

25 April 2010

The Bank of New York
101 Barclay Street
New York, NY 10286
United States of America

Attention : Mr. Anthony Bausa / Mr. David Kerr
Corporate Trust Administration – Global Structured Finance

Ref : BC/A10/RR/10/LTR1044

Subject : Al Madina A' Zarga (Blue City Project) Status – Material Update

Dear Sir,

We wish to update you on the current status of events deemed material by us and that have happened as far as Blue City Project is concerned. While we are not sure of the exact material implications of these events on the overall status/operation/feasibility of the project, you may treat these as "Material Update" by us.

Sr.No	Documents	Remarks	Supporting Docs.
1.	ASIT Liquidation Notice	Postponed indefinitely	Attached
2.	Notice of Potential default sent to Issuer		Attached
3.	Project Engineer's (ACE) Notice of Termination		Attached
4.	Contractor's (AECO) Notice of Suspension		Attached
5.	Delays in meeting the project deadline and possible legal implication	We have commitment to our buyers under the SPA signed by us requiring us to handover the units within the deadline stipulated therein. Any failure on our part to do so will result in BCC requiring to refund the amounts as stipulated in the SPA to buyers of these properties.	N/A
6.	Possible insolvent position of some Omani project entities (Inability to settle the obligations on time)	Currently, BCC is unable to discharge any of its obligations and almost all of its supplier/consultants, etc have amounts due and payable to them. Any of dissatisfied party can file a case requiring BCC1 to pay or declare insolvency	N/A
7.	Unpaid Class C & D interest since Aug 2009	Trustee is already aware of this and the consequences are similar as per 6 above.	
8.	Court Notice (case between Partners)	Omani Appeal Court has passed its judgement in favor of Cyclone entitling Cyclone to acquire the entire shareholding owned by AAJ in Ocean Development SAOC and ASIT at the price determined by the Court. The Appeal Court's judgement has been appealed by AAJ before the Supreme Court of Oman. Cyclone has requested an enforcement of the decision and transfer the ownership to the company.	Attached

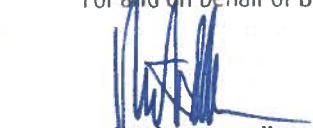


المدينة الزرقاء

AL MADINA A'ZARQA

Sr.No	Documents	Remarks	Supporting Docs.
9	Court Case file by Employees		Attached
10	Aborted standstill process with Class A note holders.	Please refer to the letter sent to Latham and Watkins and their reply regarding restructuring proposal submitted to BCC1.	Attached
11	SOP4 discussion with Contractor	Extended till 15 May	Attached
12	Insurer reluctance to hold Marine Cover	BCC was unable to settle the 4 th installment payment of the Insurance due on 10 July 09 due to the prevailing financial situation and been informed that policy will be cancelled if payment is not received by 15 March 2010. No further confirmation is received from Insurer by us afterwards.	Attached
13	Present status of site	Construction has been on hold since 2 Dec. 09	Construction Photograph attached
14	Potential Legal Dispute with other Consultants	WSP	Notice attached
15	Ownership/Management of BCC	In the absence of the court verdict being implemented, the ownership structure continues to be same as was disclosed at the time of Issuance of Bond. However, in line with the order of the court the majority partner i.e M/S AAJ Holding is not permitted to participate in the affairs of BCC. As such current management team under overall guidance of Mr. Anees Issa Al Zadjali is running the day-to-day management of the company.	Attached
16	Corporate Governance	Due to legal dispute involving partners of the project, BCC has not been able to finalize accounts for any of its period since inception. BCC however has been submitting all reports including unaudited financials to the Trustees as stipulated under the documentation. It may also be noted that BCC has been holding Board of Directors meeting infrequently.	

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


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

CC: Issuer - Blue City Investments Limited





شركة السوادي للاستثمار والسياحة
Sawadi Investment & Tourism Co. LLC

1

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that Al Sawadi Investment & Tourism Company L. L. C. (the "Company") has called a Meeting of the Board of Directors to be held on Wednesday, 3rd February, 2010 at 4:30 p.m.

AGENDA

1. Roll Call
2. Consider the following resolution to file a petition for dissolution of the Company and each of its subsidiaries.

"WHEREAS, at this meeting and at prior meetings, the Board of Directors (the "Board") of Al Sawadi Investment & Tourism Company L. L. C. (the "Company") has extensively reviewed the alternatives available to the Company and its direct and indirect subsidiaries incorporated in the Sultanate of Oman, namely, Blue City Company 1 S. A. O. C., Blue City Company 2 S.A.O.C., Blue City Company 3 S.A.O.C., Blue City Company 4 S.A.O.C., Blue City Company 5 S.A.O.C., Blue City Company 6 S.A.O.C and Blue City Company 7 S. A. O. C. (the "Filing Subsidiaries") and has determined that the commencement of a dissolution of the Company and the Filing Subsidiaries presents the only opportunity for preserving and maximizing the value of these entities for the benefit of the Company's stakeholders and other interested parties in accordance with Article 14 (D) of the Commercial Companies Law issued by the Royal Decree 4/74 as amended from time to time (the "Act") since the Company (including Filing Subsidiaries) has lost all of its capital and have no reasonable expectation to meet their debt payment obligations when due.

