

VIVANT CORPORATION
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
November 4, 2011 at 9:00 AM
Suite 907-908, Ayala Life-FGU Center
Cebu Business Park, Cebu City

PRESENT:

Mr. Dennis N. A. Garcia
Mr. Ramonito E. Garcia
Mr. Charles Sylvestre A. Garcia
Mr. Gil A. Garcia II
Mr. Jose Marko G. Sarmiento
Mr. Effen P. Sarmiento
Mr. Emil M. Garcia
Amb. Raul Ch. Rabe

Chairman
President
Director
Director
Director
Director
Director
Independent Director

ALSO PRESENT:

Mr. Arlo A.G. Sarmiento
Atty. Macario C. Padullo
Atty. Jess Anthony N. Garcia

Chief Operating Officer
Finance Manager
Corporate Secretary

NOT PRESENT:

Mr. Elbert M. Zosa
Mr. Alfred Ty
Atty. Jesus N. Garcia

Director
Director
Independent Director

I. Call to Order

The Chairman, Mr. Dennis N.A. Garcia (DAG), called the meeting to order at 9:00 AM and presided over the same.

II. Proof of Notice and Certification of Quorum

The Corporate Secretary, Atty. Jess Anthony N. Garcia (JNG) certified to the Board of Directors (BOD) that notices were sent in accordance with the law and a quorum was present to transact business.

III. Reading and approval of minutes of previous meeting

Arlo G. Sarmiento (AGS) suggested to change the last sentence of Item VII paragraph 3 of the draft minutes to read as follows: "Hence, the actual cash loss would be the operations and maintenance expenses and the interest expenses versus the income." Upon motion of REG, the minutes were approved by the BOD as amended.

IV. To Do's from the last BOD meeting

a. Risk Committee

AGS said that one of the items from the last meeting was to look into the formation of a Risk Committee, pending comments from Director Rabe. The BOD discussed the roles and functions of the said committee, the qualifications and qualities needed by the Chairman and members of the committee, the necessity of financial, legal, technical and political risk assessment of future projects. It was suggested that the company should get third parties/consultants to perform the task of risk assessment in order to ensure objectivity in the process. The BOD directed management to propose the extent of the mandate and scope of work of the committee, including suggestions on its composition and potential members thereof. Director Rabe suggested looking into the Aboitiz model on the scope of the work for the committee.

b. Collateral Swap for the CEDC Loan

Regarding the update on the collateral swap for the CEDC project, AGS said that MCP will report on this during the meeting.

c. Other To Do Items

The other items were the CAPEX plan for Arlan project and the clarification on the management consultancies of Vivant Corporation. AGS said that these matters will be discussed during the meeting as well.

V. CEDC

• Commercial Update

Mr. Ed Satina (ES) presented the results of CEDC's WESM trading. ES said that CEDC sold 47 million kwhrs to the WESM to date, amounting to PhP407 Million in revenue. He said that total income from WESM sales was PhP312 Million.

ES also discussed the tax implications for CEDC's WESM trading. He said that although CEDC is currently under an Income Tax Holiday (TTH), it could be argued that income derived from WESM trading is not covered by such TTH since this was not authorized to be tax

exempted income under the approval by the Board of Investments. ES said that there are 3 basic positions on the tax implications for CEDC's WESM trading, namely:

- 1) only the income from the avoided fuel cost is taxable income
- 2) all income from WESM trading is taxable
- 3) only those sales beyond the Minimum Contracted Energy is taxable

According to ES, CEDC was still in the process of obtaining a BOI ruling to confirm position # 3. Then they intend to present this to the BIR for confirmation. He said that this matter was still pending with the BOI as of the time of reporting.

ES also presented the status of the contracts for the off-takers of CEDC. He reported that there remained 32MW of CEDC capacity that was not contracted.

ES also reported the monthly revenues for CEDC for the year 2011. He said that the actual revenue was Php3.1 Billion to date or 88% of the projected Php3.5 Billion.

- Financial Report

Melissa Vidal, finance manager of CEDC presented the 2011 income statement of CEDC. She reported a projected net income after tax of Php1.1 Billion. She also discussed some expense items in the statement. She also presented the balance sheet to the BOD. She discussed the current assets of CEDC as well as its liabilities.

