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Honorable Edward F. Shea

Leslie R. Weatherhead
Witherspoon, Kelley, Davenport & Toole, P.S.
1100 U.S. Bank Building
422 West Riverside Avenue
Spokane, WA 99201-0369
Attorneys for Riverpark Square LLC and
RPS II LLC

FILED IN THE
U.S. DISTRICT COURT
EASTERN DISTRICT OF WASHINGTON

DEC 13 2001

JAMES R. LARSEN, CLERK
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Ladd B. Leavens
Davis Wright Tremaine LLP
2600 Century Square
1501 Fourth Avenue
Seattle, WA 98101-1688
(206) 622-3150
Attorneys for Citizens Realty Co. and
Lincoln Investment Company

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF WASHINGTON
AT SPOKANE

NUVEEN QUALITY INCOME
MUNICIPAL FUND, INC., et al,

Plaintiffs,

v.

PRUDENTIAL SECURITIES, INC., et
al,

Defendants,

v.

CITY OF SPOKANE,

Third-Party Plaintiff,

v.

ROY J. KOEGEN, et ux, et al,

Third-Party Defendants,

No. CS-01-0127-EFS
Consolidated with:
No. CS-01-0128-EFS

ANSWER OF RIVERPARK
SQUARE LLC, RPS II LLC,
CITIZENS REALTY
COMPANY, AND LINCOLN
INVESTMENT COMPANY OF
SPOKANE TO COMPLAINTS
OF NUVEEN QUALITY
INCOME MUNICIPAL FUND,
INC., ET AL. AND U.S. BANK
TRUST NATIONAL
ASSOCIATION

1 Defendants Riverpark Square LLC¹, RPS II LLC, Citizens Realty Company,
2 and Lincoln Investment Company of Spokane (hereinafter "Defendants"), through
3 counsel, answer the complaints in *Nuveen Quality Income Municipal Fund, Inc., et*
4 *al. v. Prudential Securities, Inc., et al.*, No. CS-01-0127, and *U.S. Bank Trust*
5 *National Association v. Prudential Securities, Inc., et al.*, No. CS-01-0128, as
6 follows.

7 Defendants admit the following facts alleged in the Complaints.

8 1. Defendants admit that this Court has jurisdiction over the claims
9 alleged to arise under the Security Exchange Act of 1934.

10 2. Defendants admit that venue properly lies in this Court.

11 3. Defendants admit that Nuveen Quality Income Municipal Fund, Inc.,
12 is a municipal bond investment fund.

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15 ¹ AGIC's complaint in Intervention named "RPS MALL LLC" as a party defendant. On August
16 8, 2001, Plaintiffs Nuveen, et al., were granted leave to amend their complaint to substitute
17 "River Park Square LLC" for "RPS Mall LLC". The same date, the Court entered an order
18 permitting intervention by AGIC and consolidating the Nuveen, et al. and U.S. Bank Trustee
19 complaints, all under a caption including defendant "River Park Square LLC." Accordingly,
20 River Park Square LLC answers on the assumption that though the Court's order granting leave
21 to amend was specific and limited to the Nuveen, et al., complaint, the practical effect of the
22 order on consolidation was to extend that amendment to all pending complaints. Please note
23 affirmative defenses regarding process, service of process, and statute of limitations.
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1 4. Defendants admit that Nuveen Premium Income Municipal Fund IV,
2 Inc. is a municipal bond investment fund.

3 5. Defendants admit that Strong Municipal Bond Fund, Inc., is a
4 municipal bond investment fund.

5 6. Defendants admit that Smith Barney Municipal Fund Limited Term is
6 a municipal bond investment fund.

7 7. Defendants admit that Smith Barney Municipal High-Income Fund is
8 a municipal bond investment fund.

9 8. Defendants admit that Vanguard High-Yield Tax-Exempt Fund is a
10 municipal bond investment fund that is a series of Vanguard municipal bond funds.

11 9. Defendants admit that U.S. Bank Trust National Association is a
12 national association chartered under the laws of the United States, and serves as
13 Indenture Trustee for some holders of the Bonds.

14 10. Defendants admit that Citizen's Realty Co. is a Washington
15 corporation, and is a wholly-owned subsidiary of Cowles Publishing.

