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

JAN 11 2002

JAMES R. LARSEN, CLERK  
DEPUTY  
SPOKANE, WASHINGTON

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF WASHINGTON

IN RE RIVER PARK SQUARE  
PROJECT BOND LITIGATION

No. CS-01-0127-EFS

DEFENDANT PRESTON  
GATES & ELLIS LLP'S  
ANSWER AND AFFIRMATIVE  
DEFENSES TO CITY OF  
SPOKANE'S CROSS-CLAIMS

Defendant Preston Gates & Ellis LLP ("Preston") answers Defendant City of Spokane's Cross-Claims as follows:

1.1 Preston admits that River Park Square and the adjacent parking garage were owned by the Developers and denies the remaining allegations for lack of knowledge or information sufficient to form a belief as to truth or falsity.

1.2 Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 1.2 and, on that basis, denies those allegations.

1.3 Preston lacks knowledge or information sufficient to form a belief as to the truth or falsity of the allegations contained in paragraph 1.3 and, on that basis, denies those allegations.

DEFENDANT PRESTON GATES & ELLIS LLP'S  
ANSWER AND AFFIRMATIVE DEFENSES TO CITY  
OF SPOKANE'S CROSS-CLAIMS - Page 1

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ORIGINAL

1           1.4   Preston lacks knowledge or information sufficient to form a belief as  
2 to the truth or falsity of the allegations contained in paragraph 1.4 and, on that  
3 basis, denies those allegations.

4           1.5   Preston lacks knowledge or information sufficient to form a belief as  
5 to the truth or falsity of the allegations contained in paragraph 1.5 and, on that  
6 basis, denies those allegations.

7           1.6   Preston lacks knowledge or information sufficient to form a belief as  
8 to the truth or falsity of the allegations contained in paragraph 1.6 and, on that  
9 basis, denies those allegations.

10          1.7   Preston lacks knowledge or information sufficient to form a belief as  
11 to the truth or falsity of the allegations contained in paragraph 1.7 and, on that  
12 basis, denies those allegations.

13          1.8   Preston states that the HUD § 108 loan, HUD's approval thereof, and  
14 the HUD EDI grant are embodied in written documents, which, as a whole, speak  
15 for themselves. Preston lacks knowledge or information sufficient to form a belief  
16 as to the truth or falsity of the remaining allegations contained in paragraph 1.8  
17 and, on that basis, denies those allegations.

18          1.9   Preston lacks knowledge or information sufficient to form a belief as  
19 to the truth or falsity of the allegations contained in paragraph 1.9 and, on that  
20 basis, denies those allegations.

21          1.10   Preston lacks knowledge or information sufficient to form a belief as  
22 to the truth or falsity of the allegations contained in paragraph 1.10 and, on that  
23 basis, denies those allegations.

24          1.11   Preston states that the letter referred to in paragraph 1.11 is a written  
25 document, which, as a whole, speaks for itself and lacks knowledge or information

1 sufficient to form a belief as to the truth or falsity of the allegations contained in  
2 paragraph 1.11 and, on that basis, denies those allegations.

3 1.12 Preston admits that the Spokane City Council passed Resolution 95-  
4 74 on or around June 12, 1995, states that the Resolution is a written document,  
5 which, as a whole, speaks for itself and denies each and every other or different  
6 allegation contained in paragraph 1.12 for lack of knowledge or information  
7 sufficient to form a belief as to truth or falsity.

8 1.13 Preston lacks knowledge or information sufficient to form a belief as  
9 to the truth or falsity of the allegations contained in paragraph 1.13 and, on that  
10 basis, denies those allegations.

11 1.14 Preston states that the resolution referred to in paragraph 1.14 is a  
12 written document, which, as a whole, speaks for itself and lacks knowledge or  
13 information sufficient to form a belief as to the truth or falsity of the remaining  
14 allegations contained in paragraph 1.14 and, on that basis, denies those allegations.

15 1.15 Preston lacks knowledge or information sufficient to form a belief as  
16 to the truth or falsity of the allegations contained in paragraph 1.15 and, on that  
17 basis, denies those allegations.

