



**Arizona Department of Transportation
Disadvantaged Business Enterprise
Mentor/ Protégé Program**

DBE Mentor Protégé Program Guidelines

STATEMENT:

It is a function of the Arizona Department of Transportation (ADOT) Civil Rights Office (CRO) to assist in establishing business partnerships between prime contractors and Disadvantaged Business (DBE) firms. Appendix D of 49 CFR Part 26 (A) states in part: The purpose of this program element is to further the development of DBE's, including but not limited to assisting them to move into non-traditional areas of work and or compete in the marketplace outside the DBE program, via the provision of training and assistance from other firms. To Mentor Protégé Program will assist DBE's to become more proficient in their respective area of work. The program will focus on increasing the volume of work that emerging DBE's are capable of winning and to broaden the base of their activity, increasing the number and long term stability of the certified DBE firms.

A Mentor/ Protégé arrangement exists when an experienced company or individual (Mentor) provides assistance and training to a DBE (Protégé). The mentor/ protégé arrangement can range from technical through management assistance to the creation of a new, jointly owned firm or agreement. All applications for the Mentor/ Protégé Program will be reviewed on a case-by-case basis.

The common types of assistance that a mentor may provide a protégé include:

- | | |
|-----------------------|-------------------|
| Business Planning | Record Keeping |
| Technical Assistance | Capital Formation |
| Financial Counseling | Bonding |
| Equipment Utilization | |

A mentor may provide a protégé with working capital. Time notes, loans and stocks are acceptable methods of assuring payment in exchange for working capital. Demand notes are not acceptable. In no case can the day-to-day control of the firm be relinquished by the DBE as a requirement of the loan.

Part ownership in a DBE by a non-disadvantaged entity, including a mentor is permitted. However, any property, equipment, supplies, or other services which are sold, rented, or donated to the DBE, as well as any investment by non-disadvantaged individuals, must be reported to the ADOT Civil Rights Office in the mentor/ protégé development plan and must be covered by bills of sale, lease agreements, etc. Furthermore, any financial investment by the mentor cannot provide the mentor with control over the protégé.

The mentor/ protégé relationship may include, when not in conflict with state law, an arrangement by mutual consent in which an independent third party, such as a bank or an accountant, is designated as an agent for the DBE. Such agents may receive progress payments for work accomplished by the DBE, made out jointly to the agent and the DBE, and make payments, on behalf of the DBE, to material suppliers or for federal and state payroll taxes, etc.

The examples discussed below are not meant to be exhaustive. Other methods of encouraging and supporting DBE's may be allowable. Contractors and associations with programs must seek agency approval.

Technical and Management Assistance

The mentor may provide guidance on project management and construction techniques, training in plan interpretation, or estimating and cost accounting. However, the DBE must retain final decision-making authority.

Equipment and Personnel

The mentor may provide, in limited instances, skilled personnel and equipment if a written lease or rental agreement covers the equipment and the personnel that are on the payroll and under the direct supervision of the DBE. Generally, rental or lease agreements with the mentor will be reviewed on a cost-benefit analysis based on average industry prices. Long-term, continual, or repetitive use by a DBE subcontractor of personnel primarily employed by the mentor will be construed as an attempt to artificially inflate DBE participation.

Bonding

The mentor may provide the protégé with assistance by bonding the entire job and either charging on a pro rate basis or not charging the DBE for the bond. It is expected that after gaining experience through the federally- funded projects, the DBE will develop the ability to bond projects independent of the mentor.

Exclusive Arrangements

An area of special concern is exclusive arrangements. Any relationship in which a contractor requires a subcontractor to have an exclusive bidding agreement may violate federal laws. During the course of the relationship, the subcontractor must have the right to quote bids to other prime contractors.

Generally Unaccepted Practices

Mentor/ Protégé may be approved in all areas of construction in which mentor assistance is needed to develop DBE capacity.

The following requirements must be met for participation in the Mentor/ Protégé program.

1. The protégé must be certified as a DBE with ADOT prior to entering into a Mentor/ Protégé agreement.
2. A Mentor/ Protégé agreement must be prepared and approved by the ADOT CRO.

3. The mentor and protégé must be separate entities. Compensation to the DBE should be relative to the amount of work accomplished rather than an hourly basis.
4. In general, only one Mentor/ Protégé arrangement will be allowed per non-DBE company.
5. It is required that the protégé prepare a three-year development plan and update it annually. The development plan shall state the current status of the firm and goals for the next three years. The development plan shall contain at a minimum, information on the background and experience of the owners; the number and types of personnel; the amount of capital; the number, types and values of equipment; and the amount and types of projects to be pursued.
6. The protégé must prepare an annual report on the Mentor/ Protégé relationship. The annual report shall contain a comparison with each category in the development plan, a summary of work accomplished, and an explanation of how the mentor assisted in the completion of work.
7. The protégé shall retain an attorney and accountant other than the mentor's attorney and accountant.
8. The Mentor/ Protégé relationship shall be initially limited to three years, with a possible extension to five years.
9. Protégé's participating in Mentor/ Protégé agreements may be utilized in meeting DBE goals.

