

VIVANT CORPORATION
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
Suite 907-908, Ayala Life-FGU Center
Cebu Business Park, Cebu City
March 8, 2012 at 9:00 AM

PRESENT:

Mr. Dennis N. A. Garcia	Chairman
Mr. Ramontito E. Garcia	President
Mr. Charles Sylvestre A. Garcia	Director
Mr. Gil A. Garcia II	Director
Mr. Jose Marko G. Sarmiento	Director
Mr. Emil M. Garcia	Director
Mr. Elbert M. Zosa	Director
Mr. Efren P. Sarmiento	Director
Atty. Jesus B. Garcia	Independent Director

ALSO PRESENT:

Mr. Arlo A.G. Sarmiento	Chief Operating Officer
Atty. Macario C. Padullo	Finance Manager
Atty. Jess Anthony N. Garcia	Corporate Secretary

NOT PRESENT:

Amb. Raul Ch. Rabe	Independent Director
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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

The previous minutes of the BOD Meeting last Dec. 16, 2011 was approved without any revisions.

IV. CPPC

- 2011 Actual Financials

Grace Bacalla presented the income statement of CPPC. She reported a Year To Date (YTD) net income of PhP223 Million or 41% above budget. She also reported total YTD revenues of PhP1.564 Billion, with around 10% of that coming from WESM. She reported the increase in purchased fuel because of the increase in WESM sales. She said that WESM sales contribute around 25% of the company's bottom line.

She presented the balance sheet of the company as of December 2011. Total assets amounted to PhP1.172 Billion with total liabilities at PhP753 Million. Total liabilities and stockholders' equity amounted to PhP1.172 Billion.

Atty. Macario C. Padullo (MCP) and Arlo G. Sarmiento (AGS) discussed with Grace Bacalla CPPC's treatment of VAT vis-à-vis its WESM sales. Thereafter, she reported on the CapEx for the year 2011 and said that PhP35 Million was spent.

- 2012 Budget

She also reported on the 2012 budget for net income, revenues, fuel and purchased power, and cashflows.

She said that total CapEx for 2012 was expected to be PhP74 Million.

- Turn over

AGS discussed the turn-over of CPPC to VECO. He discussed the turn over date and the current corporate structure of the company. He presented the options for the transfer.

AGS said that VECO and CPPC management were still studying its options and a decision should be finalized soon.

V. CEDC

Melissa Vidal (MV) presented the 2011 income statement of CEDC. She reported a net income of PhP1.2 Billion. She also presented the company's balance sheet and cash flow report.

MV reported the January 2012 income statement, reporting an income of PhP200 Million for the month or PhP41 Million over budget. She explained the reasons why income for January

2012 was higher than budget, and this was due to efficiencies in costs and higher than expected WESM sales. She also presented the cash flow statement and balance sheet for January 2012.

MV showed the budget for 2012. She first explained the assumptions used in preparing the budget. She presented the revenue profile per customer as assumed in the 2012 budget. The 2012 budget for income was reported to be PhP1.6 Billion.

MV also showed the CapEx for 2012. She reported that CapEx for the year 2012 was expected to be low.

VI. Northern Renewables

- Monthly payments

MCP discussed the issue of reduction of monthly payments to PSALM. AGS reported the amount of savings expected if the monthly payments were reduced. Atty. Jesus B. Garcia (JBG) asked who the personalities behind PSALM were in order to address this issue. Juan Eugenio L. Roxas (JLR) explained to the BOD who the persons behind PSALM management were. AGS said that it was management’s duty to its shareholders to pursue the reduction of monthly payments considering the amount involved.

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- Financials

MCP presented the income statement of 2011. He said that the company’s performance was lower than expected because of the lower WESM price for 2011. He reported a net loss under cash accounting of PhP107 Million against a budgeted income of PhP138 Million or a negative variance of 178%, and a net loss under finance lease accounting of PhP211 Million against a budgeted loss of PhP25 Million or 717.8% lower than budget.

MCP presented the balance sheet of the company. Total assets amounted to PhP13.93 Billion with equity of PhP230 Million. He also discussed the company’s current assets, cash on hand, and receivables.

VII. VECO

- Statistics

L. Jayme (LJ) reported to the BOD. He presented the sales of Veco for the month of January 2012, and that in general, sales were higher than budget by 1.87% and 6.89% higher than actual 2010 sales.

LJ also reported an increase in the number of customers of Veco, citing a significant increase in the number of industrial customers.

AGS asked about the status of the Waterfront Case. JNG reported that the case was still pending with the ERC and the City Prosecutor’s Office.

