



ACQUISITION  
AND SUSTAINMENT

OFFICE OF THE ASSISTANT SECRETARY OF WAR  
3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

In reply refer to  
DARS Tracking Number: 2026-O0037

MEMORANDUM FOR COMMANDER, UNITED STATES CYBER  
COMMAND (ATTN: ACQUISITION EXECUTIVE)  
COMMANDER, UNITED STATES SPECIAL OPERATIONS  
COMMAND (ATTN: ACQUISITION EXECUTIVE)  
COMMANDER, UNITED STATES TRANSPORTATION  
COMMAND (ATTN: ACQUISITION EXECUTIVE)  
DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(PROCUREMENT)  
DEPUTY ASSISTANT SECRETARY OF THE NAVY  
(PROCUREMENT)  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING)  
DEFENSE AGENCY AND DOD FIELD ACTIVITY DIRECTORS

SUBJECT: Class Deviation—Revolutionary Federal Acquisition Regulation (FAR) Overhaul  
Part 19, Defense FAR Supplement (DFARS) Part 219

Effective February 1, 2026, contracting officers shall use—

- The revised FAR Part 19, Small Business published on the Revolutionary FAR Overhaul web page at <https://www.acquisition.gov/far-overhaul/far-part-deviation-guide/far-overhaul-part-19> in lieu of the text codified at 48 CFR chapter 1 (<https://www.ecfr.gov>);
- The attached DFARS Part 219, Small Business in lieu of the text codified at 48 CFR chapter 2;
- The attached DFARS Procedures, Guidance, and Information (PGI) 219, Small Business, in lieu of the PGI text published on the Defense Pricing, Contracting, and Acquisition Policy web page at <https://www.acq.osd.mil/dpap/dars/dfarspgi/current/index.html>; and
- The attached Appendix I, Policy and Procedures for the DoD Mentor-Protégé Program, in lieu of the Appendix I published on the Defense Pricing, Contracting, and Acquisition Policy web page at <https://www.acq.osd.mil/dpap/dars/dfarspgi/current/index.html>

This class deviation implements the following:

- Section 2 of E.O. 14275, Restoring Common Sense to Federal Procurement, which establishes the policy that the FAR “should only contain provisions required by statute or essential to sound procurement, and any FAR provisions that do not advance these objectives should be removed.
- Section 4(a) of E.O. 14265, Modernizing Defense Acquisitions and Spurring Innovation in the Defense Industrial Base which requires the Secretary of War to eliminate or revise any unnecessary supplemental regulations or any other internal guidance, such as relevant parts of the Financial Management Regulation and Defense Federal Acquisition Regulation Supplement.
- The Office of Management and Budget memorandum, M-25-26 issued on May 2, 2025, titled, Overhauling the Federal Acquisition Regulation, which provided additional guidance to federal agencies regarding the FAR overhaul.

This class deviation remains in effect until rescinded or incorporated into the FAR, DFARS, and DFARS PGI. Inquiries regarding this class deviation can be addressed to [osd.pentagon.ousd-a-s.mbx.dfars@mail.mil](mailto:osd.pentagon.ousd-a-s.mbx.dfars@mail.mil).

John M. Tenaglia  
Principal Director,  
Defense Pricing, Contracting, and  
Acquisition Policy

Attachments:  
As stated

**PART 219—SMALL BUSINESS**

**SUBPART 219.1—PRESOLICITATION**

**219.101 Small business goals.**

(b)(2) See PGI 205.002-70(b) for details on advertising a small business event on the Government point of entry.

**219.102 Coordination.**

(a) The contracting activity small business specialist is the primary point of contact for communication with the SBA. See PGI 219.102(a) for further information.

(d)(i) Unless the contracting activity requests a review, SBA procurement center representatives will not review acquisitions conducted by or for DoD if the acquisition is—

- (A) For foreign military sales (see 225.7300);
- (B) In support of humanitarian and civic assistance;
- (C) In support of a contingency operation;
- (D) Awarded pursuant to a Status of Forces Agreement or other agreement with the government of a foreign country in which U.S. Armed Forces are deployed; or
- (E) Both awarded and performed outside the United States and its outlying areas.

(ii) As used in this section, “Humanitarian and civic assistance” means any of the following activities carried out in conjunction with authorized military operations in a foreign country:

(A) Medical, surgical, dental, and veterinary care provided in areas of a country that are rural or underserved by professionals in those fields, including education, training, and technical assistance related to the care provided.

(B) Construction of rudimentary surface transportation systems.

(C) Well drilling and construction of basic sanitation facilities.

(D) Rudimentary construction and repair of public facilities (10 U.S.C. 401(e)).

(f)(1) The head of the contracting activity may not delegate this authority lower than the chief of the contracting office.

(g) See PGI 219.102(g)(1) for review and recommendation procedures, including dollar thresholds.

**219.104 Small business set-asides.**

**219.104-1 Total small business set-asides.**

- (a) The requirements at FAR 19.104-1(a) and (b) apply to acquisitions for—
  - (i) Construction, including maintenance and repairs, under \$3.5 million;
  - (ii) Dredging under \$2 million; and
  - (iii) Architect-engineer services for military construction or family housing projects under \$1 million (10 U.S.C. 2855).
- (c) The requirement at FAR 19.104-1(a) does not apply to acquisitions—
  - (i) For supplies that were developed and financed, in whole or in part, by Canadian sources under the U.S.-Canadian Defense Development Sharing Program; or
  - (ii) Excluded from procurement center representative review (see 219.102(d)(i)).

**219.104-70 Set asides for religious-related services.**

- (a) When acquiring religious-related services for a U.S. military base, allow nonprofit organizations to compete on set-asides for small business concerns and avoid using sole-source exceptions.
- (b) If the apparently successful offeror does not identify as a small business, verify that it is registered in SAM as a nonprofit organization.
- (c) Insert the provision at 252.219-7012, Competition for Religious-Related Services, in solicitations, including solicitations using FAR part 12 procedures for the acquisition of commercial services, for religious-related services to be performed on U.S. military installations, when the acquisition is set aside for any of the small business concerns identified in FAR 19.000(a)(3).

**219.108 Contracting with the Small Business Administration (the 8(a) Program).**

**219.108-1 General.**

- (d)(i) The SBA has delegated its authority under 15 U.S.C. 637(a)(1) to the Under Secretary of Defense (Acquisition and Sustainment) to award 8(a) contracts to eligible 8(a) participants. This delegation, based on a Partnership Agreement (PA) between the SBA and DoD, redelegates this authority to DoD contracting officers and only covers contract signing on the SBA's behalf. The SBA remains the prime contractor, determines eligibility, and retains appeal rights. The PA, including its expiration date, is available at PGI 219.108-1.
- (ii) Contracts awarded on either a sole source or competitive basis under the PA may be awarded directly to the 8(a) participant; an SBA signature on the contract is not required.

(iii) Notwithstanding the PA, contracting officers may award a contract following the procedures at FAR 19.108 and 19.208.

**219.108-3 Selecting acquisitions for the 8(a) Program.**

Follow the procedures at PGI 219.108-3 when selecting acquisitions for the 8(a) Program.

**219.108-4 Evaluation, offering, and acceptance.**

Follow the procedures at PGI 219.108-4 when processing requirements under the PA.

**219.108-7 Competitive 8(a) and sole source 8(a) policy.**

(b)(i) For acquisitions exceeding the competitive threshold (see FAR 19.108-7(a)(2)), the SBA may accept the requirement for a sole source 8(a) award on behalf of a small business concern owned by a Native Hawaiian Organization (Section 8020 of Pub. L. 109-148).

(ii) “Native Hawaiian Organization,” as used in this section, means any community service organization serving Native Hawaiians in the State of Hawaii that is a not-for-profit organization chartered by the State of Hawaii, controlled by Native Hawaiians, and whose business activities will principally benefit Native Hawaiians (15 U.S.C. 637(a)(15) and 13 CFR 124.3).

**219.108-10 Contract clauses.**

(1) Insert the clause at 252.219-7009, Section 8(a) Direct Award, instead of clauses FAR 52.219-11, Special 8(a) Contract Conditions, FAR 52.219-12, Special 8(a) Subcontract Conditions, and FAR 52.219-17, Section 8(a) Award, in solicitations and contracts processed in accordance with the PA.

(2) Insert the clause at 252.219-7010, Notification of Competition Limited to Eligible 8(a) Participants—Partnership Agreement, instead of the clause at FAR 52.219-18, Notification of Competition Limited to Eligible 8(a) Participants, in competitive solicitations and contracts, including those using FAR part 12 procedures for the acquisition of commercial products and commercial services, when the acquisition is accomplished using the procedures of FAR 19.108-7 and processed in accordance with the PA.

(3) Insert the clause at 252.219-7011, Notification to Delay Performance, in solicitations and purchase orders issued under the PA.

**219.109 Small business subcontracting plans.**

(e)(2)(A) Insert the clause at 252.219-7996, Small Business Subcontracting Plan (DoD Contracts), in solicitations and contracts, including those using FAR part 12 procedures for the acquisition of commercial products and commercial services, that contain the clause at FAR 52.219-9, Small Business Subcontracting Plan.

(1) Insert the basic clause at 252.219-7996, when using the basic, alternate I, or alternate II of FAR 52.219-9.

(2) Use the alternate I clause at 252.219-7996, when using Alternate III of FAR 52.219-9.

(3) Use the alternate II clause at 252.219-7996 when using the Demonstration Project described at 226.72.

(B) For contracts with comprehensive subcontracting plans approved under the Test Program described in 219.206-70, including contracts using FAR part 12 procedures for the acquisition of commercial products and commercial services, insert the clause at 252.219-7997, Small Business Subcontracting Plan (Test Program), instead of the clauses at—

(1) 252.219-7996, Small Business Subcontracting Plan (DoD Contracts);

(2) FAR 52.219-9, Small Business Subcontracting Plan; and

(3) FAR 52.219-16, Liquidated Damages—Subcontracting Plan.

(f) Do not use the clause at FAR 52.219-10, Incentive Subcontracting Program, in contracts with comprehensive subcontracting plans approved under the Test Program described in 219.206-70.

#### **219.110 Price evaluation preference for HUBZone small business concerns.**

(a) In tiered evaluations, do not apply the price evaluation preference until a tier is reached where offers from other than small businesses are being considered.

