

# 52.217-2 Cancellation Under Multi-year Contracts.

As prescribed in [17.109\(a\)](#), insert the following clause:

## Cancellation Under Multi-year Contracts (Oct 1997)

(a) "Cancellation," as used in this clause, means that the Government is canceling its requirements for all *supplies* or services in program years subsequent to that in which notice of cancellation is provided. Cancellation *shall* occur by the date or within the time period specified in the Schedule, unless a later date is agreed to, if the *Contracting Officer*-

(1) Notifies the Contractor that funds are not available for contract performance for any subsequent program year; or

(2) Fails to notify the Contractor that funds are available for performance of the succeeding program year requirement.

(b) Except for cancellation under this clause or termination under the Default clause, any reduction by the *Contracting Officer* in the requirements of this contract *shall* be considered a termination under the *Termination for Convenience* of the Government clause.

(c) If cancellation under this clause occurs, the Contractor will be paid a cancellation charge not over the cancellation ceiling specified in the Schedule as applicable at the time of cancellation.

(d) The cancellation charge will cover only-

(1) Costs-

(i) Incurred by the Contractor and/or subcontractor;

(ii) Reasonably necessary for performance of the contract; and

(iii) That would have been equitably amortized over the entire multi-year contract period but, because of the cancellation, are not so amortized; and

(2) A reasonable profit or fee on the costs.

(e) The cancellation charge *shall* be computed and the *claim* made for it as if the *claim* were being made under the *Termination for Convenience* of the Government clause of this contract. The Contractor *shall* submit the *claim* promptly but no later than 1 year from the date-

(1) Of notification of the nonavailability of funds; or

(2) Specified in the Schedule by which notification of the availability of additional funds for the next succeeding program year is required to be issued, whichever is earlier, unless extensions *in writing* are granted by the *Contracting Officer*.

(f) The Contractor's *claim* may include-

(1) Reasonable nonrecurring costs (see [subpart 15.4](#) of the Federal Acquisition Regulation) which

are applicable to and normally would have been amortized in all *supplies* or services which are multi-year requirements;

(2) Allocable portions of the costs of facilities acquired or established for the conduct of the work, to the extent that it is impracticable for the Contractor to use the facilities in its commercial work, and if the costs are not charged to the contract through overhead or otherwise depreciated;

(3) Costs incurred for the assembly, training, and transportation to and from the job site of a specialized work force; and

(4) Costs not amortized solely because the cancellation had precluded anticipated benefits of Contractor or subcontractor learning.

(g) The *claim shall* not include-

(1) Labor, material, or other expenses incurred by the Contractor or subcontractors for performance of the canceled work;

(2) Any cost already paid to the Contractor;

(3) Anticipated profit or unearned fee on the canceled work; or

(4) For service contracts, the remaining useful commercial life of facilities. "Useful commercial life" means the commercial utility of the facilities rather than their physical life with due consideration given to such factors as location of facilities, their specialized nature, and obsolescence.

(h) This contract *may* include an *Option* clause with the period for exercising the *option* limited to the date in the contract for notification that funds are available for the next succeeding program year. If so, the Contractor agrees not to include in *option* quantities any costs of a startup or nonrecurring nature that have been fully set forth in the contract. The Contractor further agrees that the *option* quantities will reflect only those recurring costs and a reasonable profit or fee necessary to furnish the additional *option* quantities.

(i) Quantities added to the original contract through the *Option* clause of this contract *shall* be included in the quantity canceled for the purpose of computing allowable cancellation charges.

(End of clause)

**Parent topic:** [52.217 \[Reserved\]](#)