

May 5, 2009

**A PREPARED STATEMENT BY R. DUDLEY WEBB RELATIVE TO THE STATUS OF  
"CENTREPOINTE"**

Thank you for the invitation to appear before the council today and to give you a brief update on the status of the site and the project.

The press, bloggers, certain members of the council, and particularly the Herald Leader continue to criticize the project, revisit the clearing of the block, distort factually that these buildings were designated as historic, that the Marriott Corporation is no longer interested in a downtown hotel, that there is no demand for condos, etc. And, that there is not now, nor has there ever been, financing available for such a development.

Free speech protections appear to provide the opportunity for people to say what they want without fear of reprisal. Those same protections are provided to citizens who do NOT want to say anything nor is there any obligation to respond to such critics.

During the past 12 months, the Herald Leader has targeted CentrePointe for major stories some 292 times. None of the stories supported the project. None of the stories were totally accurate. Most targeted the Webb family in a negative way. This became a cause célèbre for editorial writers, columnists, bloggers, public officials, rumor mongers, and others. We know of no other individuals or business people in this community or area or any other project that has been targeted for destruction.

We do not intend to continue to respond to this negativism either now or periodically. Attempts to clarify matters or issue corrections have only fueled the fires of speculation and criticism. That is the very reason for this written statement today and my limiting my responses to questions to those that we are required to make.

Do not forget that this is a private business venture on privately owned property and there has been no request for public dollars to be a part of this project. There is no obligation, legal or otherwise, that we must discuss with the public, or anyone else, the financing plan or the source of the proposed funding for this project. There was no unlawful taking or condemnation in the

peaceful assemblage of these properties and this was done entirely without government support or intervention. All laws and ordinances were complied with. It was clear that the buildings were functionally and economically obsolete. There were no credit cards misused in the assemblage. It was a private deal no different than the demolition of the old Saunier Alley building for the construction of a new school or the assemblage of the old buildings in the Irishtown area for the Distillery District will be.

It is a private deal not unlike that being proposed by the Trammell Crow Company for an "air rights" development above the Transit Center which has taken longer to get going than everyone thought. It is also not unlike the "Blackhorse Loft Condominiums" that were to be a competing project in which reportedly one of the council was involved. This was announced, the site was cleared, the building torn down, but the project is now on hold with no explanation. My point here is nobody is screaming about these projects that are not yet proceeding as scheduled after they were announced. The reason being that most reasonable people understand that unfortunate and unforeseeable things do happen in this business and they often take time to resolve, but this doesn't make their sponsors to be villains or charlatans as many have suggested in reference to us.

In our case, there are also other private parties involved including investors, potential tenants and condo purchasers and one of the nation's leading hotel companies. These private parties wish to remain that way....."private" for whatever reason and that is their right and privilege.

Very recently in a meeting of this Council, members discussed as fact that Marriott was no longer interested in operating a J. W. Marriott Hotel in downtown Lexington as there was no need for additional hotel rooms. Antagonists have previously on many occasions contacted the Marriott home office advising that Lexington did not want a J. W. Marriott hotel downtown and asked that they stay away from CentrePointe. Often times, blatant fabrications, four letter words and personal insults became the order of the day in this discourse.

The good news from all of this is that Marriott Corporation is still the major player in the world hospitality and travel market and they still believe in the future of Lexington. Attached to this statement is a letter from the Senior Vice

President of Hotel Development for Marriott which I received this week in response to a request that he clarify the interest of the company in this project. You can read it for yourself and draw your own conclusion.

Now, let us turn to the development project itself. We will not revisit the history of the demolition of the buildings except to remind everyone that none of these structures was on the National Registry of Historic Places and a study just a few years ago that reviewed the historic buildings in downtown placed none of them on any such list. Ultimately, the Courthouse Design Review Board determined that a restoration of these buildings was not an economically viable alternative. This was not surprising since the Rosenberg family and Gray Construction had teamed with the Kentucky Science & Technology Center back in 2005 to try to rehab the old Woolworth's Building also situated within the block. Unfortunately, they too found that the economics simply wouldn't work for them either, even with the New Market Tax Credits that were then available. That building was then demolished and now, the other buildings are also gone, so further discussion about them is moot.

Development is by nature an optimistic business. Developers look at potential projects regularly. The great majority of them are not pursued. The location, the economics, the design, the market, the results, the financing, the profit and other factors help make those decisions. Sometimes there are other factors that influence such decisions.

As with all development projects, CentrePointe has been an evolving project. Developers do not simply decide they will do a project and build it. Since the CentrePointe project began, there have been many influencing factors involved in the process. Participants both as owners and as financiers have changed. An early participant and a lender decided not to participate because they did not want to become bogged down in an unusual process where an officious public servant that has a large view of himself is dictating what our private development is going to be like. Other participants then stepped up. To avoid such dictates, it went from a debt project that was dependent upon TIF financing to an all equity project that did not.

We reviewed the business and financing plan that was being offered to us with the proper persons and advisors and determined that it was real. Agreements were reached on the participation and were executed. We moved on with the

optimism that developers always have on such a project. Most people were excited about it. The naysayers who wanted to control the private project in design and otherwise without any financial risk screamed foul and made every effort to stop the project, including going to court. Don't you believe for a minute that these antics were ignored. We made every effort to appease when we could without impairing the project. Every time we thought the path was cleared, some other tactic to stop the project would be tried. But, changes in direction are not unusual in such an effort. Development is also an evolving process. Each day brings different situations and conditions and plans are altered to meet those plans. We have met those challenges and will continue to do so in the future with this site and this project.

