703(b)).

(c) A protege firm may have only one active DoD mentor-protege agreement.

I-105 Selection of protege firms.

(a) Mentor firms will be solely responsible for selecting protege firms. Mentor firms are encouraged to identify and select concerns that are defined as emerging SDB protege firms.

(b) The selection of protege firms by mentor firms may not be protested, except as in paragraph (c) of this section.

(c) In the event of a protest regarding the size or disadvantaged status of an entity selected to be a protege firm as defined in I-104(a), the mentor firm must refer the protest to the SBA to resolve in accordance with 13 CFR Part 121 (with respect to size) or 13 CFR Part 124 (with respect to disadvantaged status).

(d) For purposes of the Small Business Act, no determination of affiliation or control (either direct or indirect) may be found between a protege firm and its mentor firm on the basis that the mentor firm has agreed to furnish (or has furnished) to its protege firm, pursuant to a mentor-protege agreement, any form of developmental assistance described in I-107(f).

(e) If at any time pursuant to paragraph (c) of this section, the SBA determines that a protege firm is ineligible, assistance that the mentor firm furnishes to such a concern after the date of the determination may not be considered assistance furnished under the Program.

I-106 Approval process for companies to participate in the Program as mentor firms.

(a) On or after October 1, 1991, a company that is interested in becoming a mentor firm that is seeking credit toward applicable subcontracting goals for costs incurred under the Program must submit a request to the Director, SADB, OUSD(AT&L), for approval as a mentor firm under the Program. The Director will evaluate the request based on the extent to which the company's proposal addresses the items listed in paragraphs (b) and (c) of this section. To the maximum extent possible, a company should limit its request to not more than 10 pages, single-spaced. A company may identify more than one protege in its request for approval under the Program. The request must include the information required in paragraphs (b) and (c) of this section and may cover one or more proposed mentor-protege relationships.

(b) A company must indicate whether it is interested in participating in the Program pursuant to I-100(d)(1) or (2) and must submit the following information:

(1) A statement that the company is currently performing under at least one active approved subcontracting plan negotiated with DoD or another Federal agency pursuant to FAR 19.702, and that the company is currently eligible for the award of Federal contracts.

(2) The number of proposed mentor-protege relationships covered by the request for approval as a mentor firm.

Defense Federal Acquisition Regulation Supplement

Appendix I—Policy and Procedures for the DoD Pilot Mentor-Protege Program

(3) A summary of the company's historical and recent activities and accomplishments under its small and disadvantaged business utilization program.

(4) The total dollar amount of DoD contracts and subcontracts that the company received during the 2 preceding fiscal years. (Show prime contracts and subcontracts separately per year.)

(5) The total dollar amount of all other Federal agency contracts and subcontracts that the company received during the 2 preceding fiscal years. (Show prime contracts and subcontracts separately per year.)

(6) The total dollar amount of subcontracts that the company awarded under DoD contracts during the 2 preceding fiscal years.

(7) The total dollar amount of subcontracts that the company awarded under all other Federal agency contracts during the 2 preceding fiscal years.

(8) The total dollar amount and percentage of subcontracts that the company awarded to all SDB and WOSB firms under DoD contracts and other Federal agency contracts during the 2 preceding fiscal years. (Show DoD subcontract awards separately.) If the company presently is required to submit a Standard Form (SF) 295, Summary Subcontract Report, the request must include copies of the final reports for the 2 preceding fiscal years.

(9) The number and total dollar amount of subcontracts that the company awarded to the identified protege firm(s) during the 2 preceding fiscal years (if any). (Show DoD subcontract awards and other Federal agency subcontract awards separately.)

(c) In addition to the information required in paragraph (b) of this section, companies must submit the following information for each proposed mentor-protege relationship:

(1) Information on the company's ability to provide developmental assistance to the identified protege firm and how that assistance will potentially increase subcontracting opportunities in industry categories where SDBs and WOSBs are not dominant in the company's vendor base.

(2) A letter of intent indicating that both the mentor firm and the protege firm will negotiate a mentor-protege agreement. The letter of intent must be signed by both parties and must contain the following information:

(i) The name, address, and telephone number of both parties.

(ii) The protege firm's business classification, based upon the NAICS code(s) that represents the contemplated supplies or services to be provided by the protege firm to the mentor firm.