The Board of Directors should take note of certain important provisions of the Act

1. In accordance, Article 16 of the Act, the powers of the Board of Directors of the Company shall cease upon the dissolution of the Company. However, the Board of Directors are required to continue their work and consequently shall be liable as trustees of the Company's assets until a liquidator is appointed and assumes his functions.
2. The Chairman should make an application to the Authority for the Settlement of Commercial Disputes to appoint a Liquidator of the Company in accordance with Article 17 of the Act.
3. All contracts, receipts, notices and any other documents issued by the Company after its dissolution shall indicate that the Company is "under liquidation" in accordance with Article 20 of the Act.



ASIT Investment & Tourism Co. Ltd. : شركة الإستثمار والسياحة والصحة ت.م.ع

RESOLVED, that the a meeting be called for the Partners of the Company in accordance with Article 168 of the Act to dissolve the Company and each of the Filing Subsidiaries under the Act and liquidate all subsidiaries incorporated outside the Sultanate of Oman in accordance with applicable laws upon favourable vote of a majority of members representing, at least, three quarters of the Company's capital."

Mr. Anes Issa Mohamed al Zadjali
Chairman

14th October 2009

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

2

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.L.
Managing Director & CEO



المدينة الزرقاء

AL MADINA A'ZARQA

Associated Consulting Engineers Int'l.

Al Maha Building, 3rd Floor
Ghala
PO Box 1691
Muscat 130
Sultanate of Oman

Tel (968) 2450 8878 8879 8880
Fax (968) 2450 8008

E-mail: info@aceman.com.om



3

Ref: Blue City/ACE/0000/2642/1j

13th January 2010

Blue City Company 1 S.A.O.C.
PO Box 3619
Postal Code 112
Muscat
Sultanate of Oman

For the attention Mr. Richard Russell

Dear Sirs,

Subject: Al Madina A'Zarga "The Blue City" Project – Phase 1
Suspension of Services

We refer to the Employer's letter BC/A8/ACE/JR/10/L1R0910 dated 10th January 2010 whereby you confirmed the suspension (with certain exceptions) of our Services pursuant to clause 32.1 of our Agreement

Given the circumstances which have lead to this suspension, we assume that this notice is given pursuant to clause 32.1 (i) of our Agreement, as opposed to 32.1 (ii) or (iii).

We have attached (attachment 1) a list of tasks which we consider require our continuing attention during suspension of the works. We also appreciate that any proposed demobilisation programme will be subject to constant review in line with any ongoing developments.

We have therefore reviewed our staffing needs for the initial period of suspension and based only on the identified tasks propose to reduce our team as follows.

Our current combined resource is 40 personnel.

By 15th February 2010 reduce to 10 No. personnel (as per attachment 2)

After 15th March 2010 reduce to 5 No. personnel thereafter.

We anticipate that the monthly costs for the foregoing staff numbers will be within the order of US\$200,000 for the month from 15th February and US\$100,000 for every month thereafter.

Please note that the figures quoted above do not include any cost incurred as a result of your notice to suspend the services.

Associated Consulting Engineers Int'l

Al Maha Building 3rd Floor
Ghala
P.O. Box 1681
Muscat 130
Sultanate of Oman

Tel: (968) 2450 8878 8879, 8880
Fax: (968) 2450 8008

E-mail: info@aceoman.com.om



Blue City ACE:0000:2642-y

Our Sub-Consultant, Hanscomb, have assessed their costs for a one month suspension.
Please see attached letter MR:1043.49685.ms.

Please confirm your agreement to our proposal.

We will use reasonable endeavour to relocate staff onto other projects, failing which we will need to terminate their employment as soon as possible. Clearly this will take a little time to organise, and there will be a due process to follow with appropriate notices and compensation.

We shall advise you once we have established the extent of our long term commitments for leases to accommodation, property, vehicles, equipment etc. in addition to all other demobilisation costs.

