

49.403 Termination of cost-reimbursement contracts for default.

(a) The right to terminate a cost-reimbursement contract for default is provided for in the *Termination for Default* or for Convenience of the Government clause at [52.249-6](#). A 10-day notice to the contractor before *termination for default* is required in every case by the clause.

(b) Settlement of a cost-reimbursement contract terminated for default is subject to the principles in [subparts 49.1](#) and [49.3](#) the same as when a contract is terminated for convenience, except that-

(1) The costs of preparing the contractor's *settlement proposal* are not allowable (see paragraph (h)(3) of the clause); and

(2) The contractor is reimbursed the allowable costs, and an appropriate reduction is made in the total fee, if any, (see paragraph (h)(4) of the clause).

(c) The *contracting officer shall* use the procedures in [49.402](#) to the extent appropriate in considering the *termination for default* of a cost-reimbursement contract. However, a cost-reimbursement contract does not contain any provision for recovery of excess repurchase costs after *termination for default* (but see paragraph (g) of the clause at [52.246-3](#) with respect to failure of the contractor to replace or correct defective *supplies*).

Parent topic: [Subpart 49.4 - Termination for Default](#)