

MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
VIVANT CORPORATION

March 18, 20110
Suite 907-908, Ayala Life-FGU Center
Cebu Business Park, Cebu City

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. Jose Marko G. Sarmiento - Director
Mr. Effen P. Sarmiento - Director
Mr. Elbert M. Zosa – Director
Mr. Emil M. Garcia - Director
Amb. Raul Ch. Rabe – Independent Director

ALSO PRESENT:

Mr. Arlo A.G. Sarmiento – Chief Operating Officer
Atty. Jess Anthony N. Garcia – Corporate Secretary
Atty. Macario C. Padullo – Finance Manager
Mr. Juan Eugenio L. Roxas – AVP External Affairs & Admin.

NOT PRESENT:

Mr. Alfred Ty – Director
Atty. Jesus B. Garcia, Jr. – Independent Director

I. Call to Order

The Chairman, Mr. Dennis N.A. Garcia, called the meeting to order at 9:30 AM and presided over the same.

II. Proof of Notice and Certification of Quorum

The Corporate Secretary, Atty. Jess Anthony N. Garcia, 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 the Previous Minutes of Meeting

Upon motion duly made and seconded, the minutes of the previous meeting of the BOD was ratified and approved.

IV. To Do's From Previous Meeting

The Chief Operating Officer, Arlo G. Sarmiento (AGS), reported on the status of the matters that were left as "To Do's" during the last BOD Meeting. AGS reported on Northern Renewables prepayment of monthly payments to PSALM. He said that as of the time of reporting, there was still no word from PSALM on the matter of the prepayment. AGS just informed the Board that a scheduled meeting with the new President will be set by management.

AGS presented the total donations made by VECO for 2009 through the Aboitiz Foundation. A breakdown of where the donations were given was shown, noting that the bulk of the money went to education. Moreover, AGS also presented all the projects in line for the company for the year 2011.

V. Vivant 2011 Budget

Atty. Macario C. Padullo (MCP) presented the budget for the year 2011. He presented the projected revenues for 2011 and noted that the core revenues of the company have been steadily increasing from the year 2007 to 2009. He reported that in 2010, the company experienced a huge increase in revenues primarily due to high contributions from the generation business. MCP informed the Board that a 9% increase in revenue is projected for the year 2011, both from the distribution and generation businesses.

MCP then presented the current WESM prices that would reflect the true supply-demand situation, showing the weekly average prices from January 2009 to January 31, 2011.

MCP also presented the projected operating expenses by highlighting the top 5 operating expenses for the year 2011. He noted that the financing cost was the single largest expense from 2008 up to 2010, followed by salaries and benefits which have been consistently increasing, director's fees and bonuses, travel, and then professional fees.

A summary of the projected income statement, projected cash flow statement and cash flow assumptions were presented, showing a 9% increase in revenues contributed by both distribution and generation business, with a strong contribution from CEDC and 1590 EC.

For cash flow assumptions, MCP showed the CAPEX requirements for the year 2011, noting that if all CAPEX projects materialize, additional funds will be needed. Other than the projects in line, cash flow assumptions in terms of increase in regular dividends to shareholders as well as additional special dividends were also taken into consideration.

Upon a motion that was duly seconded, the BOD approved the following resolution:

“Resolved as it is hereby resolved that the 2011 yearly budget presented by management be as it is hereby approved by the Board of Directors.

Resolved further to authorize management to use and implement said budget in the operations of the Corporation for the year 2011.”

VI. Update on Subsidiaries

1. VECO

AGS updated the Board on VECO's systems loss issue for the year 2010. He reported that the 2010 systems loss was 10.38%, the highest figure in 6 years. This was above the ERC-mandated systems loss cap of 8.5%. AGS discussed some of the proposed solutions that the VECO management intends to implement in order to address the systems loss problems.

AGS also discussed the VECO management fees for the year 2010. He reported that the fees were much higher compared to that of 2009.