Yours faithfully,
For Associated Consulting Engineers (ACE) Int'l

Ackey Chrysavoulos
Engineer's Representative

cc ACE Int'l
File
Encl

10/12/2014
16

File
27
10/12/2014

ACE's remaining tasks under suspension of the works:

Quality:		
Correct storage of materials		
Protection of permanent works e.g. re-bar anti rusting measures		
Inspection of continuing activities e.g. infrastructure		
Review outstanding test reports		
Environment:		
Monitoring pump discharges		
Monitoring STP plant		
Waste disposal		
H & S:		
Review maintenance proposals		
Monitor any construction activities		
SOP4:		
Revise and develop		
Costing input and advice		
Program:		
Review proposals to re-start, recover, accelerate etc		
Commercial:		
Stock-take		
Measurement of the works		
Issue instructions for NCR's and remedy of defects		
Value engineering input		
Ongoing quantification and valuation		
Responses to and continuation of defense of contractors claims		
Process interim applications and payment certificates		
Contractual correspondence with the Contractor		
Contractual correspondence with other stakeholders		
All other correspondence		
Monitor AECO record keeping		
Statutory:		
Liaise and report to Barka Municipality		
Liaise and co-ordinate with GPI		
Construction:		
Consent to the removal of plant		
Ongoing supervision and surveillance		
Design Review:		
Ongoing design reviews		
Document approvals		

AECO Development LLC

Reply Requested
Due Date:

REF NO: BC1-0000-AEBC-CO-00455

7 Apr 2010

4

Project To Al Madina A' Zarqa, "The Blue City" Project, Phase 1
Blue City Company 1 S.A.O.C
Al Maha Building, Ghala
PO Box 3618, Postal Code 112
Ruwi, Sultanate of Oman

Attention Mr. Richard P. Russell, P.E

Fax No +968 24 597422

Subject Suspension of Works

Reference No. BC1-0000-AEBC-CO-00425, BC1-0000-AEBC-CO-00432,
BC1-0000-AEBC-CO-00445, BC1-0000-AEBC-CO-00448

Dear Sir,

Further to the Contractor's letters referenced above and the suspension of all works due to the Employer's failure to effect payment for Interim Payment Certificates, please note that since the Employer has also failed to effect payment for Interim Payment Certificate 39, suspension of all works will not be lifted until and unless the Employer effects payment in cash of the amount certified by the Engineer to be paid with Interim Payment Certificates 35, 36, 37, 38 and 39.

The Contractor hereby reserves all rights under the Contract and the Law.

Sincerely,
For AECO Development LLC

Tamer Perk
Project Manager

Anastasios Naoum
Deputy Project Manager

Handwritten notes in Arabic script

Handwritten notes in Arabic script

CC: ACE - Mr. Ackey Chrysoyulos

AECO Development LLC
C R No : 1844873
224, 16th November Street, Al Ghubrah
P.O. Box 1967, P.C. 130 Muscat, Sultanate of Oman
Muscat Office Tel No: +968 244 95029, Fax No: +968 244 94863
Site Office Tel No: +968 268 87300, Fax No: +968 268 87323
E mail: info@aeco.com

10 January 2010

The Bank of New York
101 Barclay Street
New York, NY 10286
United States of America

#7

Attention : Mr. Anthony Bausa
Corporate Trust Administrator - Global Structured Finance

Ref : BC/A3/BoNY/RR/10/LTR0907

Subject : Notification under the Intercompany Loan Agreement (ILA)
(Blue City Project)

Dear Sir

This is with reference to our ongoing obligations and duty to keep yourselves advised of any material events concerning the Blue City Project and/or to notify you of potential or actual events of default under the ILA as and when any such event occurs. Please be advised that we have not been able to meet our interest payment obligations towards the Class C & D bondholders for the quarter ending on the 6th of November 2009.

In view of the above and other financial difficulties which we are experiencing, we have entered into discussions with a group of Class A bondholders for a possible restructuring of our indebtedness towards the Blue City Project bondholders. Whilst, these discussions are currently ongoing if we are unable to reach a satisfactory arrangement acceptable to the parties concerned we may not be in the position to continue to operate as a solvent entity.

The above is for your information and necessary action.

Should you require any further clarifications or information from ourselves please feel free to contact us.

