

VIVANT CORPORATION

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS

Vivant Board Room, Ayala-Life FGU Center

Cebu Business Park, Cebu City

February 8, 2013 at 9:30 A.M.

PRESENT:

Mr. Dennis N. A. Garcia	Chairman
Mr. Ramonito 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. Hans R. Hauri	Director
Mr. Jose Marko G. Sarmiento	Independent Director
Atty. Jesus B. Garcia, Jr.	Independent Director
Amb. Raul Ch. Rabe	Independent Director

ALSO PRESENT:

Mr. Arlo A.G. Sarmiento	Chief Operating Officer
Ms. Maria Victoria E. Sembrano	AVP-Finance and Treasury
Atty. Macario C. Padullo	AVP-Corp. Management Systems
Juan Eugenio L. Roxas	AVP-External Affairs
Atty. Jess Anthony N. Garcia	Corporate Secretary

I. Call to Order

The Chairman, Mr. Dennis N.A. Garcia (DAG), called the meeting to order at 9:30 A.M. 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 minutes of the Board of Directors' (BOD) meeting last December 20, 2012 was presented by JNG to the BOD for approval. Upon motion that was duly seconded, the BOD approved the minutes as presented without corrections.

IV. NR Deferment Update

Mr. Emil Andre M. Garcia (EMG) reported that PSALM denied NR's request for deferment which is tantamount to amending the IPPA Agreement. He said that PSALM's solution is to avail of the rights under Section 10 of IPPA Agreement, which provides:

“10. INTEREST

If any amount payable by either Party hereunder whether in respect of fees or otherwise and whether pursuant to judgment or otherwise is not paid on or before the due date, the defaulting Party shall pay interest thereon, calculated at (i) the Overnight Federal Funds Rate prevailing as of the due date plus three percent (3%) per annum if the amount was due in dollars, and (ii) at the T-Bill Rate prevailing as of the due date plus three percent (3%) per annum if the amount was due in pesos, from the date upon which it was due until the date upon which such amount is received by the other Party save that, in the case of sums which are due to the Administrator from PSALM in respect of an ER Claim, the Administrator's entitlement to such interest shall be subject always to Clause 6 (*Equivalent Relief*).”

EMG reported that according to PSALM, for as long as NR pays interest on the unpaid amounts, PSALM will not declare NR in default. He said that the following steps will be taken moving forward:

- PSALM Legal will reply to NR's original request for deferment denying such request.
- PSALM will bill NR for the interest on the unpaid amounts from October to December 2012.
- NR will pay the interest on the unpaid amounts.
- NR will write a letter to PSALM with the following tenor:
 - 1) Outline the events that led to this financial difficulty of NR
 - 2) Inform PSALM that as a result of this financial difficulty, NR will not be able to pay in full the monthly payment from October 2012 to May 2013.
 - 3) PSALM will answer to the above letter by saying that they fully understand the predicament of NR but that NR shall be assessed with interest on the unpaid amounts pursuant to Section 10 of the IPPA Agreement.

The BOD discussed NR's options and asked questions pertaining to the deferment problem of NR. Director Jesus B. Garcia, Jr. (JBG) mentioned that NR always has the option of filing for insolvency in order to protect it from the default provisions of the contract.

Amb. Raul Ch. Rabe was concerned that the company will be viewed by creditors and others in the industry as being in technical default that would ruin the business reputation of NR and VVT.

Director Elbert M. Zosa (EMZ) said that any protection for NR should always be on record and in writing.

V. 1590 Lease Update

EMG reported on the 1590EC Update on Lease Extension. He said that the current lease will expire on June 2013 but that 1590 was negotiating for a 3 year extension. He said that in the extended lease agreement, there is a possibility that the monthly rentals would increase. There may also be a royalty fee of 3% of revenues less fuel cost.

