

ORIGINAL

1 Corr Cronin LLP
2 William F. Cronin
3 Paul R. Raskin
4 1001 Fourth Ave., Suite 3900
5 Seattle, WA 98154-1051
6 Phone: (206) 625-8600

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

DEC 14 2001

JAMES R. LARSEN, CLERK
DEPUTY
SPOKANE, WASHINGTON

7 UNITED STATES DISTRICT COURT
8 EASTERN DISTRICT OF WASHINGTON
9 AT SPOKANE

10 NUVEEN QUALITY INCOME MUNICIPAL
11 FUND, INC.; NUVEEN PREMIUM
12 INCOME MUNICIPAL FUND 4, INC.;
13 STRONG MUNICIPAL BOND FUND, INC.;
14 SMITH BARNEY MUNICIPAL FUND
15 LIMITED TERM; SMITH BARNEY
16 MUNICIPAL HIGH-INCOME FUND; and
17 VANGUARD HIGH-YIELD TAX-EXEMPT
18 FUND; U.S. BANK TRUST NATIONAL
19 ASSOCIATION, in its capacity as Indenture
20 Trustee on behalf of Holders of Spokane
21 Downtown Foundation Parking Revenue
22 Bonds; and ASSET GUARANTEE
23 INSURANCE COMPANY,

24 Plaintiffs,

25 v.

18 PRUDENTIAL SECURITIES
19 INCORPORATED, a Delaware corporation;
20 WALKER PARKING
21 CONSULTANTS/ENGINEERS, INC., a
22 Michigan corporation; FOSTER PEPPER &
23 SHEFELMAN PLLC, a Washington
24 professional limited liability company;
25 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 TO
PLAINTIFFS' COMPLAINT

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

11 Defendants.

12 CITY OF SPOKANE,

13 Third-Party Plaintiff,

14 v.

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

18 Third-Party Defendants.

19 Defendant Preston Gates & Ellis LLP (“Preston”) answers plaintiffs’ Complaint
20 as follows:

21 JURISDICTION AND VENUE

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

25 2. Preston denies that this Court should exercise jurisdiction over plaintiffs’
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.

SUMMARY OF COMPLAINT

3. Preston admits the allegations contained in the first sentence of paragraph
3. Preston lacks knowledge or information sufficient to form a belief as to the truth or
falsity of the allegations contained in the second sentence of paragraph 3, and, on that

1 basis, denies those allegations. Preston admits that a Financial Feasibility Analysis
2 prepared by Walker Parking Consultants/Engineers, Inc. was attached to the Official
3 Statements as Appendix B, and states that the report is a written document, which, as a
4 whole, speaks for itself. Preston lacks knowledge or information sufficient to form a
5 belief as to the truth or falsity of the remaining allegations contained in paragraph 3,
6 including what plaintiffs' characterize as "key" and, on that basis, denies those
7 allegations.

8 4. Preston states that the Indenture of Trust sets forth the Trustee's interest on
9 behalf of the bondholders in the Garage and revenues generated by the Garage, and the
10 Indenture of Trust is a written document, which, as a whole, speaks for itself and, on
11 that basis, denies the allegations contained in the first sentence of paragraph 4. Preston
12 admits that the source of repayment for the bonds was revenues from the Garage and
13 states that Ordinance C31823 is a written document that speaks for itself. Except as
14 otherwise stated, Preston lacks knowledge or information sufficient to form a belief as
15 to the truth or falsity of the remaining allegations contained in paragraph 4 and, on that
16 basis, denies those allegations.

17 5. Paragraph 5 contains legal conclusions for which no answer is required.
18 To the extent any answer is required, Preston denies the allegations contained in
19 paragraph 5 to the extent they may purport to pertain to Preston and lacks knowledge or
20 information sufficient to form a belief as to the truth or falsity of the remaining
21 allegations and, on that basis, denies those allegations.

22 PARTIES

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

1 7. Preston lacks knowledge or information sufficient to form a belief as to the
2 truth or falsity of the allegations contained in paragraph 7 and, on that basis, denies
3 those allegations.

4 8. Preston lacks knowledge or information sufficient to form a belief as to the
5 truth or falsity of the allegations contained in paragraph 8 and, on that basis, denies
6 those allegations.

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

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

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

16 12. Paragraph 12 does not require any response. To the extent any answer is
17 required, Preston lacks knowledge or information sufficient to form a belief as to the
18 truth or falsity of the allegations contained in paragraph 13 and, on that basis, denies
19 those allegations.

20 13. Preston admits that Prudential acted as underwriter for the issuance of the
21 bonds and that the bonds were sold on or about September 18, 1998, and lacks
22 knowledge or information sufficient to form a belief as to the truth or falsity of the
23 remaining allegations contained in paragraph 13 and, on that basis, denies those
24 allegations.

