

VIVANT CORPORATION

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS

Vivant Board Room, 907-908 Ayala Life-FGU Center

Cebu Business Park, Cebu City

December 20, 2013 at 2:00 p.m.

PRESENT:

Mr. Dennis N. A. Garcia - Chairman
Mr. Ramonitto E. Garcia - President
Mr. Charles Sylvestre A. Garcia - Director
Mr. Gil A. Garcia II - Director
Mr. Emil Andre M. Garcia - Director
Mr. Elbert M. Zosa - Director
Mr. Effen P. Sarmiento - Director
Mr. Jose Marko A. G. Sarmiento - Director

ALSO PRESENT:

Mr. Arlo A.G. Sarmiento - Chief Operating Officer
Ms. M. Carrnela N. Franco - VP-Finance
Ms. Maria Victoria E. Sembrano - AVP- Admin. & Finance
Atty. Macario C. Padullo, Jr. - AVP-Corp. Management Systems
Mr. Juan Eugenio L. Roxas - AVP-External Affairs
Atty. Joan A. Giduquio-Baron - Assistant Corporate Secretary
Mr. Hans R. Hauri

NOT PRESENT:

Amb. Raul Ch. Rabe - Independent Director
Atty. Jess Anthony N. Garcia - Corporate Secretary
Atty. Jesus B. Garcia, Jr. - Independent Director

I. Call to Order

The Chairman, Mr. Dennis N.A. Garcia (DAG), called the meeting to order at 2:00 P.M. and presided over the same.

II. Proof of Notice and Certification of Quorum

The Assistant Corporate Secretary, Atty. Joan A. Giduquio-Baron (JGB) certified to the Board of Directors (BOD) that notices were sent in accordance with the By-Laws and a quorum was present to transact business.

III. Reading and Approval of Minutes of Previous Meeting

The minutes of the BOD meeting held on October 18, 2013 was presented by JBG to the BOD for approval. Upon motion that was duly seconded, the BOD approved the minutes as presented without corrections.

IV. YTD October 2013 Financials

Ms. Maria Victoria E. Sembrano (MES) presented the YTTD October 2013 Financials and rolling forecast for the rest of year.

In the Income Statement, revenue from VECO's performance this year is better than last year by 41%. Mr. Emil M. Garcia (EMG) explained that this was due to an increase in gross margin as a result of the implementation of the new rates. But there is a 7-centavo over-recovery which will be reflected soon. Revenue from distribution is below budget in labor and non-labor cost. EMG also noted higher recoveries from pilferage. Management fee from VECO is higher.

Revenue from generation like CPPC, Delta P, NR, 1590 EC, AHPC, VMHI, Abovant/CEDC was compared against budget and actual 2012. Total revenue as of October 31, 2013 is lower than budget and last year's figures. MES also discussed expenses for YTTD October 2013 and compared against budget and last year's figures.

Net Income Before Tax is lower 8% than 2012 actual but higher by 12% than budget. Core Net Income is 80% than 2012 and 4% higher than budget.

MES also presented the highlights from the Balance Sheet. She said that Vivant has zero liabilities, paid out all short-term loans, and met all relevant financial ratios.

MES also presented the rolling forecast for the rest of 2013 and discussed assumptions. She forecasts income at Php2.2 bn than last year's Php1.1 bn.

V. Update on Notes Issue

Ms. M. Carmela N. Franco presented updates on the Notes Facility to the BOD. It will still be a private placement, the same maturity and availability period. The drawn down schedule will now be first quarter of 2014 - Php1 bn on February 3, 2014 and another Php 1bn within

March 2014. She also informed the BOD that mostly banks were interested; no insurance companies have expressed interest so far. Vivant will prioritize non-relationship banks.

