

**POLICY AND PROCEDURES FOR THE
DOD PILOT MENTOR-PROTEGE PROGRAM**

I-100 Purpose.

(a) This Appendix I to 48 CFR Chapter 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, as amended. 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 other Federal agencies, to assist small disadvantaged businesses (SDBs) in enhancing their capabilities to satisfy DoD and other contract and subcontract requirements;

(2) Increase the overall participation of SDBs 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 SDBs and such contractors.

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

(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 subcontracts awarded to SDBs by mentor firms under DoD contracts;

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

(3) 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);

(4) An improvement in the participation of SDBs in DoD, other Federal agencies, and commercial contracting opportunities that can be attributed to the development of SDBs as protege firms under the Program;

(5) An increase in subcontracting with SDB concerns in industry categories where SDBs have not traditionally participated within the mentor firm's vendor base;

(6) The involvement of emerging SDBs in the Program;

Defense Federal Acquisition Regulation Supplement

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

(7) An expanded relationship between mentor firms and protege firms to include non-DoD programs; and

(8) The development of protege firms that are competitive as subcontractors and suppliers to DoD or in other Federal agencies or commercial markets.

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

(1) A separate contract, cooperative agreement, or other agreement entered into between DoD and the mentor firm—company is interested in reimbursement through a separate contract, cooperative agreement or other agreement with DoD or, a combination of reimbursement through such agreement with DoD and credit against SDB subcontract goals for any unreimbursed costs incurred under the Program.

(2) Program Manager funded reimbursement—company has identified a DoD program manager willing to fund the Program and the company is interested in reimbursement for technical assistance costs to a protege firm(s) through a separately priced cost reimbursement contract line item added to a DoD contract, with credit against SDB subcontracting goals for any unreimbursed costs.

(3) Indirect reimbursement and credit—company is interested in receiving reimbursement for indirect costs incurred under the Program as well as credit against SDB subcontract goals for these indirect costs.

(4) Credit only—company is interested in receiving credit only against SDB subcontracting goals for costs incurred under the Program.

I-101 Definitions.

I-101.1 Emerging SDB concern.

A small disadvantaged business whose size is no greater than 50 percent of the numerical size standard applicable to the standard industrial code for the supplies or services which 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 Section 6082. 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 requirements of Section 1046(3) of the Higher Education Act of 1965 (20 U.S.C. 1135d-5(3)). The term also includes Hispanic-serving institutions as defined in Section 316(b)(1) of such Act (20 U.S.C. 1059c(b)(1)).

I-102 General procedures.

(a) At any time between October 1, 1991, and September 30, 1999, companies interested in becoming mentor firms that want to take credit only for costs incurred for providing developmental assistance to one or more protege firms, or receive credit and reimbursement of indirect costs incurred under the Program, must apply to the DoD for participation in the Program pursuant to the application process set forth at I-106(a).

Defense Federal Acquisition Regulation Supplement

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

(b) At any time between October 1, 1991, and September 30, 1999, companies interested in becoming mentor firms that are able to identify funding from a DoD contract program manager(s) to provide developmental assistance to one or more protege firms must apply to the DoD for participation in the Program, pursuant to the application process set forth at I-106(d).

(c) Once funding is made available by DoD, companies that are interested in becoming mentor firms that want to receive reimbursement only or a combination of reimbursement and credit for providing developmental assistance to one or more protege firms by either a separate contract, cooperative agreement or other agreement awarded for that purpose, will be solicited for participation in the Program through a program solicitation. The Program solicitation will be issued by DoD and will contain, among other things, the statement of work and the evaluation factors upon which award will be based. Companies seeking reimbursement only, or a combination of reimbursement and credit, must respond to the solicitation and will be evaluated on the quality of the proposed developmental assistance program for each protege, in accordance with the evaluation factors contained in the solicitation. Awards will be made by DoD to approved mentor firms, to provide the proposed developmental assistance to one or more identified protege firms.