1 14. Preston admits that John C. Moore was an employee of Prudential
2 Securities. Preston lacks knowledge or information sufficient to form a belief as to the
3 truth or falsity of the remaining allegations contained in paragraph 14 and, on that
4 basis, denies those allegations.

5 15. Preston admits that Walker and Ernst & Young issued written reports and
6 states that such reports are written documents, which, as a whole, speak for themselves.
7 Preston lacks knowledge or information sufficient to form a belief as to the truth or
8 falsity of the remaining allegations contained in paragraph 15 and, on that basis, denies
9 those allegations.

10 16. Preston lacks knowledge or information sufficient to form a belief as to the
11 truth or falsity of the allegations contained in paragraph 16 and, on that basis, denies
12 those allegations.

13 17. Preston admits that a financial feasibility analysis was issued by Walker
14 and subsequently revised and states that the analysis and any revisions thereto are
15 written documents that, as a whole, speaks for themselves. Preston lacks knowledge or
16 information sufficient to form a belief as to the truth or falsity of the remaining
17 allegations contained in paragraph 17 and, on that basis, denies those allegations.

18 18. Preston states that the Official Statements referred to in paragraph 18 are
19 written documents, which, as a whole, speak for themselves. Preston lacks knowledge
20 or information sufficient to form a belief as to the remaining allegations contained in
21 paragraph 18 and, on that basis, denies those allegations.

22 19. Paragraph 19 contains legal conclusions for which no response is required.
23 To the extent any answer is required, Preston denies the allegations contained in
24 paragraph 19 for lack of knowledge or information sufficient to form a belief as to their
25 truth or falsity.

1 20. The allegations contained in paragraph 20 appear directed at defendant
2 Foster, not defendant Preston, and therefore do not require any answer from Preston.
3 To the extent any answer is required, Preston denies the allegations contained in
4 paragraph 20 to the extent they may purport to relate to Preston, and denies the
5 remaining allegations contained in paragraph 20 for lack of knowledge or information
6 sufficient to form a belief as to their truth or falsity.

7 21. Preston admits that the Foster law firm issued an Opinion dated September
8 24, 1998, in connection with the issuance of the Bonds, and states that the Opinion is a
9 written document, which, as a whole, speaks for itself. Preston lacks knowledge or
10 information sufficient to form a belief as to the truth or falsity of the remaining
11 allegations contained in paragraph 21 and, on that basis, denies those allegations.

12 22. Preston admits that the Foundation was created and states that (1) the
13 Foundation was created through written documents that speak for themselves, (2) the
14 Foundation was created, in part, to issue bonds and purchase the Garage with proceeds
15 from the sale of such bonds, and (3) the affairs of the Foundation have been managed
16 by its Board of Directors. Except as expressly admitted herein, Preston lacks
17 knowledge or information concerning each and every other or different allegation
18 contained in paragraph 22 and, on that basis, denies those allegations.

19 23. Preston states that it is an Oregon limited liability partnership engaged in
20 the practice of law with its principal offices in Seattle, Washington, not a Washington
21 limited liability partnership, and, on that basis, denies the allegations contained in the
22 first sentence of paragraph 23. Preston admits that it acted as bond counsel in
23 connection with the issuance of the Bonds and that it acted as counsel to the Foundation
24 at the time of the issuance. Preston states that the allegations contained in the third
25 sentence of paragraph 23 contain legal conclusions for which no answer is required. To

1 the extent any answer is required, Preston objects to the allegations as vague, and
2 subject to such objection, admits that it issued a bond opinion on or around September
3 24, 1998, states that it believed that some potential purchasers might consider the
4 opinions expressed therein, denies that it had any knowledge, expectation or belief
5 concerning plaintiffs, lacks knowledge or information sufficient to form a belief as to
6 whether any plaintiffs did or did not rely on any part of the opinion or for what purpose
7 they may or may not have allegedly relied on the opinion, and denies each and every
8 other or different allegation contained in paragraph 23.

9 24. Paragraph 24 contains legal conclusions for which no response is required.
10 To the extent any answer is required, Preston states that paragraph 24 does not properly
11 describe Preston's duties as issuer's counsel and denies the allegations contained in
12 paragraph 24.

13 25. Paragraph 25 contains legal conclusions for which no response is required.
14 To the extent any answer is required, Preston states that paragraph 25 does not properly
15 describe Preston's duties as bond counsel and denies the allegations contained in
16 paragraph 25.

