ORIGINAL

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

DEC 14 2001

JAMES R. LARSEN, CLERK
DEPUTY
SPOKANE, WASHINGTON

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WASHINGTON
AT SPOKANE

NUVEEN QUALITY INCOME MUNICIPAL FUND, INC.; NUVEEN PREMIUM INCOME MUNICIPAL FUND 4, INC.; STRONG MUNICIPAL BOND FUND, INC.; SMITH BARNEY MUNICIPAL FUND LIMITED TERM; SMITH BARNEY MUNICIPAL HIGH-INCOME FUND; and VANGUARD HIGH-YIELD TAX-EXEMPT FUND; U.S. BANK TRUST NATIONAL ASSOCIATION, in its capacity as Indenture Trustee on behalf of Holders of Spokane Downtown Foundation Parking Revenue Bonds; and ASSET GUARANTEE INSURANCE COMPANY, Plaintiffs, v. PRUDENTIAL SECURITIES INCORPORATED, a Delaware corporation; WALKER PARKING CONSULTANTS/ENGINEERS, INC., a Michigan corporation; FOSTER PEPPER & SHEFELMAN PLLC, a Washington professional limited liability company; SPOKANE DOWNTOWN FOUNDATION, a Washington corporation; PRESTON GATES & ELLIS LLP, a Washington limited liability partnership; CITIZENS REALTY COMPANY, a Washington corporation; LINCOLN INVESTMENT COMPANY OF SPOKANE, a Washington corporation; RIVER PARK SQUARE, L.L.C, a Washington limited liability company; RPS II, L.L.C., a Washington limited liability	No. CS-01-0127-EFS (Consolidated With No. CS-01-0128-EFS) DEFENDANT PRESTON GATES & ELLIS LLP'S ANSWER AND AFFIRMATIVE DEFENSES TO PLAINTIFF INTERVENOR ASSET GUARANTY INSURANCE COMPANY'S COMPLAINT IN INTERVENTION

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company; RWR MANAGEMENT, INC., a Washington corporation, d/b/a R. W. ROBIDEAUX AND COMPANY; CITY OF SPOKANE, WASHINGTON, a first-class charter city of the State of Washington; SPOKANE PUBLIC PARKING DEVELOPMENT AUTHORITY, an unregistered Washington corporation, doing business as RIVER PARK SQUARE PARKING,

Defendants.

CITY OF SPOKANE,

Third-Party Plaintiff,

v.

ROY KOEGEN and ANNE KOEGEN, a marital community; and PERKINS COIE, LLP,

Third-Party Defendants.

Defendant Preston Gates & Ellis LLP ("Preston") answers Plaintiff-Intervenor Asset Guaranty Insurance Company's Complaint in Intervention as follows:

1. Preston states that paragraph 1 contains legal conclusions for which no response is required. To the extent any answer is required, Preston denies the allegations contained in paragraph 1.

2. Preston denies that this Court should exercise jurisdiction over AGIC's claims and, on that basis, denies the allegations regarding venue contained in paragraph 2. Except as so denied, Preston admits the allegations contained in paragraph 2.

3. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 3 and, on that basis, denies those allegations.

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4. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 4 and, on that basis, denies those allegations.

5. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 5 and, on that basis, denies those allegations.

6. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 6 and, on that basis, denies those allegations.

7. Preston admits that the Foundation is a Washington non-profit corporation created in 1996 and states that the Foundation was created through written documents that speak for themselves, and the Foundation was created, in part, to issue bonds and purchase the Garage with proceeds from the sale of such bonds. Except as expressly admitted herein, Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of each and every other or different allegation contained in paragraph 7 and, on that basis, denies those allegations.

8. Preston states that it is an Oregon Limited Liability Partnership engaged in the practice of law with its principal offices in Seattle, Washington and denies each and every other or different allegation contained in paragraph 8.

9. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 9 and, on that basis, denies those allegations.

10. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 10 and, on that basis, denies those allegations.