#### **219.170 Advancing small business growth.**

Insert the provision at 252.219-7000, Advancing Small Business Growth, in solicitations when the estimated annual value of the contract is expected to exceed—

(a) The small business size standard, if expressed in dollars, for the North American Industry Classification System (NAICS) code assigned by the contracting officer; or

(b) \$70 million, if the small business size standard is expressed as number of employees for the NAICS code assigned by the contracting officer.

### **SUBPART 219.2—EVALUATION AND AWARD**

#### **219.204 Certificate of Competency.**

When making a nonresponsibility determination for a small business concern, follow the procedures at PGI 219.204.

#### **219.206 Evaluating small business subcontracting plans.**

##### **219.206-3 Reviewing the subcontracting plan.**

The contracting officer may use the checklist at PGI 219.206-3 when reviewing subcontracting plans in accordance with FAR 19.206-3. The checklist does not apply to the DoD Test Program for Negotiation of Comprehensive Small Business Subcontracting Plans (219.206-70).

#### **219.206-70 Test Program for Negotiation of Comprehensive Small Business Subcontracting Plans.**

(a)(1) *Test Program.* In accordance with 15 U.S.C. 637 note, the DoD Test Program for Negotiation of Comprehensive Small Business Subcontracting Plans (Test Program) aims to determine whether comprehensive subcontracting plans on a corporate, division, or plant-wide basis will reduce administrative burdens while enhancing subcontracting opportunities for small and small disadvantaged business concerns.

(2) *Expiration date.* The Test Program expires on December 31, 2027.

(b) *Eligibility requirements.* To become and remain an eligible participant in the Test Program, a business concern must have furnished supplies or services (including construction) under at least three DoD contracts during the preceding fiscal year with a minimum aggregate value of \$100 million.

(c) *Comprehensive subcontracting plans.*

(1) The Defense Contract Management Agency will designate a contracting officer to negotiate, approve, and monitor compliance of a comprehensive subcontracting plan with an eligible participant on an annual basis.

(2) Test Program participants use their comprehensive subcontracting plans, in lieu of individual subcontracting plans, when performing any DoD contract or subcontract that requires a subcontracting plan.

## **219.208 Evaluating and awarding under the 8(a) Program.**

### **219.208-1 Procedures for competitive 8(a).**

(b)(1) For requirements processed under the PA, follow the procedures at PGI 219.208-1(b)(1)(A) for requesting eligibility determinations.

### **219.208-2 Contract negotiation.**

For sole-source requirements processed under the PA, follow the procedures at PGI 219.208-2.

(a)(1) In lieu of the threshold at FAR 19.208-2(a), the SBA may not accept for negotiation a DoD sole-source 8(a) contract that exceeds \$150 million unless the DoD has completed a justification in accordance with the requirements of FAR 6.104 and 206.104-70.

### **219.208-3 Pricing the 8(a) contract.**

(a) For requirements processed under the PA—

(i) Obtain certified cost or pricing data from the 8(a) contractor, if required by FAR subpart 15.4; and

(ii) SBA concurrence in the negotiated price is not required. However, notify the SBA prior to withdrawing a requirement from the 8(a) Program due to failure to agree on price or other terms and conditions, the . Such notification is not required for purchase orders not exceeding the simplified acquisition threshold.

**219.208-7 Preparing the contracts.**

When preparing contracts under the PA, follow the procedures at PGI 219.208-7.

**SUBPART 219.3—POSTAWARD**

**219.301 Small business size rerepresentations.**

(c) Follow the procedures at PGI 204.301 for reporting modifications for rerepresentation actions.

**219.302 Small business subcontracting plans.**

**219.302-2 Compliance with the plan.**

(a) See PGI 219.302-2 for guidance on reviewing subcontracting reports.

(1)(A) In accordance with 10 U.S.C. 3903, section 9077 of Pub. L. 102-396, and subsequent Defense appropriations acts, subcontracts awarded to qualified nonprofit agencies (NPA) approved by the Committee for Purchase from People Who Are Blind or Severely Disabled (41 U.S.C. chapter 85) may be counted toward the prime contractor's small business subcontracting goal.

(B) Unless the prime contractor has reason to question the representations, it may accept a subcontractor's written representations of its status as a qualified NPA approved by the Committee for Purchase from People Who Are Blind or Severely Disabled, or a historically black college or university or minority institution.

(2) With respect to subcontracting plans approved under the Test Program for Negotiation of Comprehensive Small Business Subcontracting Plans (see 219.206-70), the designated contracting officer will conduct a compliance review during the fiscal year after the close of the fiscal year for which the plan is applicable by comparing the approved percentage or dollar goals to the total, actual subcontracting dollars covered by the comprehensive subcontracting plan. The requirements at FAR 19.302-2(b) and (c) apply to compliance assessments of comprehensive subcontracting plans.

(e) If a prime contractor listed a small business subcontractor in its bid or proposal and replaces that small business with an other than small business, it must notify the administrative contracting officer in writing within a reasonable amount of time after the subcontract is awarded.

**SUBPART 219.71—DOD MENTOR-PROTÉGÉ PROGRAM**

**219.7100 Scope.**

This subpart implements the DoD Mentor-Protégé Program (referred to as the Program) to incentivize DoD contractors to help protégé firms grow their capabilities and increase participation in Government and commercial contracts (10 U.S.C. 4902).

**219.7101 Policy.**

See Appendix I, Policy and Procedures for the DoD Mentor-Protégé Program, for DoD policy and procedures for implementing the Program.

**219.7102 General.**

The Program provides—

(a) Mentor-protégé agreements that establish a developmental assistance program for a protégé firm; and

(b) Incentives for mentor firms that include—

(1) Reimbursement for developmental assistance costs through—

(i) A separately priced line item on a DoD contract; or

(ii) A separate contract, if the Director, OSBP, of the cognizant military department or defense agency determines in writing that unusual circumstances justify reimbursement using a separate contract; or

(2) Credit toward applicable subcontracting goals, established under a subcontracting plan negotiated under FAR 19.206 or under the DoD Comprehensive Subcontracting Test Program, for developmental assistance costs that are not reimbursed.

### **219.7103 Contracting officer responsibilities.**

(a) Negotiate an advance agreement on the treatment of developmental assistance costs for either credit or reimbursement if the mentor firm proposes such an agreement, or delegate authority to negotiate to the administrative contracting officer (see FAR 31.110).

(b) Modify applicable contract(s) to incorporate the clause at 252.232-7005, Reimbursement of Subcontractor Advance Payments—DoD Mentor-Protégé Program, without consideration, when a mentor firm provides advance payments to a protégé firm under the Program and the mentor firm requests reimbursement of advance payments.

(c) Modify, without consideration, applicable contract(s) to incorporate other than customary progress payments for protégé firms in accordance with FAR 32.504(c) if a mentor firm provides such payments to a protégé firm and the mentor firm requests reimbursement.

(d) Modify applicable contract(s) to establish a line item for reimbursement of developmental assistance costs if—

(1) A DoD program manager or the Director, OSBP, of the cognizant military department or defense agency has made funds available for that purpose; and

(2) The contractor has an approved mentor-protégé agreement.

(e) Negotiate and award a separate contract for reimbursement of developmental assistance costs only if—

(1) Funds are available for that purpose;

(2) The contractor has an approved mentor-protégé agreement; and

(3) The Director, OSBP, of the military department or defense agency has made a determination in accordance with 219.7102(b)(1)(ii).

(f) Do not authorize reimbursement for costs of assistance furnished to a protégé firm in excess of \$1 million in a fiscal year unless a written determination from the Director, OSBP, of the military department or defense agency is obtained.

(g) Advise contractors of reporting requirements in Appendix I.

(h) Provide a copy of the approved mentor-protégé agreement to the Defense Contract Management Agency (DCMA) small business professional responsible for conducting the annual performance review (see Appendix I, section I-113).

#### **219.7104 Developmental assistance costs eligible for reimbursement or credit.**

(a) Developmental assistance under a mentor-protégé agreement must be separate from, and not replicate, typical subcontract administration. The mentor firm must charge subcontract costs according to its standard accounting practices. Appendix I lists reimbursable mentor firm costs.

(b) For mentor-protégé agreements before December 23, 2022, eligible developmental assistance costs incurred by September 30, 2026, can be credited toward subcontracting goals. For agreements on or after December 23, 2022, eligible developmental assistance costs may be credited toward subcontracting goals. See Appendix I.

#### **219.7105 Reporting.**

Mentor and protégé firms are required to report on the progress made under mentor-protégé agreements (See Appendix I, section I-112).

#### **219.7106 Performance reviews.**

DCMA will conduct annual performance reviews of all mentor-protégé agreements as indicated in Appendix I, Section I-113. The determinations made in these reviews contribute to the determinations of amounts of reimbursement, if any, that the mentor firm is eligible to receive in the remaining years of the Program participation term under the agreement.

### **PART 252— SOLICITATION PROVISIONS AND CONTRACT CLAUSES**

#### **SUBPART 252.2—TEXT OF PROVISIONS AND CLAUSES**

##### **252.219-7000 Advancing Small Business Growth.**

As prescribed in 219.170(a), use the following provision:

##### **ADVANCING SMALL BUSINESS GROWTH (JUN 2023)**

(a) This provision implements 10 U.S.C. 4959.

(b) The Offeror acknowledges by submission of its offer that by acceptance of the contract resulting from this solicitation, the Offeror may exceed the applicable small business size standard of the North American Industry Classification System (NAICS) code assigned to the contract and would no longer qualify as a small business concern for that NAICS code. Small business size standards matched to industry NAICS codes

are published by the Small Business Administration and are available at 13 CFR 121.201 and <https://www.sba.gov/document/support-table-size-standards>. The Offeror is therefore encouraged to develop the capabilities and characteristics typically desired in contractors that are competitive as other-than-small contractors in this industry.

(c) For procurement technical assistance, the Offeror may contact the nearest APEX Accelerator. APEX Accelerator locations are available at <https://www.apexaccelerators.us>.

(End of provision)

**252.219-7996 Small Business Subcontracting Plan (DoD Contracts).  
(DEVIATION 2026-00037)**

Basic. As prescribed in 219.109(e)(2)(A)(1), use the following clause:

**SMALL BUSINESS SUBCONTRACTING PLAN (DOD CONTRACTS)—BASIC  
(DEVIATION 2026-00037) (FEB 2026)**

This clause supplements the Federal Acquisition Regulation 52.219-9, Small Business Subcontracting Plan, clause of this contract.