- Switchyard Issue

Email Andre M. Garcia (EMG) and Engr. Kent reported on the switchyard issue. Engr. Kent compared the schematic diagrams of Resolution No.25, s. 2005 and Resolution No.16, s. 2011 issued by the ERC. He said that under the new Resolution No.16, the switchyard and all other related equipment are now classified as transmission assets that may be subject to acquisition by NGCP. The BOD also discussed the various actions taken by the players in the industry on this matter and the repercussions to the subsidiaries of Vivant if Resolution16 were applied.

VI. 1590EC

- Report on Dispute Resolution – PEMC Rules Change Committee(RCC)

JNG reported on the status of the PEMC Rules Change Committee meetings. He reported that there are two general discussions with the RCC. The first was a proposal to limit SO's use of MRUs and change its compensation structure. The second was designed to reduce the number of ex ante PENS. He reported that both solutions are already under discussion by the RCC and that changes are taking place within PEMC and the WESM because of the dispute filed by 1590EC.

- Report on WESM Prices and Plant Energy Sale

EMG reported to the BOD the WESM prices for the year 2011. He presented a comparison between the prices of the last quarter of 2010 and the prices for the same period in 2011. EMG also reported the energy delivered by the power plant for 2011. He said that in general, the power plant wasn't running as expected for 2011. However, the plant generated more than expected towards the latter part of 2011.

- Update on bilateral contracts

AGS reported that 1590EC was looking at either an ASPA with NGCP or a peaking contract with MERALCO. He said that MERALCO was interested in contracting with 1590EC and that a meeting was scheduled on November 10, 2011 to discuss the bilateral contract. The BOD discussed the state of the WESM prices and the supply and demand situation in the Luzon grid.

The BOD instructed JNG to draft a report on the different scenarios and options available to the PGLU in the event 1590EC abandons the power plant under the CTS. In particular, he was asked to report on the legal remedies available to the PGLU in case of abandonment by 1590EC and the legal risks that 1590EC may be exposed to in such case.

- Financial Report

Atty. Macario C. Padullo (MCP) presented the income statement for 1590EC. He reported YTD actual revenues of Php665 Million against a budget of Php2 Billion or a negative variance of 69%. He said that the total administrative expenses amounted to Php34 Million against a budget of Php80 Million with a variance of 57%, and that the company experienced a net loss of Php132 Million against a budgeted profit of Php172 Million or a negative variance of 320%.

MCP also presented the rolling forecast for 2011. He reported that the company is expected to experience a net loss of Php95 Million for 2011 or net cumulative loss of Php121 Million taking into consideration 2010 operations.

MCP presented the balance sheet of 1590EC. He discussed the assets and liabilities of the company and reported retained earnings of negative Php296 Million.

- Options for January 2012.

Management presented the possible options available to Vivant Corporation (VVT) for 1590EC on January 2012.

VII. VECO

- Statistics and Systems Loss Report

L. Jayme presented a comparative analysis of the actual MWH sales for the month of September. He reported that MWH sales in general were 5% higher than last year. However, he also added that excluding sales to CEMEX there was practically no growth in Veco sales. He reported a 3.89% reduction in residential sales and 6.19% increase in commercial and industrial sales. He also presented the sales mix of Veco customers. His report showed a steady increase in industrial customer sales in relation to residential customer sales. He presented the top customers with an average monthly bill of Php1 Million and the top 5 customers per customer type.

L. Jayme also presented the running systems loss and stated that it was currently at 9.5%. He also presented the average rate of Veco as of September 2011 which was at Php8.12 per kWhr. He also showed a comparison of rates between the different distribution utilities in the country for customers consuming 200 kWhrs per month and it showed that Veco was at Php10.19 per kWhr or the second highest rate next to PECO.

- Financial Report

MCP presented the income statement of Veco. He reported that the net income of Veco as of September 2011 was Php845 Million or 29% higher than budget of Php654 Million. AGS asked whether the management fees are included already, and MCP said that it was already in the income statement.

MCP also presented the balance sheet of Veco. He reported total assets to be at Php10.5 Billion while liabilities amounted to a total of Php6 Billion.