2. ABOVANT/CEDC

AGS reported that commercial operations of CEDC started February 26, 2011 with all 3 units running and charging off-takers the full contract rate. However, AGS reported that there were organizational issues within CEDC because certain key employees including Jess Alcordo have resigned.

3. 1590 EC

AGS reported that the first downpayment for the power plant was paid on January 26, 2011. He also reported that 1590EC filed a dispute with PEMC for discrepancies in prices for the month of November 2010. He also reported that 1590EC was currently experiencing lower than budget revenues due to low prices in the WESM. He said that 1590EC management was currently negotiating with NCGP for a non-firm ASPA and with Aboitiz Power for a bilateral contract.

4. Northern Renewables

AGS reported to the BOD that although generation was low, it was still above budget. However, he said that revenues were below budget because of low WESM prices and it was not due to lack of generation. He also reported that there will be a 6 month outage for the Bakun Power Plant due to the expected tunnel repairs.

5. CPPC

AGS reported that CPPC management was still trying to adopt the new WESM system that was recently put in place in the Visayas.

6. DPI

AGS reported that the focus of management was to consolidate the grid possibly with the addition of a hydro power plant. He also said that NPC-SPUG collection was a concern because NPC has been delayed in payments to SPUG generators.

7. HDPE

AGS stated that Filinvest interested in a partnership over the Tayud property of HDPE. However, no formal proposals were on the table as of the time of reporting.

8. AHPI

It was reported to the BOD that the power plant has been down since November due to delays caused by NGCP in the replacement of the transformer. However, it was reported that a new transformer was installed and energized on March 17, 2011. The BOD was informed that a new organization was in place for 2011 with a new manager who is based in Dumaguete. It was also reported to the BOD that Additional CAPEX for 2011 is expected due to repairs and rehabilitation work that are needed by the power plant.

VII. VVT Manning Compliment

AGS briefed the Board on the credentials of Dr. Leonor S. Caneja, the consultant hired by the company to do the study on manning compliment of the Company. He also presented the table of organization and briefly explained the specific job descriptions of each position to be hired. With this, Mr. Elbert M. Zosa (EMZ) expressed his concern the risks facing the Company. He strongly advised to focus on the sustainable revenue and make sure to manage the overhead expenses in case a crisis arises. He then suggested hiring an AVP for Finance from one of the auditing firms. Amb. Rabe also commented that since the company has been expanding for the past five (5) years, it is high time that a Risk Officer should be considered in order to address the risks that the Company faces in the coming years. He said that the Company should establish a Risk Management Unit that is tasked to review all risks involved in the operations of the Company and new projects. He also said that the Company should also form a Risk Management Committee within the BOD to oversee the risk management functions of the Risk Management Unit. After a thorough discussion, it was agreed that a Strategic Planning session should be planned for the Company.

VIII. VVT 2011 Projects

Emil M. Garcia (EMG) presented the possible projects in line for the Company.

1. Calamian Islands Power Corp (CIPC)

EMG reported that Vivant together with Gigawatt Power, Inc. won the bid for a 15-year Power Supply Agreement (PSA) with BISELCO. The PSA binds the consortium to supply BISELCO with its entire capacity needs, including reserve capacity. Project Costs, Equity

structure, Projected IRR, and other projects details were briefly discussed by EMG. As of the time or reporting, BISELCO has yet to present its counter-proposal.

2. 8MW Malugo Mini-Hydro Power Plant

Located in Silay City, Negros Occidental, the plant has a proposed installed capacity of 8MW. As of the time of reporting, the following updates have already taken place:

- Already signed a two-year pre-development contract with the Department of Energy (DOE)
- Signed a Memorandum of Agreement with the LGU of Silay.
- Assumptions used in the feasibility study:
 - Estimated Cost of \$2.5M - \$3M per MW
 - Tariff rate used is P4.80/kWh
 - Feed-In-Tariff rate is projected to be higher than the assumed rate.
 - COD is dependent on the implementation of the FITT rate.

