

STRICTLY PRIVATE AND CONFIDENTIAL

- To: Blue City Investments 1 Limited
Walker House
PO Box 908GT
Mary Street, George Town
Grand Cayman
Cayman Islands
Attention: The Directors
- To: The Bank of New York (in its capacity as Phase 1 Offshore Security Trustee)
101 Barclay Street
New York, NY 10286
United States of America
Attention: Corporate Trust Administration - Global Structured Finance
- To: The Bank of New York (in its capacity as Issuer Note Trustee)
101 Barclay Street
New York, NY 10286
United States of America
Attention: Corporate Trust Administration - Global Structured Finance
- To: The Bank of New York (in its capacity as Issuer Security Trustee)
101 Barclay Street
New York, NY 10286
United States of America
Attention: Corporate Trust Administration - Global Structured Finance
- To: Bank Muscat (in its capacity as Onshore Security Trustee)
PO Box 132
Postal Code 112, Ruwi
Sultanate of Oman
Attention: Mr. Rajshekhar Singh / Mr. S.R. Venkatesh
- To: Blue City Company 2 S.A.O.C.
PO Box 3619, PC 112 Ruwi
Sultanate of Oman
Attention: The Directors



Cc: Blue City Company 4 S.A.O.C.
Blue City Phase One Investment Company Limited
Blue City Future Phases Investment Company Limited
Blue City Share Investments Limited
Blue City Phase One Land Company Limited
Al Sawadi Investment & Tourism Company LLC
Renny Borhan, Hill International (UK) Limited.

Ref. BC/A3/BoNY/JR/09/LTR0038

02 February 2008

Blue City Company 1 S.A.O.C. ("BC1") - Waiver requests

Dear Sir/Madam,

Thank you for your letter dated 20 January 2009. We are disappointed by your response to the requests set out in our letter dated 7 January 2009 (the "Waiver Request Letter"). It would have been helpful for us to have received your response in sufficient time for us to be able to convene a meeting of the Class A Noteholders prior to the Interest Payment Date falling in February 2009 (the "February Interest Payment Date") in order for the Class A Noteholders to consider a proposal. As you are aware the required notice periods mean this will not now be possible.

We refer to the final paragraph of your letter. Blue City Company 1 S.A.O.C ("BC1") is aware that it is contractually required to notify the Issuer and the Phase 1 Offshore Security Trustee if non-payment of amounts due under the Intercompany Loan Agreement in respect of the February Interest Payment Date results in the occurrence of an Event of Default or a Potential Event of Default. No such non-payment has occurred.

In addition BC1 is aware that certain notification obligations arise as a result of the listing of the Notes on the Irish Stock Exchange. Specifically, this includes the requirement to publicly disclose without delay inside information which directly concerns an issuer (meaning information of a precise nature relating directly or indirectly to one or more issuers of financial instruments or to one or more financial instruments which has not been made public and which, if it were made public, would be likely to have a significant effect on the price of those financial instruments or on the price of related derivative financial instruments).

We advise that pursuant to Clause 2.3 (g) Schedule 6 of the Inter Company Loan Agreement, we will be drawing on balances held by the issuer out of Mandatory Deposits made by us, in the Senior Debt Service Reserve Account and the Junior Debt Service Reserve Account to meet the interest payments due 7 February 2009 on the Class A



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Bonds and the Class B Bonds respectively. The withdrawals so made will be replenished in accordance with the requirements of the Inter Company Loan Agreement.

As of the date of the Waiver Request Letter, BC1 was of the opinion that there might be insufficient funds available in the Offshore Escrow Account to pay interest on the Facility Loans and that Shortfall Obligations might exist on the Interest Payment Date falling in February 2009.

However, as you are probably aware, BC1 is in the process of launching a sales campaign with the aim of generating sufficient proceeds to comply with its payment obligations in full in respect of the February Interest Payment Date. As a result we consider that we are not currently in possession of information of a sufficiently precise nature such that it is required to be disclosed to the market. Further, until we are in possession of information of a more precise nature, any such disclosure could have the effect of giving a misleading impression to the market. However, we will continue to monitor our position carefully with due regard to our notification obligations.

Terms defined in the Waiver Request Letter have the same meaning when used herein.

We hope that this letter addresses the concerns raised in your response.

For and on behalf of Blue City Company 1 SAOC



Richard P. Russell, P.E.
Managing Director & CEO



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