VIII. Business Development

1.) Silay Update

EMG reported that the project company is in the process of being incorporated. It is currently pending with the DOE for endorsement because this is required before the SEC will register the corporation. He also reported that the ECC is currently being processed. However, the problem is with the Grid Impact Study because this has to be done by NGCP or an accredited third party. He said the third party will be a quicker option. He said that Vivant was currently waiting for NGCP to approve the request to assign a third party to do the GIS. EMG later said that the next step was the detailed engineering design phase. He said that this would be the first large expense for the project. He next reported on the financial forecast prepared by the Asian Energy Advisors. He said that the project will cost around Php131 Million per MW. He said the total project cost is Php922 Million for a 6 MW hydro power plant. Required equity is Php276 Million and debt is Php646 Million on a 70:30 debt equity ratio. Assuming the FIT rate will be applicable to the project; this will result in a projected equity IRR of 14.5%. He also presented

the expected cashflows from the Silay project under the FIT rate. AGS mentioned that the Silay project is at a crossroads where the BOD should decide whether to push through with the investment because the next cash expenditure related to this project is sizeable at between PhP8-12 Million.

2.) Concepcion Coal Power Plant

EMG reported that Vivant was approached by the group of W. Brown for a possible partnership in a coal plant in Concepcion, Panay. He discussed the supply and demand scenario of the CNP grid and of Panay Island in particular. He demonstrated that based on projections there will be a shortage sometime during 2015. EMG gave a background of the A. Brown group to the BOD and the credentials of the senior management team of the group. He also discussed the details of the proposed coal plant like the capacity of the units, type of coal plant, and other technical specifications. He presented the project timeline as well. He said that the EPC contractor will be Shanghai Electric. He reported on the target market of the power plant and the fact that A. Brown intends to sign PPAs before putting in equity in the project. On the financial aspect, the total project cost was reported to be approximately \$200 Million. BDO capital was the appointed lead arranger. The signing of Power Supply Agreements will be a condition precedent to financial closure. He reported that financial closure was expected to be sometime in March 2012. EMG also said that Vivant was being offered a 30% stake in the project and that Vivant's equity in the project was estimated to be around PhP900 Million for VVTs share. EMG presented the BOD with a comparison between the construction costs of CEDC and PCPC. He said that while CEDC costs around \$1.9 Million per MW, PCPC will cost \$2 Million per MW.

3.) La Union Coal Power Plant Potential

EMG reported on the potential Coal Power Plant in La Union. AGS noted that this opportunity presented itself to Vivant as a result of its involvement in 1590EC. He showed the BOD the proposed location of the power plant. There were no technical or financial details available as of the time of discussion because the project was still at the early stages of conceptualization.

4.) PALECO Bid

EMG reported to the BOD that PALECO was currently bidding out a Power Supply Agreement to interested suppliers. He said that there was an opportunity for the construction of a coal plant in Palawan. However, he also said that the only way for a coal plant to be viable was for Delta P and PPGI to scale down their generation output. This meant that any participation in the PALECO bid by Vivant or Delta P would need the cooperation and partnership of PPGI. It was also discussed by the BOD that VVTs partners in Delta P, GPI, are not in good terms with PPGI and that Vivant was in the process of trying to bridge the relationship gap between the two corporations.

5.) Naga Power Plant Complex Bid

EMG discussed the PSALM bidding for the Naga Power Plant Complex. EMG said that management is not interested in proceeding with the bid because of SPCs right to top the winning bidder by 5%. Another objection by management was the fact that SPC shares some common facilities with the Naga Power Plant complex which the eventual winning bidder will have to share with SPC. It was observed that the common facilities could create a potentially complex relationship with SPC moving forward.

IX. Vivant-Sta. Clara Northern Renewable Generation Corporation (NR)

1.) Report on reduction in monthly payments

JNG presented the legal arguments that support the reduction of monthly payments to PSALM during the 6 month tunnel repair outage. JLR also reported the results of his meetings with the officials of PSALM and he said that the reason PSALM has not replied to the letter of NR confirming the reduction in monthly payments was that the officers were hesitant to confirm NR's position because they don't want to be blamed for taking a position that will reduce payments to PSALM. They are concerned that this may be viewed as disadvantageous to the government. The BOD suggested engaging other law offices to review the IPPA provisions on monthly payments in order to confirm and bolster NR's current legal position.