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


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

CC : BC Investment 1 Limited
AXIS Specialty Limited



المدينة الزرقاء
AL MADINA A ZARQA

وزارة العدل

المحكمة الابتدائية بمسقط - أمانة سر المحكمة



إعلان طلب تنفيذ

تعلن أمانة سر المحكمة بأن شركة الزوبعة ش.م.م تقدمت بطلب التنفيذ التجاري رقم: ٢٧٨ / ٢٠١٠م لتنفيذ الحكم الصادر في الدعوى التجارية رقم: ٢٤٩ / ٢٠٠٨م بالزام / أورنتيل أند أفريكز ستراتيجك انفيستمنت سيرفيسز ليمتد وشركة أوييس الشرق الأوسط القابضة المحدودة وشركة أي جي هولدر نجز ش.م.ب (م). بتحويل حصص المنفذ ضدها الثالثة وقدرها (٤٩٠٠٠٠) سهم بما نسبته ٦٧% من الحصص في شركة المحيط للتطوير والتي كانت تعادل ٦٩,٣% من الحصص في شركة السوادي للاستثمار والسياحة ونقلها لصالح طالبة التنفيذ شركة الزوبعة وتحويل حصص المنفذ ضدها الثالثة وقدرها (٤٩٠٠) سهم بما نسبته ٦,٧% من الحصص والتي لا تزال باسمها في شركة السوادي للاستثمار والسياحة ونقلها لصالح طالبة التنفيذ شركة الزوبعة والزام المنفذ ضدهم بالمصاريف ومبلغ وقدره ثلاثون ألف ريال أتعاب محاماه عن درجتي التقاضي . ونظرا لعدم وجود محل إقامة معروف للمنفذ ضدهم . فقد تقرر توجيه هذا الإعلان إليهم بطريق النشر متضمنا تكليفهم بالوفاء بما هو مطلوب منهم في خلال السبعة الأيام التالية على هذا النشر عملا بأحكام الرسوم السلطاني رقم ٢٠٠٢/٢٩م بإصدار قانون الاجراءات المدنية والتجارية وتعديلاته .

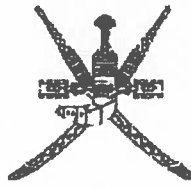
أمانة سر المحكمة

TRANSLATION

Muscat Primary Court announces that Cyclone LLC filed an application for enforcement (appl No 378/2010) for the enforcement of the judgment made in commercial case (349/2008) stating that "1- Oriental & African Strategic Investment Services Limited" & "2- Oases Middle East Holder Limited" & "3- AAG Holder SAOC" are **compelled to** transfer the shares owned by the third company (490000 shares) of (70%) of the shares in "Ocean Development" which was equivalent to (69.3%) of the shares in "Sawadi Investment & Tourism"; to transfer them to the applicant (Cyclone LLC); Also, transfer of the shares owned by company (3) which are (4900 shares) of (0.7%) of the shares which are still in its name in Sawadi Investment & Tourism and transfer them to be owned by Cyclone LLC. The three companies shall bear all legal costs including RO 30,000 Professional Fees

As the three companies do not have an address in the Sultanate of Oman, it was decided to publish this summons in newspaper to compel the three companies to implement the judgment within 7 days of this announcement in accordance with RD 29/2002

سلطنة عمان



رقم الصفحة: ١ من ١

سلطنة عمان
وزارة العدل

الحكمة الابتدائية بمقط

Vilca /
Yusuf

تفاصيل التسليم
تاريخ تسليم الإعلان يوم :
الموالت: / / ٢٠٠٠ م
المعاملة:

رقم وتاريخ قيام الدعوى بالاعتراض بالاستئناف بمحضر شفوي

رقم الملف الاي ١٢٩٦١
الطلبات الدعوى
نوع الدعوى الفردية
الدفعة
العمالية

9

إعلان بم صحيفة/جلسة في الدعوى رقم { ٢٠١٠/١٩٠ }

الاسم	صفحة	مؤقة او المؤقة	ضد	الاسم	صفحة	مؤقة او المؤقة
يوسف شريف رحمان	الدعوى		✓	شركة المدينة الزرقاء الاولى	الدعوى عليها	
مؤقته صفح: ١ ورقة ضمن الحد وعشر تقويم للحملة المح التجارية - بنلة الشرفة القضية لتامين - طابق الخامس - سة ٢٧١٦ جنلة ١٧٨ - طلة ١٣٠١١				مؤقته الصفح: ١ ورقة - خلا الصانحة - سة ٣٩٢٨ - بنلة ٢١١٧		

التقلت أنا محضر الاعلان الى موطن المشار اليه اعلاه مخاطباً :
وصفته :
بسبب:

لغرض من الاعلان
 واعلنته بصحيفة الدعوى ومرفقتها عدد { ٢ } وان بدا له تكليم رد عليها فيكون من
اصل وصورة بعدد الخصوم مشفوعاً بالمستندات وذلك خلال المدة القانونية .
 واعلنته بالجلسة المحدده للنظر او السير فسي الدعوى .

وانه تحدد يوم الاثنين الموافق ٢٠١٠/٠١/٠٥ وذلك في تمام الساعة التاسعة صباحاً للنظر بالدعوى
في القاعة رقم { ٢ } بمقر المحكمة الكائن بمجمع المحكم خلف مدرسة نوحه الادب التشريسية للبنات- بجانب محطة تعبلة الوقود.
وسلمته صورة من هذا الاعلان .

التوقيع:
اسم للمعتك:
نسخة في : ١ - صاحب المعلقة.
٢ - ملف الدعوى.

كل معاد الحضور امام محكمة الاستئناف - (١٠) ايام او (٢) ايام .
كل معاد الحضور امام المحكمة الابتدائية - (٨) ايام او (٢١) ساعة .
كل معاد الحضور امام المحكمة الابتدائية - (٨) ايام او (٢١) ساعة .



