

Blue City Investments 1 Limited  
Walker House  
87 Mary Street  
George Town  
Cayman Islands  
KY1-9002

AXIS Speciality Limited  
92 Pitts Bay Road  
Pembroke HM 08  
Bermuda

14th October 2009

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, for the avoidance of any doubt 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:	See the attached correspondence from Blue City Company 1 SAOC dated 15 September 2009.
Date of event giving rise to a Potential Loss:	As per the attached correspondence.
Date of next insured principal payment as per Exhibit B:	7 November 2011
Principal payment due on this date:	US\$73,500,000.00
Limit of Liability as per Exhibit A with respect to this principal payment:	US\$57,000,000.00

Adjusted Limit of Liability as per the  
Adjusted Liability Schedule (if applicable): N/A

A copy of the communication received from the Borrower in respect of a Potential Loss is, as referred to above, 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 consistent with our obligations under the Policy.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'David Lloyd', written in a cursive style.

David Lloyd  
Director of Blue City Investments 1 Limited  
14 October 2009

15<sup>th</sup> September 2009

To : Blue City Investment 1 Limited (in its capacity as the "Issuer")  
Walker House  
P.O. Box 908GT  
Mary Street, George Town  
Grand Cayman  
Cayman Island

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

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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 Project Offshore 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. Rajashekhar Singh  
Mr. S.R. Venkatesh



www.almadinaazarqa.com

Blue City Company 1

Blue City Investment 1 Limited (in its capacity as the "Issuer")  
Walker House  
P.O. Box 908GT  
Mary Street, George Town  
Grand Cayman  
Cayman Island

المدينة الزرقاء

AL MADINA A'ZARQA

شركة المدينة الزرقاء العامة الأولى مس. 908  
ص. ب. 908 ج. ت.  
شارع ماري، جورج تاون  
جزر كايمان

To : Blue City Company 2 S.A.O.C  
PO Box 3619  
Postal Code 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  
Directors of BCC1

Ref. BC/A3/BoNY/RR/09/LTR0627

STRICTLY PRIVATE AND CONFIDENTIAL

Re: Blue City Company 1 S.A.O.C (Blue City) – Consent Request

Dear Sir/Madam

We refer to the terms and conditions of our financing arrangements with your bank.

1. Paragraph 2.3 h (i) of Schedule 6 of the ILA places an obligation upon Blue City to maintain a minimum balance of \$20,000,000 in its Escrow accounts until the date of acquisition of Al Sawadi Hotel or its shares by the borrower. However, there is no written obligation imposed to actually purchase the Hotel.

It is highly unlikely that BCC1 or any company affiliated to BCC1 will purchase the Hotel. In any event if it is bought, it will have to be sold in line with the cures provided in ILA to rectify the breach of Sales tests.

We therefore seek your consent to waive the requirements under para 2.3 (i) of Schedule 6 of the ILA to maintain a minimum balance of USD 20.00 MN in our offshore Escrow account with BoNY.

2. Failure to meet Sales Test 5 as laid down in Schedule 8 of the Intercompany Loan Agreement (ILA) requires borrower to prepay the loans in accordance with Clause 7.1 (Mandatory Prepayment). It is extremely likely that BCC1 will not be able to deposit minimum cumulative Net Sales proceed of at least US\$ 455 MN on or before 12<sup>th</sup> IPD falling on 6<sup>th</sup> Nov. 2009. The non-suspension of this provision requires BCC1 to mandatorily pre-pay all outstanding loan balances, thereby effectively leading to closure of the project and related development.

We therefore seek you consent to waive the provisions regarding the Mandatory Prepayment under Clause 7.1 of ILA.

3. Clause 24.24 of Intercompany Loan Agreement (ILA) place an obligation until termination date on Phase 1 obligors to maintain ratings for the Rated Notes from Fitch Ratings and for Class A1 from Moody's. This rating is required to be maintained among other till such time that notes remain outstanding.





This requirement is negatively affecting the project in so far as the recent downgrades have resulted in to potential buyers questioning the feasibility of the project. The periodic rating update is having a dampening impact on our potential buyers.

We therefore seek you consent to waive the obligation to maintain rating under Clause 24.24 of the ILA.

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

A handwritten signature in black ink, appearing to read "Richard P. Russell".

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

⋮



By countersigning and returning a copy of this letter the Phase 1 Offshore Security Trustees and issuer agree to the waiver contemplated as above.

