



28 January 2013

PHILIPPINE STOCK EXCHANGE, INC.

Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: Janet A. Encarnacion
Head, Disclosure Department

Ma. Ilonah Jane T. Torres
Analyst, Disclosure Department

Re: Additional Information on the
Issuance of Preferred Shares and Warrants

Gentlemen:

This refers to your letter dated 25 January 2013 requesting for additional information on the Company's issuance of preferred shares and warrants which was approved by the Board on 22 January 2013.

In response to your request, please see additional information on the proposed issuance of preferred shares and warrants:

1. The rationale for the creation and issuance of the preferred shares is to raise funds for the following projects of the Company: (a) acquisition of additional bingo sites; (b) Belle Grande Integrated Resort and Casino project; (c) Techzone project; and (d) Midas Hotel project.
2. The preferred shares and the warrants shall have the following features:

Offer Price	₱1.00 per share
Dividend Rate	8.5 % per annum
Features	Non-voting, non-convertible, cumulative, non-participating and redeemable at the option of the Company

Dividend Rate Step-Up	Unless the preferred Shares are redeemed by the Company on the 5 th year anniversary from issue date (the “Optional Redemption Date”), the Dividend rate shall be adjusted on the Optional Redemption Date to the higher of (a) the Dividend Rate or (b) the prevailing Philippine Dealing System Treasury Note fixing 10-year treasury securities benchmark rate, plus a spread of 300 basis points.
Optional Redemption	LRWC has the option, but not the obligation, to redeem the perpetual preferred shares in whole or in part on the Optional Redemption Date or on any Dividend Payment Date thereafter at a redemption price equal to the issue price of the perpetual preferred shares plus accumulated and unpaid cash dividend, if any, for all dividend periods up to the date of actual redemption by the Company.
Provision of Warrants	A nil-paid, detachable warrant shall be issued to the Investor(s) for every twenty (20) Preferred Shares. Each warrant shall entitle the Investor(s) to purchase one (1) common share.
Exercise Price of Warrants	The exercise price of the warrant shall be ₱15.00 or the Company’s weighted average trading price for three (3) months prior to the exercise date of the warrant less a ten percent (10%) discount, whichever is lower.
Exercise Period of Warrants	The warrants are exercisable starting on the 5 th anniversary of the issuance of the preferred shares until the 8 th anniversary.
Early Redemption Due to Changes in Accounting Treatment	<p>If an accounting event occurs that will result in a change in the accounting treatment of the preferred shares, the Company may redeem the perpetual preferred Shares at the issue price plus all accumulated and unpaid cash dividends, if any.</p> <p>An accounting event shall occur if an opinion of a recognized person authorized to provide auditing services in the Republic of the Philippines states that there is more than an insubstantial risk that funds raised through the issuance of preferred shares may no longer be recorded as “equity” pursuant to the Philippine Financial Reporting Standards.</p>

- The authorized capital stock of the Company shall be increased from ₱1.6 billion to P5 billion divided into 2.5 billion shares of common stock with par value of ₱1.00 per share and 2.5 billion shares of preferred stock with par value of ₱1.00 per share. The Board has also approved the stock dividend declaration of 20% equivalent to approximately 200 million common shares.

Upon approval of the Securities and Exchange Commission (SEC) of the increase in authorized capital stock and the stockholders of the stock dividend declaration of 20%, the issuance of 1.75 billion preferred shares shall constitute fifty-nine percent (59%) of the total outstanding shares.

The issue value is the same as the par value of the Company's common shares. The payment of subscription shall be upon the execution of the Subscription Agreement between the investor and the Company.

4. The issuance of the preferred shares shall be subject to the approval of the stockholders and the SEC of the increase in authorized capital stock. A special stockholders' meeting has been called and will be held on March 22, 2013. The Company shall endeavor to secure SEC approval by end of April 2013.
5. The effect on the ownership structure (before and after the transaction):

Principal Stockholder	Before		After	
	No. of Shares	%	No. of Shares (including 20% stock dividend declaration)	%
Zoraymee Holdings, Inc. (Common Shares)	111,267,658	11.13	133,521,189	4.53
Grandshares, Inc. (Common Shares)	100,000,000	10.00	120,000,000	4.07
Alfredo Abelardo B. Benitez (Common Shares)				
Direct	68,320,001	6.83	81,984,001	2.78
Indirect	36,782,593	3.68	44,139,111	1.50
Vantage Equities, Inc. (Common Shares)	25,000,000	2.50	30,000,000	1.02
Pacific Online Systems Corporation (Common Shares)	25,000,000	2.50	30,000,000	1.02
Investors to the Private Placement (Preferred Shares)	-	-	1,750,000,000	59.00

6. The effect on the capital structure:

Issued Shares	₱ 2,949,877,094
Common Shares	₱ 1,199,877,094
Preferred Shares	₱ 1,750,000,000
Other Types of Securities	₱ 87,500,000
Outstanding Shares	₱ 2,949,877,094
Common Shares	₱ 1,199,877,094
Preferred Shares	₱ 1,750,000,000
Other Types of Securities	₱ 87,500,000
Treasury Shares	-

Common Shares	-
Preferred Shares	-
Other Types of Securities	-
Listed Shares	₱ 2,949,877,094
Common Shares	₱ 1,199,877,094 (upon additional listing of stock dividend declaration)
Preferred Shares	₱ 1,750,000,000.00 (upon listing)
Other Types of Securities	₱ 87,500,000.00 (upon listing)

Other types of securities consist of warrants which are equivalent to 87,500,000 common shares if fully exercised.

Please note that the Company plans to list the common shares arising from the stock dividend declaration, the preferred shares arising from the private placement, and the warrants attached to said preferred shares.

Aside from the foregoing, there is no other significant information necessary to enable an investor to make an informed investment decision.

We trust that our disclosure sufficiently informs the Trading Participants and the investing public of the proposed issuance of preferred shares and warrants.

Very truly yours,



RAUL G. GERODIAS
Corporate Secretary/Compliance Officer