Contract Agreement

THIRD AGREEMENT made this ______ day of DEC 28 2018, between GOVERNMENT ARSENAL, Camp General Antonio Luna, Limay, Bataan of the 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 Lot I – 10,100,000 pieces 5.56mm M855 / SS109 Bullet, IB Nr. GA BAC 2018DP-20 and has accepted a Bid by the Supplier for the supply of those goods and services in the sum of FORTY FOUR MILLION EIGHT HUNDRED FORTY FOUR THOUSAND PESOS (PhP44,844,000.00) 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 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:

[Signatures]

DANIEL R CASABAR JR
Director
Government Arsenal

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

[Signatures]

MS. ROWEEENA G. BASA
Superintendent
Planning & Logistics Division

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

ATTY. ABEGAIL C. GABRIEL
Arsenal Legal Officer

MS. ALLECIAH D. CARREON
Chief Accountant

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES
CITY OF BALANGA, BATAAN s.s.

BEFORE ME, a Notary Public for and in Balanga City, Bataan, Philippines, on this _______ day of ______, 2018 personally appeared:

DANIEL R. CASABAR JR
MR. KI SUK HAHN
MS. MA. CRISTINA B. ESPRITU
MS. ROWEEENA G. BASA
ATTY. ABEGAIL C. GABRIEL
MS. ALLECIAH 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:

[Signature]

Doc. No. 44
Page No. 9
Book No. ALXIII
Series of 2018
NOTICE TO PROCEED

20 DEC 2018
(Date)

MR. KI SUK HAHN
Atty-In-Fact for Poongsan Corporation
POONGSAN CORPORATION
Poongsan Bldg., 23, Chungjeong-ro,
Seodaemun-gu, Seoul, 03737, 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 Lot I – 10,100,000 pieces 5.56mm M855 / SS109 Bullet, under ITB # GA-BAC-2018DP-20 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,

[Signature]
DANIEL R CASABAR JR
Director

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

GOVERNMENT ARSENAL

Supplier: POONGSAN CORPORATION
Address: Poongsan Building, 23, Chungjeong-ro,
Seodaemun-gu, Seoul, Korea
Represented by: Mr. Kih Suk Hahn
Atty-In-Fact
Yung Sung Industrial Philippines Inc.
E1901 B PSE Center, Exchange Road,
Ortigas Complex, Pasig City

Date: December 4, 2018
Mode of Procurement: Public Bidding

Gentlemen:

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

Place of Delivery: Government Arsenal, Limay, Bataan, Philippines
Date of Delivery: Within one hundred fifty (150) calendar days from the receipt of Notice to Proceed (NTP)

Delivery Term: DAP, Camp General Antonio Luna, Lalamo, Limay, Bataan
Payment Term: Letter of Credit (LC)

<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>Lot I - 5.56mm M855/SS109 Bullet</td>
<td>10,100,000</td>
<td>P 4.44</td>
<td>44,844,000.00</td>
<td></td>
</tr>
</tbody>
</table>

TECHNICAL SPECIFICATIONS

DESCRIPTION

US MILITARY STANDARD

A. WORKMANSHIP

1. Metal Defect - the finished bullet shall be free from defects which include but not limited to dent, perforation, scratch, split bullet jacket, missing cannellure, scaly metal, crooked point, blunt point and other defects which will render it unsuitable for the purpose intended.

2. Foreign Matter - the finished bullet shall be free of corrosion, stains, discoloration, dirt and smears of lacquer. Cleaning methods used shall not be injurious to any part, nor shall the parts be contaminated by any cleaning agent.

B. DIMENSION AND WEIGHT

Drawing No. ACS-201-02

C. METHODS OF INSPECTION (Accuracy, Penetration and Bullet Integrity Test)

Shall be conducted in accordance with Small Caliber Ammunition Test Procedures 5.56mm (Heavy Bullet) Cartridges (SCATP – 5.56mm – HB)

D. BULLET INTEGRITY TEST

The bullet of the cartridge shall not burst either in its passage through the barrel or in flight, neither shall the jacket of the bullet nor any part thereof, strip from the other bullet components when the cartridge is fired.
### E. VISUAL AND DIMENSIONAL INSPECTION CRITERIA

E1. Sample size and Acceptance Criteria for Visual and Dimensional Inspection shall be in accordance with ANSI/ASQ Z1.4-2003 using Double Sampling Plan (Normal) and General Inspection Level II.