\_\_\_\_\_  
**Bank of New York (in its capacity as Phase 1 Offshore Security Trustee)**  
By

\_\_\_\_\_  
**Bank of New York (in its capacity as Issuer Security Trustee)**  
By

\_\_\_\_\_  
**Bank of New York (in its capacity as Issuer Note Trustee)**  
By

\_\_\_\_\_  
**Bank of New York (in its capacity as Project Offshore Security Trustee)**  
By

\_\_\_\_\_  
**Blue City Investments 1 Ltd (in its capacity as the issuer)**





CAYMAN ISLANDS

## Fax Transmission

TOKYO

**Date:** 14 October 2009  
**To:** Richard Bullen  
AXIS Specialty Limited  
Bermuda  
**cc:** Anthony Bausa  
The Bank of New York Mellon  
USA  
**Pages:** 7 405 2600  
**Fax:** 1 441 296 3440  
**Fax:** 1 212.815.5917  
**From:** Gennie Bigord  
**Our Ref:** 40487

**CONFIDENTIALITY NOTICE** The information in this fax is confidential and is only for the use of the intended recipient. If you are not the intended recipient, please notify us immediately. You should not take any copies, nor disclose the contents to any other person.

### BLUE CITY INVESTMENTS 1 LIMITED

Attached please find the notice of a Potential Loss.

Yours sincerely,

  
**Gennie Bigord**  
**Senior Administrator**  
**Walkers SPV Limited**

### WALKERS

T +1 345 914 4264 | F +1 345 814 8334 | E [gennie.bigord@walkersglobal.com](mailto:gennie.bigord@walkersglobal.com)  
Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands  
[www.walkersglobal.com](http://www.walkersglobal.com)

Document4

Confirmation Report-Memory Send

Time : Oct-14-2009 02:25pm  
Tel line 1 : 3459498001  
Name : WALKERS SPV LIMITED

Job number : 412  
Date : Oct-14 02:24pm  
To : 14414052600  
Document Pages : 007  
Start time : Oct-14 02:24pm  
End time : Oct-14 02:25pm  
Pages sent : 007  
Status : OK

Job number : 412 \*\*\* SEND SUCCESSFUL \*\*\*



CAYMAN ISLANDS  
TOKYO

Fax Transmission

Date: 14 October 2009  
To: Richard Bullen  
AXIS Specialty Limited  
Bermuda  
cc: Anthony Bausa  
The Bank of New York Mellon  
USA  
From: Gennie Bigord  
Pages: 7  
Fax: 1 441 286 3448  
Fax: 1 212.815.5917  
Our Ref: 40487

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BLUE CITY INVESTMENTS 1 LIMITED

Attached please find the notice of a Potential Loss.

Yours sincerely,

Gennie Bigord  
Senior Administrator  
Walkers SPV Limited

**WALKERS**  
T +1 345 945 4264 | F +1 345 945 8334 | E gennie.bigord@walkersglobal.com  
Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands  
www.walkersglobal.com

Documents

Walkers SPV Limited, Walker House, PO Box 9080T,  
Mary Street, George Town, Grand Cayman, Cayman Islands  
T 345 945 3727 F 345 945 4757 www.wspv.com

Confirmation Report-Memory Send

Time : Oct-14-2009 02:16pm  
Tel line 1 : 3459498001  
Name : WALKERS SPV LIMITED

Job number : 411  
Date : Oct-14 02:12pm  
To : 12128155917  
Document Pages : 007  
Start time : Oct-14 02:13pm  
End time : Oct-14 02:16pm  
Pages sent : 007  
Status : OK

Job number : 411 \*\*\* SEND SUCCESSFUL \*\*\*



CAYMAN ISLANDS  
TOKYO

Fax Transmission

Date: 14 October 2009  
To: Richard Bullen  
AXIS Specialty Limited  
Bermuda  
cc: Anthony Bausa  
The Bank of New York Mellon  
USA  
From: Gennie Bigord  
Pages: 7  
Fax: 1 441 296 3140  
Fax: 1 212.815.5917  
Our Ref: 40487

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BLUE CITY INVESTMENTS 1 LIMITED

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Yours sincerely,

Gennie Bigord  
Senior Administrator  
Walkers SPV Limited

WALKERS

T +1 345 914 4264 | F +1 345 814 8334 | E gennie.bigord@walkersglobal.com  
Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands  
www.walkersglobal.com

Documents

Walkers SPV Limited, Walker House, PO Box 908CT,  
Mary Street, George Town, Grand Cayman, Cayman Islands  
T 345 943 3727 F 345 943 4757 www.wspv.com