(a) Definitions. As used in this clause—

“Summary Subcontract Report (SSR) Coordinator” means the individual who is registered in the Electronic Subcontracting Reporting System (eSRS) at the Department of Defense level and is responsible for acknowledging receipt or rejecting SSRs submitted under an individual subcontracting plan in eSRS for the Department of Defense.

(b) Subcontracts awarded to qualified nonprofit agencies designated by the Committee for Purchase From People Who Are Blind or Severely Disabled (41 U.S.C. 8502-8504), may be counted toward the Contractor’s small business subcontracting goal.

(c) A mentor firm, under the Pilot Mentor-Protege Program established under section 831 of Public Law 101-510, as amended, may count toward its small disadvantaged business goal, subcontracts awarded to—

(1) Protege firms which are qualified organizations employing the severely disabled; and

(2) Former protege firms that meet the criteria in section 831(g)(4) of Public Law 101-510.

(d) The master plan is approved by the Contractor's cognizant contract administration activity.

(e) In those subcontracting plans which specifically identify small businesses, the Contractor shall notify the Administrative Contracting Officer of any substitutions of firms that are not small business firms, for the small business firms specifically identified in the subcontracting plan. Notifications shall be in writing and shall occur

within a reasonable period of time after award of the subcontract. Contractor-specified formats shall be acceptable.

(f)(1) For DoD, the Contractor shall submit reports in eSRS as follows:

(i) Submit the Individual Subcontract Report (ISR) to the contracting officer at the procuring contracting office, even when contract administration has been delegated to the Defense Contract Management Agency.

(ii) Submit the consolidated SSR for an individual subcontracting plan to the “Department of Defense.”

(2) For DoD, the authority to acknowledge receipt or reject reports in eSRS is as follows:

(i) The authority to acknowledge receipt or reject the ISR resides with the contracting officer who receives it, as described in paragraph (f)(1)(i) of this clause.

(ii) The authority to acknowledge receipt of or reject SSRs submitted under an individual subcontracting plan resides with the SSR Coordinator.

(g) Insert the clause at Defense Federal Acquisition Regulation Supplement (DFARS) 252.219-7997, Small Business Subcontracting Plan (Test Program), in subcontracts with subcontractors that participate in the Test Program described in DFARS 219.206-70, if the subcontract is expected to exceed the applicable threshold specified in Federal Acquisition Regulation 19.109(a)(1) and to have further subcontracting opportunities.

(End of clause)

*Alternate I.* As prescribed in 219.109(e)(2)(A)(2), use the following clause, which uses a different paragraph (f) than the basic clause.

**SMALL BUSINESS SUBCONTRACTING PLAN (DOD CONTRACTS)—ALTERNATE  
I (DEVIATION 2026-00037) (FEB 2026)**

This clause supplements the Federal Acquisition Regulation 52.219-9, Small Business Subcontracting Plan, clause of this contract.

(a) Definitions. As used in this clause—

“Summary Subcontract Report (SSR) Coordinator” means the individual who is registered in the Electronic Subcontracting Reporting System (eSRS) at the Department of Defense level and is responsible for acknowledging receipt or rejecting SSRs submitted under an individual subcontracting plan in eSRS for the Department of Defense.

(b) Subcontracts awarded to qualified nonprofit agencies designated by the Committee for Purchase From People Who Are Blind or Severely Disabled (41 U.S.C. 8502-8504), may be counted toward the Contractor’s small business subcontracting goal.

(c) A mentor firm, under the Pilot Mentor-Protege Program established under section 831 of Public Law 101-510, as amended, may count toward its small disadvantaged business goal, subcontracts awarded to—

(1) Protege firms which are qualified organizations employing the severely disabled; and

(2) Former protege firms that meet the criteria in section 831(g)(4) of Public Law 101-510.

(d) The master plan is approved by the Contractor's cognizant contract administration activity.

(e) In those subcontracting plans which specifically identify small businesses, the Contractor shall notify the Administrative Contracting Officer of any substitutions of firms that are not small business firms, for the small business firms specifically identified in the subcontracting plan. Notifications shall be in writing and shall occur within a reasonable period of time after award of the subcontract. Contractor-specified formats shall be acceptable.

(f)(1) For DoD, the Contractor shall submit reports in eSRS as follows:

(i) The Standard Form 294, Subcontracting Report for Individual Contracts, shall be submitted in accordance with the instructions on that form.

(ii) Submit the consolidated SSR to the “Department of Defense.”

(2) For DoD, the authority to acknowledge receipt of or reject SSRs submitted under an individual subcontracting plan in eSRS resides with the SSR Coordinator.

(g) Insert the clause at Defense Federal Acquisition Regulation Supplement (DFARS) 252.219-7997, Small Business Subcontracting Plan (Test Program), in subcontracts with subcontractors that participate in the Test Program described in DFARS 219.206-70, if the subcontract is expected to exceed the applicable threshold specified in Federal Acquisition Regulation 19.109(a)(1) and to have further subcontracting opportunities.

(End of clause)

*Alternate II.* As prescribed in 219.109(e)(2)(A)(3), use the following clause, which uses different paragraphs (a) and (b) than the basic clause.

**SMALL BUSINESS SUBCONTRACTING PLAN (DOD CONTRACTS)—ALTERNATE  
II (DEVIATION 2026-00037) (FEB 2026)**

(a) Definitions. As used in this clause—

“Eligible contractor” means a business entity operated on a for-profit or nonprofit basis that—

(1) Employs severely disabled individuals at a rate that averages not less than 33 percent of its total workforce over the 12-month period prior to issuance of the solicitation;

(2) Pays not less than the minimum wage prescribed pursuant to 29 U.S.C. 206 to the employees who are severely disabled individuals; and

(3) Provides, for its employees, health insurance and a retirement plan comparable to those provided for employees by business entities of similar size in its industrial sector or geographic region.

“Summary Subcontract Report (SSR) Coordinator” means the individual who is registered in the Electronic Subcontracting Reporting System (eSRS) at the Department of Defense level and is responsible for acknowledging receipt or rejecting SSRs submitted under an individual subcontracting plan in eSRS for the Department of Defense.

(b)(1) Subcontracts awarded to qualified nonprofit agencies designated by the Committee for Purchase From People Who are Blind or Severely Disabled (41 U.S.C. 8502-8504), may be counted toward the Contractor's small business subcontracting goal (section 8025 of Pub. L. 108-87).

(2) Subcontracts awarded to eligible contractors under the Demonstration Project for Contractors Employing Persons with Disabilities (see Defense Federal Acquisition Regulation Supplement (DFARS) 226.72) may be counted toward the Contractor's small disadvantaged business subcontracting goal (section 853 of Pub. L. 108-136, as amended by division H, section 110 of Pub. L. 108-199).

(c) A mentor firm, under the Pilot Mentor-Protege Program established under section 831 of Public Law 101-510, may count toward its small disadvantaged business goal, subcontracts awarded to—

(1) Protege firms which are qualified organizations employing the severely disabled; and

(2) Former protege firms that meet the criteria in section 831(g)(4) of Public Law 101-510.

(d) The master plan is approved by the cognizant contract administration activity for the Contractor.

(e) In those subcontracting plans which specifically identify small businesses, the Contractor shall notify the Administrative Contracting Officer of any substitutions of firms that are not small business firms, for the small business firms specifically identified in the subcontracting plan. Notifications shall be in writing and shall occur within a reasonable period of time after award of the subcontract. Contractor-specified formats shall be acceptable.

(f)(1) For DoD, the Contractor shall submit reports in eSRS as follows:

(i) Submit the Individual Subcontract Report (ISR) to the contracting officer at the procuring contracting office, even when contract administration has been delegated to the Defense Contract Management Agency.

(ii) Submit the consolidated SSR for an individual subcontracting plan to the “Department of Defense.”

(2) For DoD, the authority to acknowledge receipt or reject reports in eSRS is as follows:

(i) The authority to acknowledge receipt or reject the ISR resides with the contracting officer who receives it, as described in paragraph (f)(1)(i) of this clause.

(ii) The authority to acknowledge receipt of or reject SSRs submitted under an individual subcontracting plan resides with the SSR Coordinator.

(g) Include the clause at DFARS 252.219-7997, Small Business Subcontracting Plan (Test Program), in subcontracts with subcontractors that participate in the Test Program described in DFARS 219.206-70, if the subcontract is expected to exceed the applicable threshold specified in Federal Acquisition Regulation 19.109(a)(1) and to have further subcontracting opportunities.

(End of clause)

**252.219-7997 Small Business Subcontracting Plan (Test Program).  
(DEVIATION 2026-00037)**

As prescribed in 219.109(e)(2)(B), use the following clause:

SMALL BUSINESS SUBCONTRACTING PLAN (TEST PROGRAM) (DEVIATION  
2026-00037) (FEB 2026)

(a) *Definitions.* As used in this clause—

“Covered small business concern” means a small business concern, veteran-owned small business concern, service-disabled veteran-owned small business concern, HUBZone small business concern, women-owned small business concern, or small disadvantaged business concern, as these terms are defined in FAR 2.101.

“Electronic Subcontracting Reporting System (eSRS)” means the Governmentwide, electronic, web-based system for small business subcontracting program reporting.

“Failure to make a good faith effort to comply with a comprehensive subcontracting plan” means a willful or intentional failure to perform in accordance with the requirements of the Contractor’s approved comprehensive subcontracting plan or willful or intentional action to frustrate the plan.

“Subcontract” means any agreement (other than one involving an employer-employee relationship) entered into by a Federal Government prime Contractor or subcontractor calling for supplies or services required for performance of the contract or subcontract.

(b) *Test Program.* The Contractor’s comprehensive small business subcontracting plan and its successors, which are authorized by and approved under the Test Program of 15 U.S.C. 637 note, as amended, shall be included in and made a part of this contract. Upon expulsion from the Test Program or expiration of the Test Program, the Contractor shall negotiate an individual subcontracting plan for all future contracts that meet the requirements of 15 U.S.C. 637(d).

(c) *Eligibility requirements.* To become and remain eligible to participate in the Test Program, a business concern is required to have furnished supplies or services (including construction) under at least three DoD contracts during the preceding fiscal year, having an aggregate value of at least \$100 million.