VI. Update on 1590 EC

Mr. Arlo A. G. Sarmiento (AGS) explained the current issues of 1590 EC on the increase on Meralco's generation rates vis-à-vis a Senate inquiry on December 18, 2013. Mr. Juan Eugenio L. Roxas (JLR) gave the BOD highlights of what transpired during the inquiry. The next hearing will be on January 23, 2014. EMG informed the BOD about the issues and how 1590 EC stands on these. A discussion then ensued on the technical characteristics of the plant and the market behavior.

EMG informed BOD of the extension of lease over the power plant to December 31, 2015.

NEW ITEM: Update on NR

AGS explained the penalties imposed by the Philippine Electricity Market Corporation (PEMC) for RTD violation of NR imposed by PEMC. The contingent liability from this violation is pegged as Php1.2 bn. Vivant was able to obtain a moratorium of Php3mn for generators being penalized in amounts of at least Php3mn. Moving forward, there will be new rules on imposition of penalties, at the initiative of the DOE.

AGS also discussed the penalty for the MOR, which will also be covered by the moratorium.

VII. Update on Projects

a) VMHI

EMG presented updates on the Environmental Compliance Certificate (ECC). He expects the ECC soon with no further roadblocks ahead.

As regards the Certificate of Non-Overlap, the National Commission on Indigenous People will conduct an ocular inspection on January 2014. EMG does not foresee any issue on this matter.

As regards the Water Rights permit from the National Water Resources Board, management sees this is the contentious issue. It has been decided that VMHI will apply for 12 cu.m./sec and get approval for same amount. EPC contractor is assisting on this matter. VMHI engaged a 3rd party to verify hydrology report results.

EMG presented updates on the Engineering Procurement and Construction Contract (EPCC) Payment Milestone Schedule. Hopefully, ground breaking will be on April 2014.

b) Unified Leyte

The partnership with Global Business Power Corporation (GBPC) did not materialize because GBPC was not sure if it would push through with participating in the bid, and they did not bid. EMG then presented a summary of the bids submitted for the strips of energy and bulk energy.

Unfortunately, as a result of the damage caused by typhoon Yolanda, the turn-over was postponed. After the typhoon, Energy Development Corporation - who won both the bulk energy and strips of energy – declined to accept the awards. There is an expected announcement from PSALM on how to treat the abandoned strips of EDC.

Right now, EDC is at 150 MW, and it is expected that the repair will be completed in about 8 months.

c) Project San Carlos

EMG explained to the BOD the power plant project which will serve VECO's power demand. The plant will have a gross capacity of 330 MW and net capacity of 300 MW. It will be a partnership with Aboitiz Power with Vivant owning 20% equity.

The remaining issues for the project are management fees (which need to be spelled-out in greater detail), a flexible proportionate ownership if VECO gets more, and the premium. The first equity call will be on February 28, 2014. The total project cost is Php30 bn.

VIII. Other Matters

Management request approval from the BOD to appropriate a portion of retained earnings for future projects in the amount of Php1.80 bn. The appropriation can be reversed if not used. This amount will cover about 2 major power projects, and is in response to BIR's imposition of taxes the improperly accumulated retained earnings, which previously exempted listed companies.

Subject to a prior consultation by management with its external auditors, Sycip Gorres & Velayo, on whether or not Vivant is covered by this BIR imposition, the BOD approved the appropriation of Php1.80 bn from its retained earnings.

IX. Adjournment

There being no other matters discussed, after motion duly made and seconded the regular meeting of the BOD was adjourned at 4:30 p.m.

Prepared by:

ATTY. JOAN A. GIDUQUITO-BARON
Assistant Corporate Secretary

Attested by:

MR. DENNIS N. A. GARCIA
Chairman of the Board


MR. RAMON NITTO E. GARCIA
President

MR. CHARLES SYLVESTRE A. GARCIA
Director

MR. GIL A. GARCIA II
Director


MR. EMIL ANDRE M. GARCIA
Director

MR. ELBERT M. ZOSA
Director

MR. EFRÉN P. SARMIENTO
Director

MR. JOSE MARKO A. G. SARMIENTO
Director