It was reported that sales in MWhrs also increased in 2011 by 6% but excluding sales to CEMEX, there was actually no increase in MWhrs sales.

LJ reported a 3% increase in the number of customers of Veco for 2011.

LJ reported a YTD growth in consumption of 6.7% including CEMEX but practically no growth without CEMEX.

LJ presented Veco's top customers with an average bill of at least PhP1 Million per month.

LJ presented a comparative rate between the different utilities and VECO's rate for a 200kwhrs per month customer and VECO was the third highest next to PECO and MERALCO.

- 2011 Financial Report

Nelson Perez (NP) presented the financial report of Veco for the year 2011. He presented the audited financial statement for 2011. He reported actual revenues of PhP16.2 Billion against a budget of PhP16.5 Billion or PhP267 Million below budget. However, there was an increase of PhP2.9 Billion compared to 2010. He said that cost of power was lower by PhP337 Million against budget, primarily due to lower systems loss. Gross margin increased by PhP263 Million compared to 2010.

Operating expenses for 2011 was PhP1.635 Billion versus a budget of PhP1.76 Billion or PhP128 Million lower than budget. However, there was an increase of PhP89 Million versus 2010 operating expenses.

NET income after taxes reached PhP941 Million or 17.3% above budget of PhP802 Million, and 28% above 2010 Net income of PhP734 Million.

- 2012 Budget

NP presented the 2012 budget for Veco with an expected net income of PhP1.145 Billion.

- Other Veco Matters

Sebastian Lacson (SL) explained to the BOD that the main problem facing Veco is the high power rates. He said that Veco management was actively explaining to its customers the reason for the high power rates.

He reported that management's efforts against systems loss were very successful thus far.

AGS asked about updates on the South Reclamation Project-Memorandum of Agreement (MOA). LJ said that there may be some delays because although the city council already approved authority for the Mayor to sign the MOA but the City was concerned that the access fee may be subject to income tax by the BIR.

AGS also asked about the labor problem. SL said that Veco was currently experiencing some problems with the labor union because they are still recognizing the presidency of Mr. Casimero Mahilum as the Union President. He said that he would update the BOD of any future developments.

VIII. 1590EC

- Financial Report

MCP presented the income statement of 1590EC as of yearend December 2011. He reported a net income of PhP74 Million as against budget of PhP102 Million or 26% lower than budget.

Emil Andre M. Garcia (EMG) said that management was still looking at a more tax efficient way of presenting the financial statements in order to reduce taxes.

MCP presented the balance sheet of the company. He reported total liabilities and equity at PhP3.33 Billion compared to PhP3.48 Billion as of yearend 2010.

MCP discussed the liabilities in the balance sheet. JLR discussed the issue of the deadstock fuel owned by PSALM. He told the BOD that he already informed PSALM that they could not charge the acquisition cost of the fuel because the fuel already deteriorated into sludge and should be priced accordingly.

- ASPA Updates

JLR reported on the ASPA updates. He said that the final draft is already in the desk of the NGCP Senior technical adviser.

He said it would be finalized in the next ManCom of NGCP which is scheduled on Tuesday, March 14, 2012.

The ASPA is reported to be scheduled and finalized together with 2 other ASPA applications.

He also said that the Limay-ASPA will not push through.

- COA Updates

JLR reported on the COA updates for 1590EC. He said that the appraisal report was already finalized last week. The appraisal was PhP3.36 Billion or PhP272 Million higher than the purchased price.

The report is now being deliberated by the COA Director and Assistant Commissioner and due for submission to the committee *en banc* next week.

JLR said that PGLU was worried about the high appraisal of the COA and they are already making representations with COA to try to get the valuation down close to the purchase price.

- Marketing Updates

AGS explained the strategies planned by management for the marketing of the power plant's capacity. He said that there were 4 markets: 1) ASPA, 2) MERALCO, 3) Cooperatives, and 4) Replacement power for power plants.

- Third Party Investor

AGS discussed the possibility of partnering with a third party investor for the power plant. JBG asked about the possibility of inviting Filinvest through Jess Alcordo into the project. AGS said that while that was a possibility, the BOD has to first make a decision on whether a third party investor is necessary.

The BOD discussed the cash flows of 1590EC. It was reported that there would be deficit of around Php60 Million for the month of March. AGS asked the BOD whether the VVT BOD was willing to bridge its share of the Php60 Million cash deficit of 1590EC for March. The BOD agreed that VVT should pay for its share since more time was needed in order to address the cash flow problems of 1590EC and for JLR to discuss with the PGLU 1590EC's different options on postponement of the second down payment, extension of the term of all other payments, or conversion of the CTS into a lease. These options were necessary in order to ease the cash flows of 1590EC.

