



GOVERNMENT CONTRACTING

# Creating Winning Mentor-Protégé Programs & Joint Ventures

Small Business Administration (“SBA”) mentor-protégé programs and joint ventures can create new government contract opportunities for businesses both large and small. However, there’s significant complexity and challenge that needs to be managed every step of the way for these arrangements to be successful.

This topic has been highlighted by Cherry Bekaert over the years due to the tremendous opportunities:

- ▶ [A virtual webinar](#) hosted by [Susan Moser](#), Cherry Bekaert's Government Contracting Leader and John Jensen, Government Contracts & Disputes practice co-leader at Pillsbury Winthrop Shaw Pittman
- ▶ An interactive virtual roundtable that also featured Moser, Jensen and [Craig Hunter](#), a Partner in Cherry Bekaert's Government Contracting Industry Practice

The purpose of both sessions was to educate participants about mentor-protégé programs and joint ventures—including covering several recent rule changes—and answering questions with the end-goal of helping companies be more successful when using these arrangements to bid on and manage government contracts.

## The Risks (and Rewards) of Mentor-Protégé Joint Ventures

Interest in these types of partnerships is on the rise for good reason: there's potential upside for all parties involved. Mentors have access to small business contracting opportunities that they wouldn't have otherwise, and protégé companies gain the ability to expand their business and compete for contracts that would typically be out of reach.



**“The goal of the program is straightforward: to help develop strong protégé firms through mentor relationships,” said Moser. “It should be designed to be a win-win for both companies.”**

But that doesn't always happen. “Part of the problem we see is when the joint venture isn't operating like a true partnership,” she added. To avoid this, it's critical that each party is on the same page from the start—agreeing on how they are going to work together, and who's going to provide what support.

Although Joint Ventures is an exciting area of the government contracts market, this complicated area needs to be handled with care.

## The Steps Involved with Establishing a Mentor-Protégé Joint Venture

Success starts long before a contract is won. The first and most critical step is finding the right partner—a partner that you will work well with for many years ahead. The next step is to create a Mentor-Protégé Agreement (“MPA”), which is a written, legal document that details the business relationship between the mentor and the protégé. It should:

- 1. Explain the protégé's needs**
- 2. Provide a description and timeline for mentor-provided assistance**
- 3. Address how the mentor will help the protégé firm meet its goals**

For the MPA to be approved by the SBA, the mentor firm must be in good standing and have the ability to add value to the smaller firm either through experience or knowledge of a relevant business area or of government contracting. Mentors are limited to no more than three protégés at a time. A protégé may have only one mentor at a time, though the SBA may approve a second mentor in some cases. A protégé firm is limited to two mentors over the course of its lifetime. Once the MPA is approved, the two companies may create a joint venture. The MPA may be approved for three years and may be extended for an additional three years.

There are several ongoing reporting requirements to consider as well. Protégés must submit annual reports and demonstrate the benefits of the partnership. Mentors are required to provide

meaningful assistance and annually certify that it continues to be in a favorable financial position. The SBA has the power to terminate the agreement for noncompliance.

## Benefits of a Mentor-Protégé Joint Venture

There are several potential benefits for all parties involved:

### Protégés

- Strengthen their competitive position
- Obtain technical and developmental assistance
- Foster business capabilities and growth
- Enhance the value of the company

### Mentors

- Develop and increase supply chain through small business sub-contractors
- Create opportunities for investment and future M&A
- Small business set-aside contract incumbency continuation
- Qualify for extra credit for small business sub-contracting plan performance

### Government

- Meet federal set-aside goals
- Building a stable and viable industrial supply base for the economy

## Joint Venture Rule Changes Introduced in 2020

In November 2020, the SBA created several rule changes to streamline requirements and offer more flexibility around mentor-protégé joint ventures (and joint ventures more broadly). Some of the changes included:

- ▶ Eliminated the 8(a) mentor-protégé program, merging it with the All Small Mentor-Protégé Program
- ▶ Provided protégés with an earlier out if a mentor relationship is not working. (Specifically, any mentor-protégé relationship can be cancelled within the first 18 months and will not count towards the protégés two mentor lifetime limit)
- ▶ Created a mechanism for protégés to engage with the SBA about underperforming mentors, obtaining assistance for action or termination of the joint venture

- ▶ Eliminated the requirement for all 8(a) joint ventures to obtain approval from SBA prior to award
- ▶ Eliminated the 3-in-2 rule that had previously limited the joint venture to receiving three contracts in two years

## How to Make the JV a Win-Win for Both Parties

Given the potential benefits they offer, joint ventures are more popular than ever. However, each of these partnerships is unique and complex and should be approached intentionally and with a long-term view.

“The goal should be for no member of the joint venture to feel that it is losing by engaging in the union. To achieve that goal, it’s critical that the strategy, the business model and the lines of communications be open from the start.”

[Listen to the full webinar.](#)

Contact [Susan Moser](#) for guidance and questions on mentor-protégé programs and joint ventures in the government contracting space.



**Susan J. Moser,**  
**CPA, CITP**  
*Partner, Advisory Services*  
[smoser@cbh.com](mailto:smoser@cbh.com)

## About Cherry Bekaert

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