I-103 Program duration.

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

(a) From October 1, 1991, until September 30, 1999, companies may apply for participation in the Program as mentor firms pursuant to I-102, General Procedures, and once approved, may enter into mentor-protege agreements, pursuant to I-107, Mentor-Protege Agreements.

(b) From October 1, 1991, until September 30, 2000, a mentor firm's costs of providing developmental assistance to its protege firm may be reimbursed only if—

(1) Such costs are incurred after either a separate contact, cooperative agreement, or other agreement is entered into between DoD and the mentor firm;

(2) The funding for such costs have been identified by a DoD program manager and such costs are incurred pursuant to the execution of a separately priced contract line item added to a DoD contract(s); or

(3) Such costs are included in indirect expense pools.

(c) From October 1, 1991, until September 30, 2000, mentor firms may receive credit toward the attainment of such firm's goals for subcontract awards to SDBs 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) An SDB concern as defined by section 8(d)(3)(C) of the Small Business Act (15 U.S.C. 637(D)(3)(C)) which is—

Defense Federal Acquisition Regulation Supplement

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

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

(ii) A small business according to the SBA size standard for the Standard Industrial Classification (SIC) code which represents the contemplated supplies or services to be provided by the protege firm to the mentor firm;

(2) A business entity that meets the criteria in (a)(1) of this section and is owned and controlled by either an Indian tribe as defined by section 8(a)(13) of the Small Business Act (15 U.S.C. 637(a)(13)) or a Native Hawaiian Organization as defined by section 8(a)(15) of the Small Business Act (15 U.S.C. 637(a)(15)); or

(3) A qualified organization employing the severely disabled as defined in Pub. L. 102-172, section 8064A.

(b) A protege firm may self-certify to a mentor firm that it meets the eligibility requirements in paragraphs I-104(a)(1), (2), or (3). Mentor firms may rely in good faith on a written representation that the entity meets the requirements of paragraphs I-104(a)(1), (2), or (3).

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

I-105 Selection of protege firms.

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

(b) The selection of protege firms by mentor firms may not be protested, except as in I-105(c).

(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 either paragraph I-104(a)(1) or (2), the mentor firm shall refer the protest to the Small Business Administration (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 paragraph I-107(f).

(e) If at any time pursuant to paragraph I-105(c), the protege firm is determined by the SBA not to be a small disadvantaged business concern, assistance furnished such business concern by the mentor firm 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 only against SDB subcontracting goals for costs incurred

Defense Federal Acquisition Regulation Supplement

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

under the Program, or reimbursement of developmental assistance costs via inclusion of program costs in indirect expense pools and credit for such costs, must submit a request to the DoD, DUSD(I&CP)SADBU, to be approved as a mentor firm under the Program. The request will be evaluated 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, the request should be limited 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 information required in paragraphs I-106(b) and (c) must be submitted to be considered for approval as a mentor firm, 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 paragraph I-100(d)(2), (3), or (4), and 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.

(3) A summary of the company's historical and recent activities and accomplishments under their SDB program.

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

(5) The total dollar amount of all other federal agency contracts and subcontracts received by the company during the two preceding fiscal years (show prime contracts and subcontracts separately per year).

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

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

(8) The total dollar amount and percentage of subcontract awards made to all SDB firms under DoD contracts and other Federal agency contracts during the two preceding fiscal years (show DoD separately). If presently required to submit a SF 295, provide copies of the two preceding years end reports.

(9) The number and total dollar amount of subcontract awards made to the identified protege firm(s) during the two 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 I-106(b), companies must submit the following information for each proposed mentor-protege relationship:

Defense Federal Acquisition Regulation Supplement

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

(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 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 contain the following information:

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

(ii) The protege firm's business classification, based upon the SIC code(s) which 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 either paragraph I-104(a)(1), (2) or (3).

(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, other federal agencies and commercial contracts.

(v) An estimate of the dollar amount and type of subcontracts that will be awarded by the mentor firm to the protege firm, and the period of time over which they will be awarded.