(d) *Reports.*

(1) The Contractor shall report semiannually for the 6-month periods ending March 31 and September 30, the information in paragraphs (d)(1)(i) through (v) of this section within 30 days after the end of the reporting period.

(i) A list of contracts covered under its comprehensive small business subcontracting plan, to include the Commercial and Government Entity (CAGE) code and unique entity identifier.

(ii) The amount of first-tier subcontract dollars awarded during the 6-month period covered by the report to covered small business concerns, with the information set forth separately by—

(A) North American Industrial Classification System (NAICS) code;

(B) Major defense acquisition program, as defined in 10 U.S.C. 4201;

(C) Contract number, if the contract is for maintenance, overhaul, repair, servicing, rehabilitation, salvage, modernization, or modification of supplies, systems, or equipment, and the total value of the contract, including options, exceeds \$100 million; and

(D) Military department.

(iii) Total number of subcontracts active under the Test Program that would have otherwise required a subcontracting plan.

(iv) Costs incurred in negotiating, complying with, and reporting on its comprehensive subcontracting plan.

(v) Costs avoided through the use of a comprehensive subcontracting plan.

(2) The Contractor shall—

(i) Ensure that subcontractors with subcontracting plans agree to submit an Individual Subcontract Report (ISR) and/or Summary Subcontract Report (SSR) using the Electronic Subcontracting Reporting System (eSRS).

(ii) Provide its contract number, its unique entity identifier, and the email address of the Contractor's official responsible for acknowledging or rejecting the ISR to all first-tier subcontractors, who will be required to submit ISRs, so they can enter this information into the eSRS when submitting their reports.

(iii) Require that each subcontractor with a subcontracting plan provide the prime contract number, its own unique entity identifier, and the email address of the subcontractor's official responsible for acknowledging or rejecting the ISRs to its subcontractors with subcontracting plans who will be required to submit ISRs.

(iv) Acknowledge receipt or reject all ISRs submitted by its subcontractors using eSRS.

(3) The Contractor shall submit SSRs using eSRS. The reports shall provide information on subcontract awards to small business concerns, veteran-owned small business concerns, service-disabled veteran-owned small business concerns, HUBZone small business concerns, small disadvantaged business concerns, and women-owned small business concerns. Purchases from a corporation, company, or subdivision that is an affiliate of the prime Contractor or subcontractor are not included in these reports. Subcontract award data reported by prime contractors and subcontractors shall be limited to awards made to their immediate next-tier subcontractors. Credit cannot be taken for awards made to lower-tier subcontractors unless the Contractor or subcontractor has been designated to receive a small business or small disadvantaged business credit from a member firm of the Alaska Native Corporations or an Indian tribe. Only subcontracts involving performance in the U.S. or its outlying areas should be included in these reports.

(i) This report may be submitted on a corporate, company, or subdivision (e.g., plant or division operating as a separate profit center) basis, as negotiated in the comprehensive subcontracting plan with the Defense Contract Management Agency.

(ii) This report encompasses all subcontracting under prime contracts and subcontracts with the Department of Defense, regardless of the dollar value of the subcontracts, and is based on the negotiated comprehensive subcontracting plan.

(iii) The report shall be submitted semi-annually for the six months ending March 31 and the twelve months ending September 30. Reports are due 30 days after the close of each reporting period.

(iv) The authority to acknowledge receipt of or reject the SSR resides with the Defense Contract Management Agency.

(e) *Failure to comply.* The failure of the Contractor or subcontractor to comply in good faith with the clause of this contract entitled "Utilization of Small Business Concerns," or an approved plan required by this clause, shall be a material breach of the contract.

(f) *Liquidated damages.* The Contracting Officer designated to manage the comprehensive subcontracting plan will exercise the functions of the Contracting Officer, as identified in paragraphs (f)(1) through (4) of this clause, on behalf of all DoD departments and agencies that awarded contracts covered by the Contractor's comprehensive subcontracting plan.

(1) To determine the need for liquidated damages, the Contracting Officer will conduct a compliance review during the fiscal year after the close of the fiscal year for which the plan is applicable. The Contracting Officer will compare the approved percentage or dollar goals to the total, actual subcontracting dollars covered by the plan.

(2) If the Contractor has failed to meet its approved subcontracting goal(s), the Contracting Officer will provide the Contractor written notice specifying the failure, advising of the potential for assessment of liquidated damages, and permitting the Contractor to demonstrate what good faith efforts have been made. The Contracting

Officer may take the Contractor's failure to respond to the notice within 15 working days (or longer period at the Contracting Officer's discretion) as an admission that no valid explanation exists.

(3) If, after consideration of all relevant information, the Contracting Officer determines that the Contractor failed to make a good faith effort to comply with the comprehensive subcontracting plan, the Contracting Officer will issue a final decision to the Contractor to that effect and require the Contractor to pay liquidated damages to the Government in the amount identified in the comprehensive subcontracting plan.

(4) The Contractor shall have the right of appeal under the clause in this contract entitled "Disputes" from any final decision of the Contracting Officer.

(g) *Subcontracts.* The Contractor shall include in subcontracts that offer subcontracting opportunities, are expected to exceed the applicable threshold specified in FAR 19.109(a)(1) on the date of subcontract award, and are required to include the clause at FAR 52.219-8, Utilization of Small Business Concerns, the clauses at—

(1) FAR 52.219-9, Small Business Subcontracting Plan, and Defense Federal Acquisition Regulation Supplement (DFARS) 252.219-7996, Small Business Subcontracting Plan (DoD Contracts)—Basic;

(2) FAR 52.219-9, Small Business Subcontracting Plan, with its Alternate III, and DFARS 252.219-7996, Small Business Subcontracting Plan (DoD Contracts)—Alternate I, to allow for submission of SF 294s in lieu of ISRs; or

(3) DFARS 252.219-7997, Small Business Subcontracting Plan (Test Program), in subcontracts with subcontractors that participate in the Test Program described in DFARS 219.206-70.

(End of clause)

**252.219-7009 Section 8(a) Direct Award.**

As prescribed in 219.108-10(1), use the following clause:

**SECTION 8(a) DIRECT AWARD (OCT 2018)**

(a) This contract is issued as a direct award between the contracting office and the 8(a) Contractor pursuant to the Partnership Agreement between the Small Business Administration (SBA) and the Department of Defense. Accordingly, the SBA, even if not identified in Section A of this contract, is the prime contractor and retains responsibility for 8(a) certification, for 8(a) eligibility determinations and related issues, and for providing counseling and assistance to the 8(a) Contractor under the 8(a) Program. The cognizant SBA district office is:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[To be completed by the Contracting Officer  
at the time of award]

(b) The contracting office is responsible for administering the contract and for taking any action on behalf of the Government under the terms and conditions of the contract; provided that the contracting office shall give advance notice to the SBA before it issues a final notice terminating performance, either in whole or in part, under the contract. The contracting office also shall coordinate with the SBA prior to processing any novation agreement. The contracting office may assign contract administration functions to a contract administration office.

(c) The 8(a) Contractor agrees that it will notify the Contracting Officer, simultaneous with its notification to the SBA (as required by SBA's 8(a) regulations at 13 CFR 124.515), when the owner or owners upon whom 8(a) eligibility is based plan to relinquish ownership or control of the concern. Consistent with section 407 of Public Law 100-656, transfer of ownership or control shall result in termination of the contract for convenience, unless the SBA waives the requirement for termination prior to the actual relinquishing of ownership and control.

(End of clause)

**252.219-7010 Notification of Competition Limited to Eligible 8(a) Participants—Partnership Agreement.**

As prescribed in 219.108-10(2), use the following clause:

NOTIFICATION OF COMPETITION LIMITED TO ELIGIBLE 8(A)  
PARTICIPANTS—PARTNERSHIP AGREEMENT (OCT 2019)

(a) Offers are solicited only from small business concerns expressly certified by the Small Business Administration (SBA) for participation in SBA's 8(a) Program and which meet the following criteria at the time of submission of offer:

(1) The Offeror is in conformance with the 8(a) support limitation set forth in its approved business plan.

(2) The Offeror is in conformance with the Business Activity Targets set forth in its approved business plan or any remedial action directed by SBA.

(3) If the competition is to be limited to 8(a) concerns within one or more specific SBA regions or districts, then the offeror's approved business plan is on the file and serviced by \_\_\_\_\_. [Contracting Officer completes by inserting the appropriate SBA District and/or Regional Office(s) as identified by SBA.]

(b) By submission of its offer, the Offeror represents that it meets all of the criteria set forth in paragraph (a) of this clause.

(c) Any award resulting from this solicitation will be made directly by the Contracting Officer to the successful 8(a) offeror selected through the evaluation criteria set forth in this solicitation.

(d)(1) Unless SBA has waived the requirements of paragraphs (d)(1)(i) through (iii) and (d)(2) of this clause in accordance with 13 CFR 121.1204, a small business concern that provides an end item it did not manufacture, process, or produce, shall—

(i) Provide an end item that a small business has manufactured, processed, or produced in the United States or its outlying areas; for kit assemblers, see paragraph (d)(2) of this clause instead;

(ii) Be primarily engaged in the retail or wholesale trade and normally sell the type of item being supplied; and

(iii) Take ownership or possession of the item(s) with its personnel, equipment, or facilities in a manner consistent with industry practice; for example, providing storage, transportation, or delivery.

(2) When the end item being acquired is a kit of supplies, at least 50 percent of the total cost of the components of the kit shall be manufactured, processed, or produced by small businesses in the United States or its outlying areas.

(3) The requirements of paragraphs (d)(1)(i) through (iii) and (d)(2) of this clause do not apply to construction or service contracts.

(e) The \_\_\_\_\_ [insert name of SBA's contractor] will notify the \_\_\_\_\_ [insert name of contracting agency] Contracting Officer in writing immediately upon entering an agreement (either oral or written) to transfer all or part of its stock or other ownership interest to any other party.

(End of clause)

**252.219-7011 Notification to Delay Performance.**

As prescribed in 219.108-10(3), use the following clause:

**NOTIFICATION TO DELAY PERFORMANCE (JUN 1998)**

The Contractor shall not begin performance under this purchase order until 2 working days have passed from the date of its receipt. Unless the Contractor receives notification from the Small Business Administration that it is ineligible for this 8(a) award, or otherwise receives instructions from the Contracting Officer, performance under this purchase order may begin on the third working day following receipt of the purchase order. If a determination of ineligibility is issued within the 2-day period, the purchase order shall be considered canceled.