17 26. Preston denies the allegations contained in the first, second and third
18 sentences of paragraph 26. Preston admits that the Bonds could not have been sold
19 without an approving legal opinion of bond counsel and denies each and every other or
20 different allegation contained in the fourth sentence of paragraph 26.

21 27. Preston states that the September 24, 1998 opinion, which is referred to
22 and excerpted in paragraph 27, is mischaracterized and taken out of context, and that
23 the opinion is a written document, which, as a whole, speaks for itself. Preston denies
24 the remaining allegations contained in paragraph 27.
25

1 28. Preston lacks of knowledge or information sufficient to form a belief as to
2 the truth or falsity of the allegations contained in paragraph 28 and, on that basis,
3 denies those allegations.

4 29. Preston lacks of knowledge or information sufficient to form a belief as to
5 the truth or falsity of the allegations contained in paragraph 29 and, on that basis,
6 denies those allegations.

7 30. Preston lacks of knowledge or information sufficient to form a belief as to
8 the truth or falsity of the allegations contained in paragraph 30 and, on that basis,
9 denies those allegations.

10 31. Preston lacks of knowledge or information sufficient to form a belief as to
11 the truth or falsity of the allegations contained in paragraph 31 and, on that basis,
12 denies those allegations.

13 32. Preston lacks of knowledge or information sufficient to form a belief as to
14 the truth or falsity of the allegations contained in paragraph 32 and, on that basis,
15 denies those allegations.

16 33. Preston states that the first sentence of paragraph 33 does not require any
17 response. Preston lacks knowledge or information sufficient to form a belief as to the
18 truth or falsity of the allegations contained in the second sentence of paragraph 33 that
19 the purchase price of the Garage was inflated and, on that basis, denies those
20 allegations. Preston admits the remaining allegations contained in the second and third
21 sentences of paragraph 33.

22 34. Preston admits that Robideaux has acted as a project director in
23 connection with renovation of the mall and garage and states that it lacks knowledge or
24 information sufficient to form a belief as to the truth or falsity of the remaining
25 allegations contained in paragraph 34 and, on that basis, denies those allegations.

1 35. Preston lacks knowledge or information sufficient to form a belief as to the
2 truth or falsity of the allegations contained in paragraph 35 and, on that basis, denies
3 those allegations.

4 36. Preston lacks of knowledge or information sufficient to form a belief as to
5 the truth or falsity of the allegations contained in paragraph 36 and, on that basis,
6 denies those allegations.

7 37. Preston admits the allegations contained in the first sentence of paragraph
8 37. Preston denies the remaining allegations contained in paragraph 37 for lack of
9 knowledge or information sufficient to form a belief as to the truth or falsity of those
10 allegations.

11 38. Preston states that the Ordinance and Opinions referred to in paragraph 38
12 are taken out of context and that they are written documents, which, as a whole, speak
13 for themselves. Except as otherwise stated herein, Preston denies the remaining
14 allegations contained in paragraph 38 for lack of knowledge or information sufficient to
15 form a belief as to the truth or falsity of those allegations.

16 39. Preston lacks knowledge or information sufficient to form a belief as to the
17 truth or falsity of the allegations contained in paragraph 39 and, on that basis, denies
18 those allegations.

19 40. Preston admits the allegations contained in the second sentence of
20 paragraph 40. Preston lacks knowledge or information sufficient to form a belief as to
21 the truth or falsity of the remaining allegations contained in paragraph 40 and, on that
22 basis, denies those allegations.

23 41. Preston objects to the allegations contained in paragraph 41 as vague and
24 ambiguous and denies those allegations to the extent they purport to apply to Preston.
25 Preston lacks knowledge or information sufficient to form a belief as to the truth or

1 falsity of the remaining allegations contained in paragraph 41 as they purport to apply
2 to other defendants and, on that basis, denies those allegations.

3 42. Preston denies the allegations contained in paragraph 42 to the extent they
4 purport to apply to Preston. Preston denies the remaining allegations contained in
5 paragraph 42, including as they purport to apply to the other defendants, for lack of
6 knowledge or information sufficient to form a belief as to the truth or falsity of those
7 allegations.

8 43. Paragraph 43 contains legal conclusion for which no response is required.
9 To the extent any answer is required, Preston objects to the words “participated in
10 making factual representations” and “substantial factor” as vague and states that it
11 delivered written opinions in connection with the issuance of the bonds and that the
12 opinions are contained in written documents that, as a whole, speak for themselves.
13 Except as otherwise admitted herein, Preston denies the remaining allegations
14 contained in paragraph 43 to the extent they purport to pertain to Preston. Preston lacks
15 knowledge or information sufficient to form a belief as to the truth or falsity of the
16 remaining allegations contained in paragraph 43 as they may purport to apply to other
17 defendants and, on that basis, denies those allegations.