With the financing agreements executed and in place, subject to the same CONFIDENTIALITY restrictions that are still in place today, the project moved forward. However, in this world of human mortality, timing can be a critical matter. None of us are immune from death. It was unfortunate when one of the participating entities lost a major player who happened to be an international. Not only this unfortunate death, but, the resulting impact of foreign laws and regulations became a major factor also. So the situation has created some delay at a critical time for us.

In an effort to be as open as we could be under the restrictions of our agreements, we asked Richard Crane, the Omnibus Trustee for this transaction and all of the parties involved, and a very reputable Los Angeles attorney to act in his capacity as Trustee and give a letter to all of you to confirm his involvement and the reason for the delay. Interestingly enough, one of Mr. Crane's law partners is the father of Bill Gates, the founder of Microsoft and the Bill and Melinda Gates Foundation, and all of the Gates family are good friends of his to this day and these are all substantial people and not figments of someone's imagination.

Mr. Crane furnished his letter to you in good faith, acting not on behalf of his law firm but as a reputable attorney in a private business arrangement. The response was a criticism of his letterhead and that one of the councilmen stated that he thought it was a hoax. Be assured that with Mr. Crane's background and reputation as an attorney, he does not deal in "hoaxes". In fact, Mr. Crane is also one of the most respected and recognized attorneys in the country, having

served as a former head of the Federal Strike Force on Organized Crime and today representing many of the major corporations and wealthy individuals of the world, including one of those that committed the funding for this transaction. Unfortunately good faith was once again met with the same negativism from the same group of naysayers.

I have been criticized for being optimistic about Centrepointe. We have been as open and frank with you and the public as we could be under the circumstances and within our business judgment. If a time frame was given and for some reason not met, then so be it. I assure you that when pressed for such time tables, we do our best to respond and as honestly as we know at the time. But, things do change. So we are always torn between not giving any opinion at all or giving an honest opinion. One thing is for sure here though and that we have never undertaken a project that we did not finish and we do not intend to start with this one.

In closing, let me say that we still believe that a viable financing plan is in place that will allow CentrePointe to be constructed in the near future. This could require 60-90 days for the Trustee to work through the legal and business process and at which time we could then hope for construction to begin. That is all that we have to say about that today, except that we have already posted the bonds required by the Kentucky Department of Transportation and have lifted the "Encroachment Permits" by which we are allowed to close certain traffic lanes so as to allow our Contractor to stage there and proceed.

As to the Vice-Mayor's request that we spend \$300,000 or more to fill and seed that site now when construction is projected to begin very soon, with all due respect, we feel that to do so at this time would be a waste. The site has been fenced within the rules, the sidewalks around the site have been temporarily re-opened and we have otherwise complied with the law. We believe that the same rules that apply to everybody else should apply to us, no more and no less.

We have asked that the seeding of the site be deferred for this short period, but will leave that to regulatory authorities. Be assured though that we will do whatever the authorities require us to do within the law and we trust that good judgment will be used in such decisions rather than the punitive resolutions that some of our naysaying friends would like for these authorities to impose.

As for 2010, we will not become involved in a debate over what will be done at that time since there are other steps to be taken first. However, you can be assured that we have every intention of this site not being an eye-sore for our citizens or our visitors to the WEG and will work with the government, as well as the organizers and sponsors of the games toward that end.

We are certainly optimists. Our record of development in Fayette County and other places has been criticized and distorted on the internet and in the newspaper. While there are a very few projects that we might wish we had not done for one reason or another, there are several dozens of others that we are proud to have been involved with. Suffice it to say that we are certainly not embarrassed that in the last 25 years, we have developed world class projects in Fayette County that contain millions of square feet of mixed use space including hotels, retail centers, office buildings, warehouses, residential condominiums and other specialty projects that have generated over a billion dollars of new tax base for this community.

This was the same optimism and enthusiasm for this community that led to our other downtown projects including the Lexington Financial Center, the World Trade Center, the Downtown Hilton Hotel, Victorian Square, the Marketplace, First Federal Plaza, Merrill Lynch Plaza, The Chamber Building, the BB&T Building and the Woodlands. This was also the same optimism and enthusiasm that led to our other projects in the suburbs like the Corporate Center, Palomar Center, Lexington Green, Tates Creek Center, Tates Creek South, Perimeter Center, Lexington Business Center, Melbourne Distribution Center, Newtown Distribution Center, Georgetown Distribution Center, Leestown Distribution Center, etc.

Like them or not, these are still contributing to the tax base and social fabric of the community and will continue to do so in the future. We are proud of our record in this community. Some people even think that we have been responsible citizens, developers and have done a good job on most all of our projects. To them, we would say that we tried and have always done the best that we could. Lexington deserves nothing less.

A handwritten signature in black ink, appearing to read "R. Dudley Webb", with a long horizontal flourish extending to the right.

R. Dudley Webb for CentrepoinTE, LLC



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May 4, 2009

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Dear Mr. Webb:

Marriott International, Inc. is pleased to be working with you on the development of CentrePointe in downtown Lexington, Kentucky. We continue to dedicate time, expertise and resources as a key member of your development and management team and we are pleased with the progress of the project. We are supportive of your endeavors and we are excited about the development of a JW Marriott Hotel as a key component of this mixed-use development.

As planned, CentrePointe will represent a state-of-art project that we believe is well-suited for the market area. Lexington continues to grow and truly represents an international city. Marriott International and the JW Marriott Hotel, in particular, will help to further establish CentrePointe and the city of Lexington as a world-class destination among international business travelers as well as the leisure and convention travel markets. In addition, we fully expect the project will be embraced with great enthusiasm by the local and regional community.

We are pleased to continue our relationship with your organization and we look forward to the successful completion of CentrePointe and the JW Marriott Hotel.

Sincerely,

Thomas D. Papelian  
Senior Vice President  
Hotel Development