(End of clause)

**252.219-7012 Competition for Religious-Related Services.**

As prescribed in 219.104-70(c), use the following provision:

**COMPETITION FOR RELIGIOUS-RELATED SERVICES (APR 2018)**

(a) Definition. As used in this provision—

“Nonprofit organization” means any organization that is—

- (1) Described in section 501(c) of the Internal Revenue Code of 1986; and
- (2) Exempt from tax under section 501(a) of that Code.

Attachment A1  
DARS Tracking Number: 2026-00037

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Defense FAR Supplement (DFARS) Part 219

(b) A nonprofit organization is not precluded from competing for a contract for religious-related services to be performed on a United States military installation notwithstanding that a nonprofit organization is not a small business concern as identified in FAR 19.000(a)(3).

(c) If the apparently successful offeror has not represented in its quotation or offer that it is a small business concern identified in FAR 19.000(a)(3), as appropriate to the solicitation, the Contracting Officer will verify that the offeror is registered in the System for Award Management database as a nonprofit organization.

(End of provision)

## **PGI 219—SMALL BUSINESS**

### **PGI 219.1—PRESOLICITATION**

#### **PGI 219.102 Coordination**

(a)(1) Small business specialists are appointed and perform functions in accordance with DoD Instruction (DoDI) 4205.01, DoD Small Business Programs. In the DoDI, small business specialists are called “small business professionals.”

(2) The responsibility for assigning small business technical advisors is delegated to the head of the contracting activity.

(g)(1) Small business specialists—

(i) Review and make recommendations for all acquisitions over the micro-purchase threshold, except those under the simplified acquisition threshold that are totally set aside for small business concerns (see FAR 19.104-1);

(ii) Review acquisitions before issuance of the solicitation or contract modification, and document it on DD Form 2579, Small Business Coordination Record (see PGI 253.219-70 for instructions on completing the form); and

(iii) Refer recommendations that have been rejected by the contracting officer to the Small Business Administration (SBA) procurement center representative. If an SBA procurement center representative is not assigned, see FAR 19.102(b)(2).

(2)(i) Agencies may require small business specialists to review actions over the micro-purchase threshold, but under the simplified acquisition threshold, that are totally set aside for small business. Such reviews may be conducted when the agency determines a review is necessary to assist contracting officers in identifying opportunities for other small business set-aside programs (e.g., HUBZone, service-disabled veteran-owned, small disadvantaged business, women-owned small business) to meet small business goals.

(ii) Small business specialists should review contract or order modifications that increase the scope. At a minimum, these modifications can impact subcontracting plans. Funding-only modifications or those not increasing scope generally should not be reviewed due to minimal added value.

#### **PGI 219.108 Contracting With the Small Business Administration (the 8(a) Program).**

##### **PGI 219.108-1 General.**

A copy of the Partnership Agreement (PA) between DoD and the Small Business Administration (SBA) is available [here](#).

##### **PGI 219.108-3 Selecting acquisitions for the 8(a) Program.**

(1) Contracting activities should respond to SBA requests for contract support within 30 calendar days after receipt.

(2) Before considering a small business set-aside, review the acquisition for offering under the 8(a) Program.

**PGI 219.108-4 Evaluation, offering, and acceptance.**

(1) For requirements processed under the PA cited in DFARS 219.108-1, the notification to the SBA shall clearly indicate that the requirement is being processed under the PA. See DFARS 219.208-3(a)(ii) for procedures related to purchase orders that do not exceed the simplified acquisition threshold. All notifications should be submitted in writing and shall specify that—

(i) Under the PA, an SBA acceptance or rejection of the offering is required within 5 working days of receipt of the offering; and

(ii)(A) For sole source requirements, an SBA acceptance shall include a size verification and a determination of the 8(a) firm's program eligibility, and, upon acceptance, the contracting officer will solicit a proposal, conduct negotiations, and make award directly to the 8(a) firm; or

(B) For competitive requirements, upon acceptance, the contracting officer will solicit offers, conduct source selection, and, upon receipt of an eligibility verification, award a contract directly to the selected 8(a) firm.

(2) Under the PA cited in DFARS 219.108-1, no separate agency offering or SBA acceptance is needed for requirements that are issued under purchase orders that do not exceed the simplified acquisition threshold. After an 8(a) contractor has been identified, the contracting officer will establish the prices, terms, and conditions with the 8(a) contractor and prepare a purchase order, including the applicable clauses required by DFARS 219.108-10. No later than the day that the purchase order is provided to the 8(a) contractor, the contracting officer will provide to the cognizant SBA Business Opportunity Specialist via email or any other means acceptable to the SBA district office—

(i) A copy of the signed purchase order; and

(ii) A notice stating that the purchase order is being processed under the PA. The notice also shall indicate that the 8(a) contractor will be deemed eligible for award and will automatically begin work under the purchase order unless, within 2 working days after SBA's receipt of the purchase order, the 8(a) contractor and the contracting officer are notified that the 8(a) contractor is ineligible for award.

(3) The notification to SBA must identify any joint venture proposed for performance of the contract. SBA must approve a joint venture before award of an 8(a) contract involving the joint venture.

(4) For competitive requirements for construction to be performed overseas, submit the notification to SBA Headquarters.

(5) For requirements processed under the PA cited in DFARS 219.108-1, SBA's acceptance is required within 5 working days (but see DFARS 219.208-3(a)(ii) for procedures related to purchase orders that do not exceed the simplified acquisition threshold).

## **PGI 219.2—EVALUATION AND AWARD**

### **PGI 219.204 Certificate of Competency.**

When making a small business concern nonresponsibility determination, the contracting officer will notify the contracting activity's small business specialist.

(1) Resolving differences between the agency and the Small Business Administration.

(i) If the contracting officer believes the agency should appeal, the contracting officer must immediately inform the department or agency director of the Office of Small Business Programs (OSBP) and send to the director, through departmental channels—

(A) A request for appeal, summarizing the issues. The director OSBP must receive the request within 5 working days after receipt of the SBA Headquarters' written position; and

(B) An appeal file, documenting the contracting activity's position. The director OSBP must receive the appeal file within 5 working days after transmission of the request for appeal.

(ii) The department or agency director OSBP will determine whether the agency will appeal and will notify the SBA of the agency's intent.

### **PGI 219.206 Evaluating small business subcontracting plans.**

#### **PGI 219.206-3 Reviewing the subcontracting plan.**

When reviewing the subcontracting plan, contracting officers may use the document entitled "DoD Checklist for Reviewing Subcontracting Plans." The document is available at <https://business.defense.gov/Acquisition/Subcontracting/DoD-CSP/Subcontracting-Guide/>.

### **PGI 219.208 Evaluating and awarding under the 8(a) Program.**

#### **PGI 219.208-1 Procedures for competitive 8(a).**

(b)(1)(A) For requirements processed under the PA cited in DFARS 219.108-1—

(1) For sealed bid and negotiated acquisitions, the SBA will determine the eligibility of the firms and will advise the contracting officer within 2 working days after its receipt of a request for an eligibility determination; and

(2) For negotiated acquisitions, the contracting officer may submit a request for an eligibility determination on all firms in the competitive range if discussions are to be conducted, or on all firms with a realistic chance of award if no discussions are to be conducted.

#### **PGI 219.208-2 Contract negotiation.**

For requirements processed under the PA cited in DFARS 219.108-1—

(1) The agency may negotiate directly with the 8(a) contractor. The contracting officer is responsible for initiating negotiations;

(2) The 8(a) contractor is responsible for negotiating within the time established by the contracting officer;

(3) If the 8(a) contractor does not negotiate within the established time and the agency cannot allow additional time, the contracting officer may, after notifying the SBA, proceed with the acquisition from other sources;

(4) If requested by the 8(a) contractor, the SBA may participate in negotiations; and

(5) SBA approval of the contract is not required.

### **PGI 219.208-7 Preparing the contracts.**

(1) Sole source or competitive awards under the PA cited in DFARS 219.108-1 may be made directly to the 8(a) contractor and, except as provided in paragraph (2) of this subsection, award documents shall be prepared in accordance with procedures established for non-8(a) contracts, using any otherwise authorized award forms. The “Issued by” block shall identify the awarding DoD contracting office. The contractor’s name and address shall be that of the 8(a) participant.

(2) Use the following alternative procedures for direct awards made under the PA:

(i) Cite 10 U.S.C. 3204(a)(5) as the authority for use of other than full and open competition.

(ii) Include the clause at DFARS 252.219-7009, Section 8(a) Direct Award, in accordance with the prescription at DFARS 219.108-10(1). Identify the cognizant SBA district office for the 8(a) contractor.

(iii) No SBA contract number is required.

(iv) Do not require an SBA signature on the award document.

### **PGI 219.3—POSTAWARD**

#### **PGI 219.302 Small business subcontracting plans.**

##### **PGI 219.302-2 Compliance with the plan.**

When reviewing subcontracting reports, contracting officers may use the document entitled “DoD Subcontracting Program—Business Rules and Processes for (1) Electronic Subcontracting Reporting System (eSRS) and (2) Preparing and Reviewing Related Subcontract Reports.” The document is available at <https://business.defense.gov/Acquisition/Subcontracting/DoD-CSP/Subcontracting-Guide/>.

## **PGI 253—FORMS**

### **PGI 253.219 Small Business Programs.**

#### **PGI 253.219-70 DD Form 2579, Small Business Coordination Record.**

(a) Use the DD Form 2579 as prescribed in PGI 219.102(g)(1)(ii).

(b) *General instructions.*

(1) The Contracting Officer is responsible for coordinating and the completion of the form.

(2) Coordination on this form is not required when the agency will satisfy a requirement through the use of a mandatory source listed at FAR 8.101, 8.102, or 8.103.

(c) *Specific instructions for completion of DD Form 2579.*

(1) BLOCK 1—CONTROL NO. Reserved for use by the Small Business Professional to create a unique identification number for each coordination record.

(2) BLOCK 2—PURCHASE REQUEST/REQUISITION NO. Locally assigned purchase request/requisition number.