Ref. No. :

Date :

الرقم :

التاريخ :

البريد :

Vikas / Yameef

شكوى عمالية / فردية

- رقم الشكوى : ٢٠١٠/٢/٢٥٢ م
- اسم الشاكي : يوسف شريف رحمان الجنسية : هندي
- عنوان الشاكي : بوشر-الخوير-سكة٤١٠٩-بناية(فيلا) ٦٧٥-سكة٤١٠٩-لا يوجد أي معلم .
- عنوان وكيل الشاكي : بواسطة شركة محسن الحداد وعامر الكيومي للمحاماة-مطرح الكرى-الحي التجاري روي-أبرز معلم :بناية الشركة القطرية للتأمين للطابق الخامس-سكة٢٧١٦-بناية٩٧٨-شقة١٢٣-١٤
- اسم المشكو في حقه : شركة المدينة الزرقاء الأولى
- عنوان المشكو في حقه : بوشر-غلاء الصناعية-سكة٣٩٢٨-بناية٣٤٤٧-لا يوجد رقم شقة) أبرز معلم: بناية المها (نرفق لكم استمارة عنوان الشاكي والمشكو في حقه)
- تاريخ تقديم الشكوى : ٢٠١٠/٢/٣ م
- ملخص أقوال الشاكي وأدلته :
- أفاد وكيل الشاكي بان موكله التحق بالعمل لدى المشكو في حقه بتاريخ ٢٠٠٩/١/٢١ م بمهنة مدير اختصاصي تسويق براتب شهري ٥٥٠ ريال، تم إنهاء خدماته بتاريخ ٢٠١٠/١/٢٠ م دون أي أسباب قانونية ، وقد





Ref. No. :

Date :

الرقم :

التاريخ :

التوقيع :

مذكرة مؤرخة في ٢٠١٠/١/٣٠م تشمل أقوال وطلبات موكله، والرفقة بالملف، ويطلب بما يلي : ١- سداد رواتبه حتى نهاية فترة التعاقد وهي ٢٠١١/١/٣١م مبلغ قدره / ١٢٦٠٠ ريال ٢- تعويض معنوي عن المعاناة والأضرار التي تكبدها مبلغ ١٠ آلاف ريال ٣- شهادة نهاية الخدمة ٤- تذاكر سفر له ولأسرته ٥- شهادة عدم ممانعة بنقل الكفالة .

– ملخص أقوال المشكو في حقه وأدلته :

قدم ممثل الشركة المشكو في حقه مذكرة الرد ، والرفقة بالملف، ملخصها : بان الشاكي التحق بالعمل بتاريخ ٢٠٠٩/٢/١م بمهنة اختصاصي تسويق ، يعقد غير محدد المدة ، ولم يعترض على تاريخ إنهاء خدماته والذي تم لأسباب قانونية منها بسبب قرار مجلس إدارة الشركة بإعادة الهيكلة نظرا للظروف الاقتصادية الحالية وكذلك بسبب الظروف الاقتصادية العالمية وتدهور قطاع العقار بشكل خاص في سلطنة عمان ، ورد على طلبات الشاكي بأنه لا يوجد مبرر للتعويض للأسباب المذكورة أعلاه ، ولا مانع من تزويد الشاكي شهادة نهاية الخدمة وكذلك صرف تذكرة سفر او نقل كفالة وفقا للقانون ، والتمس بحفظ الشكوى .



11 January 2010

Latham & Watkins
99 Bishopsgate
London EC2M 3XF
England

10

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



www.almadinaazarqa.com

Blue City Company 1 SAOC
PO Box 3015, Postal Code 112, Row 1, Sultanate of Oman
T : +968 2449 0717, 2442 3299 F : +968 2449 0499 C.R. 172562177

المدينة الزرقاء
AL MADINA A'ZARQA

شركة المدينة الزرقاء للخدمات المالية - عمان - عمان
PO Box 3015, Postal Code 112, Row 1, Sultanate of Oman
T : +968 2449 0717, 2442 3299 F : +968 2449 0499 C.R. 172562177

LATHAM & WATKINS

12 January 2010

VIA EMAIL

Blue City Company 1 SAOC
PO Box 3619
Postal Code 112
Ruwi
Sultanate of Oman

Attention: Richard P. Russell

99 Bishopsgate
London EC2M 3XF
United Kingdom
Tel: +44(0)20.7710.1000 Fax: +44(0)20.7374.4480
www.lw.com

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File No. 047355-0001

Your ref: BC/A10/RR/10/LTR0912

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Dear Sirs

Blue City Project

We refer to your letter dated 11 January 2010.

We are concerned that both the purpose and content of the Committee's presentation have been misconstrued and the messages contained therein have not been properly conveyed by you to the other stakeholders in the Blue City Project.

