

Guide to Judiciary Policy

Vol 14: Procurement
Ch 7: Contract Administration

Appx 7D: Sample Contract Termination Notices

Review and approval by the PE must be obtained prior to issuance of any of the following notices. **See:** Guide, Vol 14, § 755.10.40.

§ 7A.100 No-cost settlement agreement – complete termination.

[Insert the following in Block 14 of SF 30 when executing a no-cost settlement agreement, under a complete termination.]

(a) This supplemental agreement *[insert “modifies the contract to reflect a no-cost settlement agreement with respect to the Notice of Termination dated _____” or, if the contract has not been terminated by prior notice, “terminates the contract in its entirety”]*.

(b) The parties agree as follows:

The contractor unconditionally waives any charges against the judiciary because of the termination of the contract and, except as set forth below, releases it from all obligations under the contract or due to its termination. The judiciary agrees that all obligations under the contract are concluded, except as follows: *[List reserved or excepted rights and liabilities.]*

(End of agreement)

§ 7A.105 No-cost settlement agreement – partial termination.

[Insert the following in Block 14 of SF 30 when executing a no-cost settlement agreement, under a partial termination.]

(a) This supplemental agreement modifies the contract to reflect a no-cost settlement agreement with respect to *[insert “the Notice of Termination dated _____” or, if there has not been a prior termination notice issued, “the partial termination of the contract as outlined below”]*.

(b) The parties agree as follows:

(1) The terminated portion of the contract is as follows: *[Specify—*

- (i) *item numbers,*
 - (ii) *descriptions,*
 - (iii) *quantity terminated,*
 - (iv) *unit and total price of terminated items, and*
 - (v) *any other explanation necessary to avoid uncertainty or misunderstanding.]*
- (2) The contractor unconditionally waives any charges against the judiciary arising under the terminated portion of the contract or by reason of its termination, including, without limitation, all obligations of the judiciary to make further payments or to carry out any further undertakings under the terminated portion of the contract. The judiciary acknowledges that the contractor has no obligation to perform further work or services or to make further deliveries under the terminated portion of the contract. Nothing in this paragraph affects any other covenants, terms, or conditions of the contract. Under the terminated portion of the contract, the following rights and liabilities of the parties are reserved: *[List reserved or excepted rights and liabilities.]*

(End of agreement)

§ 7A.110 Letter Notice of Termination for Convenience.

The following letter is suggested for use if a contract for products is being terminated for convenience, and a no-cost settlement is not possible. With appropriate modifications, it may also be used in terminating contracts for services. This notice shall be sent by certified mail, return receipt requested. Alternatively, it may be hand-delivered to the contractor's representative and a hand receipt obtained.

Notice of Termination

[At the top of the notice, set out all special details relating to the particular termination; e.g., name and address of company, contract number of terminated contract, items, etc.]

- (a) **Effective date of termination.** You are notified that Contract No. _____ (referred to as "the contract") is terminated _____ *[insert "completely" or "in part"]* for the judiciary's convenience under the clause entitled _____ *[insert title of appropriate termination*

clause]. The termination is effective _____ *[insert either “immediately upon receipt of this Notice” or “on _____, 20____,” or “as soon as you have delivered, including prior deliveries, the following items:” (list items to be delivered)]*. Reduce items to be delivered as follows: *[insert instructions]*.

(b) **Cessation of work and notification to immediate subcontractors.** You shall take the following steps:

- (1) Stop all work, make no further shipments, and place no further orders relating to the contract, except for—
 - (i) The continued portion of the contract, if any;
 - (ii) Work-in-process or other materials that you may wish to retain for your own account; or
 - (iii) Work-in-process that the contracting officer authorizes you to continue (A) for safety precautions, (B) to clear or avoid damage to equipment, (C) to avoid immediate complete spoilage of work-in-process having a definite commercial value, or (D) to prevent any other undue loss to the judiciary. (If you believe this authorization is necessary or advisable, immediately notify the contracting officer by telephone or personal conference and obtain instructions.)
- (2) Keep adequate records of your compliance with paragraph (b)(1) of this section showing the—
 - (i) Date you received the Notice of Termination;
 - (ii) Effective date of the termination; and
 - (iii) Extent of completion of performance on the effective date.
- (3) Furnish notice of termination to each immediate subcontractor and supplier that will be affected by this termination. In the notice—
 - (i) Specify your judiciary contract number;
 - (ii) State whether the contract has been terminated completely or partially;

