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 AlternateI.

(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.

Parent topic: Subpart 49.5 - Contract Termination Clauses