

11 January 2010

Latham & Watkins
99 Bishopsgate
London EC2M 3XF
England

Attention : Mr. Jackson Taylor

Ref : BC/A10/RR/10/LTR0912

Subject : Restructuring Presentation - (The Blue City Project)

Dear Sirs,

We refer to your presentation dated January 2010 made on behalf of an ad hoc Class A Note holder Committee ("Committee") whose members currently comprise Merrill Lynch International, Mizuho International Plc, Nomura International Plc and UBS Investment Bank AG, which has been reviewed with our legal team, we are obliged to inform as follows.

The restructuring proposal does not meet the minimum requirements to revive the Project. The minimum requirement of the restructuring proposal, which has been communicated to the Committee in the past with detailed cash flow projections, includes inter-alia:

1. Significant write-off of principal payable to Class A Note holders.
2. Extension of legal maturity of Class A Notes.
3. Release of cash reserves to develop the Project.
4. Clear solution to meet immediate requirements to pay Operating expenses including salaries to staff to avoid insolvency filing in Omani Courts.

You are aware of the decision taken by Cyclone LLC to not infuse any equity or debt into the Project, which leaves us with no other option but to commence insolvency proceedings under Omani laws in the next 5 days, unless we receive an acceptable restructuring proposal from yourselves.

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



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

CC : AXIS Specialty Limited



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