

Subpart 49.5 - Contract Termination Clauses

Parent topic: [Part 49 - Termination of Contracts](#)

49.501 General.

This subpart prescribes the principal contract termination clauses. This subpart does not apply to contracts that use the clause at [52.213-4](#), *Terms and Conditions-Simplified Acquisitions (Other Than Commercial Products and Commercial Services)*. In appropriate cases, agencies *may* authorize the use of special purpose clauses, if consistent with this chapter.

49.502 Termination for convenience of the Government.

(a) Fixed-price contracts that do not exceed the *simplified acquisition threshold* (short form)-

(1) *General use.* The *contracting officer shall* insert the clause at [52.249-1](#), *Termination for Convenience of the Government (Fixed-Price) (Short Form)*, in *solicitations* and contracts when a fixed-price contract is contemplated and the contract amount is not expected to exceed the *simplified acquisition threshold*, except-

(i) If use of the clause at [52.249-4](#), *Termination for Convenience of the Government (Services) (Short Form)* is appropriate,

(ii) In contracts for research and development work with an educational or nonprofit institution on a no-profit basis,

(iii) In contracts for *architect-engineer services*, or

(iv) If one of the clauses prescribed or cited at [49.505](#)(a) or (c), is appropriate.

(2) *Dismantling and demolition.* If the contract is for dismantling, demolition, or removal of improvements, the *contracting officer shall* use the clause with its Alternate I.

(b) Fixed-price contracts that exceed the *simplified acquisition threshold*-

(1)

(i) *General use.* The *contracting officer shall* insert the clause at [52.249-2](#), *Termination for Convenience of the Government (Fixed-Price)*, in *solicitations* and contracts when a fixed-price contract is contemplated and the contract amount is expected to exceed the *simplified acquisition threshold* except in contracts for -

(A) Dismantling and demolition,

(B) Research and development work with an educational or nonprofit institution on a no-profit basis,

or

(C) *Architect-engineer services*; it shall not be used if the clause at [52.249-4, Termination for Convenience of the Government \(Services\) \(Short Form\)](#), is appropriate (see [49.502\(c\)](#)), or one of the clauses prescribed or cited at [49.505\(a\)](#) or (c), is appropriate.

(2) *Construction*. If the contract is for *construction*, the *contracting officer* shall use the clause with its AlternateI.

(i) *Partial payments*. If the contract is with an agency of the U.S. Government or with State, local, or foreign governments or their agencies, and if the *contracting officer* determines that the requirement to pay interest on excess partial payments is inappropriate, the *contracting officer* shall use the clause with its AlternateII. In such contracts for *construction*, the *contracting officer* shall use the clause with its AlternateIII.

(ii) *Dismantling and demolition*. The *contracting officer* shall insert the clause at [52.249-3, Termination for Convenience of the Government \(Dismantling, Demolition, or Removal of Improvements\)](#) in *solicitations* and contracts for dismantling, demolition, or removal of improvements, when a fixed-price contract is contemplated and the contract amount is expected to exceed the *simplified acquisition threshold*. If the contract is with an agency of the U.S. Government or with State, local, or foreign governments or their agencies, and if the *contracting officer* determines that the requirement to pay interest on excess partial payments is inappropriate, the *contracting officer* shall use the clause with its AlternateI.

(c) *Service contracts (short form)*. The *contracting officer* shall insert the clause at [52.249-4, Termination for Convenience of the Government \(Services\) \(Short Form\)](#), in *solicitations* and contracts for services, regardless of value, when a fixed-price contract is contemplated and the *contracting officer* determines that because of the kind of services required, the successful *offeror* will not incur substantial charges in preparation for and in carrying out the contract, and would, if terminated for the convenience of the Government, limit termination settlement charges to services rendered before the date of termination. Examples of services where this clause *may* be appropriate are contracts for rental of unreserved parking space, laundry and dry cleaning, etc.

(d) *Research and development contracts*. The *contracting officer* shall insert the clause at [52.249-5, Termination for the Convenience of the Government \(Educational and Other Nonprofit Institutions\)](#), in *solicitations* and contracts when either a fixed-price or cost-reimbursement contract is contemplated for research and development work with an educational or nonprofit institution on a nonprofit or no-fee basis.

(e) Subcontracts-

(1) *General use*. The prime contractor *may* find the clause at [52.249-1, Termination for Convenience of the Government \(Fixed-Price\) \(Short Form\)](#), or at [52.249-2, Termination for Convenience of the Government \(Fixed-Price\)](#), as appropriate, suitable for use in fixed-price subcontracts, except as noted in paragraph (e)(2) of this section; provided, that the relationship between the contractor and subcontractor is clearly indicated. Inapplicable conditions (*e.g.*, paragraph (d)) in [52.249-2](#) should be deleted and the periods reduced for submitting the subcontractor's termination *settlement proposal* (*e.g.*, 6 months), and for requesting an equitable price adjustment (*e.g.*, 45 days).