As we have explained to you on the telephone on a number of occasions, the purpose of the presentation was to identify the basis for detailed discussions to proceed with relevant stakeholders about the potential for a restructuring of the Project. It set out to do that by identifying a number of specific areas upon which, with the Committee's assistance, a successful restructuring could be based. This included eliminating the debt accounted for by the Class B, C, and D Notes and reorganising the Project's ownership in a way which would facilitate new money investment.

The manner in which a final restructuring could take shape, built upon these elements, is as we noted something that can only be determined after due diligence and, most importantly, after consultation with all the relevant stakeholders. It should be emphasised that in approaching those intended discussions, no points concerning the terms of the Class A Notes were conceded, but nor were any off the table.

We want to ensure that this message has been understood correctly by both you and the other stakeholders for whom it was intended.

It is important to bear in mind that the role of management in this process, having regard to the applicable duties under law towards the creditors (as well as by reference to well settled

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international practice) is to take commercially prudent steps to facilitate a potential restructuring and to take every step to minimise loss to creditors. That includes taking all practicable steps to engage the stakeholders in negotiations, rather than unilaterally undertaking the task of having to determine what may or may not be an acceptable restructuring proposal, without allowing a proper discussion to take place between the relevant stakeholders.

In light of those responsibilities, can you please inform us immediately by return of the parties you have consulted with on the presentation, how those consultations have progressed and whether there are any other interested parties who might to your knowledge be consulted in relation to the proposal and who might be in a position to support a restructuring.

Given the absence of any other stakeholders coming forward to engage with the Committee, it is vital that management assists this process by responding to these requests in a completely fulsome and transparent manner.

We look forward to receiving your responses as soon as possible so the Committee can explore any additional consultations that might facilitate a restructuring.

As we have mentioned before, insolvency proceedings are not to the benefit of anyone and will be a serious and irrevocable step if initiated by you. We therefore trust that the Phase 1 Obligors will not file for any insolvency or analogous proceedings precipitously, and not before the expiry of the five day period indicated in your letter (ie: before Sunday 17 January 2010), and in any event not without giving the Committee at least 24 hours' clear notice ahead of any such filing.

The Committee members continue to reserve all of their rights.

Yours faithfully



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18 April 2010

#11

AECO Development LLC
No. 224, 18th November Street
Al Ghubrah
PO Box 2991
PC 130 Muscat
Sultanate of Oman

Attention: Mr. Tamer Perk
Project Manager

Ref: BC/A7/AECO/JR/10/UTR1042

Subject: Scope Optimisation Protocol 4 ("SOP4")

Further to our letter ref. BC/A7/AECO/JR/10/UTR1034 dated 31 March 2010. We hereby request that the termination date of SOP4 signed on 8 November 2009 is retrospectively extended until 15 May 2010. All other terms and conditions remain.


Please confirm your agreement to this extension by signing and returning a copy of this letter as provided for below.

Yours faithfully,
For and on behalf of Blue City Company 1 S.A.O.C



Amr Issa Al Zadjali
Chairman

And




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

Agreed for and on behalf of
AECO DEVELOPMENT LLC



Tamer Perk
Project Manager

And



Anastasius Naoum
Deputy Project Manager

cc: ASIT, IA



المدينة الزرقاء

AL MADINA A'ZARQA

06 March 2010

12

To : The Bank of New York
101 Barclay Street
New York, NY 10286
United States of America

Attention : Mr. Anthony Bausa / Mr. David Kerr
Corporate Trust Administration - Global Structured Finance

Ref : RC/A3/BoNY/RR/10/LTR1011

Subject : Marine Project Cargo Insurance - Al Madina A' Zarqa (the "Blue City Project Development")

Dear Sirs,

We refer to the above captioned subject as an arrangement, pertaining to project insurance, within overall BCC Phase 1 Financing documentation. Kindly note that the 4th installment of the Marine Cargo Insurance policy fell due for payment on July 10, 2009. While we normally make such payments within 3 months of the due date, however in this instance and due to the current financial position and the status of the project, the payment cannot be made at this time.

We have now been informed by our broker that, the insurer/underwriter will instigate the cancellation of the policy if payment is not received on or before 15 March 2010.

While keeping you notified of this development, we also seek your advise on the above subject, to ensure that the interests of the Noteholders as well as the project remain fully protected.