(iii) A statement that the protege firm meets the eligibility criteria in I-104(a).

Defense Federal Acquisition Regulation Supplement

Appendix I—Policy and Procedures for the DoD Pilot Mentor-Protege Program

(iv) A preliminary assessment of the developmental needs of the protege firm, and the proposed developmental assistance the mentor firm envisions providing the protege firm to address those needs and enhance the protege firm's ability to perform successfully under contracts or subcontracts with DoD and other Federal agencies and commercial contracts.

(v) An estimate of the dollar amount and type of subcontracts that the mentor firm will award to the protege firm, and the period of time over which the mentor firm will make those awards.

(vi) Information as to whether the protege firm's development will be concentrated on a single major system, a service or supply program, research and development programs, initial production, or mature systems, or in the mentor firm's overall contract base.

(3) An estimate of the cost of the developmental assistance program and the period of time over which the mentor firm will provide assistance.

(d) A company that has identified Program funds to be made available through a DoD program manager must provide the information in paragraphs (b) and (c) of this section through the appropriate program manager and the cognizant Director, SADB, to the Director, SADB, OUSD(AT&L), with a letter signed by the appropriate program manager indicating the amount of funding that has been identified for the developmental assistance program. The company must submit a justification and endorsement from the cognizant Director, SADB, when requesting any of the following unusual actions:

- (1) Reimbursement of developmental costs in excess of \$1,000,000.
- (2) Reimbursement through a separate contract.
- (3) A Program participation term greater than 3, but not more than 5, years.

(e) Companies seeking credit toward applicable subcontracting goals for the cost of developmental assistance, or reimbursement with funds made available by a DoD program manager, must submit four copies of the information specified in paragraphs (b) and (c) of this section to the Director, SADB, OUSD(AT&L), ATTN: Pilot Mentor-Protege Program Manager, 1777 North Kent Street, Suite 9100, Arlington, VA 22209. Upon receipt of this information, the Director, SADB, OUSD(AT&L), will review and evaluate each request and, to the maximum extent possible, within 30 days advise each applicant of approval or rejection of its request to become a mentor firm.

(f) A company approved as a mentor firm, either for credit or for reimbursement through funds made available by a DoD program manager, may proceed with the negotiation of the mentor-protege agreement with the identified protege firm(s).

(g) Companies that apply for participation in the Program pursuant to paragraph (e) of this section, and are not approved, will be provided the reasons and an opportunity to submit additional information for reconsideration.

(h) A company may not be approved for participation in the Program as a mentor firm if, at the time of requesting participation in the Program, it is currently debarred

or suspended from contracting with the Federal Government pursuant to FAR Subpart 9.4.

(i) If the mentor firm is suspended or debarred while performing under an approved mentor-protege agreement, the mentor firm—

(1) May continue to provide assistance to its protege firms pursuant to approved mentor-protege agreements entered into prior to the imposition of such suspension or debarment;

(2) May not be reimbursed or take credit for any costs of providing developmental assistance to its protege firm, incurred more than 30 days after the imposition of such suspension or debarment; and

(3) Must promptly give notice of its suspension or debarment to its protege firm and the Director, SADB, OUSD(AT&L).

I-107 Mentor-protege agreements.

(a) A signed mentor-protege agreement for each mentor-protege relationship identified under I-106(b)(2) must be submitted to the Director, SADB, OUSD(AT&L), and approved before developmental assistance costs may be incurred. To the maximum extent possible, such mentor-protege agreements will be approved within 5 business days of receipt.

(b) Each signed mentor-protege agreement submitted for approval under the Program must include—

(1) The name, address, and telephone number of the mentor firm and the protege firm and a point of contact within the mentor firm who will administer the developmental assistance program;

(2) The NAICS code(s) that represent the contemplated supplies or services to be provided by the protege firm to the mentor firm and a statement that, at the time the agreement is submitted for approval, the protege firm, if an SDB or WOSB concern, does not exceed the size standard for the appropriate NAICS code;

(3) A developmental program for the protege firm specifying the type of assistance identified in paragraph (f) of this section that will be provided. The developmental program also must include—

(i) Factors to assess the protege firm's developmental progress under the Program, including milestones for providing the identified assistance;