(2) *Research and development*. The prime contractor *may* find the clause at [52.249-5, Termination for the Convenience of the Government \(Educational and Other Nonprofit Institutions\)](#), suitable for use in subcontracts placed with educational or nonprofit institutions on a no-profit or no-fee basis;

provided, that the relationship between the contractor and subcontractor is clearly indicated. Inapplicable conditions (*e.g.*, paragraph (h)) *should* be deleted, the period for submitting the subcontractor's termination *settlement proposal should* be reduced (*e.g.*, 6 months), the subcontract *should* be placed on a no-profit or no-fee basis, and the subcontract *should* incorporate or be negotiated on the basis of the cost principles in [part 31](#) of the Federal Acquisition Regulation.

49.503 Termination for convenience of the Government and default.

(a) Cost-reimbursement contracts-

(1) *General use.* Insert the clause at [52.249-6](#), Termination (Cost-Reimbursement), in *solicitations* and contracts when a cost-reimbursement contract is contemplated, except contracts for research and development with an educational or nonprofit institution on a no-fee basis.

(2) *Construction.* If the contract is for *construction*, the *contracting officer shall* use the clause with its Alternate I.

(3) *Partial payments.* If the contract is with an agency of the U.S. Government or with State, local, or foreign governments or their agencies, and if the *contracting officer* determines that the requirement to pay interest on excess partial payments is inappropriate, the *contracting officer shall* use the clause with its Alternate II. In such contracts for *construction*, the *contracting officer shall* use the clause with its Alternate III.

(4) *Time-and-material and labor-hour contracts.* If the contract is a time-and-material or labor-hour contract, the *contracting officer shall* use the clause with its Alternate IV. If the contract is with an agency of the U.S. Government or with State, local, or foreign governments or their agencies, and if the *contracting officer* determines that the requirement to pay interest on excess partial payments is inappropriate, the *contracting officer shall* use the clause with its *Alternate V*.

(b) Insert the clause at [52.249-7](#), Termination (Fixed-Price Architect-Engineer), in *solicitations* and contracts for *architect-engineer services*, when a fixed-price contract is contemplated.

(c) *Subcontracts.* The prime contractor *may* find the clause at [52.249-6](#), Termination (Cost-Reimbursement), suitable for use in cost-reimbursement subcontracts; provided, that the relationship between the contractor and subcontractor is clearly indicated. Inapplicable conditions (*e.g.*, paragraphs (e), (j) and (n)) *should* be deleted and the period for submitting the subcontractor's termination *settlement proposal should* be reduced (*e.g.*, 6 months).

49.504 Termination of fixed-price contracts for default.

(a)

(1) *Supplies and services.* The *contracting officer shall* insert the clause at [52.249-8](#), Default (Fixed-Price Supply and Service), in *solicitations* and contracts when a fixed-price contract is contemplated and the contract amount is expected to exceed the *simplified acquisition threshold*. The *contracting*

*officer may use the clause when the contract amount is at or below the **simplified acquisition threshold**, if appropriate (e.g., if the **acquisition** involves items with a history of unsatisfactory quality).*

(2) *Transportation.* If the contract is for transportation or transportation-related services, the *contracting officer shall use the clause with its Alternate I.*

(b) *Research and development.* The *contracting officer shall* insert the clause at 52.249-9, Default (Fixed-Price Research and Development), in *solicitations* and contracts for research and development when a fixed-price contract is contemplated and the contract amount is expected to exceed the **simplified acquisition threshold**, except those with educational or nonprofit institutions on a no-profit basis. The *contracting officer may* use the clause when the contract amount is at or below the **simplified acquisition threshold**; if appropriate (e.g., if the *contracting officer* believes that key personnel essential to the work *may* be devoted to other programs).

(c)

(1) *Construction.* The *contracting officer shall* insert the clause at 52.249-10, Default (Fixed-Price Construction), in *solicitations* and contracts for *construction*, when a fixed-price contract is contemplated and the contract amount is expected to exceed the **simplified acquisition threshold**. The *contracting officer may* use the clause when the contract amount is at or below the **simplified acquisition threshold**, if appropriate (e.g., if completion dates are essential).

(2) *Dismantling and demolition.* If the contract is for dismantling, demolition, or removal of improvements, the *contracting officer shall* use the clause with its Alternate I.

(3) *National emergencies.* If the contract is to be awarded during a period of national *emergency*, the *contracting officer may* use the clause-

(i) With its Alternate II when a fixed-price contract for *construction* is contemplated, or

(ii) With its Alternate III when a contract for dismantling, demolition, or removal of improvements is contemplated.

49.505 Other termination clauses.

(a) *Personal service contracts.* The *contracting officer shall* insert the clause at 52.249-12, Termination (Personal Services), in *solicitations* and contracts for personal services (see part 37).

(b) *Excusable delays.* The *contracting officer shall* insert the clause at 52.249-14, Excusable Delays, in *solicitations* and contracts for *supplies*, services, *construction*, and research and development on a fee basis, when a cost-reimbursement contract is contemplated. The *contracting officer shall* also insert the clause in time-and-material contracts, and labor-hour contracts.

(c) *Communication service contracts.* This regulation does not prescribe a clause for the cancellation or termination of orders under communication service contracts with common carriers because of special agency requirements that apply to these services. An appropriate clause, however, *shall* be prescribed at agency level, within those agencies *contracting* for these services.