THIS AGREEMENT made this day MARCH 27 between GOVERNMENT ARSENAL, Camp General Antonio Luna, Limay, Bataan, Philippines (hereinafter called "the Entity") of the one part and POONGSAN CORPORATION of Poongsan Building, 23, Chungjeong-ro, Seodaemun-gu, Seoul, 03737, Korea represented by Mr. Ki Suk Hahn, Attorney-In-Fact Poongsan Corporation of YUNG SUNG INDUSTRIAL PHILIPPINES, INC., E1901B PSE Center, Exchange Road, Ortigas Complex, Pasig City (hereinafter called "the Supplier") of the other part:

WHEREAS the Entity invited Bids for certain goods and ancillary services, viz., Procurement of 2,400,000 pieces each 5.56mm and 7.62mm Case for Blank Ammunition, IB Nr. GA BAC 2019DP-12 and has accepted a Bid by the Supplier for the supply of those goods and services in the sum of FORTY NINE MILLION TWO HUNDRED FORTY EIGHT THOUSAND PESOS (PhP49,248,000.00) only (hereinafter called "the Contract Price").

NOW THIS AGREEMENT WITNESSETH AS FOLLOWS:

1. In this agreement words and expressions shall have the same meanings as are respectively assigned to them in the Conditions of Contract referred to.

2. The following documents shall be deemed to form and be read and construed as part of this Agreement, viz.:
   (a) Bid Form and the Price Schedule submitted by the Bidder;
   (b) Schedule of Requirements;
   (c) Technical Specifications;
   (d) General Conditions of Contract;
   (e) Special Conditions of Contract;
   (f) Entity’s Notification of Award; and
   (g) Supplemental Bulletin

3. In consideration of the payments to be made by the Entity to the Supplier as hereinafter mentioned, the Supplier hereby covenants with the Entity to provide the goods and services and to remedy defects therein in conformity in all respects with the provisions of the Contract.

4. The Entity hereby covenants to pay the Supplier in consideration of the provision of the goods and services and the remedying of defects therein, the Contract Price or such other sum as may become payable under the provisions of the contract at the time and in the manner prescribed by the contract.

IN WITNESS whereof of the parties thereto have caused this Agreement to be executed in accordance with the laws of the Republic of the Philippines on the day and year first before written.

Signed, sealed, delivered by:

[Signature]

[Signature]

DANIEL R CASABAR JR
Director
Government Arsenal

MR. KI SUK HAHN
Attorney-In-Fact
Poongsan Corporation
SIGNED IN THE PRESENCE OF:

MS. ROWEENA G. BASA
Superintendent
Planning & Logistics Division

MS. MA. CRISTINA B. ESPRITU
Corporate Secretary
Yung Sung Industrial Phils., Inc.

ATTY. ABEGAIL C. GABRIEL
Arsenal Legal Officer

MS. ALLEGIAH D. CARREON
Chief Accountant

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES
CITY OF BALANGA, BATAAN

BEFORE ME, a Notary Public for and in Balanga City, Bataan, Philippines, on this

day of MAR 27 2019 personally appeared:

DANIEL R. CASABAR JR
MR. KI SUK HAHN
MS. MA. CRISTINA B. ESPRITU
MS. ROWEENA G. BASA
ATTY. ABEGAIL C. GABRIEL
MS. ALLEGIAH D. CARREON

Valid Identification Card No.

TIN 120-449-129
Passport No. 506 370 454
TIN 113-591-000
TIN 196-041-509
TIN 406-648-758
TIN 432-710-749

known to me and to me known to be the same persons who executed the foregoing instrument
and acknowledged to me that the same is their free and voluntary deed.

WITNESS MY HAND AND SEAL on the date and place above written:

ATTY. FRANCIS C. VILLARO
NOTARY PUBLIC

Doc. No. 474
Page No. 079
Book No. LXXVIII
Series of 2019
NOTICE TO PROCEED

19 MAR 2019
(Date)

MR. KI SUK HAHN
Atty-In-Fact for Poongsan Corporation
POONGSAN CORPORATION
Poongsan Bldg., 23, Chungjeong-ro,
Seodaemun-gu, Seoul, Korea

Dear Mr. Hahn,

The attached Contract Agreement having been approved, notice is hereby given to
POONGSAN CORPORATION that work may commence for the supply and
delivery of 2,400,000 pieces each 5.56mm and 7.62mm Case for Blank
Ammunition, under ITB # GA-BAC-2019DP-12 for the Government Arsenal, DND
upon receipt of this notice provided that the specification will be strictly complied
with during delivery.