E2. Table and Classification of Visual Defects shall be in accordance with MIL-STD-636 (Visual Inspection Standards and Inspection Procedures for Small Arms Ammunition Through Cal. 50).

**Acceptable Quality Level (AQL):**
- Major Defect for Visual & Gaging / Weight: - 1.5%
- Minor Defect for Visual: - 2.5%

### Table 2. Requirements for Accuracy Test:

<table>
<thead>
<tr>
<th>Standard</th>
<th>Indoor Range</th>
<th>Indoor/Outdoor Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reading Distance</td>
<td>200 yards (183 meters)</td>
<td>492 yards (450 meters)</td>
</tr>
<tr>
<td>Average Horizontal &amp; Vertical Standard Deviation, max</td>
<td>1.8 inches (46mm)</td>
<td>6.8 inches (173 mm)</td>
</tr>
</tbody>
</table>

### Table 3. Requirements for Penetration Test:

<table>
<thead>
<tr>
<th>Parameters</th>
<th>US Military Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bullet shall demonstrate complete penetration of NATO plate positioned at the required obliquity. Additionally, a witness plate is placed behind the target plate which shall be perforated with at least one splinter.</td>
<td></td>
</tr>
</tbody>
</table>

**1. Test Conditions**

| a. Air temperature | 30 °F - 95 °F (-1°C - 35°C) |

**2. Target Plate**

<table>
<thead>
<tr>
<th>a. Material</th>
<th>Steel Plate (AISI 1010 – 1020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>b. Thickness</td>
<td>Gage 10: 0.135 inch (3.429mm)</td>
</tr>
<tr>
<td>c. Hardness</td>
<td>RB 55 - RB 70 (Rockwell, Scale B)</td>
</tr>
<tr>
<td>d. Location from the Weapon</td>
<td>656 yards (600 meters)</td>
</tr>
<tr>
<td>e. Obliquity (Degree)</td>
<td>0 ± 5°</td>
</tr>
</tbody>
</table>

**3. Witness Plate**

<table>
<thead>
<tr>
<th>a. Material</th>
<th>Aluminum (2024-T3) or equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>b. Thickness</td>
<td>0.02 inch (0.508 mm)</td>
</tr>
<tr>
<td>c. Distance behind the target plate</td>
<td>6 inches (152.4 mm)</td>
</tr>
</tbody>
</table>
All suppliers of 5.56mm M855/SS109 bullet to the GA are required to submit the following during Pre-Delivery Inspection (PDI):

- Certificate of Analysis that indicates the material code, hardness and thickness of the target plate;
- Certificate of Analysis for the material code and thickness of the witness plate.

**MANUFACTURING REQUIREMENTS**

The bullet shall be manufactured by a single manufacturer only within one (1) year from date of award with the manufacturing date indicated on the packaging.

*****nothing follows*****

**BASIS:** Case and Bullet Division

**REF:** PR No. 2018-09-340; APP 2018 Savings 1

**PURPOSE:** For assembly of 5.56mm M855 Ammunition

**TERM OF PAYMENT:**

The terms of payment shall be as follows:

- Payment of ninety-five percent (95%) for each 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, GA.

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

- 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 FOUR MILLION EIGHT HUNDRED FORTY FOUR THOUSAND PESOS only

P 44,844,000.00

In case of failure to make the full delivery within the time specified above, a penalty of one-tenth (1/10) of one percent for every day of delay shall be imposed on the undelivered items.

Conforme: 

MR. KI SUK HAHN
Atty-In-Fact
Poongsan Corporation
10/19/18

Very truly yours,

DANIEL R. CASABAR JR
Director

Fund Cluster: 101101
Funds Available: 44,844,000.00

ORS/ BURS No.: 02-101101-2018-12-237
Date of the ORS/BURS: DEC 1, 2018

Amount: 44,844,000.00

MS. ALLECHIAH D. CARREON, CPA
Chief Accountant