

## 12.403 Termination.

(a) *General.* The clause at [52.212-4](#) permits the Government to terminate a contract for *commercial products* or *commercial services* either for the convenience of the Government or for cause. However, the paragraphs in [52.212-4](#) entitled "Termination for the Government's Convenience" and "Termination for Cause" contain concepts which differ from those contained in the termination clauses prescribed in [part 49](#). Consequently, the requirements of [part 49](#) do not apply when terminating contracts for *commercial products* or *commercial services* and *contracting officers shall* follow the procedures in this section. *Contracting officers may* continue to use [part 49](#) as guidance to the extent that [part 49](#) does not conflict with this section and the language of the termination paragraphs in [52.212-4](#).

(b) *Policy.* The *contracting officer should* exercise the Government's right to terminate a contract for *commercial products* or *commercial services* either for convenience or for cause only when such a termination would be in the best interests of the Government. The *contracting officer should* consult with counsel prior to terminating for cause.

(c) Termination for cause.

(1) The paragraph in [52.212-4](#) entitled "Excusable Delay" requires contractors notify the *contracting officer* as soon as possible after commencement of any excusable delay. In most situations, this requirement *should* eliminate the need for a show cause notice prior to terminating a contract. The *contracting officer shall* send a cure notice prior to terminating a contract for a reason other than late delivery.

(2) The Government's rights after a termination for cause *shall* include all the remedies available to any buyer in the marketplace. The Government's preferred remedy will be to acquire similar items from another contractor and to charge the defaulted contractor with any excess procurement costs together with any incidental or consequential damages incurred because of the termination.

(3) When a termination for cause is appropriate, the *contracting officer shall* send the contractor a written notification regarding the termination. At a minimum, this notification *shall*-

(i) Indicate the contract is terminated for cause;

(ii) Specify the reasons for the termination;

(iii) Indicate which remedies the Government intends to seek or provide a date by which the Government will inform the contractor of the remedy; and

(iv) State that the notice constitutes a final decision of the *contracting officer* and that the contractor has the right to appeal under the Disputes clause (see [33.211](#)).

(4) The *contracting officer*, in accordance with agency procedures, *shall* ensure that information related to termination for cause notices and any amendments are reported. In the event the termination for cause is subsequently converted to a *termination for convenience*, or is otherwise withdrawn, the *contracting officer shall* ensure that a notice of the conversion or withdrawal is reported. All reporting *shall* be in accordance with [42.1503\(h\)](#).

(d) Termination for the Government's convenience.

(1) When the *contracting officer* terminates a contract for *commercial products* or *commercial services* for the Government's convenience, the contractor *shall* be paid-

(i)

(A) The percentage of the contract price reflecting the percentage of the work performed prior to the notice of the termination for fixed-price or fixed-price with economic price adjustment contracts; or

(B) An amount for direct labor hours (as defined in the Schedule of the contract) determined by multiplying the number of direct labor hours expended before the *effective date of termination* by the hourly rate(s) in the Schedule; and

(ii) Any charges the contractor can demonstrate directly resulted from the termination. The contractor *may* demonstrate such charges using its standard record keeping system and is not required to comply with the cost accounting standards or the contract cost principles in [part 31](#). The Government does not have any right to audit the contractor's records solely because of the *termination for convenience*.

(2) Generally, the parties *should* mutually agree upon the requirements of the termination proposal. The parties *must* balance the Government's need to obtain sufficient documentation to support payment to the contractor against the goal of having a simple and expeditious settlement.

**Parent topic:** [Subpart 12.4 - Unique Requirements Regarding Terms and Conditions for Commercial Products and Commercial Services](#)