18 44. Preston lacks knowledge or information sufficient to form a belief as to the
19 truth or falsity of the allegations contained in paragraph 44 and, on that basis, denies
20 those allegations.

21 45. Preston lacks knowledge or information sufficient to form a belief as to the
22 truth or falsity of the allegations contained in paragraph 45 and, on that basis, denies
23 those allegations.

24 46. Preston states that the survey and reports referred to in paragraph 46 are
25 written documents that, as a whole, speak for themselves and lacks knowledge or

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

3 47. Preston states that the reports referred to in paragraph 47 are taken out of
4 context and that such reports are written documents that, as a whole, speak for
5 themselves. Preston lacks knowledge or information sufficient to form a belief as to
6 the truth or falsity of the remaining allegations contained in paragraph 47 and, on that
7 basis, denies those allegations.

8 48. Preston lacks knowledge or information sufficient to form a belief as to the
9 truth or falsity of the allegations contained in paragraph 48 and, on that basis, denies
10 those allegations.

11 49. Preston admits that the Foundation was formed, in part, to purchase the
12 garage and finance that purchase by issuing bonds and that Prudential was hired to act
13 as underwriter. Except as otherwise expressly admitted elsewhere herein, Preston
14 denies the remaining allegations contained in paragraph 49 for lack of knowledge or
15 information sufficient to form a belief as to truth or falsity.

16 50. Preston states that the City Resolution and Reports referred to in paragraph
17 50 are taken out of context and that the City Resolution and Reports, as a whole, speak
18 for themselves. Preston lacks knowledge or information sufficient to form a belief as to
19 the truth or falsity of the remaining allegations contained in paragraph 50 and, on that
20 basis, denies those allegations.

21 51. Preston lacks knowledge or information sufficient to form a belief as to the
22 truth or falsity of the allegations contained in paragraph 51 and, on that basis, denies
23 those allegations.

1 52. Preston lacks knowledge or information sufficient to form a belief as to the
2 truth or falsity of the allegations contained in paragraph 52 and, on that basis, denies
3 those allegations.

4 53. Preston lacks knowledge or information sufficient to form a belief as to the
5 truth or falsity of the allegations contained in paragraph 53 and, on that basis, denies
6 those allegations.

7 54. Preston states that the written reports and Official Statements referred to in
8 paragraph 54 are taken out of context and that the reports and Official Statements, as a
9 whole, speak for themselves. Preston denies the remaining allegations contained in
10 paragraph 54 for lack of knowledge or information sufficient to form a belief as to the
11 truth or falsity of those allegations.

12 55. Preston lacks knowledge or information sufficient to form a belief as to the
13 truth or falsity of the allegations contained in paragraph 55 and, on that basis, denies
14 those allegations.

15 56. Preston lacks knowledge or information sufficient to form a belief as to the
16 truth or falsity of the allegations contained in paragraph 56 and, on that basis, denies
17 those allegations.

18 57. Preston lacks knowledge or information sufficient to form a belief as to the
19 truth or falsity of the allegations contained in paragraph 57 and, on that basis, denies
20 those allegations.

21 58. Preston lacks knowledge or information sufficient to form a belief as to the
22 truth or falsity of the allegations contained in paragraph 58 and, on that basis, denies
23 those allegations.

24 59. Preston states that the Walker Report and Official Statements referred to in
25 paragraph 59 are written documents, which, as a whole, speak for themselves, and lacks

1 knowledge or information sufficient to form a belief as to the truth or falsity of the
2 remaining allegations contained in paragraph 59 and, on that basis, denies those
3 allegations.

4 60. Preston lacks knowledge or information sufficient to form a belief as to the
5 truth or falsity of the allegations contained in paragraph 60 and, on that basis, denies
6 those allegations.

7 61. Preston lacks knowledge or information sufficient to form a belief as to the
8 truth or falsity of the allegations contained in paragraph 61 and, on that basis, denies
9 those allegations.

10 62. Preston states that the Walker Report referred to in paragraph 62 is a
11 written document, which, as a whole, speaks for itself. Preston denies the allegations
12 contained in paragraph 62 to the extent that they may purport to relate to Preston and
13 denies the remaining allegations for lack of knowledge or information sufficient to
14 form a belief as to truth or falsity.

15 63. Preston lacks knowledge or information sufficient to form a belief as to the
16 truth or falsity of the allegations contained in paragraph 63 and, on that basis, denies
17 those allegations.

18 64. Preston states that the Auble and Barrett reports referred to in paragraph
19 64 are written documents which, as a whole, speak for themselves and lacks knowledge
20 or information sufficient to form a belief as to the truth or falsity of the remaining
21 allegations contained in paragraph 64 and, on that basis, denies those allegations.