(ii) The anticipated number, dollar value, and type of subcontracts to be awarded the protege firm consistent with the extent and nature of the mentor firm's business, and the period of time over which the subcontracts will be awarded; and

(iii) The dollar value of the technical assistance program, broken out per year;

Defense Federal Acquisition Regulation Supplement

Appendix I—Policy and Procedures for the DoD Pilot Mentor-Protege Program

(4) A statement from the protege firm indicating its commitment to comply with the requirements for reporting and for review of the agreement during the duration of the agreement and for 2 years thereafter;

(5) A program participation term for the agreement that does not exceed 3 years. Requests for an extension of the agreement for a period not to exceed an additional 2 years are subject to the approval of the Director, SADBU, OUSD(AT&L), and are contingent upon the endorsement and submission of justification for such an extension from the cognizant Director, SADBU. The justification must detail the unusual circumstances that warrant a term in excess of 3 years;

(6) Procedures for the mentor firm to notify the protege firm in writing at least 30 days in advance of the mentor firm's intent to voluntarily withdraw its participation in the Program. A mentor firm may voluntarily terminate its mentor-protege agreement(s) only if it no longer wants to be a participant in the Program as a mentor firm. Otherwise, a mentor firm must terminate a mentor-protege agreement for cause;

(7) Procedures for a protege firm to notify the mentor firm in writing at least 30 days in advance of the protege firm's intent to voluntarily terminate the mentor-protege agreement;

(8) Procedures for the mentor firm to terminate the mentor-protege agreement for cause which provide that—

(i) The mentor firm must furnish the protege firm a written notice of the proposed termination, stating the specific reasons for such action, at least 30 days in advance of the effective date of such proposed termination;

(ii) The protege firm must have 30 days to respond to such notice of proposed termination, and may rebut any findings believed to be erroneous and offer a remedial program;

(iii) Upon prompt consideration of the protege firm's response, the mentor firm must either withdraw the notice of proposed termination and continue the protege firm's participation, or issue the notice of termination; and

(iv) The decision of the mentor firm regarding termination for cause, conforming with the requirements of this section, will be final and is not reviewable by DoD; and

(9) Additional terms and conditions as may be agreed upon by both parties.

(c) Mentor firms must send a copy of any termination notices to the Director, SADBU, OUSD(AT&L), the cognizant Director, SADBU, and the Defense Contract Management Agency administrative contracting officer responsible for conducting the annual performance review, and, where funding is made available through a DoD program manager, must provide a copy to the program manager and to the contracting officer.

(d) Termination of a mentor-protege agreement will not impair the obligations of the mentor firm to perform pursuant to its contractual obligations under Government contracts and subcontracts. Termination of all or part of the mentor-protege agreement

Defense Federal Acquisition Regulation Supplement

Appendix I—Policy and Procedures for the DoD Pilot Mentor-Protege Program

will not impair the obligations of the protege firm to perform pursuant to its contractual obligations under any contract awarded to the protege firm by the mentor firm.

(e) Only developmental assistance provided after DoD approval of the mentor-protege agreement may be reimbursed.

(f) The mentor-protege agreement may provide for the mentor firm to furnish any or all of the following types of developmental assistance:

(1) Assistance by mentor firm personnel in—

(i) General business management, including organizational management, financial management, and personnel management, marketing, business development, and overall business planning;

(ii) Engineering and technical matters such as production inventory control and quality assurance; and

(iii) Any other assistance designed to develop the capabilities of the protege firm under the developmental program.

(2) Award of subcontracts under DoD contracts or other contracts on a noncompetitive basis.

(3) Payment of progress payments for the performance of subcontracts by a protege firm in amounts as provided for in the subcontract; but in no event may any such progress payment exceed 100 percent of the costs incurred by the protege firm for the performance of the subcontract. Provision of progress payments by a mentor firm to a protege firm at a rate other than the customary rate for the firm must be implemented in accordance with FAR 32.504(c).

(4) Advance payments under such subcontracts. The mentor firm must administer advance payments in accordance with FAR Subpart 32.4.

(5) Loans.

(6) Investment(s) in the protege firm in exchange for an ownership interest in the protege firm, not to exceed 10 percent of the total ownership interest. Investments may include, but are not limited to, cash, stock, and contributions in kind.

