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## COMMERCE ACQUISITION MANUAL 1317.2

### OPTIONS



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**1317.2**

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# OPTIONS

## SECTION 1 - OVERVIEW

### 1.1 Background

The Department of Commerce is determined to ensure that the exercise of any option to a contract or order is carefully analyzed prior to execution to determine whether market conditions continue to justify the option or if an alternative approach to acquiring the goods or services is more advantageous to the government.

### 1.2 Purpose

This Commerce Acquisition Manual (CAM) chapter prescribes the requirements for determination that the exercise of an option is the most advantageous method of fulfilling the Government's need, price and other factors considered, in accordance with Federal Acquisition Regulation (FAR) subpart 17.207.

### 1.3 Applicability

The requirements of this policy are applicable to all Department of Commerce contracts and orders for which the exercise of an option is contemplated.

### 1.4 Policy

It is the policy of the Department to exercise options consistent with the requirements of FAR 17.207.

**End of Section 1**

## **SECTION 2 – REQUIRED ACTIONS**

### **2.1 Lead Time**

Specify sufficient lead time in FAR clauses 52.217-6, 52.217-7, 52.217-8 or 52.217-9, as appropriate, to ensure that aggressive market analysis including a new solicitation, if practicable, is considered when addressing the requirements of FAR subpart 17.207.

### **2.2 Scope Validation**

Verify with the program office that the requirement, in terms of scope (e.g. types of tasks) and scale (e.g. quantities of items or services) remains valid and is necessary to meet the needs of the customer and fulfill public policy objectives.

### **2.3 Price Reductions**

Accept a voluntary price reduction through bilateral modification with the contractor as an alternative to exercising an option when it is determined that price reduction is reasonable given market conditions.

### **2.4 New Contracts**

Award a new contract or order when it is determined based on market conditions and other considerations that exercising an option is not the most advantageous method of acquiring the goods and/or services.

**End of Section 2**

## SECTION 3 – OPTION CLAUSE USE

### 3.1 Tailoring of Option Clauses.

FAR clauses 52.217-6, 52.217-7, 52.217-8, and 52.217-9 may be tailored at time of solicitation and subsequent award or through a bilateral modification negotiated with an existing contractor when there is an anticipated or actual delay associated with exercising an option. If these clauses are tailored they shall be reviewed by the Contract Law Division prior to incorporating into a solicitation or bilaterally negotiating with a contractor. A sample tailored clause is included below. The subsequent negotiation to exercise the option may include start-up costs associated with restarting the work but may not include any costs associated with the period for which the contract was stopped after the expiration of the previous period.

#### **FAR 52.217-9 Option to Extend the Term of the Contract (Mar 2000)**

- (a) The Government may extend the term of this contract by written notice to the Contractor within \_\_\_\_\_ *[insert the period of time within which the Contracting Officer may exercise the option]*; provided that the Government gives the Contractor a preliminary written notice of its intent to extend at least \_\_\_\_\_ days *[60days unless a different number of days is inserted]* before the contract expires. The preliminary notice does not commit the Government to an extension. If the Government fails to extend the term of the contract within the period identified and the Government has provided a written notice to the Contractor that the action is *[insert reason for delay]* the contractor shall stop all work and incur no costs to be charged to the Government. Once the *[insert reason for delay]*, or no later than *[insert number of days]* from the initial notification, the Government will notify the contractor if the option may be exercised and, if so, adjust start and end dates of the period of performance accordingly. The Government will then extend the term of the contract with a bilateral modification.
- (b) If the Government exercises this option, the extended contract shall be considered to include this option clause.
- (c) The total duration of this contract, including the exercise of any options under this clause, shall not exceed \_\_\_\_\_ *(months) (years)*.

(End of clause)

**End of Section 3**