22 65. Preston states that the letter and report referred to in paragraph 65 are
23 taken out of context and that they are written documents, which, as a whole, speak for
24 themselves and denies each and every other or different allegation contained in
25 paragraph 65.

1 66. Preston states that the report referred to and excerpted in paragraph 66 is
2 taken out of context and that it is a written document, which, as a whole, speaks for
3 itself and denies each and every other or different allegation contained in paragraph 66.

4 67. Preston states that the report referred to and excerpted in paragraph 67 is
5 taken out of context and that it is a written document, which, as a whole, speaks for
6 itself and denies each and every other or different allegation contained in paragraph 67.

7 68. Preston states that the report referred to and excerpted in paragraph 68 is
8 taken out of context and that it is a written documents, which, as a whole, speaks for
9 itself and denies each and every other or different allegation contained in paragraph 68.

10 69. Preston states that the report referred to and excerpted in paragraph 69 is
11 taken out of context and that it is a written document, which, as a whole, speaks for
12 itself and denies each and every other or different allegation contained in paragraph 69.

13 70. Preston states that the report referred to and excerpted in paragraph 70 is
14 taken out of context and that it is a written document, which, as a whole, speaks for
15 itself and denies each and every other or different allegation contained in paragraph 70.

16 71. Preston admits that it was anticipated that the interest on the bonds would
17 be exempt from federal income tax and that the tax-exempt status affects the interest on
18 the bonds. Preston denies the remaining allegations contained in paragraph 71 to the
19 extent they purport to relate to Preston and lacks knowledge or information sufficient to
20 form a belief as to the truth or falsity of the remaining allegations contained in
21 paragraph 71, including as they may relate to other defendants, and, on that basis,
22 denies those allegations.

23 72. Preston lacks knowledge or information sufficient to form a belief as to the
24 truth or falsity of the allegations contained in paragraph 72 and, on that basis, denies
25 those allegations.

1 73. Preston admits that the city council adopted Resolution No. 96-144 and
2 states that the Resolution is a written document, which, as a whole, speaks for itself,
3 and lacks knowledge or information sufficient to form a belief as to the truth or falsity
4 of the remaining allegations contained in paragraph 73 and, on that basis, denies those
5 allegations.

6 74. Preston lacks knowledge or information sufficient to form a belief as to the
7 truth or falsity of the allegations contained in paragraph 74 and, on that basis, denies
8 those allegations.

9 75. Preston states that the reports referred to in paragraph 75 are written
10 documents, which, as a whole, speak for themselves. Preston lacks knowledge or
11 information sufficient to form a belief as to the remaining allegations contained in
12 paragraph 75 and, on that basis, denies those allegations.

13 76. Preston lacks knowledge or information sufficient to form a belief as to the
14 truth or falsity of the allegations contained in paragraph 76 and, on that basis, denies
15 those allegations.

16 77. Preston states that the Sabey Garage Report and the Walker Report, which
17 are excerpted and referred to in paragraph 77, are taken out of context and states that
18 the reports are written documents, which, as a whole, speak for themselves. Preston
19 lacks knowledge or information sufficient to form a belief as to each and every other or
20 different allegation contained in paragraph 77 and, on that basis, denies those
21 allegations.

22 78. Preston states that the Sabey Garage Report referred to in paragraph 78 is a
23 written document, which, as a whole, speaks for itself. Preston lacks knowledge or
24 information sufficient to form a belief as to the truth or falsity of the remaining
25 allegations contained in paragraph 78 and, on that basis, denies those allegations.

1 79. Preston states that Resolution No. 97-2, which is referred to and excerpted
2 in paragraph 79, is a written document, which, as a whole, speaks for itself. Preston
3 denies the remaining allegations contained in paragraph 79 for lack of knowledge or
4 information sufficient to form a belief as to the truth or falsity of those allegations.

5 80. Preston states that the Coopers & Lybrand Report referred to in paragraph
6 80 is a written document, which, as a whole, speaks for itself. Preston lacks knowledge
7 or information sufficient to form a belief as to the truth or falsity of the remaining
8 allegations contained in paragraph 80 and, on that basis, denies those allegations.

9 81. Preston states that the Coopers & Lybrand Report referred to and
10 excerpted in paragraph 81 is taken out of context and that the report is a written
11 document, which, as a whole, speaks for itself.

12 82. Preston states that the Coopers & Lybrand Report referred to and
13 excerpted in paragraph 82 is taken out of context and that the report is a written
14 document, which, as a whole, speaks for itself. Preston lacks knowledge or information
15 sufficient to form a belief as to the truth or falsity of each and every other or different
16 allegation contained in paragraph 82 and, on that basis, denies those allegations.

