



18 February 2010

The Bank of New York
101 Barclay Street
NEW YORK
NY 10286

Attention: Corporate Trust Administration – Global Structured Finance

Dear Sirs

Reference: Services Agreement Direct Agreement
Phase 1 of the Al Madina Al Zarqa (Blue City) Project
Sultanate of Oman

Associated Consulting Engineers (ACE) International refer to that certain Agreement dated 7th November 2006 entered into by and between Associated Consulting Engineers (ACE) International (the “Consultant”) and Blue City Company I S.A.O.C. (the “Company”) and The Bank of New York (the “Phase 1 Offshore Security Trustee”).

The Consultant, under the terms of said Agreement, undertook not to take any Enforcement Action without giving the Phase 1 Offshore Security Trustee written notice specifying the grounds for Enforcement Action. Refer Clause 5.1 (a).

Under the terms of the Services Agreement dated 7th November 2006 entered into between the Company and the Consultant pursuant to which the Consultant was obliged to perform contract administration and engineering services relating to Phase 1 of the Al Madina Al Zarqa (Blue City) Project, a dispute has arisen between the Company and the Consultant with regard to non-payment of the Consultants invoices for services provided on the Project. Under the terms of the Service Agreement, the Consultant believes that grounds for termination by the Consultant exist specifically with relation to Clause 32.2 (i) therein whereby invoices are unpaid 28 days after the due payment date.

As at the date of this communication the indebtedness of the Company to the Consultant is \$ 4,140,374. (In words United States Dollars Four Million One Hundred and Forty Thousand Three Hundred and Seventy Four). The invoices in question date back to services provided during the month of August 2009 and all invoices submitted thereafter.

The Parties have tried to resolve the dispute in good faith, however, the Company despite promises in writing has failed to pay all or any undisputed portion of the submitted invoices.



The Consultants' remedy under the terms of the Services Agreement is to give Notice of Termination, however the Consultant is loathe to take such extreme action especially on such a prominent project. Such action would undoubtedly further complicate matters and frustrate the situation.

Accordingly, the Consultant solicits the Phase 1 Offshore Security Trustee to use all necessary powers available to it under the Services Agreement Direct Agreement in order to achieve a satisfactory and equitable conclusion in this matter.

We assure you of our continued commitment to this prestigious development.

Yours faithfully,

For and on behalf of
Associated Consulting Engineers (ACE) International

Hani Hakim
Chairman

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

Attention: Richard P. Russell P.E.
Managing Director & CEO

Phase 1	20/02/10
A8	Action
RR/AP	
JR/JC	
GR	