18 1.16 Preston states that the contract referred to in paragraph 1.16 is a  
19 written document, which, as a whole, speaks for itself and lacks knowledge or  
20 information sufficient to form a belief as to the truth or falsity of the allegations  
21 contained in paragraph 1.16 and, on that basis, denies those allegations.

22 1.17 Preston lacks knowledge or information sufficient to form a belief as  
23 to the truth or falsity of the allegations contained in paragraph 1.17 and, on that  
24 basis, denies those allegations.  
25

1           1.18 Preston lacks knowledge or information sufficient to form a belief as  
2 to the truth or falsity of the allegations contained in paragraph 1.18 and, on that  
3 basis, denies those allegations.

4           1.19 Preston states that the Consultant Agreement referred to in paragraph  
5 1.19 is a written document, which, as a whole, speaks for itself. Preston lacks  
6 knowledge or information sufficient to form a belief as to the truth or falsity of the  
7 remaining allegations contained in paragraph 1.19 and, on that basis, denies those  
8 allegations.

9           1.20 Preston lacks knowledge or information sufficient to form a belief as  
10 to the truth or falsity of the allegations contained in paragraph 1.20 and, on that  
11 basis, denies those allegations.

12           1.21 Preston lacks knowledge or information sufficient to form a belief as  
13 to the truth or falsity of the allegations contained in paragraph 1.21 and, on that  
14 basis, denies those allegations.

15           1.22 Preston denies that the allegations contained in paragraph 1.22  
16 properly characterize the investment appraisal approach referred to therein and  
17 lacks knowledge or information sufficient to form a belief as to the truth or falsity  
18 of each and every other or different allegation contained in paragraph 1.22 and, on  
19 that basis, denies those allegations.

20           1.23 Preston lacks knowledge or information sufficient to form a belief as  
21 to the truth or falsity of the allegations contained in paragraph 1.23 and, on that  
22 basis, denies those allegations.

23           1.24 Preston lacks knowledge or information sufficient to form a belief as  
24 to the truth or falsity of the allegations contained in paragraph 1.24 and, on that  
25 basis, denies those allegations.

1           1.25 Preston states that the Feasibility Analysis referred to in paragraph  
2 1.25 is a written document, which, as a whole, speaks for itself and denies each and  
3 every other or different allegation contained in paragraph 1.25.

4           1.26 Preston states that the Public Use Study referred to in paragraph 1.26  
5 is a written document, which, as a whole, speaks for itself and lacks knowledge or  
6 information sufficient to form a belief as to the truth or falsity of the remaining  
7 allegations contained in paragraph 1.26 and, on that basis, denies those allegations.

8           1.27 Preston lacks knowledge or information sufficient to form a belief as  
9 to the truth or falsity of the allegations contained in paragraph 1.27 and, on that  
10 basis, denies those allegations.

11           1.28 Preston lacks knowledge or information sufficient to form a belief as  
12 to the truth or falsity of the allegations contained in paragraph 1.28 and, on that  
13 basis, denies those allegations.

14           1.29 Preston states that the reports referred to in paragraph 1.29 are written  
15 documents, which, as a whole, speak for themselves and lacks knowledge or  
16 information sufficient to form a belief as to the truth or falsity of the remaining  
17 allegations contained in paragraph 1.29 and, on that basis, denies those allegations.

18           1.30 Preston states that the report referred to in paragraph 1.30 is a written  
19 document, which, as a whole, speaks for itself and denies each and every other or  
20 different remaining allegation contained in paragraph 1.30 for lack of knowledge  
21 or information sufficient to form a belief as to truth or falsity.

22           1.31 Preston lacks knowledge or information sufficient to form a belief as  
23 to the truth or falsity of the allegations contained in paragraph 1.31 and, on that  
24 basis, denies those allegations.

25

1           1.32 Preston states that the Feasibility Analysis referred to in paragraph  
2 1.32 is a written document, which, as a whole, speaks for itself and denies each and  
3 every other or different remaining allegation contained in paragraph 1.32 for lack  
4 of knowledge or information sufficient to form a belief as to truth or falsity.