2.) Financial Report

AGS and MCP discussed the income statement of NR as of September 30, 2011.

XI. Cebu Private Power Corporation (CPPC)

- Change in Vivant's Role in CPPC's Limits of Authority

The BOD discussed the role of Vivant in CPPC's limits of authority and the current structure of its implementation. Thereafter, the BOD also discussed the AEV Approval Limits for implementation.

- Financial Report and Rolling Forecast

The BOD also discussed the Income Statement, Balance Sheet and the Rolling Forecast of CPPC for 2011.

XII. Delta P, Inc.

- Financial Report

The BOD discussed about the Balance Sheet and Income Statement of DPI as of Sept. 30, 2011.

XIII. Amlan Hydro Corporation

- Financial Report

The BOD had a discussion with regard to the company's Income Statement and Balance Sheet as of Sept. 30, 2011.

X. VIVANT Financial Report

1. Qualitative concerns

The options for public float were also presented. MES reported the 3 options available to Vivant and the areas to be considered with each option including the cost and the duration of time required for its execution.

- 1.) Public offering -
 - May be primary shares, secondary shares, or combination of both.
 - This is normally priced at a discount.
 - If secondary shares are offered, existing shareholders will cash in.
 - Needs PSE Listing Application and SEC Registration requirements.

- 2.) Rights offering -
 - Exempt from SEC registration requirements
 - May create negative impression if there is substantial unsubscribed shares from existing stockholders.
- 3.) Private placement –
 - Each investor must hold no more than 10% of VVT shares for them to be considered public.
 - Exempt from SEC registration requirements; requires PSE listing Application filing
 - Faster execution
 - If warehoused, VVT must have an exit plan for the investors (Investment Fund(s)).

2. Financial Report

MES discussed the income statement of VVT for the month of September 2011. She reported that total revenues were Php119 Million or 45% above budget. After discussing some expense items, she reported a net income of Php108 Million or 49% above budget. She also

presented the income statement as of September 2011. She reported the total revenues were PhP443 Million or 37% below budget. Net income before tax was PhP329 Million or 39% below budget. MES also presented the balance sheet of VVT. She also presented the key financial ratios of VVT. She presented the ratios as consolidated and on the parent level. She reported that the financial ratios indicate that the company is in good shape. She also presented the rolling income forecast and expects the company to register an income of PhP599 Million by year end 2011.

IX. Other Matters

The BOD also discussed the corporation's undertaking to purchase from Vivant Energy Corporation certain redeemable preferred shares in Cebu private Power Corporation. Thus, the Board unanimously approved and adopted the following resolutions:

“RESOLVED, AS IT IS HEREBY RESOLVED, to authorize the Corporation to purchase from Vivant Energy Corporation 540,000 Redeemable Preferred Shares in Cebu Private Power Corporation at a price of Php 212.4319 per share for a total consideration of One Hundred Fourteen Million Seven Hundred Thirteen Thousand Two Hundred Forty-Seven Pesos and Seventy-Eight Centavos (P114,713,247.78).”

RESOLVED, FURTHER, to authorize its Executive Vice President and Chief Operating Officer, Arlo A. S. Sarmiento, to sign the Deed of Absolute Sale, as well as any other document to facilitate the implementation of this resolution.”

X. Adjournment


The meeting was adjourned upon motion duly made and seconded as there was no other matter taken up by the Board.

Prepared by:

ATTY. JESS ANTHONY N. GARCIA
Corporate Secretary

Attested by:


DENNIS N. A. GARCIA
Chairman

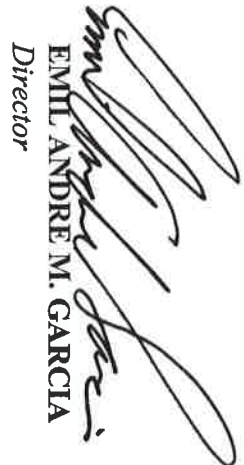

RAMON PITO E. GARCIA
President


CHARLES SYLVESTRE A. GARCIA
Director


GIL A. GARCIA II
Director


JOSE MARKO G. SARMIENTO
Director

EFREN P. SARMIENTO
Director


EMIL ANDRE M. GARCIA
Director

AMB. RAUL CH. RABE
Independent Director