

WEIL, GOTSHAL & MANGES

DMC/DM/27526.0003

18 January 2010

The Bank of New York Mellon
101 Barclay Street
8 West New York
NY 10286
USA

For the attention of Mr David M. Kerr

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

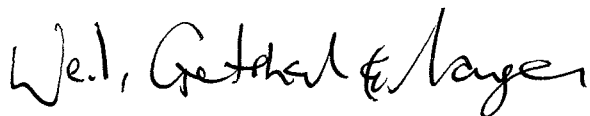
For the attention of Richard Russell

Dear Sirs

Policy Ref 11317801016PR – Letter from AXIS Speciality Limited dated 11 January 2010 (the “Letter”)

We refer to paragraph 4 of the Letter (enclosed for ease of reference) and AXIS’s request for further information in relation to the suggestion that BCC1 had been considering a restructuring of the Project since early 2009. Please would you give an overview of what was being considered and when and let the Issuer have copies of any relevant documents?

Yours faithfully



Weil, Gotshal & Manges

Enc.

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ONE SOUTH PLACE, LONDON EC2M 2WG

TEL: +44 (0) 20 7903 1000 FAX: +44 (0) 20 7903 0990

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Weil, Gotshal & Manges is a partnership of registered foreign lawyers and solicitors. A list of the names and professional qualifications of the partners is available at the above address.
Regulated by the Solicitors Regulation Authority



11th January 2010

Richard Strachan
Executive Vice President
Chief Claims Officer

Your Ref: DMC/DBM/27526.0003

By E-mail and Mail

Messrs Weil, Gotshal & Manges
One South Place
London EC2M 2WG

Dear Sirs

Policy Ref 1131780106PR (the "Policy")

Thank you for your letter of 8 January 2010, sent to us on behalf of the Insured. We are reviewing the attachments that you have provided. We have a number of comments to make with regard to your letter:

1. BCIL (adopting your description of the Insured) may or may not have a direct involvement in the Blue City Project, but it is the Insured under our Policy. As such, it has various duties and obligations under the Policy. We are aware that BCIL is amongst a group of companies formed for the purposes of the Blue City Project, which ultimately have ASIT as their holding company and in this connection we note that information relevant to the previous notification of potential loss has been provided by BCC1, as well as BONY.
2. The Insured has various obligations under the Policy. The provision of information is one of those obligations and it should be provided in a timely manner at our request. Failure to do so is a serious breach of the Policy, and it has consequences if the breach prejudices our rights under the Policy. We have every right to cancel the Policy in the event that there is a continuing serious breach by the Insured.



The comment that a potential payment default is some 22 months away is entirely irrelevant, and indicates that the Insured may not properly understand the extent of duties and obligations under the Policy.

3. You say (top paragraph on page 2) that is “keen to work with the Insurer” and to “co-operate generally”. It must be understood by the Insured that these are obligations on the part of the Insured, and cannot be merely statements of intent.
4. The documentation that you have provided with your letter is currently being reviewed, and while this process is under way, could you provide us with further information concerning the suggestion that BCC1 was considering a restructuring of the Project since the beginning of 2009 (see page 2, paragraph 1 of the BONY letter of 1st October 2009, which is one of your attachments).

Finally, we assume that the Insured is reliant on other parties for the provision of documentation and information, such as BCC1, and will bear this in mind while we are reviewing the documents you have provided, and in the event that we request further information from the Insured.

Yours faithfully

A handwritten signature in black ink, appearing to be "R. Russell", written over a horizontal line.

cc The Bank of New York Mellon
101 Barclay Street 8 West
New York, NY 10286
USA

Blue City Company 1 S.A.O.C.
P.O. Box 3619
112 Ruwi
Sultinate of Oman

For the attention of David M. Kerr

For the attention of Richard Russell

cc Blue City Investments 1 Ltd

10 January 2010

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

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

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

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

Dear Sir

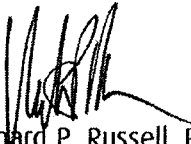
This is with reference to our ongoing obligations and duty to keep yourselves advised of any material events concerning the Blue City Project and/or to notify you of potential or actual events of default under the ILA as and when any such event occurs. Please be advised that we have not been able to 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

