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File No. 047355-0000

12 October 2009

VIA EMAIL

Trowers & Hamblins
Al Jawhara Building
Al Muntazah Street
Shatti Al Qurum, PO Box 2991
PC 112, Muscat
Sultanate of Oman

Attention: Charles Schofield

Dear Sirs

Blue City Company 1 SAOC

We refer to our recent discussion and confirm that we act for an ad hoc committee (the “**Senior Noteholder Committee**” or “**our client**”) representing holders beneficially owning in excess of 80% of the Class A1 Notes and Class A3 Notes issued by Blue City Investments 1 Limited (together, the “**Class A Notes**”). For the avoidance of doubt, neither we nor the Senior Noteholder Committee represent or purport to speak for Axis Specialty Limited.

We understand that you act for Blue City Company 1 SAOC (the “**Company**”) and the other Project Obligors, as to Omani law.

Our recent call was prompted by two matters. The first was a call between certain of the Senior Noteholder Committee members and Richard Russell of the Company, in which he expressed concerns as to potential directors’ liabilities under Omani law given the Company’s current financial position.

The second was the related matter of the letter sent by your client to (among others) Blue City Investment 1 Limited (the “**Issuer**”) dated 15 September 2009, in which the Company sought certain waivers in respect of the Intercompany Loan Agreement (the “**Consent Request**”), a copy of which was provided on behalf of the Company to members of our client directly.

BNY Mellon, in its capacity as Phase 1 Offshore Security Trustee, responded to the Consent Request on 1 October 2009, stating that it would need to be put to the Issuer’s Noteholders for approval. To date, we are not aware of any meetings of Noteholders being convened for that purpose.

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Any waivers of the kind set out in the Consent Request would require the support of the Senior Noteholder Committee in order to be approved. Our client and its members are prepared to play a constructive role in considering the Company's efforts both to confront its present difficulties and to explore a potential financial restructuring of the Project. They are also willing to consider any concerns of the directors with regard to fulfilling their relevant obligations under Omani law while that process takes place. However, the Senior Noteholder Committee and its members cannot currently either consider or approve the Consent Request, not least because (among other reasons) they do not have sufficient information to allow them to make an informed decision on the Consent Request, the reasons for it, and the alternatives available to the Company for achieving any legitimate objectives behind it.

We are preparing a draft standstill agreement ("**Standstill Agreement**") to be signed by the Company and the members of the Senior Noteholder Committee. In return for the Company's undertakings, which are explained in more detail below we expect that the Standstill Agreement will contain agreements on behalf of our client and its members (the contents of which, for the avoidance of doubt, remain to be determined to their satisfaction at their complete discretion) such that should put the management of the Company at ease as to their compliance with the relevant Omani legal obligations, and provide the basis for a constructive dialogue to commence between our respective clients.

Accordingly, we are instructed to request that the Company withdraws and discontinues the Consent Request, and not launch any consent solicitation in relation to it, but instead agrees with us on the following so that the Company and the Senior Noteholder Committee can progress things in a constructive manner under a Standstill Agreement.

Over the last seven weeks, members of the Senior Noteholder Committee have met on two occasions and have had on-going discussions with the Company's management regarding the business's current financial position. The Senior Noteholder Committee will require the continued assistance of the Company's management in providing it with full and up to date information (including financial information) about the Project and the Obligors, and access to the Company's financial and technical advisors. It will also need management's assistance in arranging meetings with AECO Developments LLC, AECO's shareholders, the shareholders of Ocean Developments and the appropriate individuals within the relevant Omani government agencies responsible for the Development Agreement.

The Senior Noteholder Committee will also need the Company to assist it to more fully understand the reasons for the concerns such as those mentioned in the call recently with Richard Russell, so that it can consider how they can best be addressed. Lastly, it will need the agreement of the Company on certain other matters, such as payment of the Senior Noteholder Committee's costs and expenses.

A draft of the Standstill Agreement is in preparation and will be sent to you shortly. Would you kindly inform us as to whether the Company has retained any English restructuring legal counsel to whom we should also address that document when circulated.

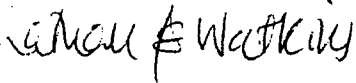
This letter is confidential and may only be disclosed by any of the Phase 1 Obligors: (i) among the other Phase 1 Obligors, their officers and advisors, (ii) as required by and in accordance with the Transaction Documents, or (iii) otherwise as required by law.

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Capitalised terms not defined herein shall have the meaning given to them in the Master Definitions and Construction Schedule between the Issuer and the Company (among others) dated 7 November 2006.

This letter is sent without prejudice to our client's (and each of its constituent members') rights, all of which remain reserved.

Yours faithfully,

A handwritten signature in black ink that reads "Latham & Watkins". The signature is written in a cursive, slightly stylized font.

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