



REPUBLIC OF ESTONIA  
CENTRE FOR  
DEFENCE INVESTMENTS

Dear Mr. Zicun Mao  
FRC Global Group LLC  
250 Park Avenue, STE 7002  
10177 New York  
USA

23.01.2024 No 2-14/24/358-1

Notice of withdrawal from the Public Contract  
no. 2-2/23/776-3 and contractual penalty claim

On 27.02.2023 Estonian Centre for Defence Investment (hereafter referred to as Buyer) and FRC Global Group LLC (hereafter referred to as Seller) have signed Public Contract no 2-2/23/776-3 (hereafter referred to as Contract), which was signed in accordance with Framework Agreement no 2/23/776-1 (hereafter referred to as Framework Agreement).

According to clause 4.2 of the Contract, the goods were supposed to be delivered on **29.05.2023**. The objective of the Contract was to procure uniforms, and the delivery dates specified in the Contract were crucial for the Buyer.

The Buyer sent in 02.06.2023 a warning no. 2-14/23/2788-1, regarding the application of a penalty and provided an additional deadline, which was **05.06.2023**. The Buyer sent an additional warning in 21.06.2023 no. 2-14/23/3150-1, regarding the application of a penalty and provided a new additional deadline for the delivery of the goods, which was **20.07.2023**. In the notice, the buyer specified that, *"In case of non-timely delivery of the goods, the buyer will consider applying penalties from 29.05.2023"*.

Unfortunately, the Seller has not been able to meet the deadlines and, given that the goods have not arrived in the Republic of Estonia on time, i.e., it has been over 6 months from the new delivery date **20.07.2023**, the Seller's non-performance of an obligation gives the Buyer reasonable reason to believe that the Buyer cannot rely on the Seller's future performance.

According to clause 11.10 of the Framework Agreement, the buyer shall have the right to request a contractual penalty from the seller up to 0,25% per day of the value of the goods not delivered on time.

According to clause 12.4 of the Framework Agreement, the Buyer shall have the right to terminate the Contract if the Seller breaches the Agreement or Contract significantly (significant breach of contractual obligations). In accordance with clause 12.4.2 of the Framework Agreement, a significant breach occurs in the case the Seller has not fulfilled the contractual obligations by the additional deadline given by the Buyer. According to clause 12.3 of the Framework Agreement, after the expiry of the additional time limit for the performance of the Contract, the Seller may submit a written notice of cancellation or withdrawal to the Seller. Cancellation of or withdrawal from the Contract shall be deemed to have been effected upon the receipt of a notice of cancellation or withdrawal by the Buyer. According to clause 11.16 of the Framework Agreement, any contractual penalties and penalties for late payment shall be paid within 28 days after the receipt of the corresponding claim. According to clause 11.14 of the Framework Agreement, a contractual penalty is agreed to ensure performance of obligations, not to substitute for performance of obligations. Claiming of a contractual penalty does not deprive the Buyer of the right to claim compensation for the damage caused by a breach of the Agreement from the Seller.

Since the delivery has not taken place on given final deadline and additional deadlines, the Buyer demands the contractual penalty up to 0,25% per day of the value of the goods not delivered on time, but not more than 50% from the value of the public contract. The calculation of contractual penalty has started from 29.05.2023 and the total amount of contractual penalty is 368 891, 25 euros (1569,75 euros

per day, 235 days). In accordance with clause 11.10, the maximum amount of contractual penalty is 50% from the 627 900,00 euros, which is 313 950 euros.

The Buyer notifies that the non-performance of an obligation has caused the Buyer damages, and the Buyer has a right to claim compensation for damages caused by the non-performance.

**The Estonian Centre for Defence Investments hereby announces that it is withdrawing from the Public Contract no 2-2/23/776-3 awarded to FRC Global Group LLC on the basis of Clauses 12.3 and 12.4.2 of the Framework Agreement. Withdrawal of the public contract takes effect after FRC Global Group LLC receives this notice. If FRC Global Group LLC does not confirm the receipt of this notice, the Estonian Centre for Defence Investments will consider the notice delivered according to the clause 14.9. of the Framework Agreement.**

**Therefore FRC Global Group LLC are obliged to pay total 313 950,00 euros within 28 calendar days from the date of receipt of the notice to the following account of the Ministry of Finance in SEB bank: EE 891010220034796011. The reference number is 2800048972 and the contract numbers have to be indicated in the explanatory field of the transfer.**

Respectfully,



Katri Raudsepp  
Deputy Director General  
acting as Director General

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