16 11. Defendants admit that Cowles Publishing and Lincoln Investment
17 Company of Spokane have some common shareholders.

18 12. Defendants admit that Citizens and Lincoln created River Park Square
19 LLC in 1997, and that they are the sole members thereof.

20 13. Defendants admit that River Park Square LLC established RPS II
21 LLC in 1998.

22 14. Defendants admit that the City of Spokane is a first-class charter city
23 in the State of Washington.

24 15. Defendants admit that Foster Pepper & Shefelman was engaged to act
25 and acted as counsel for Prudential in connection with underwriting the Bonds.
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1 16. Defendants admit that Prudential is a Delaware corporation and a
2 registered broker dealer doing business in the State of Washington, and that
3 Prudential acted as underwriter for the Bonds. Defendant further admits that
4 John C. Moore was an employee of Prudential.

5 17. Defendants admit that Preston Gates & Ellis acted as issuer's counsel
6 on behalf of the Foundation and as bond counsel in connection with the
7 underwriting and issuance of the Bonds.

8 18. Defendants admit that RWR Management, Inc., is a real property
9 management company that was a coordinator, managing and leasing agent, and
10 project director for efforts of the owners of the Garage and River Park Square Mall
11 to redevelop and renovate the Garage and River Park Square Mall. Defendants
12 further admit that R.W. Robideaux was an officer or employee of RWR
13 Management, Inc., and that he was a person with responsibility for the actions
14 undertaken by RWR Management, Inc., in connection with the redevelopment of
15 the Garage and River Park Square Mall. Defendants further admit that RWR
16 Management, Inc., had managed the business of River Park Square Mall on behalf
17 of the owners thereof for a number of years prior to the issuance of the Bonds.

18 19. Defendants admit that the Spokane Downtown Foundation is a
19 Washington non-profit corporation created in 1996 in connection with the Garage
20 transaction.

21 20. Defendants admit that the Spokane Public Parking Development
22 Authority was created by an ordinance passed by the Spokane City Council on or
23 about November 7, 1988, that it is governed by a five-member Board of Directors
24 appointed by the mayor and approved by the City Council, and that at times Orville
25 Barnes and Roberta Greene were members of the Board of Directors of the
26 Authority.

1 21. Defendants admit that Walker provides consulting services including
2 financial feasibility studies in connection with the design, construction, renovation
3 and expansion of parking facilities. Defendants further admit that John Dorsett
4 was at pertinent times an employee of Walker.

5 22. Defendants admit that River Park Square Mall was built in or about
6 1974 in downtown Spokane, that Nordstrom is a significant tenant of the River
7 Park Square Mall, and that prior to the issuance of the Bonds the Garage had 750
8 spaces. Defendants admit that in the mid 1990's the owners of the Garage and
9 River Park Square Mall began considering whether to redevelop the Garage and
10 the River Park Square Mall. Defendants admit that representatives of the owners
11 of the Garage entered into discussions with representatives of the City, and
12 discussed with representatives of the City a number of concepts, including that the
13 City would purchase the existing garage and then renovate and expand it.

14 Defendants further admit that in connection with those discussions representatives
15 of the City and the owners of the Garage and of the land underlying the Garage
16 entered into discussions that eventually led to the transactions described in the
17 Official Statement.

18 23. Defendants admit that Walker provided services to one or more of the
19 owners or developers of River Park Square in 1994-95, and that the services
20 included the preparation of a parking demand study and financial pro forma.
21 Walker subsequently was retained by the City to prepare analyses in connection
22 with the purchase of the garage.

23 24. Defendants admit that the City engaged Auble & Associates to
24 prepare the report dated July 11, 1996, that is referenced within the Official
25 Statement. Defendants admit that the Complaint purports to quote selectively from
26 the Auble Report. That report speaks for itself, however, and Defendants therefore

1 deny any allegations that quote selectively from or purport to characterize the
2 report.

3 25. Defendants admit that the City engaged Daniel M. Barrett to prepare
4 the report dated July 8, 1996, that is referenced within the Official Statement.
5 Defendants admit that the Complaint purports to quote selectively from the Barrett
6 Report. That report speaks for itself, however, and Defendants therefore deny any
7 allegations that quote selectively from or purport to characterize the report.