(7) Assistance that the mentor firm obtains for the protege firm from one or more of the following:

(i) Small Business Development Centers established pursuant to Section 21 of the Small Business Act (15 U.S.C. 648).

(ii) Entities providing procurement technical assistance pursuant to 10 U.S.C. Chapter 142 (Procurement Technical Assistance Centers).

(iii) Historically Black colleges and universities.

(iv) Minority institutions of higher education.

(g) A mentor firm may not require a protege firm to enter into a mentor-protege agreement as a condition for award of a contract by the mentor firm, including a subcontract under a DoD contract awarded to the mentor firm.

I-108 Reimbursement procedures.

(a) DoD will reimburse a mentor firm only for the cost of developmental assistance incurred by the mentor firm and provided to a protege firm under I-107(f)(1) and (7), and pursuant to an approved mentor-protege agreement. For agreements entered into prior to October 1, 1999, DoD will provide reimbursement only through a separate contract, cooperative agreement, or other agreement entered into between DoD and the mentor firm, awarded for the purpose of providing developmental assistance to one or more protege firms; a separately priced contract line item in a DoD contract; or inclusion of program costs in indirect expense pools. For agreements entered into on or after October 1, 1999, DoD will provide reimbursement only through a separately priced contract line item in a DoD contract; or through a separate contract if the Director, SADB, OUSD(AT&L), determines that unusual circumstances justify reimbursement using a separate contract. No other means for the reimbursement of the costs of developmental assistance provided under I-107(f)(1) and (7) are authorized under the Program.

(b) Costs included in indirect expense pools will be reimbursed only to the extent that the costs are otherwise reasonable, allocable, and allowable.

(c) Assistance provided in the form of progress payments to a protege firm in excess of the customary progress payment rate for the firm will be reimbursed only if implemented in accordance with FAR 32.504(c).

(d) Assistance provided in the form of advance payments will be reimbursed only if the payments have been provided to a protege firm under subcontract terms and conditions similar to those in the clause at FAR 52.232-12, Advance Payments. Reimbursement of any advance payments will be made pursuant to the inclusion of the clause at DFARS 252.232-7005, Reimbursement of Subcontractor Advance Payments--DoD Pilot Mentor-Protege Program, in appropriate contracts. In requesting reimbursement, the mentor firm agrees that the risk of any financial loss due to the failure or inability of a protege firm to repay any unliquidated advance payments will be the sole responsibility of the mentor firm.

(e) No other forms of developmental assistance are authorized for reimbursement under the Program.

(f) The total amount reimbursed to a mentor firm for costs of assistance furnished to a protege firm in a fiscal year may not exceed \$1,000,000 unless the Director, SADB, OUSD(AT&L), determines in writing that unusual circumstances justify reimbursement at a higher amount. Request for authority to reimburse in excess of \$1,000,000 must detail the unusual circumstances and must be endorsed and submitted by the program manager and the cognizant Director, SADB.

I-109 Credit for unreimbursed developmental assistance costs.

Defense Federal Acquisition Regulation Supplement

Appendix I—Policy and Procedures for the DoD Pilot Mentor-Protege Program

(a) Developmental assistance costs incurred by a mentor firm for providing assistance to a protege firm pursuant to an approved mentor-protege agreement, that have not been reimbursed through a separate contract, cooperative agreement, or other agreement entered into between DoD and the mentor firm, or through a separately priced contract line item added to a DoD contract, may be credited as if it were a subcontract award to that protege for determining the performance of the mentor firm in attaining an applicable subcontracting goal established under any contract containing a subcontracting plan pursuant to the clause at FAR 52.219-9, Small Business Subcontracting Plan. Unreimbursed developmental assistance costs incurred for a protege firm that is a qualified organization employing the severely disabled may be credited toward the mentor firm's small disadvantaged business subcontracting goal, even if the protege firm is not a small disadvantaged business concern.

(b) For crediting purposes only, costs that have been reimbursed through inclusion in indirect expense pools may also be credited as subcontract awards for determining the performance of the mentor firm in attaining an applicable subcontracting goal established under any contract containing a subcontracting plan pursuant to the clause at FAR 52.219-9. However, costs that have not been reimbursed because they are not reasonable, allocable, or allowable under I-108(b), will not be recognized for crediting purposes.