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


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

CC : Issuer - Blue City Investments Limited



المدينة الزرقاء
AL MADINA A'ZARQA

AECO Development LLC

Reply Requested
Due Date

REF NO: BC1-0000-AEBC-CO-00417

7 Dec 2009

Project : Al Medina A' Zarga, "The Blue City" Project, Phase 1
To : Blue City Company 1 S.A.O.C.
Al Maha Building, Ghala
PO Box 3619, Postal Code 112
Ruwi, Sultanate of Oman
Attention : Mr Richard P. Russel, P.E.
Fax No : +968 24 597422
Subject : Notice of Suspending Works
Reference No. : Addendum 7 Clause 6 and COC Sub-Clause 16.1

SAP 2011
7
11/12/09
P.1

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Dear Sir,

The Contractor submitted IPC 35 for review by the Engineer on 7th October 2009. As per Sub Clause 14.7b of COC, payment should have been made by the Employer within 56 days (i.e. not later than 2nd December 2009). According to Sub-Clause 6 of Addendum 7 signed on 30th September 2009 "In the event that the Employer fails to meet the conditions of Clause 5.0 (Note: which inter alia provides that the Employer shall pay IPC in cash on or around 6th December) by the date IPC 35 becomes due or on 6 December 2009 the Contractor shall be entitled to suspend performance of Works or reduce the rate of performing Works in accordance with the relevant provisions of the Contract which in such case shall not be affected by any provision of this Addendum".

Since the Employer failed to fulfill its obligations under Clause 5 of Addendum 7 and Sub-Clause 14.7 of COC, please treat this letter as a notice to the Employer that the Contractor, pursuant to its entitlement provided for in Clause 6 of Addendum 7 and Sub-Clause 16.1 of COC, will suspend the Works on 22nd December 2009 unless the latter has received payment of an amount of USD 7,046,440.52 corresponding to the amount certified by the Engineer as due and payable to the Contractor by virtue of IPC 35 until such date.

Please note that nonpayment of IPC 35 renders the Employer in breach of the Contract and of Addendum 7 for which the Contractor hereby reserves all its rights under Contract and applicable law inclusive of but not limited to its right to claim for financing charges in accordance with Sub-Clause 14.8 of the COC, its right to an extension of time and adjustment of the GMP and MSPs in relation to any Cost the Contractor will incur as a result of delayed payment and/or the suspension of the Works referred to above.

Sincerely,
For AECO Development LLC



Tamer Perk
Project Manager



Anastasios Naoum
Deputy Project Manager

CC: ACE - Mr Ackey Chrysoulos

AECO Development LLC
C.R. No., 1/04487/2
28A, 16th November Street, Al Ghubrah
P.O. Box 1987, P.C. 130, Muscat, Sultanate of Oman
Muscat Office Tel No: +968 244 95029, Fax No: +968 244 94551
Sila Office Tel No: +968 268 87300, Fax No: +968 268 87322
E-mail: info@aeco.com



Section 1.1.1 (Ananlara Hotel): General View



Section 1.1.2 (Amphitheatre Apartments) General View



Section 1.4.2 (City Beach Apartments): General View



Section 1.7.5a (Golf Villas A): General View



Section 1.7.5b (Golf Villas B): General View

سلطنة عُمان
وزارة العدل
المحكمة الابتدائية
رئيس المحكمة



الرقم :
التاريخ :

أمر على عريضة رقم : ٨٢٢/٧٩٨ تجاري / ٢٠٠٧م

- استنادا إلى أحكام قانون الإجراءات المدنية والتجارية الصادر بالمرسوم السلطاني رقم ٢٠٠٢/٢٩ .
- وبناء على طلب إصدار أمر على عريضة رقم ٨٢٢/٢٠٠٧م تجاري المقام من طالبة الأمر / شركة الزوبعة، الذي تشير فيه إلى أنها أبرمت مذكرة تفاهد في ١١/١/٢٠٠٤م مع شركة أورنتيل التي بشروطها وافقت طالبة الأمر الانضمام إلى الشركة لتطوير مشروع عقاري بمنطقة السوادي () وتعهدت الحكومة بتوفير البنية التحتية للمشروع وضمن شروط الاتفاقية أن على أي طرف يرغب في بيع حصته بشركة المشروع عليه أن يقوم بعرض الحصة المعروضة للبيع على الطرف الآخر، وحيث أن شركة أورنتيل بموجب الاتفاقية احتفظت لنفسها بالحق في تحويل كامل حصتها البالغة ٧٠% في شركة المشروع إلى شركة فرعية أو ذات صلة أو شركة شقيقة، وعليه قامت الشركة ببيع ما نسبته ٥٨% من حصتها إلى شركة فرعية لها تسمى (أوبسيس) وقات طالبة الأمر بالتنازل عن حق الأفضلية لعدم مناسبة ذلك العرض لها . بعدها أبرمت كل من أورنتيل وأوبسيس وطالبة الأمر اتفاقية بيع وشراء حصص والتي بموجبها وافقت أورنتيل على بيع وتحويل (٤٦٠٠٠٠) حصة (٧٠% في شركة المشروع) منها ٥٨% بقيمة ٢٢ مليون دولار أمريكي و ١٢% إلى أوبسيس دون مقابل كون الأخيرة فرعية لها .
- وبما أن تاريخ لاحق أبلغت أوبسيس طالبة الأمر بأنها تقترح بيع ١٢% من الأسهم إلى المطلوب ضدها الأمر / شركة أي أي جي هولدنجز ش . بر . ب (م) ببلغ ٢٢ مليون دولار أمريكي .
- وحيث تنازلت المدعية عن حق الأفضلية لعدم مناسبة العرض لها وعليه قامت بتوقيع الاتفاقية مع أوبسيس وشركة المشروع والمدعى عليها، وحيث واصلت المدعية في تنفيذ التزاماتها وتبين لها لاحقا بأن عرض قيمة الأسهم لم يكن صحيحا وأقامت ضد جميع الأطراف دعوى موضوعية قيدت بالرقم (٢٠٠٧/٩٨٧م)، وحيث أن الدعوى الموضوعية لا تزال قيد النظر وحيث أن طالبة الأمر تخشى قيام المطلوب ضدها الأمر / شركة أي أي جي هولدنجز بالتصرف في الأسهم