Juan Eugenio I. Roxas (JIR) discussed and informed the BOD that there are other parties who are interested in purchasing the power plant. JBG asked if the proposed lease extension includes a right of first refusal (ROFR) provision for 1590 to purchase the plant. JIR said management included a ROFR provision in its proposal to the PGLU.

EMZ asked what the effect was of the COA decision about royalty fees to the lease contract and whether this would be retroacted. JNG said that upon receipt of the COA decision, management intended to pay a royalty fee because the concept in the the COA decision was to pay a royalty fee as long as PGLU remains the owner of the power plant. He said that this was the same situation as with the lease so management decided to retroact royalty fee payments to the PGLU. However, Arlo A. G. Sarmiento (AGS) said that the retroactive payments would only be released upon signing of the lease extension and was subject to negotiations with the PGLU.

VI. Business Development Updates and Projects CAPEX

- Vivant-Malogo Hydropower Inc. (VHMI)

EMG reported on the updates to the VMHI. He discussed the location of the project. He reported that the requirements for the Grid Impact Study have already been submitted to NGCP. He reported that they were in the process of shortlisting potential EPC contractors. In addition, he informed the BOD that some banks have already been approached for possible financing of the project.

He also discussed the total project cost to be PHP902 Million, with a debt to equity ratio of 70:30, VEC's equity would be 67% and equity infusion will be Php187.3 Million. Project IRR at fit rate is 12.7% and equity IRR at fit rate is at 17.5%.

EMZ asked the rough timetable of the project. EMG said that completion should be at 2015. JBG said that he had some Russian investors who are experts in hydroelectric power generation who are interested in investing in the Philippines. The BOD said the prospective investors should just send a letter of intent to the VVT chairman in order to kick-start discussions on a possible future partnership.

- CIPC

EMG reported that the CIPC consortium just obtained a favourable ERC decision that approved an electricity tariff that would give an equity IRR of 16.2% for Coron and 20% for the Busuanga Power Station.

Project financials: Total Project Cost: PHP514 Million, debt to equity is at 70:30, VEC's equity: Php77 Million for Coron and Php4.3 Million for Busuanga.

- Corenergy, Inc. Update

EMG reported that the primary purpose of Corenergy, Inc. (CE) is buying, sourcing, and obtaining electricity from generating companies or from WESM, and selling, brokering, marketing, or aggregating electricity to end-users in the Contestable Market.

CE will serve as the commercial arm for all of VVT's energy portfolio. CE will serve as a SPV that will be a Retail Electricity Supplier for VVT.

EMG reported that CE is now applying for a RES license with the ERC. JBG asked what the risks were for the RES business. AGS said that competition is high. AGS also said that there is a danger of overcontracting with suppliers but without a market to sell to. This kind of over exposure is a risk to the RES business.

Amb. Rabe said that management should also consider that the Philippines is in a shortage situation, and this may be different from the RES situation in other countries. He asked management to take this difference into consideration when evaluating the feasibility of the RES business.

- Tablas

EMG reported on the Tablas Project. He discussed the credentials of TIELCO, the COOP in the Tablas Project. He stated that TIELCO was an A rated COOP with a 100% collection efficiency. He reported that Tablas Project was for a bunker plant initially and then a hydro. He discussed the financials of the project. Project Cost is PHP566 Million for bunker and PHP494 Million for hydro.

- Visayas Coal Project

He said that there is a need for a coal plant in Visayas to serve the needs of Veco. The options are a 150MW or 300MW power plant. VEC's equity will be 40% of 150MW or 20% of 300MW. VEC's equity infusion will be Php851 Million on 2013 and another Php851 Million on 2014.

- Mindanao Coal Project

EMG reported the project particulars for the Mindanao Coal Project. He said that installed capacity will be 110MW with an estimated total project cost of Php10.4 Billion with a debt to equity ratio of 70:30. VVT's equity infusion at 20% will be Php312 Million for 2013 and Php312 Million for 2014. At 30%, VVT's equity infusion will be Php468 Million for 2013 and Php468 Million for 2014.