IX. VVT Business Development

- Visayas Coal Power Plant Project

EMG discussed the Visayas Coal Power Plant Project. EMG said that Asian Energy Advisors (AEA) have been commissioned to advise VVT on the necessity of a coal plant in the CNP grid in the next 3 years. Nick Nicols (NN) of AEA presented his report on the Visayas Coal Power Plant Project opportunity for Vivant. He discussed the pertinent prudent questions to ask regarding the investment in the project. He then presented the capacity factors of other coal plants located in the CNP grid like PEDC and KSPC at around 60-70%. He also presented the capacity factors of the other major coal plants in the Philippines like CEDC, SUAL, TPC, Calaca, and the others.

He discussed the merchant plant opportunity for the project if it were to go online by 2014 or 2015.

He also presented the projected market clearing prices for WESM until 2020.

He said that a 2x100MW coal plant in the CNP grid for 2016/17 makes sense. However, this has to be hedged with bilateral contracts due to future market risks and potential carbon taxes.

AGS said that based on the report of AEA, it appears that a coal plant in the Visayas for 2016/17 may be a good project. However, the management has to further study this matter and firm up what options or opportunities are available to Vivant during the projected period.

- Calamian Islands Power Corporation

EMG gave the updates on the CIPC project. He said that the ERC hearing for the PSA last February turned out well and that the ERC noted the full support from the local government.

X. DPI

- Expansion

EMG reported that the first CSP conducted by PALECO was a failed bid. He then reported that there was a second bid and he presented a comparison between the terms of the first and second round of bidding. He pointed out the differences between the two rounds of bidding.

EMG reported that the major difference in the second round is that two rates can now be presented for bidding as there will be a primary generation technology price and a secondary generation technology price. This will address the concerns of the bidders in the past because the timeline and capacity requirements needed both diesel and coal power plants. The defect in the first round of bidding was that PALECO only wanted a single rate for both generation technologies.

He presented the project economics for the PALECO bid. He said that there were two options: a 15MW coal and 15MW bunker, and 20MW coal and 15MW bunker. The first option has a project IRR of 14% and the second and IRR of 15%. And 20% and 22% respectively for project IRR.

The BOD approved to proceed with the participation of Delta P in the PALECO bid subject to the final figures presented in a special EXCOM meeting called for such purpose.

XI. VVT

- 2011 Financial Report

Marivic E. Sembrano (MES) presented the projected 2012 balance sheet compared to the unaudited balance sheet of 2011. She noted that total liabilities for 2012 was expected to be PhP9.5 Billion compared to PhP8.2 Billion in the end of 2011.

MES presented the expected key financial ratios of the company for 2012 compared to 2011.

EMG discussed the 2012 CapEx requirements of the company. He discussed the requirements on a per project basis. He said that CapEx was required for the DPI expansion, Silay, CIPC, Unified Leyte, Panay coal, a contingent project, and 1590EC's capital call. The total CapEx requirement for 2012 was PhP2.1 Billion. However, the CapEx requirement was dependent on whether the projects would push through. AGS asked MES to explain whether the company's balance sheet could accommodate the planned projects. MES reported that the company's debt to equity ratio was currently at 1:1 which was way below the bank accepted standard of 2:1. Thus, she said that the company's balance sheet could support the CapEx requirements through additional debt.

- 2012 Budget

MES presented the 2012 projected income statement for VVT Corporation. She discussed the various contributions to revenues expected from the different subsidiaries of VVT for 2012. MES reported that total revenues was expected to reach PhP921 Million and that projected operating expenses under the budget was expected to be PhP91.6 Million.

Net income was projected to be PhP762 Million for 2012.

The Chairman asked whether the balance sheet as presented was the same one presented to the finance committee. MES said that this was the same balance sheet presented to the FinCom.

Ramontito E. Garcia (REG) moved and Jose Marko G. Sarmiento (JMGS) seconded the approval of the budget for 2012.

XII. Other Matters

The BOD also discussed the nomination of Mr. Abacan as member of the BOD.

- BOD meeting schedules

The BOD approved the schedules as presented with the change that the Annual Stockholders Meeting be scheduled on June 15, 2012.

XIII. 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


RAMONITO E. GARCIA
President


CHARLES SYLVESTRE A. GARCIA
Director


GIL A. GARCIA II
Director


JOSE MARKO G. SARMIENTO
Director


ELBERT M. ZOSA
Director


EMIL ANDRE M. GARCIA
Director

ATTY. JESUS B. GARCIA
Independent Director


EFREN P. SARMIENTO
Director