

17 February 2010

BY EMAIL

Weil, Gotshal and Manges
One South Place, London
EC2M 2WG

Ref : BC/A10/RR/10/LTR0993

Subject : Intercompany Loan Agreement dated 27 October 2006 between Blue City Company 1 S.A.O.C Blue City Company 2 S.A.O.C and others as amended on 7 November 2006 (the "ILA")

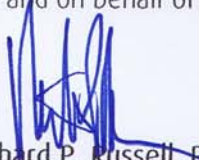
Dear Sirs,

We refer to your letter DMC/MGA/27526.0003 dated 11 February 2010 on the above referenced subject. We confirm that our actual cumulative net proceeds as of 6th Nov 2009 have been less than USD 455 M (Minimum Cumulative Net Sales proceeds required under the provision of Schedule 8 of the ILA). This has resulted in the first breach of Sales Test 5 as defined in the ILA.

It may please be noted that as a part of reporting obligations under ILA, we have already reported this shortfall in cumulative sales proceeds to BoNY and, as we understand, this fact has also been included in the respective quarterly Investors Report disseminated by BoNY to the BC bondholders.

We also confirm for the 13Q ended on 6th Feb 2010, there has been a second breach of Sales Test 5 as per Schedule 8 of the ILA. Our actual net sales proceeds for 13Q ended 6th Feb. 2010, have been significantly less than Minimum Cumulative Net Sales proceeds of USD 640 MN as required under the provision of Schedule 8 of the ILA.

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



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