17 83. Preston states that the Coopers & Lybrand Report referred to and
18 excerpted in paragraph 83 is taken out of context and states that the report is a written
19 document, which, as a whole, speaks for itself. Preston lacks knowledge or information
20 sufficient to form a belief as to the truth or falsity of each and every other or different
21 allegation contained in paragraph 82 and, on that basis, denies those allegations.

22 84. Preston states that the Coopers & Lybrand Report referred to in paragraph
23 84 is written document, which, as a whole, speaks for itself.

24 85. Preston denies the allegations contained in paragraph 85 to the extent they
25 purport to relate to Preston. Preston lacks knowledge or information sufficient to form

1 a belief as to the truth or falsity of the allegations contained in paragraph 85 to the
2 extent they purport to relate to other defendants and, on that basis, denies those
3 allegations.

4 86. Preston admits that the City adopted the Ordinance on or around January
5 27, 1997, and states that the Ordinance, which is excerpted and taken out of context in
6 paragraph 86, is a written document which, as a whole speaks, for itself. Preston lacks
7 knowledge or information sufficient to form a belief as to the truth or falsity of the
8 remaining allegations contained in paragraph 86 and, on that basis, denies those
9 allegations.

10 87. Preston states that the Ordinance referred to and excerpted in paragraph 87
11 is taken out of context and states that the Ordinance, as a whole, speaks for itself.

12 88. Preston states that the Ordinance and Resolution referred to in paragraph
13 88 are taken out of context and states that the Ordinance and Resolution are written
14 documents, which, as a whole, speak for themselves. Preston lacks knowledge or
15 information sufficient to form a belief as to the truth or falsity of the remaining
16 allegations contained in paragraph 88 and, on that basis, denies those allegations.

17 89. Preston lacks knowledge or information sufficient to form a belief as to the
18 truth or falsity of the allegations contained in paragraph 89 and, on that basis, denies
19 those allegations.

20 90. Preston denies the allegations contained in paragraph 90 to the extent they
21 purport to relate to Preston. Preston lacks knowledge or information sufficient to form
22 a belief as to the truth or falsity of the remaining allegations contained in paragraph 90,
23 including as they may pertain to other defendants and, on that basis, denies those
24 allegations.
25

1 91. Preston denies the allegations contained in paragraph 91 to the extent they
2 purport to relate to Preston. Preston lacks knowledge or information sufficient to form
3 a belief as to the truth or falsity of the allegations contained in paragraph 91 as they
4 purport to relate to other defendants and, on that basis, denies those allegations.

5 92. Preston states that the Official Statements referred to and excerpted in
6 paragraph 92 are mischaracterized and taken out of context, and that the Official
7 Statements are written documents, which, as a whole, speak for themselves. Preston
8 denies the remaining allegations contained in paragraph 92.

9 93. Paragraph 93 contains legal conclusion for which no response is required.
10 To the extent any answer is required, Preston objects to the words “substantially
11 participated in making factual representations” as vague and states that it delivered
12 written opinions in connection with the issuance, which are written documents that, as a
13 whole, speak for themselves. Except as otherwise admitted elsewhere herein, Preston
14 denies the remaining allegations contained in paragraph 93 to the extent they purport to
15 pertain to Preston. Preston lacks knowledge or information sufficient to form a belief
16 as to the truth or falsity of the remaining allegations contained in paragraph 93 as they
17 may purport to apply to other defendants and, on that basis, denies those allegations.

18 94. Preston denies the allegations contained in paragraph 94 to the extent they
19 purport to relate to Preston. Preston lacks knowledge or information sufficient to form
20 a belief as to the truth or falsity of the remaining allegations contained in paragraph 94
21 as they purport to relate to other defendants and, on that basis, denies those allegations.

22 95. Preston lacks knowledge and information sufficient to form a belief as to
23 the truth or falsity of the allegations contained in paragraph 95 and, on that basis,
24 denies those allegations.
25

1 96. Preston states that paragraph 96 contains legal conclusions for which no
2 response is required. To the extent any answer is required, Preston lacks knowledge or
3 information sufficient to form a belief as to the truth or falsity of the allegations
4 contained in paragraph 96 and, on that basis, denies those allegations.

5 97. Preston admits that the rating agency Standard & Poors stated it would
6 give the Bonds a BBB- investment grade rating and that the rating was related, in part,
7 to the Ordinance. Preston lacks knowledge and information sufficient to form a belief
8 as to the truth or falsity of the remaining allegations contained in paragraph 97 and, on
9 that basis, denies those allegations.