Upon receipt of this notice, you are responsible for performing the services under the
terms and conditions of the Agreement and in accordance with the Implementation
Schedule.

Please acknowledge receipt and acceptance of this notice by signing both copies in
the space provided below. Keep one copy and return the other to the Arsenal, DND.

Very truly yours,

DANIEL R CASABAR JR
Director

I acknowledge receipt of this Notice on
Name of the Representative of the Bidder
Authorized Signature

20 MAR 2019

KI SUK HAHN
**PURCHASE ORDER**

**GOVERNMENT ARSENAL**

**Entity Name**

<table>
<thead>
<tr>
<th>Supplier:</th>
<th>POONGSAN CORPORATION</th>
<th>P. O. No.: 2019-03-059</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address:</td>
<td>Poongsan Building, 23, Chungjeong-ro, Seodaemun-gu, Seoul, Korea</td>
<td>Date: March 8, 2019</td>
</tr>
<tr>
<td>Represented by:</td>
<td>Mr. Ki Suk Hahn Atty-In-Fact Yung Sung Industrial Philippines Inc. E1901 B PSE Center, Exchange Road, Ortigas Complex, Pasig City</td>
<td>Mode of Procurement: Public Bidding</td>
</tr>
</tbody>
</table>

**Gentlemen:**

Please furnish this Office the following articles subject to the terms and conditions contained herein:

<table>
<thead>
<tr>
<th>Place of Delivery:</th>
<th>Government Arsenal, Limay, Bataan, Philippines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Delivery:</td>
<td>Within one hundred fifty (150) calendar days from the receipt of Notice to Proceed (NTP)</td>
</tr>
<tr>
<td>Delivery Term:</td>
<td>DAP, Camp General Antonio Luna, Lamao, Limay, Bataan</td>
</tr>
<tr>
<td>Payment Term:</td>
<td>Letter of Credit (LC)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stock/ Property No.</th>
<th>Unit</th>
<th>Description</th>
<th>Qty</th>
<th>Unit Cost</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>pc</td>
<td></td>
<td>5.56mm Case for Blank Ammunition</td>
<td>2,400,000</td>
<td>P 8.07</td>
<td>19,368,000.00</td>
</tr>
</tbody>
</table>

1. **Workmanship**
   - The case shall be free from defects such as round head, folds, dent, split case, perforated case, draw scratch, scratch, bevelled underside of head, scaly metal, no chamfer on head, wrinkle, and other defects which will render it unsuitable for the purpose intended. The case shall be free of corrosion, stains, discolorations, dirt, and smears of lacquer.

2. **Gaging / Hardness / Marking (Head stamp)**
   - Use Drawing No. ACB101-02 as reference for dimension but the Head stamp and hardness shall be as indicated in the drawing.

3. **Function and Casualty Test**
   - The cartridge case shall function without casualty.

4. **Visual and Dimensional Inspection Criteria**
   - Sampling plan shall be in accordance with ANSI/ASQ Z1.4-2003 using a Double Sampling Plan (Normal) and General Inspection Level II. The Acceptance Quality Level (AQL) for Major and Minor defects shall be 0.65% and 2.5% respectively.
   - Table and Classification of visual defects shall be in accordance with MIL-STD-636 (Visual Inspection Procedures for Small Arms Ammunition through Cal .50).

5. **Residual Stress**
   - The blank cartridge case shall not split or crack when subjected to a one percent (1%) Mercurous Nitrate Solution for 15 minutes.
**POONGSAN CORPORATION**

<table>
<thead>
<tr>
<th>Stock/ Property No.</th>
<th>Unit</th>
<th>Description</th>
<th>Qty</th>
<th>Unit Cost</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>pc</td>
<td>7.62mm Case for Blank Ammunition</td>
<td>2,400,000</td>
<td>P 12.45</td>
<td>29,880,000.00</td>
</tr>
</tbody>
</table>

6. **Manufacturing Requirements**  
   The cartridge case shall be manufactured by a single manufacturer only, within one (1) year from date of award, with the manufacturing date indicated on the packaging.