(3) BLOCK 3—TOTAL ESTIMATED VALUE. Enter the total estimated value for the acquisition, including all options. For multiple award task or delivery order contracts, enter the total estimated value of the entire acquisition including all orders expected to be awarded.

(4) BLOCKS 4a and 4b:

(i) Block 4a—PROCUREMENT INSTRUMENT IDENTIFIER (PIID). Enter the PIID assigned to the solicitation, contract, or order in Block 4a. (FAR 4.201, DFARS 204.201).

(ii) Block 4b—INDEFINITE DELIVERY VEHICLE (IDV) PIID. If applicable, enter the PIID assigned to the IDV against which the solicitation or order identified in Block 4a is issued.

(5) BLOCK 5—MODIFICATION/AMENDMENT NUMBER (MOD/AMDMT No.). Enter the contract or order modification number or solicitation amendment number. (FAR 4.201, DFARS 204.201).

(6) BLOCKS 6a through 6e—CONTRACTING OFFICER NAME, DOD ACTIVITY ADDRESS CODE (DODAAC), OFFICE SYMBOL, EMAIL ADDRESS, PHONE NO. Enter the appropriate information in Blocks 6a through 6e.

(7) BLOCKS 7a through 7d:

(i) BLOCK 7a—ITEM and/or SERVICE DESCRIPTION. Enter description of planned acquisition, including quantity, unique delivery requirements, and other descriptors. For services, include the type of service and place of performance, and attach a copy of the Performance Work Statement (PWS), Statement of Work (SOW), Statement of Objectives (SOO), or other specifications and statements as appropriate.

(ii) BLOCK 7b—PRODUCT OR SERVICE CODE (PSC). For the Product and Service Codes Manual, go to <http://acquisition.gov>.

(iii) BLOCK 7c—NORTH AMERICAN INDUSTRY CLASSIFICATION (NAICS) CODE. For the NAICS codes and definitions, go to [www.census.gov/naics](http://www.census.gov/naics).

(iv) BLOCK 7d—SMALL BUSINESS SIZE STANDARD. For the applicable small business size standard, go to <http://www.sba.gov/content/table-small-business-size-standards>.

(8) BLOCK 8—PERIOD OF PERFORMANCE/DELIVERY DATES. Enter the estimated beginning and end dates.

(9) BLOCK 9—PURPOSE OF COORDINATION. Check one box indicating the purpose of the action being reviewed: Initial Coordination, Withdrawal (see FAR 19.205(d)(2)), or a Change to the form. Note: Any significant change in the acquisition strategy or plan described on this form will require reevaluation by the Small Business Professional and the Small Business Administration (SBA) Procurement Center Representative (PCR), if applicable.

(10) BLOCKS 10a through 10j—RECOMMENDATION. Check all that apply, e.g., a small business set-aside could also be a multiple-award. For Blocks 10c through 10f, attach justification if applicable in accordance with FAR 19.105-3, 19.106-3, or 19.107-3.

(11) BLOCKS 11a through 11c:

(i) BLOCK 11a—ACQUISITION PLAN/MARKET RESEARCH. Attach the written acquisition plan (FAR 7.103), if required, and the results of market research, including any resulting justification and approval (FAR 6.104) or sole source/brand name justification (FAR 12.102). Include findings that demonstrate efforts to locate qualified small business sources, such as results of presolicitation notices (FAR 5.101) or waivers to the nonmanufacturer rule (FAR 19.104-1(f)(3)(i)), and attach additional pages as necessary.

(ii) BLOCK 11b—SYNOPSIS REQUIRED. See FAR 5.101, Presolicitation notice. Check “Yes” or “No.” If “No,” provide explanation and the exception under FAR 5.101(b), if applicable.

(iii) BLOCK 11c—SMALL BUSINESS PROGRESS PAYMENTS. Check “Yes” or “No” (DFARS [232.501-1](http://www.far.gov/2019/01/23/232.501-1)(a)).

(12) BLOCK 12—CONSOLIDATED OR BUNDLED. Select either “Consolidated” or “Bundled,” and check “Yes” or “No” for each. If “Yes,” attach required documentation for consolidation or bundling (FAR 7.107).

(13) BLOCK 13—SUBCONTRACTING PLAN REQUIRED. See FAR 19.109. Check “Yes” or “No.” For recommendations 10g, 10h, or 10i, or if Block 12 recommendation is “Yes,” specify actions that will be taken to maximize small business participation. Consider requirements of FAR 19.109, acquisition history, anticipated subcontracting goals, market research to identify small business capability at the subcontract level, source selection evaluation factor for small business utilization (FAR 15.104, DFARS215.104), incentives, contract performance metrics, etc. State detailed objectives for subcontract (attach additional pages as necessary).

(14) BLOCKS 14a through 14c—ACQUISITION HISTORY:

(i) BLOCK 14a—NEW REQUIREMENT. Check “Yes” or “No” and follow the applicable guidance for each selection.

(ii) BLOCK 14b—PREVIOUSLY CONSOLIDATED OR BUNDLED. Check “Yes” or “No” for each. If “Yes,” attach required documentation for previous acquisition. (See FAR 7.107.)

(iii) BLOCK 14c—DETAILS OF PREVIOUS AWARD(S). For each contractor that received an award for any portion of the immediately preceding acquisition, include the following information (attach additional pages as necessary)—

- Name and CAGE code.
- Small business socioeconomic categories of the awardee.
- PIID.
- NAICS code and size standard.
- Contract type.
- Period of performance.
- Total contract value.
- Subcontracting History. (Small business subcontracting goal achievement (CPARS and eSRS data) and any additional small business utilization requirements included in the contract resulting from a source selection factor used when making the previous contract award.)

(15) BLOCK 15a through 15d—CONTRACTING OFFICER SIGNATURE. Complete 15a through 15d. Digital signature is desired.

(16) BLOCKS 16 through 16f—SMALL BUSINESS PROFESSIONAL/SMALL BUSINESS DIRECTOR REVIEW. Complete 16 through 16f. Digital signature is desired. If “non-concur” is checked, attach rationale or include in Block 16f, along with any other remarks. Block 16e must be completed when any of the conditions in FAR 19.102(e) applies to indicate when the acquisition package was provided to the Small Business

Administration (SBA).

(17) BLOCKS 17 through 17e—SBA PROCUREMENT CENTER REPRESENTATIVE (PCR) REVIEW. Complete 17 through 17e (see FAR 19.102(b)(2) when a PCR is not assigned to the contracting activity or administration office). Digital signature is desired. If “non-concur” is checked, the PCR shall attach rationale and recommendations or include in Block 17e, along with any other remarks (see FAR 19.102(e)(4)).

(18) BLOCKS 18 through 18c—CONTRACTING OFFICER REVIEW. The Contracting Officer shall complete this block if the Small Business Professional and/or the SBA PCR have “non-concurred” in Blocks 16 and 17. Block 18c shall include the Contracting Officer’s rationale for decision. Send copies of the completed form to the Small Business Professional and the SBA PCR within 5 working days if rejecting the PCR’s recommendation, in accordance with FAR 19.102(f).

## **APPENDIX I—POLICY AND PROCEDURES FOR THE DOD MENTOR- PROTÉGÉ PROGRAM**

### **I-100 Purpose.**

(a) This appendix implements the DoD Mentor-Protégé Program (referred to as the Program) authorized under 10 U.S.C. 4902. The purpose of the Program is to provide incentives to DoD contractors to furnish eligible small business concerns with assistance designed to—

(1) Enhance the capabilities of eligible small business concerns to perform as subcontractors and suppliers under DoD contracts and other contracts and subcontracts; and

(2) Increase the participation of such business concerns as subcontractors and suppliers under DoD contracts, other Federal Government contracts, and commercial contracts.

(b) Under the Program, eligible companies approved as mentor firms will enter into mentor-protégé agreements with eligible protégé firms to provide appropriate developmental assistance to enhance the capabilities of the protégé firms to perform as subcontractors and suppliers. 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 protégé firms (under DoD contracts, contracts awarded by other Federal agencies, and commercial contracts) from the date of their entry into the Program until 5 years after the conclusion of the agreement;

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

(3) An increase in protégé participation in DoD science and technology programs; and

(4) An increase in job creation of protégé firms from the date of execution of the mentor-protégé agreement until 5 years after completion of the mentor-protégé 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.**

As used in this appendix—

“Affiliation” means, with respect to a relationship between a mentor firm and a protégé firm, a relationship described under 13 CFR 121.103.

“Eligible entity employing the severely disabled” means a business entity operated on a for-profit or nonprofit basis that—

(1) Uses rehabilitative engineering to provide employment opportunities for severely disabled individuals and integrates severely disabled individuals into its workforce;

(2) Employs severely disabled individuals at a rate that averages not less than 20 percent of its total workforce;

(3) Employs each severely disabled individual in its workforce generally on the basis of 40 hours per week; and

(4) Pays not less than the minimum wage prescribed pursuant to section 6 of the Fair Labor Standards Act (29 U.S.C. 206) to those employees who are severely disabled individuals.

“Severely disabled individual” means an individual who is blind or severely disabled as defined in 41 U.S.C. 8501.

**I-102 Participant eligibility.**

(a) To be eligible to participate as a mentor, an entity must—

(1) Be a for-profit entity that is eligible for the award of Federal contracts;

(2) Demonstrate that it—

(i) Is qualified to provide assistance that will contribute to the purpose of the Program;

(ii) Is of good financial health and character;

(iii) Is not on a Federal list of debarred or suspended contractors; and

(iv) Is an other than small business concern, unless approved by the Director of the Office of Small Business Programs (OSBP), Office of the Assistant Secretary of Defense, Industrial Base Policy (OASD(IBP)), in accordance with 13 CFR 121.103 regarding “affiliation and relationship”; and

(3) Be capable of imparting value to a protégé firm because of experience gained as a DoD contractor or through knowledge of general business operations and Government contracting, as demonstrated by evidence that such entity—

(i) Received DoD contracts and subcontracts equal to or greater than \$25 million during the previous fiscal year;

- (ii) Is a prime contractor to DoD with an active subcontracting plan;
- (iii) Has graduated from the 8(a) Business Development Program and provides documentation of its ability to serve as a mentor; or
- (iv) Is otherwise capable to assist in the development of protégé firms and is approved by the Director OSBP, OASD(IBP).