Development Plan

All Mentor/ Protégé relationships should be evidenced by a written development plan approved by the ADOT CRO.

The following guidance should be considered in the development of such plans:

1. The development plan should clearly set forth the objective of the parties and their respective roles.
2. The development plan should describe measurable benchmarks to be reached by the DBE at successive stages of the plan.
3. The development plan should provide that if resources of the mentor are utilized by the DBE in the performance of contracts or subcontracts for the mentor or for another contractor, the resources must be separately identified, accounted for, and compensated directly by the DBE to the mentor. If the plan provides for extensive use of the mentor's resources by the DBE, the arrangement will be closely scrutinized.
4. The development plan may also include training to be provided by the mentor to the DBE. Such training includes business planning, record keeping, technical assistance, capital formation, loan packaging and financial counseling, bonding and equipment utilization.

5. The development plan should contain a provision that it may be terminated by mutual consent of the parties or by the ADOT CRO upon its determination that:
 - A. The protégé no longer meets the eligibility standards for DBE certification
 - B. Either party has failed or is unable to meet its obligations under the development plan.
 - C. The DBE is not progressing or is not likely to progress in accordance with the development plan
 - D. The DBE has reached a satisfactory level of self-sufficiency to compete without resort to the development plan
 - E. The plan or provisions thereof are contrary to the requirements of federal, state or local law or regulation, or otherwise inimical to public policy.
6. The development plan may include a provision that either party for any reason may dissolve the arrangement by notifying the ADOT CRO.

Monitoring

The ADOT CRO will conduct an annual review of each Mentor/ Protégé relationship. If the ADOT CRO determines that the Mentor/ Protégé program requirements are not being followed, approval of the Mentor/ Protégé relationship will be revoked.

The ADOT CRO Mentor/ Protégé Program will be implemented in accordance with the guidelines set forth in 49 CFR Section 26.35 (b) (2).

1. Non-DBE Mentor firm cannot use its DBE Protégé to meet more than one-half of the goal set for a specific project.
2. ADOT CRO will not award DBE credit to a non-DBE Mentor firm for using its own Protégé firm more than every other contract performed by the DBE Protégé firm.

Questions:

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Arizona Department of Transportation Disadvantaged Business Enterprise Mentor/ Protégé Sample Program

The agreement, executed this (DATE) by and between (MENTOR Company Name, Company address, and MENTOR Company Official and Title) and (PROTÉGÉ Company Name, company address and Company Official and Title).

Objective:

Mentor and Protégé desire to form this Mentor/ Protégé agreement (hereafter referred to as “agreement”) under the guidance of the Arizona Department of Transportations Civil Rights Office (hereafter referred to as “ADOT CRO”) and 49 CFR Part 26. The purpose of this agreement is to build a strong business relationship and to promote a successful business development opportunity for Protégé and to more fully develop:

Project Details:

This agreement is formed for the (project/ construction contract). Protégé desires to expand business in the following areas:

Duration:

This agreement will expire on (DATE). If the standards of this agreement are not being met, ADOT CRO reserves the right to terminate the agreement prior to DATE, and discontinue counting any participation toward the (project/ construction contract) DBE project goals.

Relationship:

Each firm will maintain its independence during the duration of the (project/ construction contract). This agreement does not preclude either firm from continuing to pursue prime/ sub contract opportunities on other projects, so long as Protégé insures that this project will be a priority for its growth and development. Protégé and Mentor are financially responsible for costs incurred when submitting bids or purchasing materials.

Business Development:

Protégé has the opportunity to learn from an established firm with ____ years of experience and expertise in the highway electrical industry. Mentor will offer direct training in project supervision, providing at least one supervisor to work directly with Protégé on the (project/ construction contract)

project. **Protégé** has identified (**Company Official Name**) as the key field supervisor for **the** firm. (**Name of Protégé's President**) will also be provided with training.

In addition, **Protégé** will receive training and development in the following areas from **Mentor**:

1. Safety Training- **Mentor** will offer assistance and training in its time- proven safety measures, as well as assisting **Protégé** in the development of a safety manual.
2. Project Management- **Mentor** will assign project management personnel to assist in cost accounting and estimating, including quantity take off.
3. Type of work- **Mentor** will provide project assistance including” reading and interpreting contract plans & specifications, project planning, scheduling, and installation of construction equipment and materials.
4. Others as appropriate

In addition **Protégé** must submit a business plan to ADOT CRO within 180 days of this agreement.

CONFIDENTIALITY:

Mentor and **Protégé** agree to treat all information obtained from one another in strict confidence and shall not disclose any such information except as required to carry out the terms of this agreement.

REPORTING:

Protégé is responsible for reporting all activities conducted each month. The report should include, but is not limited to the following items:

Work conducted- include quantities, employees on project, purchases made and person hours used.
Training received- include type of training (safety, estimating, job costing, etc.) and who received it.
Description of work- job location, activities completed and supervisory training received

Protégé and **Mentor** must sign all reports.

The contents of this agreement must be conducted within the rules of the DBE program, 49 CFR part 26.

Protégé Company

President/ Vice President

Date

Mentor Company

President/ Vice President

Date