(c) Other costs that are not eligible for reimbursement pursuant to I-108(a) may be recognized for credit only if requested, identified, and incorporated in an approved mentor-protege agreement.

(d) The amount of credit a mentor firm may receive for any such unreimbursed developmental assistance costs must be equal to—

(1) Four times the total amount of such costs attributable to assistance provided by small business development centers, historically Black colleges and universities, minority institutions, and procurement technical assistance centers.

(2) Three times the total amount of such costs attributable to assistance furnished by the mentor's employees.

(3) Two times the total amount of other such costs incurred by the mentor in carrying out the developmental assistance program.

(e) A mentor firm may receive credit toward the attainment of an SDB subcontracting goal for each subcontract awarded for a product or a service by the mentor firm to an entity that qualifies as an SDB protege firm pursuant to I-104(a)(1)(i) through (iv). With respect to former SDB protege firm(s), a mentor may take credit for awards to such concern(s) that, except for its size would be a small business concern owned and controlled by socially and economically disadvantaged individuals, but only if—

(1) The size of such business concern is not more than two times the appropriate size standard;

(2) The business concern formerly had a mentor-protege agreement with such mentor firm that was not terminated for cause; and

Defense Federal Acquisition Regulation Supplement

Appendix I—Policy and Procedures for the DoD Pilot Mentor-Protege Program

(3) The credit is taken not later than October 1, 2008.

(f) Amounts credited toward applicable subcontracting goal(s) for unreimbursed costs under the Program must be separately identified from the amounts credited toward the goal resulting from the award of actual subcontracts to protege firms. The combination of the two must equal the mentor firm's overall accomplishment toward the applicable goal(s).

(g) Adjustments may be made to the amount of credit claimed under paragraphs (a) and (b) of this section if the Director, SADB, OUSD(AT&L), determines that—

(1) A mentor firm's performance in the attainment of its subcontracting goals through actual subcontract awards declined from the prior fiscal year without justifiable cause; and

(2) Imposition of such a limitation on credit appears to be warranted to prevent abuse of this incentive for the mentor firm's participation in the Program.

(h) The mentor firm must be afforded the opportunity to explain the decline in small business subcontract awards before imposition of any such limitation on credit. In making the final decision to impose a limitation on credit, the Director, SADB, OUSD(AT&L), must consider—

(1) The mentor firm's overall small business participation rates (in terms of percentages of subcontract awards and dollars awarded) as compared to the participation rates existing during the 2 fiscal years prior to the firm's admission to the Program;

(2) The mentor firm's aggregate prime contract awards during the prior 2 fiscal years and the total amount of subcontract awards under such contracts; and

(3) Such other information the mentor firm may wish to submit.

(i) The decision of the Director, SADB, OUSD(AT&L), regarding the imposition of a limitation on credit will be final.

(j) Any prospective limitation on credit imposed by the Director, SADB, OUSD(AT&L), must be expressed as a percentage of otherwise eligible credit, will apply beginning on a specific date in the future, and will continue until a date certain during the current fiscal year.

(k) Any retroactive limitation on credit imposed by the Director, SADB, OUSD(AT&L), must reflect the actual costs incurred for developmental assistance (not exceeding the maximum amount reimbursed).

(l) For purposes of calculating any incentives to be paid to a mentor firm for exceeding an SDB subcontracting goal pursuant to the clause at FAR 52.219-26, Small Disadvantaged Business Participation Program--Incentive Subcontracting, incentives will be paid only if an SDB subcontracting goal has been exceeded as a result of actual subcontract awards to SDBs (i.e., excluding credit under paragraphs (a), (b), and (c) of this section).

Appendix I—Policy and Procedures for the DoD Pilot Mentor-Protege Program

(m) Developmental assistance costs that are incurred pursuant to an approved mentor-protege agreement, and have been charged to, but not reimbursed through, a separate contract, cooperative agreement, or other agreement entered into between DoD and the mentor firm, or through a separately priced contract line item added to a DoD contract, will not be otherwise reimbursed, as either a direct or indirect cost, under any other DoD contract, irrespective of whether the costs have been recognized for credit against applicable subcontracting goals.

(n) Developmental assistance provided under an approved mentor-protege agreement is distinct from, and must not duplicate, any effort that is the normal and expected product of the award and administration of the mentor firm's subcontracts. Costs associated with the latter must be accumulated and charged in accordance with the contractor's approved accounting practices; they are not considered developmental assistance costs eligible for either credit or reimbursement under the Program.