AGS discussed with Amb. Rabe the sentiments of CEPALCO in accommodating VVT as a partner in the Mindanao Coal Project. Amb. Rabe said that VVT is considered a preferred investor by CEPALCO.

VII. Financial Report

- Revenue Assumptions

EMG presented the revenue assumptions used for the 2013 budget presentation. He discussed the revenue contributions of the subsidiary companies of VVT.

Veco - He reported that the revenue contribution for Veco is budgeted to be Php479 Million for 2013 compared to actual 2012 revenue of Php398 Million.

CPCC – EMG reported that the budgeted revenue for CPCC is Php34 Million or 71% less than actual 2012 revenues of Php117 Million.

Delta P – EMG said the budgeted 2013 revenue for Delta P is Php6.8 Million or 63% less than the actual 2012 revenues of Php18.4 Million. He said that this was mainly due to the expected reduced running hours of the company for 2013.

1590 EC – EMG said that the company expects Php169 Million in revenues for 2013 which is 16% lower than last year's actual revenues which amounted to Php200 Million.

AHPC – VVT management expects no generation from the power plant in 2013 and budgeted a loss of Php1.6 Million against actual loss in revenue of Php2 Million for 2012.

CEDC – EMG reported that CEDC is expected to contribute Php375 Million in revenues for 2013 compared to Php372 Million in actual revenue contribution for 2012.

NR – NR is expected to contribute Php94 Million in revenues for 2013 against actual revenues loss of Php60 Million for 2012.

- Consolidated Revenue Forecast

MES presented the consolidated revenue forecast. She reported that the total expected revenues for 2013 is Php1.56 Billion compared to the 2012 revenue forecast of Php1.45 Billion.

- Expense Assumptions

MES discussed the expense assumptions used in preparing the 2013 budget. She said that VVT expects borrowings of Php1.5 Billion for 2013 in order to fund the planned projects of 2013.

- Functional Table of Organization

AGS discussed the functional table of organization for VVT. MES presented the details of manning the table of organization for VVT. EMG said that VVT should be prudent and rational about its manning compliment because no one could predict the business environment in the future. He said that VVT should not get stuck with too many personnel that would drive the company's overhead too high.

- Consolidated Expense Forecast

MES discussed the 2013 Expense Forecast for VVT. MES discussed the line items that compose the 2013 expense forecast of VVT.

MES reported that the 2013 budget for total operating expenses is Php133 Million but the budget for total expenses including finance and other charges amounts to Php228 Million.

- Projected Balance Sheet

MES reported the projected balance sheet of VVT. She reported total equity of Php6.5 Billion, and total liabilities and equity of Php9.5 Billion.

EMZ asked why total equity decreased when income from the subsidiaries increased. MES explained that total equity decreased despite the projected increase in subsidiaries income and the overall net income in 2013 because of the planned declaration of dividends during the year.

- Financial Ratios

MES reported that all ratios were within targets except for Return on Assets due to the long gestation period required by the new projects. Basically the company will be infusing cash into projects but it will take at least three years before any income is realized. She also said that debt to equity was still very low at 0.62.

VIII. Adjournment

After a motion duly made and seconded and there being no other matters to discuss, the Chairman of the Board formally declared the meeting adjourned at 5:00 pm.

Prepared by:

ATTY. JESS ANTHONY N. GARCIA
Corporate Secretary

Attested by:

DENNIS N.A. GARCIA
Director

GIL A. GARCIA II
Director

EMIL ANDRE M. GARCIA
Director

RAMONITO D. GARCIA
Director

CHARLES SYLVESTRE A. GARCIA
Director

EFREN P. SARMIENTO
Director

ELBERT M. ZOSA
Director

JOSE MARKO A.G. SARMIENTO
Director

ATTY. JESUS B. GARCIA, JR.
Independent Director

AMB. RAUL CH. RABE
Independent Director

HANS R. HAURI
Director