

# BLUE CITY INVESTMENTS 1 LIMITED

## Attachment 1: Blue City Company 1 - Consent / Waiver Request

### Agenda for the proposed Class A Noteholders Meeting

1. Paragraph 2.3 h (i) of Schedule 6 of the ILA places an obligation upon Blue City to maintain a minimum balance of US\$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 on BCC1 or any entity to actually purchase the Hotel.

It is highly unlikely that BCC1 or any company affiliated with 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 future the breach of Sales tests.

BCC1 therefore ask you to waive the requirements under para 2.3 (i) of Schedule 6 of the ILA to maintain a minimum balance of US\$ 20,000,000in BCC1 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 the 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 the minimum cumulative Net Sales proceeds of at least US\$ 455,000,000 on or before 12<sup>th</sup> IPD falling on 6<sup>th</sup> Nov. 2009. The tests and enforcement of this provision would require BCC1 to mandatorily prepay all outstanding loan balances, thereby effectively leading to closure of the project and related development.

BCC1therefore ask you to waive the provisions regarding the Mandatory Prepayment under Clause 7.1 of ILA in this case.

3. Clause 24.24 of Intercompany Loan Agreement (ILA) place an obligation until termination date on Phase 1 obligors to maintain a rating for the Rated Notes from Fitch Ratings and for Class A1 from Moodys. This rating is required to be maintained while the notes remain outstanding.

The publicity surrounding the recent downgrades has negatively affected the project because potential buyers are questioning the feasibility of the project. The periodic rating update is having a dampening impact on BCC1's potential buyers.

BCC1 therefore seek your consent to waive the obligation to maintain rating under Clause 24.24 of the ILA.