(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, 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 assistance will be provided.

(d) A company that has identified Program funds to be made available through a DoD program manager must provide the information in paragraphs I-106(b) and (c) to the appropriate program manager and to the DUSD(I&CP)SADBU, with a letter signed by the appropriate program manager indicating the amount of funding that has been identified for the developmental assistance program.

(e) Companies seeking credit only for the cost of developmental assistance, reimbursement of program costs via their inclusion in indirect expense pools and credit for such costs, or reimbursement with funds made available by a DoD program manager, shall submit four copies of the information specified in paragraphs I-106(b) and (c) to: DoD, DUSD(I&CP)SADBU, Attn: Pilot Mentor-Protege Program Manager, 3061 Defense Pentagon, Washington, DC 20301-3061. Upon receipt of this information, DUSD(I&CP)SADBU 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.

Defense Federal Acquisition Regulation Supplement

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

(f) Companies interested in reimbursement of costs of a developmental assistance program through either a separate contract, cooperative agreement, or other agreement awarded for that purpose will be solicited to provide the information in paragraphs I-106(b) and (c) as well as any other information specified in the program solicitation.

(g) A company approved as a mentor firm for credit only, for reimbursement through funds made available by a DoD program manager, or for reimbursement via inclusion of program costs in indirect expense pools and credit for such costs, may proceed with the negotiation of the mentor-protege agreement with the identified protege firm(s).

(h) Companies that apply for participation in the program pursuant to paragraph I-106(e) and are not approved, will be provided the reasons and an opportunity to submit additional information for reconsideration.

(i) 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.

(j) 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) Shall promptly give notice of its suspension or debarment to its protege firm and DUSD(I&CP)SADBU.

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 DUSD(I&CP)SADBU and approved before developmental assistance costs may be incurred. To the maximum extent possible, such mentor-protege agreements will be approved within five business days of receipt.

(b) Each signed mentor-protege agreement submitted for approval under the Program shall 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 SIC code which represents the contemplated supplies or services to be provided by the protege firm to the mentor firm and a statement that at the time the

Defense Federal Acquisition Regulation Supplement

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

agreement is submitted for approval, the protege firm, if an SDB concern, does not exceed the size standard for the appropriate SIC code.

(3) A developmental program for the protege firm specifying the type of assistance identified in paragraph I-107(f) that will be provided. The developmental program shall also include—

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

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

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

(4) A program participation term for the protege firm which shall not exceed nine years.

(5) 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. Mentor firms may only voluntarily terminate the mentor-protege agreement(s) if they no longer want to be a participant in the Program as a mentor firm. Otherwise, a mentor firm must terminate a mentor-protege agreement for cause.

(6) 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.

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

(i) The protege firm shall be furnished 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 shall 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 shall either withdraw the notice of proposed termination and continue the protege firm's participation, or issue the notice of termination.

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

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

Defense Federal Acquisition Regulation Supplement

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

(c) Mentor firms shall send a copy of any termination notices to DoD, DUSD(I&CP) SADB, and where funding is made available through a DoD program manager, also provide a copy to the program manager and to the appropriate PCO or ACO.

(d) Termination of a mentor-protege agreement shall 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 shall 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 types of developmental assistance as follows:

(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, 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 non-competitive 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 small disadvantaged businesses shall be implemented in accordance with FAR 32.504(c).

(4) Advance payments under such subcontracts. Advance payments must be administered by the mentor firm 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 not be limited to cash, stock, contributions in kind, etc.

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

Defense Federal Acquisition Regulation Supplement

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

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

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

(iii) Historically black colleges and universities.

(iv) Minority institutions of higher education.

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

I-108 Reimbursement procedures.

(a) A mentor firm may be reimbursed 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. Reimbursement shall be made only through either a separate contract, cooperative agreement, or other agreement entered into between the 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. 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 reimbursed via inclusion in indirect expense pools may be reimbursed only to the extent that they are otherwise reasonable, allocable, and allowable.