10 98. Preston admits that the mall renovation was to be conducted in two phases,
11 that the Garage renovation and expansion was to occur in the first phase, and that
12 parking revenues were expected to increase as construction was completed and tenants
13 increased. Preston lacks knowledge or information sufficient to form a belief as to the
14 truth or falsity of the remaining allegations contained in paragraph 98 and, on that
15 basis, denies those allegations.

16 99. Preston admits the allegations contained in the first sentence of paragraph
17 99. Preston admits that ownership of the Garage was transferred to the Foundation and
18 leased to the Authority in about September 1999 and that prior to such transfer, AMC
19 made objections in writing, which were provided at least in part to Preston and certain
20 other defendants and states that such objections speak for themselves. Preston lacks
21 knowledge or information sufficient to form a belief as to the truth or falsity of the
22 remaining allegations contained in paragraph 99 and, on that basis, denies those
23 allegations.

24 100. Preston states that an agreement was reached regarding parking rates for
25 the Garage and states that the agreement, which is taken out of context in paragraph

1 100, is a written document, which, as a whole, speaks for itself. Preston denies the
2 remaining allegations contained in paragraph 100 to the extent they may purport to
3 relate to Preston. Preston lacks knowledge and information sufficient to form a belief
4 as to the truth or falsity of the remaining allegations contained in paragraph 100,
5 including to the extent they purport to relate to other defendants and to plaintiffs and,
6 on that basis, denies those allegations.

7 101. Paragraph 101 contains legal conclusions for which no response is
8 required. To the extent any answer is required, Preston admits that if the sale of the
9 Garage was not completed by a prescribed date, the Bonds would be subject to
10 mandatory redemption. Preston lacks knowledge or information sufficient to form a
11 belief as to the truth or falsity of each and every other or different remaining allegation
12 contained in paragraph 101 and, on that basis, denies those allegations.

13 102. Preston states that the newspaper article referred to and quoted in
14 paragraph 102 is a written document, which, as a whole, speaks for itself. Preston lacks
15 knowledge or information sufficient to form a belief as to the truth or falsity of the
16 remaining allegations contained in paragraph 102 and, on that basis, denies those
17 allegations.

18 103. Preston admits the allegations contained in the first sentence of paragraph
19 103. Preston states that the report referred to in and excerpted in paragraph 103 is
20 taken out of context and that the report is a written document, which, as a whole,
21 speaks for itself, and lacks knowledge or information sufficient to form a belief as to
22 the truth or falsity of the remaining allegations contained in paragraph 103 and, on that
23 basis, denies those allegations.

1 104. Preston lacks knowledge or information sufficient to form a belief as to the
2 truth or falsity of the allegations contained in paragraph 104 and, on that basis, denies
3 those allegations.

4 105. Preston lacks knowledge or information sufficient to form a belief as to the
5 truth or falsity of the allegations contained in paragraph 105 and, on that basis, denies
6 those allegations.

7 106. Preston admits the Bonds were downgraded a second time and states that
8 to the extent such alleged downgrade or announcement thereof are contained in written
9 documents, such documents, as a whole, speak for them selves. Preston lacks
10 knowledge of information sufficient to form a belief of the truth or falsity of the
11 remaining allegations and, on that basis, denies the remaining allegations contained in
12 paragraph 106.

13 107. Preston admits that a Resolution was passed on or around April 26, 2000,
14 and states that the Resolution is a written document, which, as a whole, speaks for
15 itself. Preston denies the allegations contained in the third sentence of paragraph 107 to
16 the extent they purport to relate to Preston. Preston lacks knowledge or information
17 sufficient to form a belief as to the truth or falsity of the remaining allegations
18 contained in paragraph 107 and, on that basis, denies those allegations.

19 108. Preston lacks knowledge or information sufficient to form a belief as to the
20 truth or falsity of the allegations contained in paragraph 108 and, on that basis, denies
21 those allegations.

22 109. Preston lacks knowledge or information sufficient to form a belief as to the
23 truth or falsity of the allegations contained in paragraph 109 and, on that basis, denies
24 those allegations.
25

1 110. Preston admits that *Camas* magazine and local KXLY TV station printed
2 and aired news reports, and that related web sites were established, and states that such
3 reports and web sites, which are mischaracterized and taken out of context in paragraph
4 110, speak for themselves. Preston denies each and every other or different allegation
5 contained in paragraph 110.

6 111. Preston lacks knowledge or information sufficient to form a belief as to the
7 truth or falsity of the allegations contained in paragraph 111 and, on that basis, denies
8 those allegations.

9 112. Preston lacks knowledge or information sufficient to form a belief as to the
10 truth or falsity of the allegations contained in paragraph 112 and, on that basis, denies
11 those allegations.