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11. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 11 and, on that basis, denies those allegations.

12. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 12 and, on that basis, denies those allegations.

13. Paragraph 13 does not require an answer. To the extent any answer is required, Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 13 and, on that basis, denies those allegations.

14. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 14 and, on that basis, denies those allegations.

15. Preston admits the allegations contained in paragraph 15.

16. Preston states that the Ordinance referred to in paragraph 16 is a written document, which, as a whole, speaks for itself, and denies each and every other or different allegation contained in paragraph 16 for lack of knowledge or information sufficient to form a belief as to truth or falsity.

17. Preston objects to the allegations contained in paragraph 17 as vague and denies those allegations to the extent they purport to apply to Preston. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 17 as they purport to apply to other defendants and, on that basis, denies those allegations.

18. Although paragraph 18 does not require an answer, Preston incorporates by this reference each of its answers to the Complaints filed by Plaintiffs in this matter.

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19. Preston admits the allegations contained in the first three sentences of paragraph 19, except states that the Bonds were issued on or around September 24, 1998, rather than September 15, 1998. Answering the fourth sentence of paragraph 19, Preston states that the Foundation has made debt service on the Bonds and the amount of debt service paid is contained in written documents, which, as a whole, speak for themselves, lacks knowledge or information sufficient to form a belief as to what amount of debt service will be paid in the future, and denies each and every other or different remaining allegation contained in paragraph 19.

20. Preston admits that plaintiffs in this matter have brought claims against the defendants seeking both damages and rescissionary relief, but denies that plaintiffs' claims against Preston have merit, or that plaintiffs are entitled to such relief against Preston. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 20 and, on that basis, denies those allegations.

21. Preston denies the allegations contained in paragraph 21 to the extent they purport to apply to Preston. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 21, including as they may purport to apply to other defendants and AGIC, and, on that basis, denies those allegations.

22. Paragraph 22 does not require an answer. To the extent any answer is required, Preston incorporates by this reference each of its answers to the allegations contained in paragraphs 23-48 as if fully set forth herein.

23. Preston admits the allegations contained in the first sentence of paragraph 23. Preston lacks knowledge or information sufficient to form a belief as to the truth or

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falsity of the remaining allegations contained in paragraph 23 and, on that basis, denies those allegations.

24. Paragraph 24 does not require an answer. To the extent any answer is required, Preston incorporates by this reference its answers to the allegations contained in paragraphs 25-48 as if fully set forth herein and, except as expressly admitted, denies the allegations contained in paragraph 24.

25. Preston states that the Official Statement, the alleged Walker/Ernst & Young Report and the Preliminary Official Statement referred to and mischaracterized in paragraph 25 are written documents, which, as a whole, speak for themselves. Preston denies each and every other or different allegation contained in the first, second and third sentences of paragraph 25, and denies the remaining allegations contained in paragraph 25 for lack of knowledge or information sufficient to form a belief as to truth or falsity.

26. Preston states that the Official Statement referred to, mischaracterized and selectively quoted in paragraph 26 is a written document, which, as a whole, speaks for itself. Preston denies each and every other or different allegation contained in paragraph 26.

27. Preston states that the Official Statement, Feasibility Analysis, Walker/Ernst & Young Report, Coopers & Lybrand Report, and Sabey Garage Report referred to in paragraph 27 are written documents, which, as a whole, speaks for itself. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 27 regarding Prudential's alleged knowledge and, on that basis, denies the remaining allegations contained in paragraph 27.

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28. Preston states that the Official Statement referred to, selectively quoted and mischaracterized in paragraph 28 is a written document, which, as a whole, speaks for itself, and denies the remaining allegations contained in paragraph 28 for lack of knowledge or information sufficient to form a belief as to truth or falsity.

29. Preston states that the Official Statement referred to, selectively quoted and mischaracterized in paragraph 29 is a written document, which, as a whole, speaks for itself, and denies each and every other or different remaining allegation contained in paragraph 29 for lack of knowledge or information sufficient to form a belief as to truth or falsity.

