



REPUBLIC OF ESTONIA  
CENTRE FOR  
DEFENCE INVESTMENTS

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

22.04.2024 No 2-14/24/358-2...

Notice of a contractual penalty claim

On the 23<sup>rd</sup> of January 2024 Estonian Centre for Defence Investments (hereafter referred to as ECDI) sent FRC Global Group LLC (hereafter referred to as FRC) a notice of withdrawal from the Public Contract No 2-2/23/776-3 and a contractual penalty claim No 2-14/24/358-1 (hereafter referred to as Notice), because of FRC's significant breach of contractual obligations. At the time of sending this letter, the contractual penalty, which is 313 950 euros and was supposed to be paid by 20<sup>th</sup> of February 2024, has not been paid. As there has been a delay in the performance of a monetary obligation, ECDI has a right to also demand payment of a penalty for late payment.

FRC sent a letter to ECDI in 12<sup>th</sup>, March 2024 (hereafter referred to as Letter), in which FRC said, it understands and accepts the consequences of the contract withdrawal. In the Letter FRC expressed it's wish to re-enter bidding processes from the initially estimated 12 months to 8 months or even less. ECDI has the right and will use that right to exclude tenderer who has been in a fundamental or constant breach of a material term or condition – or several such terms or conditions – of a previously awarded public contract, such that the breach has resulted in withdrawal from or termination of the contract or payment of a contractual penalty (Public Procurement Act § 95 sub-paragraph 4 (8)). For ECDI, evidence to the effect that FRC has taken measures to restore its reliability, is a fact that FRC has paid contractual penalty claim.

In the Letter FRC reiterates FRC's understanding that Mr. Saar had expressed a willingness to waive the penalty. With this Notice, ECDI confirms that neither ECDI nor Mr. Saar has expressed such willingness. ECDI is also not considering FRC's proposal to offset the penalty across future orders.

Hereby ECDI informs FRC, that if the contractual penalty claim and penalty for late payment has not been paid by 30.04.2024, ECDI shall take legal action.

Respectfully,

Magnus-Valdemar Saar  
Director General