5           1.33 Preston lacks knowledge or information sufficient to form a belief as  
6 to the truth or falsity of the allegations contained in paragraph 1.33 and, on that  
7 basis, denies those allegations.

8           1.34 Preston lacks knowledge or information sufficient to form a belief as  
9 to the truth or falsity of the allegations contained in paragraph 1.34 and, on that  
10 basis, denies those allegations.

11           1.35 Preston lacks knowledge or information sufficient to form a belief as  
12 to the truth or falsity of the allegations contained in paragraph 1.35 and, on that  
13 basis, denies those allegations.

14           1.36 Preston states that the Ordinances referred to in paragraph 1.36 are  
15 written documents, which, as a whole, speak for themselves. Preston lacks  
16 knowledge or information sufficient to form a belief as to the truth or falsity of the  
17 remaining allegations contained in paragraph 1.36 and, on that basis, denies those  
18 allegations.

19           1.37 Preston states that the Ordinances referred to in paragraph 1.37 are  
20 written documents, which, as a whole, speak for themselves. Preston denies each  
21 and every other or different allegation contained in paragraph 1.37.

22           1.38 Preston states that paragraph 1.38 contains legal conclusions for  
23 which no answer is required. To the extent any answer is required, Preston states  
24 that the referenced statutory provision, the Ordinances and the record of the public  
25 hearing referred to in paragraph 1.38, as a whole, speak for themselves. Preston

1 lacks knowledge or information sufficient to form a belief as to the truth or falsity  
2 of each and every other or different allegation contained in paragraph 1.38 and, on  
3 that basis, denies those allegations.

4 1.39 Preston states that the record of the public hearing referred to in  
5 paragraph 1.39, as a whole, speaks for itself and denies each and every other or  
6 different remaining allegation contained in paragraph 1.39 for lack of knowledge  
7 or information sufficient to form a belief as to truth or falsity.

8 1.40 Preston states that the record of the public hearing referred to in  
9 paragraph 1.40, as a whole, speaks for itself. Preston lacks knowledge or  
10 information sufficient to form a belief as to the truth or falsity of each and every  
11 other or different remaining allegation contained in paragraph 1.40 and, on that  
12 basis, denies those allegations.

13 1.41 Preston states that the record of the public hearing referred to in  
14 paragraph 1.41, as a whole, speaks for itself. Preston lacks knowledge or  
15 information sufficient to form a belief as to the truth or falsity of each and every  
16 other or different remaining allegation contained in paragraph 1.41 and, on that  
17 basis, denies those allegations.

18 1.42 Preston states that the record of the public hearing and any resolution  
19 made at such hearing referred to in paragraph 1.42, as a whole, speak for  
20 themselves. Preston lacks knowledge or information sufficient to form a belief as  
21 to the truth or falsity of each and every other or different remaining allegation  
22 contained in paragraph 1.42 and, on that basis, denies those allegations.

23 1.43 Preston lacks knowledge or information sufficient to form a belief as  
24 to the truth or falsity of the allegations contained in paragraph 1.43 and, on that  
25 basis, denies those allegations.

1           1.44 Preston lacks knowledge or information sufficient to form a belief as  
2 to the truth or falsity of the allegations contained in paragraph 1.44 and, on that  
3 basis, denies those allegations.

4           1.45 Preston admits that the City determined not to issue its own revenue  
5 bonds to purchase the Parking Garage, states that the record of the public meeting  
6 referred to in paragraph 1.45, as a whole, speaks for itself, and lacks knowledge or  
7 information sufficient to form a belief as to the truth or falsity of each and every  
8 other or different allegation contained in paragraph 1.45 and, on that basis, denies  
9 those allegations.

10           1.46 Preston states that the record of testimony at the public meeting  
11 referred to in paragraph 146, as a whole, speaks for itself, denies the allegations  
12 contained in paragraph 1.46 to the extent inconsistent with that record, admits that  
13 a non-profit corporation, the Foundation, was formed, in part, to issue the Bonds  
14 and lacks knowledge or information sufficient to form a belief as to the truth or  
15 falsity of each and every other or different allegation contained in paragraph 1.46  
16 and, on that basis, denies those allegations.

