

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



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