سلطنة عُمان
وزارة العدل
المحكمة الابتدائية
رئيس المحكمة



الرقم :
التاريخ :

- الملوكة لها في شركة المحيط للتطوير والسندات الملحقة من الفئة (د) قيامها بممارسة حقها في التصويت لمجلس الإدارة مما يؤثر على طالبة الأمر لذا أقامت طلبها هذا للأمر بحجز مؤقت لعدد (٤٩٠٠٠٠) حصته أي ما نسبة (٧٠%) من الأسهم المسجلة بأسماء المطلوبين ضد ما الأمر ومنعها من التصرف فيها ومنعها من ممارسة حق التصويت وذلك لحين الفصل في الدعوى الموضوعية مرقم (٢٠٠٧/٩٨٧) .
- وبعد الإطلاع على الأوراق .

تقرر :

- الحجز المؤقت على (٤٩٠٠٠٠) حصته ما نسبته (٧٠%) من الأسهم المسجلة بأسماء المدعى عليها في شركة المحيط للتطوير (ش.م.ع.م.ر) والسندات الملحقة من الفئة (د) مع منع المدعى عليها من ممارسة حقها في التصويت لحين الفصل في الدعوى الموضوعية مرقم (٢٠٠٧/٩٨٧) تجاري، ومرفوض ما عدا ذلك من طلبات .

- يتم التنفيذ بصورة عاجلة بدون إعلان .
- مخاطبة جهات الاختصاص لتنفيذ الأمر .

بدر بن محسن الراشدي

رئيس المحكمة الابتدائية بمسقط



صدر في: ١٢ من رمضان ١٤٢٨ هـ
الموافق: ٢٥ من سبتمبر ٢٠٠٧ م

Sultanate of Oman
Ministry of Justice
Primary Court
Chief Justice

Order on Petition No. 798/833 – Commercial/2007

Based on the Civil & Commercial Procedural Law issued by Royal Decree 29/2002:

And based on petition No. 833/2007 – commercial filed by Cyclone LLC referring to the MOU signed on 11th September, 2004 with Oriental company stating therein that the plaintiff agreed to collaborate with Oriental to develop a real estate project in Sawadi while the government committed to provide the basic infrastructure for the project. The MOU also stated that either party can sell his shares in the project company provided that the other party will have priority to buy. Oriental had 70% of the project company's shares and transferred 58% of its shares to Oases, an affiliate of Oriental. The plaintiff relinquished its right at time to buy those shares for non convenience. Subsequently, the Plaintiff, Oriental and Oases signed a sales and purchase of shares agreement in which Oriental agreed to sell and transfer 490,000 shares (70% of the shares in the project company) including the 58% for a price of USD 33 millions and 12% to Oases, its subsidiary, at no cost.

Subsequently Oasis informed the plaintiff of its intention to sell 12% of the shares to the defendant AAJ holder SABC for USD 33 millions.

Now as the plaintiff relinquished its preferential right for non convenience the sale & purchase agreement was signed between Oasis, the defendant and the project company. Whereas the plaintiff continued to fulfill its obligations and it became evident that the offered price for the shares was delusive and hence filed a case against all the three parties (case No. 987/2007) and whereas the case is under consideration and whereas the plaintiff fears that AAJ might dispose its shares in Ocean Development and the bonds of class D, the plaintiff demands a provisional restraint order over the 490,000 shares (70%) of the shares registered in the name of the defendant and prevent the defendant from disposal. Also prevent the defendant from its right to vote in the board of directors until final judgment of the case 987/2007.

Having considered the papers:

Decision:

Provisional restraint order over 490,000 shares (70%) of the shares registered in the name of the defendant in Ocean Development Company SAOC, class D bonds and prevention of defendant from its right to vote until final judgment of case number 987/2007 – commercial. Reject otherwise requests.

- Implementation is a matter of urgency without notice.
- Address competent authorities to implement the order