September 22, 2009

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Cebu Bulk Water Supply Project

Gentlemen:

Please be informed that Cebu Governor Gwendolyn F. Garcia has accepted the unsolicited proposal of the Manila Water Consortium (composed of Manila Water Company, Inc. and Stateland, Inc.) for a joint venture or investment with the Provincial Government of Cebu (PGC) for the development of a treated bulk water supply project in Cebu Province.

In an earlier disclosure dated August 12, 2009, Manila Water Company, Inc. (Manila Water) stated that the submission of the unsolicited proposal was made pursuant to the Joint Investment Ordinance (JI Ordinance) issued by PGC. The said ordinance recognizes the authority of the province to enter into a joint venture or investment with the private sector and provides guidelines and procedures for its exercise.

Under the JI Ordinance, the acceptance of the unsolicited proposal by the Governor will trigger the detailed negotiations between PGC and the Manila Water Consortium regarding the specific terms and conditions that will govern their joint investment.

Thereafter, the joint investment activity shall be subjected by PGC to a “swiss challenge” or competitive challenge from other interested parties.

In the proposal, the joint investment will involve the supply of 35 million liters per day of potable bulk water sourced from the Luyang River of the Municipality of Carmen. This aims to meet the growing water supply requirements of several northern cities and municipalities of the province. Currently, only 50% of these areas are being served.
Salient features of the proposal include a no “take or pay” provision and the turnover of all the joint investment company's assets to the province once the initial 25-year cooperation period has lapsed.

The joint investment proposal with PGC aims to replicate the improvements that Manila Water made in the East Zone as concessionaire of the Metropolitan Waterworks and Sewerage System and help alleviate the critical over-extraction of groundwater in Cebu Province.

Thank you.

Sincerely,

Lizelle Zamora-Dimacuha
Legal and Compliance Officer