I-110 Advance agreements on the treatment of developmental assistance costs.

Pursuant to FAR 31.109, approved mentor firms seeking either reimbursement or credit are strongly encouraged to enter into an advance agreement with the contracting officer responsible for determining final indirect cost rates under FAR 42.705. The purpose of the advance agreement is to establish the accounting treatment of the costs of the developmental assistance pursuant to the mentor-protege agreement prior to the incurring of any costs by the mentor firm. An advance agreement is an attempt by both the Government and the mentor firm to avoid possible subsequent dispute based on questions related to reasonableness, allocability, or allowability of the costs of developmental assistance under the Program. Absent an advance agreement, mentor firms are advised to establish the accounting treatment of such costs and address the need for any changes to their cost accounting practices that may result from the implementation of a mentor-protege agreement, prior to incurring any costs, and irrespective of whether costs will be reimbursed or credited.

I-111 Reporting requirements.

(a) Mentor firms must report on the progress made under active mentor-protege agreements semiannually for the periods ending March 31st and September 30th. The September 30th report must address the entire fiscal year. Reports are due 30 days after the close of each reporting period. The report must include—

(1) Data on performance under the mentor-protege agreement, including dollars obligated, expenditures, credit taken under the Program, applicable subcontract awards under DoD contracts, developmental assistance provided, impact of the agreement, and progress of the agreement (A recommended format and guidance for this submission are available via the Internet at http://www.acq.osd.mil/sadbu/mentor_protege); and

(2) A copy of the SF 294, Subcontracting Report for Individual Contracts, for each contract where developmental assistance was credited, with a statement in Block 15 identifying—

(i) The amount of dollars credited to the applicable subcontracting goal as a result of developmental assistance provided to protege firms under the Program; and

Defense Federal Acquisition Regulation Supplement

Appendix I—Policy and Procedures for the DoD Pilot Mentor-Protege Program

(ii) The number and dollar value of subcontracts awarded to the protege firm(s), broken out per protege.

(3) In addition to the reporting requirements of paragraph (a)(1) of this section, for commercial companies and companies participating in the DoD Test Program for Negotiation of Comprehensive Small Business Subcontracting Plans, indicate in Block 15 of the SF 295—

(i) The total dollars credited to the applicable subcontracting goal as a result of developmental assistance provided to protege firm(s) under the Program; and

(ii) The total dollar amount of subcontracts awarded to the protege firm(s), broken out per protege.

(b) The mentor firm and the protege firm--

(1) Must provide data on the progress made by the protege firm in employment, revenues, and participation in DoD contracts during--

(i) Each fiscal year of the Program participation term; and

(ii) Each of the 2 fiscal years following the expiration of the Program participation term;

(2) Must provide the data by October 31st of each year to address the prior fiscal year; and

(3) During the Program participation term, may provide the data as part of the mentor report required by paragraph (a) of this section for the period ending September 30th.

(c) Progress reports must be submitted as follows:

(1) For agreements that provide credit toward applicable subcontracting goals for costs incurred under the Program, to the Director, SADB, OUSD(AT&L), and the Defense Contract Management Agency (DCMA) administrative contracting officer.

(2) For agreements that provide for reimbursement of costs incurred under the Program, to the Director, SADB, OUSD(AT&L), the contracting officer, the DCMA administrative contracting officer, the program manager, and the cognizant Director, SADB.

I-112 Agreement reviews.

The Defense Contract Management Agency will conduct annual performance reviews of the progress and accomplishments realized under approved mentor-protege agreements. These reviews must verify data provided on the semiannual reports and must provide information as to—

(a) Whether all costs reimbursed to the mentor firm under the agreement were reasonably incurred to furnish assistance to the protege firm in accordance with the mentor-protege agreement and applicable regulations and procedures; and

Defense Federal Acquisition Regulation Supplement

Appendix I—Policy and Procedures for the DoD Pilot Mentor-Protege Program

(b) Whether the mentor firm and protege firm accurately reported progress made by the protege firm in employment, revenues, and participation in DoD contracts during the Program participation term and for 2 fiscal years following the expiration of the Program participation term.