(c) Assistance provided in the form of progress payments in excess of the customary progress payment rate for SDBs, shall be reimbursed only if implemented in accordance with FAR 32.504(c).

(d) Assistance provided in the form of advance payments shall be reimbursed only if they have been provided to a protege firm under subcontract terms and conditions similar to FAR 52.232-12. Reimbursement of any advance payments shall be made pursuant to the inclusion of 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 shall be the sole responsibility of the mentor firm.

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

I-109 Credit for unreimbursed developmental assistance costs.

(a) Developmental assistance costs incurred by a mentor firm for providing assistance to a protege firm pursuant to an approved mentor-protege agreement, which have not been reimbursed through either 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

Defense Federal Acquisition Regulation Supplement

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

were a subcontract award for determining the performance of such mentor firm in attaining an SDB subcontracting goal established under any contract containing a subcontracting plan pursuant to FAR 52.219-9.

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

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

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

(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 a protege firm pursuant to I-104(a). With respect to a 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

(3) The credit is taken not later than October 1, 2000.

(f) Amounts credited toward the SDB goal(s) for unreimbursed costs under the Program shall 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 shall equal the mentor firm's overall accomplishment toward the SDB goal(s).

(g) Adjustments may be made to the amount of credit claimed under paragraphs I-109(a) and (b) if the DoD Director of Small and Disadvantaged Business Utilization determines that—

Defense Federal Acquisition Regulation Supplement

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

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

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

(h) The mentor firm shall be afforded the opportunity to explain the decline in SDB participation before imposition of any such limitation on credit. In making the final decision to impose a limitation on credit, the DoD Director shall consider—

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

(2) The mentor firm's aggregate prime contract awards during the prior two 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 regarding the imposition of a limitation on credit shall be final.

(j) Any prospective limitation on credit imposed by the Director shall be expressed as a percentage of otherwise eligible credit and shall apply beginning on a specific date in the future and continue until a date certain during the current fiscal year.

(k) Any retroactive limitation on credit imposed by the Director shall 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 252.219-7009, incentives shall be paid only if an SDB subcontracting goal has been exceeded as a result of actual subcontract awards to SDBs (excluding credit under paragraphs I-109(a), (b) and (c)).

(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 the DoD and the mentor firm, or through a separately priced contract line item added to a DoD contract, shall not be otherwise reimbursed, either as a direct or indirect cost, under any other DoD contract, irrespective of whether the costs have been recognized for credit against SDB subcontracting goals.

(n) Developmental assistance provided under an approved mentor-protege agreement is distinct from, and shall not duplicate, any effort that is the normal and expected product of the award and administration of the mentor firm's subcontract. Costs associated with the latter shall 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 reimbursement, credit, or a combination thereof, 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 development 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, credited or a combination thereof.

I-111 Reporting requirements and program reviews.

(a) Mentor firms shall report on the progress made under active mentor-protege agreements semiannually by attaching to their SF 295—

(1) A statement which includes—

(i) The number of active mentor-protege agreements in effect; and

(ii) The progress in achieving the developmental assistance objectives under each mentor-protege agreement, including whether the objectives of the Program set forth in I-100(c) were met, any problem areas encountered, and any other appropriate information.

(2) A copy of the SF 294 for each contract where developmental assistance was credited, with a statement in Block 18 identifying—

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

(ii) An explanation as to the relationship between the developmental assistance provided the protege firm(s) under the Program and the activities under the contract covered by the SF 294(s); and

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

(b) For commercial companies and companies participating in the DoD “Test Program for Negotiation of Comprehensive Small Business Subcontracting Plans,” indicate in Block 16 of the SF 295—

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

Defense Federal Acquisition Regulation Supplement

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

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

(c) The DUSD(I&CP)SADBU will conduct periodic performance reviews of the progress and accomplishments realized under approved mentor-protege agreements.