30. Preston states that the Official Statement and the Auble, Barrett, Sabey and Coopers & Lybrand Reports referred to in paragraph 30 are written documents, which, as a whole, speak for themselves. Preston denies the remaining allegations contained in paragraph 30.

31. Preston states that the Official Statement referred to and mischaracterized in paragraph 31 is a written document, which, as a whole, speaks for itself. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in the sixth sentence of paragraph 31 and, on that basis, denies those allegations, and Preston denies the remaining allegations contained in paragraph 31.

32. Preston states that the Official Statement and Walker Feasibility Analysis are written documents, which, as a whole, speak for themselves. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in the fifth sentence of paragraph 32 and, on that basis, denies those allegations. Preston denies the remaining allegations contained in paragraph 32.

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33. Preston states that the Official Statement referred to and excerpted in paragraph 33 is taken out of context and mischaracterized and that it is a written document, which, as a whole, speaks for itself. Preston denies the remaining allegations contained in the first and second sentences of paragraph 33 and lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in the third sentence of paragraph 33 and, on that basis, denies those allegations.

34. Preston states that the Preliminary Official Statement, Official Statement and Reports referred to, taken out of context, and mischaracterized in paragraph 34 are written documents, which, as a whole, speak for themselves. Preston denies the remaining allegations contained in paragraph 34.

35. Preston objects to the words "assisted in the preparation of the POS and OS" as vague, admits that Foster Pepper acted as counsel for the underwriter and issued an opinion letter on or around September 24, 1998, which is a written document that, as a whole, speaks for itself, denies that the Preston Gates Opinion referred to in paragraph 35 is false and misleading and denies the remaining allegations contained in paragraph 35 for lack of knowledge or information sufficient to form a belief as to truth or falsity.

36. Preston admits that the Foundation issued the Bonds, objects to the words "assisted in the preparation of the POS and OS" as vague and, subject to that objection, lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in the first sentence of paragraph 36 and, on that basis, denies those allegations. Preston states that the POS and OS referred to and mischaracterized in paragraph 36 are written documents, which, as a whole, speak for themselves. Preston lacks knowledge or information sufficient to form a belief as to

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the truth or falsity of the remaining allegations contained in paragraph 36 and, on that basis, denies those allegations.

37. Preston admits that it issued a bond opinion and an issuer's opinion on or around September 24, 1998, but denies each and every other or different allegation contained in the first sentence of paragraph 37 on the basis that those allegations fail to adequately describe those separate opinion letters. Preston states that the allegations contained in the second sentence of paragraph 37 contain legal conclusions for which no answer is required. To the extent any answer is required, Preston objects to the allegations as vague, and subject to such objection, states that it believed that some potential purchasers might consider certain opinions expressed in the bond opinion, denies that it had any knowledge, expectation or belief concerning plaintiffs, AGIC or other insurers, lacks knowledge or information sufficient to form a belief as to whether any plaintiffs or AGIC did or did not rely on any part of the opinion or for what purpose they may or may not have allegedly relied on the opinion, and denies each and every other or different allegation contained in the second sentence of paragraph 37. Preston states that the third sentence of paragraph 37 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in the third sentence of paragraph 37. Preston denies the remaining allegations contained in paragraph 37.

38. Preston admits that Walker issued the Financial Feasibility Analysis referred to in paragraph 38, states that it is a written document, which, as a whole, speaks for itself, and denies the remaining allegations contained in paragraph 38 for lack of knowledge or information sufficient to form a belief as to truth or falsity.

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39. Preston states that the Feasibility Analysis, POS, OS, and Auble and Barrett Reports, which are referred to, taken out of context, and mischaracterized in paragraph 39, are written documents, which, as a whole, speak for themselves. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 39 and, on that basis, denies those allegations.