(b) To be eligible to participate as a protégé, an entity must be—

- (1) A small business concern;
- (2) Eligible for the award of Federal contracts;
- (3) Not more than the Small Business Administration (SBA) size standard for its primary North American Industry Classification System (NAICS) code;
- (4) Not owned or managed by individuals or entities that directly or indirectly have stock options or convertible securities in the mentor firm; and

(5) At least one of the following:

- (i) A qualified HUBZone small business concern.
- (ii) A women-owned small business concern.
- (iii) A service-disabled veteran-owned small business concern.
- (iv) An entity owned and controlled by an Indian tribe.
- (v) An entity owned and controlled by a Native Hawaiian organization.
- (vi) An entity owned and controlled by socially and economically disadvantaged individuals.
- (vii) A qualified organization employing severely disabled individuals.
- (viii) A nontraditional defense contractor.
- (ix) An entity that currently provides goods or services in the private sector that are critical to enhancing the capabilities of the defense supplier base and fulfilling key DoD needs.

(c) Mentor firms may rely in good faith on a written representation that the entity meets the requirements of paragraph (b) of this section, except that a mentor firm is required to confirm a protégé's status as a HUBZone small business concern (see FAR 19.302-2).

(d) If at any time the SBA (or DoD in the case of entities employing severely disabled individuals) determines that a protégé is ineligible, assistance the mentor firm furnishes to the protégé after the date of the determination may not be considered assistance furnished under the Program.

(e) A mentor firm may not enter into an agreement with a protégé firm if SBA has made a determination of affiliation. If SBA has not made such a determination and if the DoD OSBP has reason to believe, based on SBA's regulations regarding affiliation, that the mentor firm is affiliated with the protégé firm, then DoD OSBP will request a determination regarding affiliation from SBA.

(f) 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.

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

(1) May continue to provide assistance to its protégé firms in accordance with the approved mentor-protégé agreement 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 protégé 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 protégé firm and the Director, OSBP, of the cognizant military department or defense agency.

(h) Within 30 days of any change in status affecting eligibility, mentors and protégés must give notice and explanation of pertinent facts to each other, the Director of OSBP, OASD(IBP), and the Director, OSBP, of the military department or defense agency.

### **I-103 Incentives for mentors.**

Mentors incurring costs through September 30, 2026, pursuant to a mentor-protégé agreement approved prior to December 23, 2022, and mentors incurring costs pursuant to a mentor-protégé agreement approved on or after December 23, 2023, may be eligible for—

(a) Credit toward the attainment of its applicable subcontracting goals for unreimbursed costs incurred in providing developmental assistance to its protégé firm(s);

(b) Reimbursement pursuant to the execution of a separately priced contract line item added to a DoD contract; or

(c) Reimbursement pursuant to entering into a separate DoD contract upon determination by the Director, OSBP, of the cognizant military department or defense agency that unusual circumstances justify using a separate contract.

### **I-104 Selection of protégé firms.**

(a) Mentor firms will be solely responsible for selecting protégé firms that qualify under I-102(b). Mentor firms are encouraged to identify and select concerns that have not previously received significant prime contract awards from DoD or any other Federal agency.

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

(c) Any interested party may file a protest of the selection of a protégé firm directly with the Director, OSBP, OASD (IBP) or the Director, OSBP, of the cognizant military department or defense agency. In the event of a protest regarding the size or status of an entity selected to be a protégé firm, the Director, OSBP, OASD(IBP), or the Director, OSBP, of the military department or defense agency must refer the protest to the SBA to resolve in accordance with 13 CFR part 121 (with respect to size) or other parts of title 13 of the CFR or this appendix (with respect to the protégé's socioeconomic status). The Director, OSBP, OASD(IBP), or the Director, OSBP, of the military department or defense agency shall decide protests concerning all other aspects of a protégé's eligibility for the Program (e.g., nontraditional defense contractor or entity employing the severely disabled).

(d) For purposes of the Small Business Act, no determination of affiliation or control (either direct or indirect) may be found between a protégé firm and its mentor firm on the basis that the mentor firm has agreed to furnish (or has furnished) to its protégé firm, pursuant to a mentor-protégé agreement, any form of developmental assistance described in I-106(d).

(e) A protégé firm may not be a party to more than one DoD mentor-protégé agreement at a time and may only participate in the Program during the 5-year period beginning on the date the protégé firm enters into its first mentor-protégé agreement. This does not preclude a protégé firm from concurrent participation in mentor-protégé programs with other agencies.

### **I-105 Mentor approval process.**

(a) An entity seeking to participate as a mentor must apply to the Mentor-Protégé Program Director, OSBP, OASD(IBP), to establish its initial eligibility as a mentor.

(b) The application must provide the following information:

(1) A statement that the entity meets the requirements in I-102(a), specifying the criteria in I-102(a)(3) under which the entity is applying.

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

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

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

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

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

(7) The total dollar amount and percentage of subcontracts that the entity awarded to firms qualifying under I-102(b)(5)(ii) through (viii) during the 2 preceding fiscal years. (Show DoD subcontract awards separately.) If the entity was required to submit a Summary Subcontract Report (SSR) in the Electronic Subcontracting Reporting System, the request must include copies of the final reports for the 2 preceding fiscal years.

(8) Information on the company's ability to provide developmental assistance to eligible protégés.

(c) A template of the mentor application is available at <https://business.defense.gov/Programs/Mentor-Protégé-Program/MPP-Resources/>.

(d) Companies that apply for participation and are not approved will be provided the reasons and an opportunity to submit additional information for reconsideration.

#### **I-106 Development of mentor-protégé agreements.**

(a) Prospective mentors and their protégés may choose to execute letters of intent prior to negotiation of mentor-protégé agreements.

(b) The agreements should be structured after completion of a preliminary assessment of the developmental needs of the protégé firm and mutual agreement regarding the developmental assistance to be provided to address those needs and enhance the protégé's ability to perform successfully under contracts or subcontracts.

(c) A mentor firm may not require a protégé firm to enter into a mentor-protégé 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.

(d) The mentor-protégé 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 and technology commercialization, compliance systems, and overall business planning;

(ii) Engineering and technical matters such as production, inventory control, manufacturing, test and evaluation, quality assurance; acquisition or transfer of hardware, tooling, or software; and technology transfer and transition; and

(iii) Any other assistance designed to develop the capabilities of the protégé firm under the developmental program described in I-107(g).

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

(3) Payment of progress payments for the performance of subcontracts by a protégé 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 protégé firm for the performance of the subcontract. Provision of progress payments by a mentor firm to a protégé 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) Assistance that the mentor firm obtains for the protégé firm from one or more of the following:

(i) Small Business Development Centers (15 U.S.C. 648).

(ii) Entities providing procurement technical assistance under the Procurement Technical Assistance Cooperative Agreement Program (10 U.S.C. Chapter 388).

(iii) Historically Black colleges and universities.

(iv) Minority institutions of higher education.

(v) Women's business centers (15 U.S.C. 656).

(vi) Manufacturing innovation institutes.

(e) 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 42.5. The purpose of the advance agreement is to establish the accounting treatment of the costs of the developmental assistance pursuant to the mentor-protégé 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 to address the need for any changes to their cost accounting practices that may result from the implementation of a mentor-protégé agreement, prior to incurring any costs, and irrespective of whether costs will be reimbursed or credited.

(f) Developmental assistance provided under an approved mentor-protégé 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.

(g) The agreement shall demonstrate, through its execution, how it will contribute to the overall mission of DoD and/or fill or address an identified critical gap or

vulnerability. Focus areas include, but are not limited to, manufacturing, research and development, and knowledge-based services.

**I-107 Elements of a mentor-protégé agreement.**

Each mentor-protégé agreement shall contain—

(a) The name, address, email address, and telephone number of the mentor and protégé points of contact;

(b) The NAICS code(s) that represent the contemplated supplies or services to be provided by the protégé firm to the mentor firm and a statement that, at the time the agreement is submitted for approval, the protégé firm does not exceed the size standard in I-102(b)(3);

(c) A statement that the protégé firm is eligible to participate in accordance with I-102(b);

(d) A statement that the mentor is eligible to participate in accordance with I-102(a);

(e) Assurances that—

(1) The mentor firm does not share, directly or indirectly, with the protégé firm ownership or management of the protégé firm;

(2) The mentor firm does not have an agreement, at the time the mentor firm enters into a mentor-protégé agreement, to merge with the protégé firm;

(3) The owners and managers of the mentor firm are not the parent, child, spouse, sibling, aunt, uncle, niece, nephew, grandparent, grandchild, or first cousin of an owner or manager of the protégé firm;

(4) The mentor firm has not, during the 2-year period before entering into a mentor-protégé agreement, employed any officer, director, principal stockholder, managing member, or key employee of the protégé firm;

(5) The mentor firm has not engaged in a joint venture with the protégé firm during the 2-year period before entering into a mentor-protégé agreement, unless such joint venture was approved by SBA prior to making any offer on a contract;

(6) The mentor firm is not, directly or indirectly, the primary party providing contracts to the protégé firm, as measured by the dollar value of the contracts; and

(7) The SBA has not made a determination of affiliation or control;

(f) A preliminary assessment of the developmental needs of the protégé firm;

(g) A developmental program for the protégé firm, including—

(1) The type of assistance the mentor will provide to the protégé and how that assistance will—

(i) Increase the protégé's ability to participate in DoD, Federal, and/or commercial contracts and subcontracts; and

(ii) Increase small business subcontracting opportunities in industry categories where eligible protégés or other small business firms are not dominant in the company's vendor base;

(iii) Increase the protégé firm's cybersecurity readiness posture and ability to comply with Federal acquisition regulations.

(2) Factors to assess the protégé firm's developmental progress under the Program, including specific milestones for providing each element of the identified assistance;

(3) A description of the quantitative and qualitative benefits to DoD from the agreement, if applicable; and

(4) Goals for additional awards for which the protégé firm can compete outside the Program;

(h) The assistance the mentor will provide to the protégé firm in understanding Federal contract regulations, including the FAR and DFARS, after award of a subcontract under the Program, if applicable;

(i) An estimate of the dollar value and type of subcontracts that the mentor firm will award to the protégé firm, and the period of time over which the subcontracts will be awarded;

(j) A statement from the protégé 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 5 years thereafter;

(k) A program participation term for the agreement that does not exceed 3 years. The agreement may be extended for a period not to exceed 2 years if approved by the Director, OSBP, OASD(IBP). The Director, OSBP, of the cognizant military department or defense agency will submit requests for an extension of the agreement to the Director, OSBP, OASD(IBP) for approval. The request will include a justification describing the unusual circumstances that warrant a term in excess of 3 years;

(l) Procedures for the mentor firm to notify the protégé 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-protégé 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-protégé agreement for cause;

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

(1) The mentor firm must furnish the protégé 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;

(2) The protégé 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;

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

(4) 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;

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

(o) Additional terms and conditions as may be agreed upon by both parties; and

(p) Signatures and dates for both parties to the mentor-protégé agreement.