   **NOTE:** Quality conformance examination for defects shall be based on MIL-C-60616C, Military Specification for 5.56mm Cartridge, 5.56mm Blank, M200.

1. **Workmanship**  
   The case shall be free from defects such as round head, dent, split case, perforated case, draw scratch, scratch, bevelled underside of head, scaly metal, no chamfer on head, folds, wrinkle, and other defects which will render it unsuitable for the purpose intended. The case shall be free from corrosion, stains, discolorations, dirt, and smears of lacquer.

2. **Gaging/ Hardness/ Marking**  
   All dimensions, specifications and marking (Head stamp) shall conform to Drawing No. GCB-101-01.

3. **Function and Casualty Test**  
   The cartridge case shall function without casualty.

4. **Visual and Dimensional Inspection Criteria**  
   Sampling plan shall be based on ANSI/ASQ Z1.4-2003 using a Double Sampling Plan (Normal) and General Inspection Level II. The Acceptance Quality Level (AQL) for Major and Minor defects shall be 0.65% and 2.5% respectively.

   Table and Classification of visual defects shall be in accordance with MIL-STD-636 (Visual Inspection Procedures for Small Arms Ammunition through Cal .50).

5. **Manufacturing Requirement**  
   The cartridge case must be manufactured within one (1) year from date of award by a single manufacturer only, with the manufacturing date indicated on the packaging.

   **NOTE:** Quality conformance examination for defects shall be based on MIL-C-46933, Military Specification for 7.62mm Cartridge, NATO, Blank, M82.

   ****nothing follows****

**BASIS:** Case and Bullet Division

**REF:** PR No. 2018-11-432, APP 2018, Page 2, Item D-1B;

Additional funding will come from savings of bidded Steel Core

**PURPOSE:** For assembly of 5.56mm and 7.62mm Blank Ammunition,
POONGSAN CORPORATION

Purchase Order No. 2019-03-059

<table>
<thead>
<tr>
<th>Stock/Property No.</th>
<th>Unit</th>
<th>Description</th>
<th>Qty</th>
<th>Unit Cost</th>
<th>Amount</th>
</tr>
</thead>
</table>

**TERM OF PAYMENT:**

The terms of payment shall be as follows:

- Payment of ninety five percent (95%) upon delivery shall be made thru Letter of Credit (LC) after delivery at the Government Arsenal and upon presentation of Certificate of Acceptance Inspection (Pre-delivery Inspection) at manufacturer's plant site, shipping documents and Advice of Payment duly signed by the Director, Government Arsenal.

- The remaining five percent (5%) shall be retained to cover warranty obligations, to be released after three (3) months upon presentation of the Certificate of Final Acceptance Inspection and Advice of Payment duly signed by the Director, Government Arsenal or upon submission of an equivalent special bank guarantee.

- All charges for the opening of LC and/or incidental expenses thereto (i.e. bank commission, documentary stamp, tax, cable, etc.) shall be for the account of the supplier.

(Total Amount in Words) FORTY NINE MILLION TWO HUNDRED FORTY EIGHT THOUSAND PESOS only

P 49,248,000.00

In case of failure to make the full delivery within the time specified above, a penalty of one-fourth (1/4) of one percent for every day of delay shall be imposed on the undelivered item/s.

Conforme:

MR. KI SUK HAHN
Atty-In-Fact
Poongsan Corporation

DATE: 20 MAR 2019

Very truly yours,

DANIEL R. CASABAR JR
Director

Fund Cluster: 101101
Funds Available: PHP 49,248,000.00

MS. ALLEGIAH D. CARREON, CPA
Chief Accountant

ORS/BURS No.: 02-101101-2019-03-D58B
Date of the ORS/BURS: MAR 2019

Amount: PHP 49,248,000.00