40. Preston states that the Feasibility Analysis referred to in paragraph 40 is a written document, which, as a whole, speaks for itself. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 40 and, on that basis, denies those allegations.

41. Preston admits that Auble & Associates was retained by the City and that it issued a report and states that the report is a written document, which, as a whole, speaks for itself. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 41 and, on that basis, denies those allegations.

42. Preston admits that the Auble, Barrett, Coopers & Lybrand, and Sabey Reports referred to, taken out of context, and mischaracterized in paragraph 42, were provided to the City and states that such reports are written documents, which, as a whole, speak for themselves. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 42 and, on that basis, denies those allegations.

43. Preston admits the allegations contained in the first, second, third, fourth, fifth, and sixth sentences of paragraph 43 and states that the Ordinance referred to therein is a written document, which, as a whole, speaks for itself. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the

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allegations contained in the seventh sentence of paragraph 43 and, on that basis, denies those allegations.

44. Preston states that the City Opinion Letter referred to in paragraph 44 is a written document, which, as a whole, speaks for itself. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 44 and, on that basis, denies those allegations.

45. Preston admits that Perkins Coie issued an opinion letter and states that the Perkins Coie Opinion Letter referred to in paragraph 45 is a written document, which, as a whole, speaks for itself. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 45 and, on that basis, denies those allegations.

46. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 46 and, on that basis, denies those allegations.

47. Preston states that the Auble and Barrett Reports referred to in paragraph 47 are written documents, which, as a whole, speak for themselves. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 47 and, on that basis, denies those allegations.

48. Preston admits that the Authority has included members of the City Council and lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 48 and, on that basis, denies those allegations.

49. Although no answer is required, Preston incorporates by this reference each of its answers set forth above.

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50. Preston states that paragraph 50 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston states that the referenced statutory provisions speak for themselves, denies the allegations to the extent they may purport to apply to Preston, and denies the remaining allegations for lack of knowledge or information sufficient to form a belief as to the truth or falsity of those allegations.

51. Preston states that paragraph 51 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston states that the referenced statutory provisions speak for themselves, and Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 51 and, on that basis, denies those allegations.

52. Preston states that paragraph 52 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston states that the referenced statutory provisions speak for themselves, the Ordinance and opinion letters referred to in paragraph 52 are written documents, which, as a whole, speak for themselves, and Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 52 and, on that basis, denies those allegations.

53. Preston objects to paragraph 53 on the basis that it fails to adequately identify the documents referred to therein and on the basis that it alleges that such documents were prepared by the Defendants, rather than identifying which defendant prepared what document and, on that basis, denies those allegations.

54. Preston states that paragraph 54 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston denies the allegations contained in paragraph 54 to the extent they purport to pertain to Preston. Preston lacks

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knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 54 as they purport to apply to other defendants or AGIC and, on that basis, denies those allegations.

55. Preston states that paragraph 55 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston denies the allegations contained in paragraph 55 to the extent they purport to apply to Preston. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 55 as they may purport to apply to other defendants or AGIC, and, on that basis, denies those allegations.

56. Preston states that paragraph 56 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston denies the allegations contained in paragraph 56.

57. Preston denies the allegations contained in paragraph 57 to the extent they may purport to apply to Preston. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations as they may purport to apply to other defendants and, on that basis, denies those allegations.

58. Preston states that paragraph 58 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston denies the allegations contained in paragraph 58 to the extent they may purport to apply to Preston. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 58 as they may purport to apply to other defendants or AGIC and, on that basis, denies those allegations.

59. Although paragraph 59 requires no answer, Preston incorporates by this reference each of its answers to the allegations set forth above.

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60. Preston states that paragraph 60 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston states that the referenced statutory provisions speak for themselves, objects to the words "substantial participation" as vague, denies the allegations contained in paragraph 60 to the extent they purport to apply to Preston, and lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 60 and, on that basis, denies those allegations.

61. Preston states that paragraph 61 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston states that the referenced statutory provisions speak for themselves and denies the remaining allegations contained in paragraph 61.

