

49.108-8 Assignment of rights under subcontracts.

(a) The *termination for convenience* clauses in [52.249](#), except the short-form clauses, obligate the prime contractor to assign to the Government, as directed by the TCO, all rights, titles, and interest under any subcontract terminated because of termination of the prime contract. The TCO *shall* not require the assignment unless it is in the Government's interest.

(b) The *termination for convenience* clauses (except the short-form clauses) also provide the Government the right, in its discretion, to settle and pay any *settlement proposal* arising out of the termination of subcontracts. This right does not obligate the Government to settle and pay *settlement proposals* of subcontractors. As a general rule, the prime contractor is obligated to settle and pay these proposals. However, when the TCO determines that it is in the Government's interest, the TCO *shall*, after notifying the contractor, settle the subcontractor's proposal using the procedures for settlement of prime contracts. An example in which the Government's interest would be served is when a subcontractor is a sole source and it appears that a delay by the prime contractor in settlement or payment of the subcontractor's proposal will jeopardize the financial position of the subcontractor. Direct settlements with subcontractors are not encouraged.

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