Contract Agreement

THIS AGREEMENT made this ______ day of __________ between
GOVERNMENT ARSENAL, Camp General Antonio Luna, Limay, Bataan of the Philippines
(hereinafter called "the Entity") of the one part and PCONGSAN CORPORATION of Poongsan
Building, 23, Chungjeong-ro, Seodaemun-gu, Seoul, South Korea (hereinafter called "the
Supplier") of the other part:

WHEREAS the Entity invited Bids for certain goods and ancillary services, viz.,
Procurement of 2M pcs 7.62mm Case, IB Nr. GA BAC 2019DP-17 and has accepted a Bid
by the Supplier for the supply of those goods and services in the sum of TWENTY NINE
MILLION ONE HUNDRED SIXTY THOUSAND PESOS (PhP 29,160,000.00) 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; and
   (f) Entity’s Notification of Award

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:

__________________________  ____________________________
DANIEL R CASABAR JR        MS. MA. CRISTINA B. ESPIRITU
Director                    Attorney-in-Fact
Government Arsenal          Poongsan Corporation
SIGNED IN THE PRESENCE OF:

MS. AVELINA C. ALIANGAN
Superintendent
Planning & Logistics Division

MS. DANA CAGAT
Administrative Assistant
Poongsan Corporation

ATTY. ABEGAIL C. GABRIEL
Arts & Legal Officer

MS. ALLECIH 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 2019 personally appeared:

DANIEL R. CASABAR JR
TIN 120-449-129

MS. MA. CRISTINA B. ESPiritu
Passport No. EC6459924

MS. DANA CAGAT
TIN 406-333-680

MS. AVELINA C. ALIANGAN
TIN 112-799-751

ATTY. ABEGAIL C. GABRIEL
TIN 406-648-758

MS. ALLECIH D. CARREON
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:

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Page No. 33

FLAVIANO T. AGUANTA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2022
PTR. NO. 4691721/1-16-19
IBP D.R. 070622/1-18-19
NOTICE TO PROCEED

06 NOV 2019
(Date)

MS. MA. CRISTINA B. ESPiritu
Atty-in-Fact
Poongsan Corporation
Poongsan Bldg., 23 Chungjeong-ro,
Seodaemun-gu, Seoul, South Korea

Dear Ms. Espiritu:

The attached Contract Agreement having been approved, notice is hereby given to POONGSAN CORPORATION that work may commence for the supply and delivery of 2,000,000 pcs 7.62mm Case under ITB # GA-BAC-2019DP-17 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

11 NOV 2019

[Signature]
# PURCHASE ORDER

**GOVERNMENT ARSENAL**

<table>
<thead>
<tr>
<th>Supplier:</th>
<th>POONGSAN CORPORATION</th>
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<tbody>
<tr>
<td>Address:</td>
<td>Poongsan Building, 23, Chungjeong-ro, Seodaemun-gu, Seoul, Korea</td>
</tr>
<tr>
<td>Represented by:</td>
<td>Ms. Ma, Cristina B. Espiritu</td>
</tr>
<tr>
<td>Atty-In-Fact:</td>
<td>Yung Sung Industrial Philippines Inc. E1901 B PSE Center, Exchange Road, Ortigas Complex, Pasig City</td>
</tr>
</tbody>
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**Entity Name**

P. C. No.: 2019-10-216

Date: October 28, 2019

Mode of Procurement: Public Bidding

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**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, Lamas, Limay, Bataan

**Payment Term:** Letter of Credit (LC)

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**Stock/Property No.** | **Unit** | **Description** | **Qty** | **Unit Cost** | **Amount** |
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<tbody>
<tr>
<td>pc</td>
<td>pc</td>
<td>7.62mm CASE</td>
<td>2,000,000</td>
<td>14.58 P</td>
<td>29,160,000.00</td>
</tr>
</tbody>
</table>

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**A. Workmanship**

The case shall be free from defects such as cracks, splits, perforations, burrs, foreign matter and other defects which will render it unsuitable for the purpose intended. The cleaning method used shall not be injurious to any part, nor shall the parts be contaminated by any cleaning agent.

**B. Materials / Gaging / Hardness / Marking**

Use Drawing No. GC-12-06 as reference for dimension and hardness only, but the head stamp shall be as indicated in the drawing.

**C. Residual Stress**

The cartridge case shall not split when subjected to a 1% mercurous nitrate solution for 15 minutes.

Sample size: 50 pieces  
Acceptance Number = 0  
Rejection Number = 2

**D. Function and Casualty Test**

The cartridge case shall function without casualty.  
(Refer to Table V - Quality Conformance acceptance Numbers for firing Defects of Mil-C-A6931F (AR) dated 29 March 1991)

**E. Visual and Dimensional Inspection Criteria**

E.1 Critical, Major and Minor defects - Visual examination shall be in accordance with Table III (CASE) Quality Conformance classification of defects, Mil-C-46931F (AR) dated 29 March 1991

E.2 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) are as follows:
For Visual Defects:
  Critical - 0.01%
  Major - 0.25%
  Minor - 1.5%

For Dimensional Defects:
  Major - 0.25%
  Minor - 1.5%

E.3 Classification of visual defects shall be in accordance with MIL-STD-636 (Visual Inspection Procedures for Small Arms Ammunition through Cal .50)

F. Manufacturing Requirements
The finished 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.

****nothing follows****

BASIS: Cartridge Assembly and Packaging Division
PURPOSE: For assembly of 7.62mm Ammunition

TERMS 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) TWENTY NINE MILLION ONE HUNDRED SIXTY THOUSAND PESOS only P 29,160,000.00

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: 

MS. MA. CRISTINA B. ESPIRITU
Atty-in-Fact
Poongsan Corporation
11 NOV 2019

Very truly yours,

DANIEL R. CASABAR, JR
Director

OR/BSR No.: 02-1011101-2019-10-15016
Date of the ORS/BSR: 30 OCT 2019

Fund Cluster: 101101
Funds Available: P29,160,000.00

Amount: P29,160,000.00

MS. ALLECIAH D. CARREON, CPA
Chief Accountant