62. Preston states that paragraph 62 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston states that the referenced statutory provisions speak for themselves and denies the allegations contained in paragraph 62.

63. Preston states that paragraph 63 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston states that the referenced statutory section speaks for itself, objects to the words "materially aided" and "substantial factor" as vague, denies the allegations to the extent they purport to relate to Preston and denies the remaining allegations for lack of knowledge or information sufficient to form a belief as to truth or falsity.

64. Preston states that paragraph 64 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston states that the referenced statutory provision speaks for itself. Preston denies the allegations contained in the first sentence of paragraph 64 to the extent they purport to pertain to

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Preston and lacks knowledge or information sufficient to form a belief as to truth or falsity of the remaining allegations contained in the first sentence of paragraph 64 to the extent they purport to pertain to other defendants and, on that basis, denies those allegations. Preston admits that Prudential acted as underwriter and Preston acted as bond counsel in connection with the issuance of the Bonds and denies each and every other or different allegation contained in paragraph 64.

65. Preston states that the POS, OS, Feasibility Analysis, Foster Pepper Opinion Letter, Preston Gates Opinion Letter, City Opinion Letter, Perkins Coie Opinion Letter and the Ordinance, which are referred to and mischaracterized in paragraph 65, are written documents that, as a whole, speak for themselves. Preston denies the allegations contained in paragraph 65 to the extent they purport to apply to Preston and denies the remaining allegations contained in paragraph 65 for lack of knowledge or information sufficient to form a belief as to truth or falsity.

66. Preston states that paragraph 66 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston denies the allegations contained in paragraph 66 except to the extent expressly admitted in its answers to paragraphs 67 through 76 below, which are hereby incorporated by reference in answer to paragraph 66.

67. Preston states that paragraph 67 contains legal conclusions, including legal conclusions regarding Prudential's alleged responsibilities as underwriter, for which no answer is required. To the extent any answer is required, Preston admits that Prudential served in the role of underwriter with respect to the bond issue and was involved in conducting due diligence and drafting the POS and OS, and Preston and lacks knowledge or information sufficient to form a belief as to the truth or falsity of the

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remaining allegations contained in paragraph 67 and, on that basis, denies those allegations.

68. Preston admits that Foster Pepper acted as underwriter's counsel and issued the Foster Pepper Opinion, objects to the words "assisted in the preparation" as vague and, on that basis, denies the remaining allegations contained in paragraph 68 for lack of knowledge or information sufficient to form a belief as to truth or falsity.

69. Preston states that paragraph 69 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston states that the Feasibility Analysis is a written document, which, as a whole, speaks for itself, objects on the basis that the allegedly false and misleading statements are not adequately identified in paragraph 69, denies the allegations contained in paragraph 69 to the extent they purport to pertain to Preston, and lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 69 and, on that basis, denies those allegations.

70. Preston states that the Auble, Barrett and Sabey Reports referred to in paragraph 70 are written documents, which, as a whole, speak for themselves. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 70 and, on that basis, denies those allegations.

71. Preston admits that the Authority entered into the lease and sublease and states that they are written documents, which, as a whole, speak for themselves. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of each and every other or different allegation contained in paragraph 71 and, on that basis, denies those allegations.

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72. Preston admits that it served as bond counsel and issued a bond opinion in connection with the issuance of the Bonds, states that the bond opinion is a written document, which, as a whole, speaks for itself, and denies each and every other or different allegation contained in paragraph 72.

73. Preston states that the Ordinance and opinion letters referred to in paragraph 73 are written documents, which, as a whole, speak for themselves, and lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 73 and, on that basis, denies those allegations.

74. Preston objects to the words "materially aid" as vague and objects on the basis that paragraph 74 fails to adequately identify the "material aid" allegedly provided by each defendant and, on that basis, denies the allegations contained in paragraph 74.