3. Other Potential Hydropower Sites

Name of Hydro Projects	Estimated Capacity	Location	Remarks/Status
1 Malogo 2 Hydro Project	5 MW	Silay City, Negros Occ.	Located immediately upstream, Malogo 1 Hydro Project of VEC. Open for pre-development service contract with the DOE.
2 Malogo 3 Hydro Project	2 MW	Silay City, Negros Occ.	Located upstream of Malogo 2 Hydro Project, already within Brgy. Patag. Open for pre-development service contract with the DOE.
3 Upstream Himogaan Hydro Project	2 MW	Calatrava, Negros Occ.	DOE Pre-Service Contracts have been awarded to Century Peak Energy Corp. at sites located at the lower areas of the Himogaan River (Sagay City Jurisdiction). This has yet to be verified with the DOE & Century Peak.
4 Lower Himogaan Hydro Project	4 MW	Sagay City, Negros Occ.	Located downstream the area of interest of the City of Sagay (Middle Himogaan Hydro Project which is currently applied for a Pre-service contract with the DOE.) This needs proper representation with Gov. Maranon as wants the LGU of Sagay or the Province to also invest as partner. Application for a Pre-Service Contract with the DOE is still open.
Name of Hydro Projects	Estimated Capacity	Location	Remarks/Status
5 Diot River Hydropower Project	4 MW	Paranas, Western Samar	Open for Pre-Development Service Contract Application. The Samar Electric Cooperative 2 (SAMELCO 2) may want to enter into Joint Venture undertaking for this project.
6 Calbiga Hydropower Project	5 MW	Calbiga, Western Samar	Open for Pre-Development Service Contract Application. The Samar Electric Cooperative 2 (SAMELCO 2) may want to enter into Joint Venture undertaking for this project.

4. Unified Leyte IPPA

EMG updated the board on the status of the Unified Leyte IPPA project. He reported that:

- Target Bidding is on the 4th quarter of 2011.
- PSALM is considering re-opening the bidding process to allow other investors to participate.
- On the 10% uncertainty band on nominated energy, PSALM is cognizant of the issue and intends to address it, but as of now PSALM have no definite plan yet to address the issue.
- Limitations on the amount of the monthly payments are yet to be determined by PSALM.
- The TSCs that were to expire last December 26, 2010 have been extended for another year.

Other project details such as key financial assumptions, potential annual revenues, equity requirement, and project returns were covered in the discussion.

5. Other Projects – EMG also presented the other projects that are in line for the company:
 - a. Expansion of Amлан Hydro
 - b. Palawan Hydro
 - c. Tayud Property
 - d. Coal Projects
 - e. Panay
 - f. Mindanao
 - g. Privatization of Albay Electric Cooperative (ALECO)
 - h. IPPA Bid for the 149MW Naga Power Plant Complex
 - i.

IX. VVT 2010 Financial Statements

MCP reported on the financial statements of the company for the year ending December 31, 2010. He presented VVT's income statement and balance sheet. He also reported on key financial ratios of the company as well as the cash flows.

X. Other Matters

No other matters were discussed by the BOD.

XI. Adjournment

The meeting was adjourned upon motion duly made and seconded.

Prepared by:



EIRREN L. BADAYOS
Recording Secretary

Reviewed by:

ATTY. JESS ANTHONY N. GARCIA
Corporate Secretary

Attested by:



DENNIS M. A. GARCIA
Chairman



RAMON T. GARCIA
President



CHARLES SYLVESTRE A. GARCIA
Director



ELBERT M. ZOSA
Director



JOSE MARKO G. SARMIENTO
Director



EIRREN P. SARMIENTO
Director



EMIL ANDRE M. GARCIA
Director



GIN A. GARCIA
Director



RAUL CH. RABE
Independent Director

