



Blue City Oman

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# Blue City Company 1 S. A. O. C.

Business Plan presentation to Note holders of  
Blue City Investments 1 Limited

August 2010

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المدينة الزرقاء

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## DISCLAIMER

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This presentation is prepared for discussion in the meeting of Note holders on 17<sup>th</sup> August 2010, with an intention to assist the Note holders to maximize their expected recovery prospects. Attempts will be made to upload this presentation on our public website. We would like to re-iterate that the Notes are listed on the Irish Stock Exchange and are primarily regulated by the Irish Financial Services Regulatory Authority. The holder of the Notes, and the issuer of the Notes, are subject to Irish, European and international securities laws regulating insider dealing and market abuse. Fundamental to such laws is the obligation on us to ensure uniformity of information in the marketplace, and thus avoid the risks of individuals in possession of insider information committing market abuse and insider dealing. Both we, and any person in possession of insider information who trades in the Notes, risk criminal and civil penalties for any breach of these laws. Accordingly, in order to enable us to accommodate requests for material information which is not provided by us through our public website related to the Blue City project, while avoiding the potential risks of falling afoul of the prohibitions against insider trading and market abuse, we request that all queries and correspondence concerning the Notes or the Blue City project be directed to The Bank of New York Mellon. This presentation does not constitute an offer, recommendation or a solicitation to buy, sell or hold the Notes or other financial instrument. While this presentation is based on information believed to be reliable, no guarantee is given that it is accurate or complete and should not be relied upon by any person. Nothing herein should be construed as investment, legal, accounting or tax advice. Each person is urged to consult with its independent financial advisor, lawyer or accountant as to legal, tax and related matters to which matter herein may be subject. No representation or guarantee is being made herein as to the future investment performance. No representation is made that the Project will actually perform as described in any of the illustrative calculations or projections which may be presented herein or otherwise to any person.





## CURRENT STATUS

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The project is facing difficult times on account of:

- Excessive and expensive debt burden being borne by the project
- Onerous debt covenants
- Inflexible construction contract
- Global financial meltdown that has severely affected regional property market
- Continued global economic weakness affecting property off-take/investor confidence
- General negative publicity surrounding the project (Ratings, Shareholder dispute)
- Master plan changes, design changes and delayed sales releases

Resulting in:

- Delayed construction start.
- Sales less than projected.
- Non payment of customer installments on achieved sales (US\$ 29.3 Mln owed).
- Cash crunch currently affecting operations.
- Work suspension by the contractors due to non payment
- Inability to complete units sold as per SPA (US\$ 219.50 Mln at risk)
- Accumulation of liabilities to various unsecured and Issuer related creditors

All of the above are a threat to the project and jeopardize the interest of all parties e.g. note holders, shareholders, management, contractors, etc. involved in the project.





## MANAGEMENT OPTIONS

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Options are limited:

- Restructuring
- Enforcement
- Liquidation
- Abandonment triggering Project Event of Default providing government step-in rights under the Development Agreement

If action is not taken immediately:

- The Trustee, as directed by the A Class note holders, may take enforcement action
- BCC1 will file for insolvency with Omani courts
- Local unsecured creditors will file for liquidation with the Omani courts
- The government will cancel the concession.

All of the above will cause a significant reduction in recovery value of the notes held by the holders





## RECOMMENDED COURSE OF ACTION

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Restructuring is the only viable option

- Provides the opportunity to continue the project
- Rights under the Development Agreement to be maintained
- Provides note holders potential to maximize recovery

Therefore, the management has requested this meeting to present a proposed restructuring plan to seek feedback





## RESTRUCTURING PLAN - ISSUES

- For a restructuring to be pursued, current issues require immediate resolution:
  - debt burden which cannot be paid by Blue City can only be written off by approval of relevant class of Note holders (first step already taken in June 2010 by reducing the liability senior to Class B to D Notes from US\$661.50 Mln to US\$522.585 Mln and recent suit filed against Class D Note holder to seek cancellation of US\$70 Mln debt).
  - inflexible construction contract to be modified upon approval by the Note holders.
  - onerous debt covenants to be modified upon approval of the Note holders.
  - reduction of negative carry cost on cash reserves by approval of the Note holders.
  - significant changes to the project structure by approval of the Note holders.
  - release of security to sell project assets to generate necessary cash for project development by approval of the Note holders.

The Bank of New York Mellon and Bank Muscat to be involved in restructuring and their fees and expenses (as well as legal costs) are to be paid by the Note holders since there is no possibility for Blue City to meet these expenses.

Assistance of Class A, B and C Note holders is necessary to bring prospects to purchase project assets.





## RESTRUCTURING PLAN – SALIENT ASPECTS

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- Existing Phase 1 Development Plan reworked to include only those sections that are currently under progress or at design stage
- Reduced residential units to 3,117; but increasing overall single family component
- Revised gross incremental cash flows of US\$ 1.585 Bln (including proposal to sell hotel assets)
- Units sales extended to 41<sup>st</sup> Qtr ending March 2017
- Civil infrastructure required to support Phase 1
- Management to renegotiate current construction contract (already completed)
- In addition to cost reductions already considered, a further cost reduction (+/- 10%) to be achieved
- Reduced PDM services costs
- Assumed turnaround in real estates markets





## RESTRUCTURING PLAN – SALIENT ASPECTS (cont.)

- Project extended up to 42nd quarter ending in June 2017
- Period end project cash surplus (after debt service charges and loan repayment) – US\$ 8.48 Mln
- Maximum project related peak deficit during the above period – US\$ 13.58 Mln
- Up to US\$ 150 Mln raised through release of reserves/seeking new investors are proposed to be used to fund the development
- Suspension of payment of interest after reserves have become “zero”. Interest is accumulated and paid starting in the 33<sup>rd</sup> quarter in March 2015
- The debt (post write-downs) can be repaid/restructured out of:
  - Project cash flows through sales and collections
  - Sale of land (throughout the project period) to third party developers or co-development opportunities
  - Asset swaps post development (i.e. hotels)
  - Debt equity swaps





## BUSINESS PLAN ASSUMPTIONS AND SUMMARY

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Please refer to the Excel file and associated worksheets for the details of the restructuring plan





## ACTION ITEMS

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Action from the Issuer, Issuer Note Trustee, Issuer Security Trustee and the Noteholders include:

- Removal of various third parties including rating agencies to reduce costs
- Removal of various other agencies associated with debt administration with insignificant value addition
- Waiver of acceleration in the Inter Company Loan
- Release of future phases from the security to enable the management to sell the land to generate cash flows
- Allow the management to source new investors who can bring in cash injection to develop the project (Class A to C Note holders to also assist)
- Release of PCGRA, SDSRA and JDSRA and to use to partially reduce the debt burden of the project
- Approve write-down of the liability by the Junior Note holders.
- Cancellation of any unpaid interest to date
- Reduction in interest rate and deferment of accrued interest when the project does not have cash flows for repayment
- Deferral and rescheduling of the Principal payments on different classes of Notes
- Approval of the development and restructuring plan as presented by BCC1





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