75. Preston states that paragraph 75 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston denies the allegations contained in paragraph 75.

76. Preston states that paragraph 76 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston states that the statutes referred to in paragraph 76 speak for themselves, denies the allegations to the extent they purport to relate to Preston, and lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations, including as they my purport to pertain to other defendants and AGIC, and, on that basis, denies those allegations.

77. Although no answer is required, Preston incorporates by this reference each of its answers set forth above.

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78. Preston states that paragraph 78 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston denies the allegations to the extent they purport to relate to Preston and lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations and, on that basis, denies those allegations.

79. Preston states that paragraph 79 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston denies the allegations to the extent they purport to relate to Preston and lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations and, on that basis, denies those allegations.

80. Preston states that paragraph 80 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston states that the POS, OS, Feasibility Analysis, City Opinion Letter, Foster Pepper Opinion, and Preston Gates Opinion, which are referred to and mischaracterized in paragraph 80, are written documents, which, as a whole, speak for themselves. Preston denies the allegations to the extent they purport to relate to Preston and lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations, including as they purport to relate to other defendants and AGIC, and, on that basis, denies those allegations.

81. Preston states that paragraph 78 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston denies the allegations contained in paragraph 81.

82. Preston states that paragraph 82 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston denies the allegations to the extent they purport to relate to Preston and lacks knowledge or information

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sufficient to form a belief as to the truth or falsity of the remaining allegations, including as they purport to relate to other defendants and AGIC, and, on that basis, denies those allegations.

83. Although no answer is required, Preston incorporates by this reference each of its answers set forth above.

84. Preston states that paragraph 84 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston denies the allegations contained in the first sentence and second sentences of paragraph 84 to the extent they purport to relate to Preston. Preston denies that the fourth sentence of paragraph 84 properly describes Preston's duties and, on that basis, denies the allegations contained in paragraph 84 to the extent they purport to apply to Preston. Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of each and every other or different allegation contained in paragraph 84 and, on that basis, denies those allegations.

85. Preston states that paragraph 85 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston denies the allegations contained in paragraph 85 to the extent they purport to relate to Preston and lacks knowledge or information sufficient to form a belief as to the truth or falsity of the remaining allegations contained in paragraph 85 and, on that basis, denies those allegations.

86. Preston states that paragraph 86 contains legal conclusions for which no answer is required. To the extent any answer is required, Preston denies the allegations contained in paragraph 86 to the extent they purport to relate to Preston and lacks knowledge or information sufficient to form a belief as to the truth or falsity of the

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remaining allegations, including as they purport to relate to other defendants and AGIC, and, on that basis, denies those allegations.

AFFIRMATIVE DEFENSES

AND, NOW, by way of further answering the allegations in AGIC's Complaint in Intervention, Preston sets forth its additional defenses as follows:

(1) AGIC's Complaint fails to state, in whole or in part, a claim upon which relief can be granted;

(2) AGIC's claims are barred, in whole or in part, by the statutes of limitations;

(3) AGIC's claims are barred, in whole or in part, by the doctrines of laches, waiver and/or estoppel;

(4) AGIC's claimed injuries and damages were caused, in whole or in part, by the acts or omissions of others, whether individual, corporate or otherwise, whether named or unnamed, for whose conduct Preston is not responsible;

(5) AGIC's claims are barred, in whole or in part, by plaintiffs' and AGIC's own conduct and comparative fault, including its failure to exercise due diligence.

(6) AGIC's Complaint fails to plead fraud with the particularity required by the PSLRA or Federal Rule 9(b);

(7) AGIC's claims are barred, in whole or in part, because Preston could not with the exercise of reasonable care, in whole or in part, have discovered the alleged fraud;

(8) AGIC's claims fail, in whole or in part, under the doctrine of unclean hands;

(9) AGIC has failed to mitigate its alleged damages;

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(10) AGIC's claims fail, in whole or in part, to the extent that they are not ripe for adjudication; and

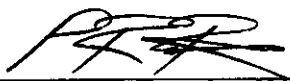
(11) AGIC's claims fail, in whole or in part, for lack of jurisdiction.

