

14<sup>th</sup> October 2009

Blue City Investment 1 Limited  
Walker House  
P.O. Box 908GT  
Mary Street, George Town  
Grand Cayman  
Cayman Island

Attention : Mr. David Lloyd - Director

Ref. BC/A10/RR/09/LTR0693

**Re: Notification of Potential Loss to Credit Insurance Provider**

Dear Sirs,

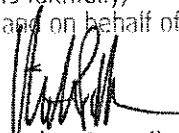
As you are aware Blue City Investments 1 Ltd has called for Noteholders meeting to consider and approve certain consent requests proposed by us as the Borrower. We are now in receipt of letter dated 12 October 2009 from M/s Latham and Watkins addressed to Trowers & Hamlins (copied to BCC1 by email), who as we understand, represent more than 80% of Class A1 Noteholders and from the letter it is inferred that Noteholders may not consider the consents as requested.

View above it is now felt that there might be a Potential Event of Default. Blue City Investment 1 is obliged to provide a notification of Potential Loss to Axis Speciality Limited being Credit Insurance Provider under Lenders Insurance Policy. Attached herewith please find duly filled in Exhibit E of the Credit Insurance Agreement that can be used by you for notifying the Insurer under Clause 7.1 of the above Policy. You are requested to forward the same to AXIS as part of Insured Notification obligations. You are also requested to send a copy of this correspondence to Bank of New York in its capacity as Noteholders' Trustee.

In this connection, please note that Blue City Investment has already requested to convene a meeting of Class A Noteholders on 2nd Nov 2009; wherein certain resolutions for consent / waiver request have been put up for the consideration and approval of the Noteholders. If the resolutions as contemplated are approved by the Noteholders, we do not see any of the events mentioned in the Exhibit E crystallising on 6th Nov 2009. The notification under Insurance Policy as per Exhibit E may therefore be considered accordingly.

We suggest that, Blue City Investments 1 Limited as an Insured and a Note issuer, should mention this fact in its covering letter to AXIS.

Yours faithfully,  
For and on behalf of Blue City Company 1 SAOC



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



المدينة الزرقاء

AL MADINA A'ZARQA

[www.almadinaazarqa.com](http://www.almadinaazarqa.com)

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# BLUE CITY INVESTMENTS 1 LIMITED

## Exhibit E

14 October 2009

AXIS Speciality Limited  
92 Pitts Bay Road  
Pembroke HM 08  
Bermuda

Attention: Richard Bullen / General Counsel

Reference: Policy Number 1131780106PR

To Whom it May Concern,

In accordance with section 7.1(a) of the captioned policy (the "Policy"), the undersigned, in its capacity as the insured under the Policy, hereby provides notice to AXIS Speciality Limited as the underwriter of the Policy (the "underwriter") of a Potential Loss.

Unless otherwise defined therein, all capitalised terms used in this notice shall have the meanings set forth under the Policy.

The undersigned, as an Officer of the Insured, certifies that to the best of its knowledge that the information contained herein is true and correct in all material respects.

Event giving rise to a Potential Loss: *Failure to meet Sales Test 5 as per Schedule 8 of the Intercompany Loan Agreement (ILA) triggering Mandatory Prepayment under Clause 7.1 (a) (ii) (ILA) and Failure to meet interest obligations in case the requirements under Clause 2.3(h) of Schedule 6 (Accounts Procedures) of ILA are not waived, triggering an Event of Default under Clause 25.2 of ILA.*

Date of event giving rise to a Potential Loss: *6<sup>th</sup> Nov 2009.*

Date of Next insured principal payment: *First Scheduled repayment of Class A1 notes USD 57,000,000.00 on 6<sup>th</sup> Aug 2011. Expected Scheduled Maturity for Class A1 (first Class to be repaid) is May 2013.*

Limit of Liability due on this date: *USD 399,000,000.00 in respect of Class A1 notes*

Limit of Liability as per Exhibit A with respect to this principal payment: *USD 57,000,000.00*

## BLUE CITY INVESTMENTS 1 LIMITED

Adjusted Limit of Liability as per the Adjusted Liability Schedule (if applicable): *USD 342,000,000.00 after the scheduled repayment on 6<sup>th</sup> Aug 2011.*

A copy of the communication(s) received from the borrower in respect of a Potential Loss is attached hereto.

Should the event giving rise to a Potential Loss as set out above (or any other event) give rise to a Loss then the undersigned hereby agrees to submit a Claim as set forth in section 7.1 of the Policy.

Furthermore, the undersigned agrees to provide to the Underwriter any further communications received from the Borrower in respect of the event giving rise to a Potential Loss as set out above.

Yours faithfully,  
For and on behalf of  
**Blue City Investments 1 Limited**

**David Lloyd**  
Director