8 26. Defendants admit that the City engaged Coopers & Lybrand LLP to
9 prepare a report in connection with the Garage, and that Walker issued a report to
10 the City in or about June, 1996, and subsequently revised and updated the report on
11 April 22, 1998 and June 29, 1998. Defendants admit that the Complaint purports
12 to quote selectively from the Coopers & Lybrand Report. That report speaks for
13 itself, however, and Defendants therefore deny any allegations that quote
14 selectively from or purport to characterize the report.

15 27. Defendants admit that the Sabey Corporation is a commercial real
16 estate company with a principal place of business in Seattle, Washington; that the
17 Sabey Corporation was an owner of land and an operator of retail facilities in the
18 City of Spokane that compete with River Park Square; that on or about
19 December 10, 1996, the Sabey Corporation issued the Sabey RPS Mall Report and
20 the Sabey Garage Report. Defendants admit that the Complaint purports to quote
21 selectively from the Sabey Reports. The reports speak for themselves, however,
22 and Defendants therefore deny any allegations that quote selectively from or
23 purport to characterize the reports. Defendants deny that the Sabey Reports were
24 competent or prepared and submitted in good faith.

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1 28. Defendants admit that Coopers & Lybrand issued a report to the City
2 on or about January 27, 1997, in connection with the enactment of Ordinance C-
3 31823.

4 29. Defendants admit that on January 27, 1997 the City of Spokane City
5 Council enacted Ordinance No. C-31823.

6 30. Defendants admit that the Spokane City Council adopted Resolution
7 No. 97-2, which approved the plan for the Foundation to purchase the Garage,
8 including the plan for financing the purchase.

9 31. Defendants admit that on or about September 15, 1998, the Spokane
10 Downtown Foundation issued the Bonds, in the face amount of \$31,465,000 to
11 finance the Foundation's purchase of the renovated and expanded Garage and to
12 fund a capital interest account and a debt reserve account.

13 32. Defendants admit that the Bonds were not secured by any lien upon
14 the Garage or the underlying land.

15 33. Defendants admit that the source of repayment of the Bonds were
16 revenues from the Garage. Defendants also admit that the Spokane City Council
17 enacted Ordinance C-31823 on January 27, 1997.

18 34. Defendants admit that the Spokane Downtown Foundation issued the
19 Official Statement in connection with the issuance and sale of the Bonds.

20 35. Defendants admit that they had knowledge of the content of the
21 Official Statement at or about the time of the issuance of the Official Statements by
22 the Foundation.

23 36. The defendants admit that on or about September 27, 1999, Citizens
24 Realty Co., Lincoln Investment Company of Spokane, River Park Square LLC, and
25 RPS II LLC sold the Garage and certain related personal property to the
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1 Foundation, pursuant to a Parking Facility Purchase And Sale Agreement dated
2 August 1, 1998.

3 37. Defendants admit that Standard & Poor's downgraded its rating on the
4 Bonds on or about February 1, 2000, and that it issued a report concerning the
5 Garage on or about that time.

6 38. Defendants admit that Standard & Poor's downgraded its rating on the
7 Bonds on or about April 20, 2000.

8 39. Defendants admit that Garage revenues have been insufficient to pay
9 ground lease payments and operating and maintenance expenses.

10 40. Defendants admit that the City of Spokane has refused after request
11 and demand to honor its obligation under Ordinance C-318230.

12 Defendants specifically deny the following factual allegations.

13 41. Defendants deny that they engaged in any scheme or artifice to
14 defraud the purchasers of the Bonds.

15 42. Defendants deny that they engaged in any unlawful conspiracy with
16 respect to the issuance of the Bonds.

17 43. Defendants deny that the Official Statements were materially false
18 and misleading.

19 44. Defendants deny having knowledge or belief that the Official
20 Statements were false or misleading.

21 45. Defendants deny that they substantially participated in making the
22 factual representations to the plaintiffs that are set forth in the Official Statements.

23 46. Defendants deny acting in concert or individually to achieve unlawful
24 purposes.