WHEREFORE, having fully answered AGIC's Complaint in Intervention, defendant Preston Gates & Ellis LLP prays for relief as follows:

1. Dismissal of all plaintiffs' and AGIC's claims with prejudice;
2. An award of costs and attorneys' fees; and
3. Such other relief as the Court deems just and equitable.

DATED this 12th day of December, 2001.

CORR CRONIN LLP



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AFFIDAVIT OF SERVICE

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

THERESA LAPKE, being duly sworn, states:

1. I am employed at Corr Cronin LLP, attorneys of record for defendant Preston Gates & Ellis LLP herein.

2. On December 12, 2001, I caused a true and correct copy of Defendant Preston Gates & Ellis LLP's Answer to Answer and Affirmative Defenses to Plaintiff Intervenor Asset Guaranty Insurance Company's Complaint in Intervention to be served on the following counsel of record as follows:

John D. Munding Crumb & Munding, P.S. 1950 Bank of America Financial Center 601 W. Riverside Spokane, WA 99201 Attorneys for Plaintiffs VIA EMAIL AND U.S. MAIL	Michael P. Cillo Gary J. Ceriani Davis & Ceriani PC 1350 Seventeenth Street Suite 400 Market Center Denver, CO 80202 Attorneys for Plaintiffs VIA EMAIL AND U.S. MAIL
Geoffrey Jarpe Maslon Edelman Borman & Brand, LLP 3300 Wells Fargo Center 90 South Seventh Street Minneapolis, MN 55402 Attorneys for Plaintiffs VIA EMAIL AND U.S. MAIL	John D. Lowery James Rhett Brigman Riddell-Williams PS 1001 Fourth Avenue, Suite 4500 Seattle, WA 98154-1192 Attorneys for Intervenor-Plaintiff VIA EMAIL AND U.S. MAIL
James L. Robart Rudy A. Englund Lane Powell Spears Lubersky LLP 1420 Fifth Avenue, Suite 4100 Seattle, WA 98101-2338 Attorneys for Prudential Securities Inc. VIA EMAIL AND U.S. MAIL	Patrick M. Risken Evans, Craven & Lackie, P.S. 818 West Riverside, Suite 250 Spokane, WA 99201-0910 Attorneys for Walker Parking Consultants/Engineers, Inc. VIA EMAIL AND U.S. MAIL

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Peter M. Vial Robert D. Stewart McNaul Ebel Nawrot Helgren & Vance 600 University Street, Suite 2700 Seattle, WA 98101 Attorneys for RWR Management, Inc., d/b/a R.W. Robideaux & Co. VIA EMAIL AND U.S. MAIL	Harry H. Schneider, Jr. Perkins Coie LLP 1201 Third Avenue, 40th Floor Seattle, WA 98101-3099 Attorneys for Third Party-Defs. Roy J. Koegen, Anne Koegen, & Perkins Coie LLP VIA EMAIL AND U.S. MAIL
Laurel Hobbs Siddoway David J. Groesbeck George M. Ahrend Randall & Danskin 601 West Riverside Avenue, Suite 1500 Spokane, WA 99201-0653 Attorneys for City of Spokane, WA VIA EMAIL AND U.S. MAIL	Arthur Harrigan Karen Crane Danielson Harrigan & Tollefson 999 Third Avenue, Suite 4400 Seattle, WA 98104-4022 Attorneys for Third Party-Def. Perkins Coie LLP VIA EMAIL AND U.S. MAIL

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THERESA LAPKE

SIGNED AND SWORN to before me on December 12, 2001.

(Signature)

MARY BETH DAHL
(Name legibly printed or stamped)
Notary Public in and for the State of Washington,
residing at Federal Way

2-25-03
My appointment expires

(Seal or stamp)

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