



Richard Strachan
Executive Vice President
Chief Claims Officer

11th January 2010

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



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

For the attention of David M. Kerr

cc Blue City Investments 1 Ltd

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

For the attention of Richard Russell