- (iii) Provide instructions to stop all work, make no further shipments, place no further orders, and terminate all subcontracts under the contract, subject to the exceptions in paragraph (b)(1) of this section;
 - (iv) Provide instructions to submit any settlement proposal promptly; and
 - (v) Request that similar notices and instructions be given to its immediate subcontractors.
- (4) Notify the contracting officer of all pending legal proceedings that are based on subcontracts or purchase orders under the contract, or in which a lien has been or may be placed against termination inventory to be reported to the judiciary. Also, promptly notify the contracting officer of any such proceedings that are filed after receipt of this Notice.
- (5) Take any other action required by the contracting officer or under the Termination clause in the contract.
- (c) **Termination inventory.**
 - (1) As instructed by the contracting officer, transfer title and deliver to the judiciary all termination inventory of the following types or classes, including subcontractor termination inventory that you have the right to take: *[Contracting officer insert proper identification or "None"]*.
 - (2) To settle your proposal, it will be necessary to establish that all prime and subcontractor termination inventory has been properly accounted for.
- (d) **Settlements with subcontractors.** You remain liable to your subcontractors and suppliers for proposals arising because of the termination of their subcontracts or orders. You are requested to settle these settlement proposals as promptly as possible.
- (e) **Completed end items.**
 - (1) Notify the contracting officer of the number of items completed under the contract and still on hand and arrange for their delivery or other disposal.

- (2) Invoice acceptable completed end items under the contract in the usual way and do not include them in the settlement proposal.
- (f) **Patents.** If required by the contract, promptly forward the following to the contracting officer:
 - (1) Disclosure of all inventions, discoveries, and patent applications made in the performance of the contract.
 - (2) Instruments of license or assignment on all inventions, discoveries, and patent applications made in the performance of the contract.
- (g) **Employees affected.**
 - (1) If this termination, together with other outstanding terminations, will necessitate a significant reduction in your work force, you are urged to—
 - (i) Promptly inform the local state employment service of your reduction-in-force schedule in numbers and occupations, so that the service can take timely action in assisting displaced workers;
 - (ii) Give affected employees maximum practical advance notice of the employment reduction and inform them of the facilities and services available to them through the local state employment service offices;
 - (iii) Advise affected employees to file applications with the state employment service to qualify for unemployment insurance, if necessary;
 - (iv) Inform officials of local unions having agreements with you of the impending reduction-in-force; and
 - (v) Inform the local Chamber of Commerce and other appropriate organizations which are prepared to offer practical assistance in finding employment for displaced workers of the impending reduction-in-force.
 - (2) If practicable, urge subcontractors to take similar actions to those described in paragraph (1) of this section.

- (h) **Administrative.** The contracting officer will, upon request, provide the necessary settlement forms. Matters not covered by this notice should be brought to the attention of the undersigned.
- (i) Please acknowledge receipt of this notice as provided below.

(Contracting Officer)

(Name of Office)

(Address)

Acknowledgment of Notice

The undersigned acknowledges receipt of a signed copy of this notice on _____, 20____. Two signed copies of this notice are returned.

(Name of Contractor)

By _____
(Name)

(Title)

(End of notice)

§ 7A.115 Letter Notice of Default Termination.

The following letter is suggested for use if a contract for products is being terminated for default. With appropriate modifications, it may be used in terminating contracts for services. This notice shall be sent by certified mail, return receipt requested. Alternatively, it may be hand-delivered to the contractor's representative and a hand receipt obtained.

Notice of Termination

[At the top of the notice, set out all special details relating to the particular termination; e.g., name and address of company, contract number of terminated contract, items, etc.]

- (a) **Effective date of termination.** You are notified that Contract No. _____ (referred to as “the contract”) is terminated _____ *[insert “completely” or “in part”]* for default under the clause entitled _____ *[insert title of appropriate termination clause]*. The termination is effective _____ *[insert either “immediately upon receipt of this Notice”]*
- (b) This termination is based upon your failure to *[describe the acts or omissions constituting the default, including the response, if any, to a cure notice or show cause notice]*;
- (c) Your right to proceed further under the contract *[or a specified portion of the contract, in the case of a partial determination for default]* is hereby terminated;
- (d) In accordance with the termination clause of the contract, you may be held liable for any additional costs incurred by the judiciary in purchasing the goods or services terminated from other sources;
- (e) By issuance of this notice of termination, the contracting officer has determined that your failure to perform is not excusable.
- (f) The judiciary reserves all rights and remedies provided by law or under the contract in addition to its right to hold you liable for excess procurement costs.
- (g) You have the right to appeal the contracting officer’s termination of this contract under the Disputes clause of the contract.