12 113. Preston denies the allegations contained in paragraph 113 to the extent
13 they purport to relate to Preston and states that it lacks knowledge or information
14 sufficient to form a belief as to the truth or falsity of the remaining allegations
15 contained in paragraph 113, including as they purport to apply to the other defendants
16 and to plaintiffs and, on that basis, denies those allegations.

17 114. Preston objects to the words “far short,” “grossly inflated,” and
18 “significant” as argumentative and vague. Subject to those objections, Preston admits
19 that the revenues generated by the Garage have fallen short of projections, states that
20 the Foundation has made debt service on the Bonds and the amount of debt service paid
21 is contained in written documents, which, as a whole, speak for themselves, lacks
22 knowledge or information sufficient to form a belief as to what amount of debt service
23 will be paid in the future, and denies each and every other or different remaining
24 allegation contained in paragraph 114.
25

1 Foundation and not the Authority and lacks knowledge or information sufficient to
2 form a belief as to the truth or falsity of the remaining allegations contained in
3 paragraph 121 and, on that basis, denies those allegations.

4 122. Preston lacks knowledge or information sufficient to form a belief as to the
5 truth or falsity of the allegations contained in paragraph 122 and, on that basis, denies
6 those allegations.

7 123. Preston states that paragraph 123 contains legal conclusions for which no
8 response is required. To the extent any answer is required, Preston denies the
9 allegations contained in paragraph 123 to the extent they purport to relate to Preston.
10 Preston lacks knowledge or information sufficient to form a belief as to the truth or
11 falsity of the remaining allegations contained in paragraph 123, including as they
12 purport to apply to other defendants, and, on that basis, denies those allegations.

13 124. Preston states that paragraph 124 contains legal conclusions for which no
14 response is required. To the extent any answer is required, Preston denies the
15 allegations contained in paragraph 124 to the extent they purport to relate to Preston.
16 Preston lacks knowledge or information sufficient to form a belief as to the truth or
17 falsity of the allegations contained in paragraph 124 as they purport to apply to other
18 defendants or plaintiffs and, on that basis, denies those allegations.

19 125. Preston states that paragraph 125 contains legal conclusions for which no
20 response is required. To the extent any answer is required, Preston denies the
21 allegations contained in paragraph 125 to the extent they purport to relate to Preston.
22 Preston lacks knowledge or information sufficient to form a belief as to the truth or
23 falsity of the allegations contained in paragraph 125 as they purport to apply to other
24 defendants or plaintiffs and, on that basis, denies those allegations.

1 (5) Plaintiffs' claims are barred, in whole or in part, by plaintiffs' own
2 conduct and comparative fault;

3 (6) Plaintiffs' complaint fails to plead fraud with the particularity required by
4 the PSLRA or Federal Rule 9(b);

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

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

9 (9) Plaintiffs have failed to mitigate their alleged damages;

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

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

13 WHEREFORE, having fully answered Plaintiffs' complaint, defendant Preston
14 Gates & Ellis LLP requests the following relief:

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

18 DATED this 12th day of December, 2001.

19 CORR CRONIN LLP

20
21 

22 William F. Cronin, WSBA No. 08667
23 Paul R. Raskin, WSBA No. 24990
24 Attorneys for Defendant
25 Preston Gates & Ellis LLP

1 2 3 4 5	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
6 7 8 9	William F. Etter Etter McMahon Lamberson & Clary PS 421 West Riverside Avenue, Suite 1600 Spokane, WA 99201-0518 Attorneys for Spokane Downtown Foundation VIA EMAIL AND U.S. MAIL	Leslie Richard Weatherhead Witherspoon Kelley Davenport & Toole West 422 Riverside Avenue Suite 1100 Spokane, WA 99201-0390 Attorneys for RPS II LLC VIA EMAIL AND U.S. MAIL
10 11 12 13 14	Ladd B. Leavens Davis Wright Tremaine LLP 1501 Fourth Avenue, Suite 2600 Seattle, WA 98101-1688 Attorneys for Citizens Realty Co. & Lincoln Investment Co. of Spokane VIA EMAIL AND U.S. MAIL	James Bernard King Keefe King & Bowman West 601 Main Avenue, Suite 1102 Spokane, WA 99201 Attorneys for Spokane Public Parking Development Authority d/b/a River Park Square Authority VIA EMAIL AND U.S. MAIL
15 16 17 18 19 20	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, 40 th Floor Seattle, WA 98101-3099 Attorneys for Third Party-Def. Roy J. Koegen, Anne Koegen, & Perkins Coie LLP VIA EMAIL AND U.S. MAIL
21 22 23 24 25	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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Theresa Lapke
THERESA LAPKE

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



Mary Beth Dahl
(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