#### **I-108 Submission and approval of mentor-protégé agreements.**

(a) Upon solicitation or as determined by the cognizant military department or defense agency, mentors will submit—

(1) A mentor application pursuant to I-105, if the mentor has not been previously approved to participate;

(2) A signed mentor-protégé agreement pursuant to I-107;

(3) A statement as to whether the mentor is seeking credit or reimbursement of costs incurred;

(4) The estimated cost of the technical assistance to be provided, broken out per year;

(5) A justification if program participation term is greater than 3 years (agreements may not exceed 5 years) (see I-107(k)); and

(6) For reimbursable agreements, a specific justification for developmental costs in excess of \$1 million per year.

(b) When seeking reimbursement of costs, the military department or defense agency may require additional information.

(c) The mentor-protégé agreement must be approved by the Director, OSBP, of the military department or defense agency prior to incurring costs eligible for credit.

(d) The military department or defense agency will execute a contract modification or a separate contract, if justified pursuant to I-103(b)(3), prior to the mentor's incurring costs eligible for reimbursement.

(e) Credit agreements that are not associated with an existing DoD program and/or military department or defense agency will be submitted for approval to the Director,

OSBP, Defense Contract Management Agency (DCMA), via the mentor's cognizant administrative contracting officer.

(f) A prospective mentor that has identified Program funds to be made available from a DoD program manager must provide the information in paragraph (a) of this section through the program manager to the Director, OSBP, of the military department or defense agency with a letter signed by the program manager indicating the amount of funding that has been identified for the developmental assistance program.

#### **I-109 Reimbursable agreements.**

The following provisions apply to all reimbursable mentor-protégé agreements including agreements that provide for both reimbursement and subcontracting credit:

(a) Assistance provided in the form of progress payments to a protégé 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).

(b) Assistance provided in the form of advance payments will be reimbursed only if the payments have been provided to a protégé 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 Mentor-Protégé 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 protégé firm to repay any unliquidated advance payments will be the sole responsibility of the mentor firm.

(c) The primary forms of developmental assistance authorized for reimbursement under the Program are identified in I-106(d). On a case-by-case basis, Directors, OSBP, of the military departments or defense agencies at their discretion, may approve additional incidental expenses for reimbursement, provided these expenses do not exceed 10 percent of the total estimated cost of the agreement.

(d) The total amount reimbursed to a mentor firm for costs of assistance furnished to a protégé firm in a fiscal year may not exceed \$1 million unless the Director, OSBP, of the military department or defense agency determines in writing that unusual circumstances justify reimbursement at a higher amount. Request for authority to reimburse in excess of \$1 million must detail the unusual circumstances and must be endorsed and submitted by the program manager to the Director, OSBP, of the military department or defense agency.

(e) DoD may not reimburse any fee to the mentor firm for services provided to the protégé firm pursuant to I-106(d)(6) or for business development expenses incurred by the mentor firm under a contract awarded to the mentor firm while participating in a joint venture with the protégé firm.

(f) Developmental assistance costs that are incurred pursuant to an approved reimbursable mentor-protégé agreement, and have been charged to, but not reimbursed through, a separate contract, 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.

**I-110 Credit agreements.**

Sections I-110.1 and I-110.2 apply to all credit agreements, including agreements that provide for both credit and reimbursement.

**I-110.1 Program provisions applicable to credit agreements.**

(a) Developmental assistance costs incurred by a mentor firm for providing assistance to a protégé firm pursuant to an approved credit mentor-protégé agreement may be credited as if the costs were incurred under a subcontract award to that protégé, for the purpose of 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, or the provisions of the DoD Test Program for Negotiation of Comprehensive Small Business Subcontracting Plans. Unreimbursed developmental assistance costs incurred for a protégé firm that is an eligible entity employing severely disabled individuals may be credited toward the mentor firm's small disadvantaged business subcontracting goal, even if the protégé firm is not a small disadvantaged business concern.

(b) 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. However, costs that have not been reimbursed because they are not reasonable, allocable, or allowable will not be recognized for crediting purposes.

(c) Other costs that are not eligible for reimbursement pursuant to I-106(d) may be recognized for credit only if requested, identified, and incorporated in an approved mentor-protégé 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.

**I-110.2 Credit adjustments.**

(a) Adjustments may be made to the amount of credit claimed if the Director, OSBP, OASD(IBP), 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.

(b) 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, OSBP, OASD(IBP), 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.

(c) The decision of the Director, OSBP, OASD(IBP), regarding the imposition of a limitation on credit will be final.

#### **I-111 Agreement terminations.**

(a) Mentors and/or protégés must send a copy of any termination notices to the Director, OSBP, OASD(IBP) or the Director, OSBP, of the cognizant military department or defense agency that approved the agreement, and the DCMA small business professional responsible for conducting the annual review pursuant to I-113.

(b) For reimbursable agreements, mentors must also send copies of any termination to the program manager and to the contracting officer.

(c) Termination of a mentor-protégé agreement will not impair the obligations of the mentor firm to perform pursuant to its contractual obligations under Government contracts and subcontracts.

(d) Termination of all or part of the mentor-protégé agreement will not impair the obligations of the protégé firm to perform pursuant to its contractual obligations under any contract awarded to the protégé firm by the mentor firm.

(e) Mentors and protégés will follow provisions of the mentor-protégé agreement developed in compliance with I-107(l) through (n).

(f) The Director, OSBP, OASD(IBP) or the Director, OSBP, of the military department or defense agency is authorized to terminate the mentor-protégé agreement for the convenience of the Government (to include national security grounds, funding limits, statutory requirements, or other considerations), as well as for cause upon written findings (e.g., either of the participants' failure to perform or provide adequate assurance of performance; failure to comply with laws, regulations, and policies; conflicts of interest; or default under any provisions of a DoD contract or agreement).

#### **I-112 Reporting requirements.**

**I-112.1 Reporting requirements applicable to Individual Subcontract Reports (ISR), Summary Subcontract Reports (SSR) and Standard Forms 294.**

(a) Amounts credited toward applicable subcontracting goal(s) for unreimbursed costs under the Program must be separately identified on the appropriate ISR, SSR or SF 294 reports from the amounts credited toward the goal(s) resulting from the award of actual subcontracts to protégé firms. The combination of the two must equal the mentor firm's overall accomplishment toward the applicable goal(s).

(b) A mentor firm may receive credit toward the attainment of an applicable subcontracting goal for each subcontract awarded by the mentor firm to an entity that qualifies as a protégé firm pursuant to I-102(b).

**I-112.2 Program specific reporting requirements.**

(a) Mentors must report on the progress made under active mentor-protégé agreements semiannually for the periods ending March 31st and September 30th throughout the Program participation term of the agreement. The September 30th report must address the entire fiscal year.

(1) Reports are due 30 days after the close of each reporting period.

(2) Each report must include the following data on performance under the mentor-protégé agreement:

(i) Dollars obligated (for reimbursable agreements).

(ii) Expenditures.

(iii) Dollars credited, if any, toward applicable subcontracting goals as a result of developmental assistance provided to the protégé and a copy of the ISR or SF 294 and/or SSR for each contract where developmental assistance was credited.

(iv) Any new awards of subcontracts on a competitive or noncompetitive basis to the protégé firm under DoD contracts or other contracts, including the value of such subcontracts.

(v) All technical or management assistance provided by mentor firm personnel for the purposes described in I-106(d).

(vi) Any extensions, increases in the scope of work, or additional payments not previously reported for prior awards of subcontracts on a competitive or noncompetitive basis to the protégé firm under DoD contracts or other contracts, including the value of such subcontracts.

(vii) The amount of any payment of progress payments or advance payments made to the protégé firm for performance under any subcontract made under the Program.

(viii) Any loans made by the mentor firm to the protégé firm.

(ix) All Federal contracts awarded to the mentor firm and the protégé firm as a joint venture, designating whether the award was a restricted competition or a full and open competition.

(x) Any assistance obtained by the mentor firm for the protégé firm from the entities listed at I-106(d)(6).

(xi) Whether there have been any changes to the terms of the mentor-protégé agreement.

(xii) A narrative describing the following:

(A) The success developmental assistance provided under I-106(d) has had in addressing the developmental needs of the protégé firm.

(B) The impact on DoD contracts, including but not limited to the transition of innovative technology into a program of record.

(C) Any problems encountered.

(D) Any milestones achieved in the protégé firm's developmental program.

(E) Impact of the agreement in terms of capabilities enhanced, certifications received, and technology transferred.

(3) A recommended reporting format and guidance for its submission are available at <https://business.defense.gov/Programs/Mentor-Protégé-Program/MPP-Resources/>.

(b) The protégé must provide data, annually by October 31st, on the progress made during the prior fiscal year by the protégé in employment, revenues, and participation in DoD contracts during—

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

(2) Each of the 5 fiscal years following the expiration of the Program participation term.

(c) The protégé report required by paragraph (b) of this section may be provided as part of the mentor report for the period ending September 30<sup>th</sup> required by paragraph (a) of this section.

(d) Progress reports must be submitted—

(1) For credit agreements, to the Director, OSBP, of the military department or defense agency that approved the agreement, and the mentor's cognizant DCMA administrative contracting officer; and

(2) For reimbursable agreements, to the Director, OSBP, of the military department or defense agency, the contracting officer, the DCMA administrative contracting officer, and the program manager.

**I-113 Performance reviews.**

DCMA will conduct annual performance reviews of the progress and accomplishments realized under approved mentor-protégé 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 protégé in accordance with the mentor-protégé agreement and applicable regulations and procedures; and

(b) Whether the mentor and protégé accurately reported progress made by the protégé in employment, revenues, and participation in DoD contracts during the Program participation term and for 5 fiscal years following the expiration of the Program participation term.