

49.108-2 Prime contractor's rights and obligations.

(a) *Termination for convenience* clauses provide that after receipt of a termination notice the prime contractor *shall*, unless directed otherwise by the TCO, terminate all subcontracts to the extent that they relate to the performance of prime work terminated. Therefore, prime contractors *should* include a termination clause in their subcontracts for their own protection. Suggestions regarding use of subcontract termination clauses are in [subpart 49.5](#).

(b) The failure of a prime contractor to include an appropriate termination clause in any subcontract, or to exercise the clause rights, *shall* not-

(1) Affect the Government's right to require the termination of the subcontract; or

(2) Increase the obligation of the Government beyond what it would have been if the subcontract had contained an appropriate clause.

(c) In any case, the reasonableness of the prime contractor's settlement with the subcontractor *should* normally be measured by the aggregate amount due under paragraph (f) of the subcontract termination clause suggested in [49.502\(e\)](#). The TCO *shall* allow reimbursement in excess of that amount only in unusual cases and then only to the extent that the terms of the subcontract did not unreasonably increase the rights of the subcontractor.

Parent topic: [49.108 Settlement of subcontract settlement proposals.](#)