

28.103-2 Performance bonds.

(a) Performance *bonds may* be required for contracts exceeding the *simplified acquisition threshold* when necessary to protect the Government's interest. The following situations *may* warrant a performance *bond*:

(1) Government property or funds are to be provided to the contractor for use in performing the contract or as partial compensation (as in retention of salvaged material).

(2) A contractor sells assets to or merges with another concern, and the Government, after recognizing the latter concern as the successor in interest, desires assurance that it is financially capable.

(3) Substantial progress payments are made before delivery of end items starts.

(4) Contracts are for dismantling, demolition, or removal of improvements.

(b) The Government *may* require additional performance *bond* protection when a contract price is increased.

(c) The *contracting officer must* determine the contractor's responsibility (see [subpart 9.1](#)) even though a *bond* has been or can be obtained.

Parent topic: [28.103 Performance and payment bonds for other than construction contracts.](#)