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1 47. Defendants deny that they engaged in any conduct that constitutes a
2 violation of Section 10(b) of the Securities Exchange Act of 1934, or of
3 subsections 2(a), (b), and (c) of SEC Rule 10b-5 promulgated thereunder.

4 48. Defendants deny that they controlled the Foundation within the
5 meaning of Section 20(a) of the Securities Exchange Act of 1934.

6 49. Defendants deny that they engaged in any conduct that constitutes a
7 violation of the Securities Act of Washington.

8 50. Defendants deny that they acted in any respect with scienter within
9 the meaning of Washington Revised Code Section 21.20.430(7).

10 51. Defendants deny making material misrepresentations and omissions in
11 connection with the Bonds or otherwise.

12 52. Defendants deny that they aided and abetted any other defendant in
13 connection with any common law fraud.

14 53. Defendants deny that they engaged in any actions that constitute
15 common law negligent misrepresentation.

16 Defendants lack knowledge or information sufficient to form a belief as to
17 the truth of allegations in the complaint regarding the state of mind of parties other
18 than themselves. Defendants also lack knowledge or information sufficient to
19 form a belief as to the truth of numerous allegations regarding conduct that the
20 Complaints allege to have been undertaken by other person or entities.

21 54. Except as specifically admitted and denied herein, defendants
22 generally deny all other and remaining allegations in the Complaint.

23 **AFFIRMATIVE DEFENSES**

24 55. Plaintiffs' Complaints, and each of their counts, fail to state claims
25 upon which relief may be granted.

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1 56. Plaintiffs' Complaints, and each of their counts, fail to state a basis for
2 federal subject matter jurisdiction.

3 57. Plaintiffs' own negligence or fault serves as a bar to their claims or, in
4 the alternative, must reduce the damages awarded to plaintiffs, if any, in proportion
5 to plaintiffs' negligence or fault.

6 58. Plaintiffs' claims against Riverpark Square LLC are barred by the
7 statute of limitations.

8 59. Plaintiffs' damages, if any, were caused by others over whom
9 Defendants had no control and for whose actions Defendants are not legally
10 responsible. At fault third parties may include the City of Spokane.

11 60. Defendants did not know, and in exercise of reasonable care could not
12 have known, of the existence of facts by reason of which liability is alleged to exist
13 under Chapter 21.20 of the Revised Code of Washington.

14 61. Plaintiffs' damages, if any, were caused by intervening or superseding
15 causes for which Defendants are not legally responsible.

16 62. Process, and service of process, relating to US Bank Trustee's
17 complaint was insufficient.

18 63. Some or all of plaintiffs' claims are barred by the statute of limitations
19 as to River Park Square LLC.

20 Having fully answered the Complaints, Defendants request that the Court
21 grant the following relief:

22 A. Judgment dismissing the claims set forth in the Complaints with
23 prejudice;

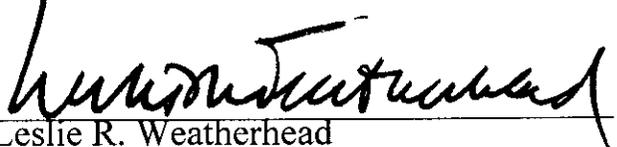
24 B. Judgment against plaintiffs for Defendants' costs and expenses
25 incurred in the defense of the claims in the Complaints, including reasonable
26 attorneys' fees;

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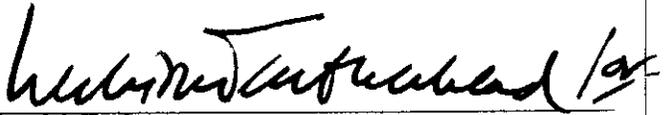
C. Such other and further relief as the Court deems just based upon the law and the evidence.

DATED this 12th day of December, 2001.

Witherspoon, Kelley, Davenport & Toole, P.S.
Attorneys for Riverpark Square LLC and
RPS II LLC

By 
Leslie R. Weatherhead
WSBA #11207

Davis Wright Tremaine LLP
Attorneys for Citizens Realty Company and
Lincoln Investment Company

By 
Ladd B. Leavens
WSBA #11501