17           1.47 Preston states that paragraph 1.47 contains legal conclusions for  
18 which no answer is required. To the extent any answer is required, Preston states  
19 that the referenced Revenue Ruling 63-20 speaks for itself and denies each and  
20 every other or different allegation contained in paragraph 1.47.

21           1.48 Preston states that the record of testimony at the hearing referred to in  
22 paragraph 1.48, as a whole, speaks for itself and lacks knowledge or information  
23 sufficient to form a belief as to the truth or falsity of the remaining allegations  
24 contained in paragraph 1.48 and, on that basis, denies those allegations.  
25

1           1.49 Preston states that the record of testimony at the hearing referred to in  
2 paragraph 1.49, as a whole, speaks for itself and lacks knowledge or information  
3 sufficient to form a belief as to the truth or falsity of the remaining allegations  
4 contained in paragraph 1.49 and, on that basis, denies those allegations.

5           1.50 Preston states that the newspaper article referred to and allegedly  
6 excerpted in paragraph 1.50 is a written document, which, as a whole, speaks for  
7 itself and lacks knowledge or information sufficient to form a belief as to the truth  
8 or falsity of each and every other or different allegation contained in paragraph  
9 1.50 and, on that basis, denies those allegations.

10          1.51 Preston lacks knowledge or information sufficient to form a belief as  
11 to the truth or falsity of the allegations contained in paragraph 1.51 and, on that  
12 basis, denies those allegations.

13          1.52 Preston states that the Ordinance and record of the Council meeting  
14 referred to in paragraph 1.52, as a whole, speak for themselves and lacks  
15 knowledge or information sufficient to form a belief as to the truth or falsity of  
16 each and every other or different allegation contained in paragraph 1.52 and, on  
17 that basis, denies those allegations.

18          1.53 Preston states that paragraph 1.53 contains legal conclusions for  
19 which no answer is required. To the extent any answer is required, Preston states  
20 that the Ordinance and record of public meeting testimony referred to in paragraph  
21 1.53, as a whole, speak for themselves, denies the allegations to the extent  
22 inconsistent with the Ordinance and record and lacks knowledge or information  
23 sufficient to form a belief as to the truth or falsity of each and every other or  
24 different allegation contained in paragraph 1.53 and, on that basis, denies those  
25 allegations.

1           1.54 Preston states that the Ordinance and record of the meeting referred to  
2 in paragraph 1.54, as a whole, speak for themselves and denies the remaining  
3 allegations contained in paragraph 1.54.

4           1.55 Preston denies the allegations contained in paragraph 1.55.

5           1.56 Preston denies the allegations contained in paragraph 1.56.

6           1.57 Preston states that the drafts of the Ordinances referred to in  
7 paragraph 1.57 are written documents, which, as a whole, speak for themselves and  
8 denies the remaining allegations contained in paragraph 1.57.

9           1.58 Preston states that the record of testimony at the meeting referred to in  
10 paragraph 1.58, as a whole, speaks for itself. Preston denies the remaining  
11 allegations contained in paragraph 1.58 to the extent inconsistent with that record.

12           1.59 Preston states that the record of the hearing referred to in paragraph  
13 1.59, as a whole, speaks for itself, and denies the allegations contained in  
14 paragraph 1.59 to the extent inconsistent with that record.

15           2.57[sic] Preston states that the record of the testimony referred to in  
16 paragraph 2.57, as a whole, speaks for itself, denies the allegations contained in the  
17 first sentence of paragraph 2.57 to the extent inconsistent with that record and  
18 lacks knowledge or information sufficient to form a belief as to the truth or falsity  
19 of the remaining allegations contained in paragraph 2.57 and, on that basis, denies  
20 those allegations.

21           1.60 Preston states that the record of the January 13, 1997 meeting referred  
22 to in paragraph 1.60 speaks for itself, denies the allegations to the extent  
23 inconsistent with that record and lacks knowledge or information sufficient to form  
24 a belief as to the truth or falsity of the remaining allegations contained in paragraph  
25 1.60 and, on that basis, denies those allegations.

1           1.61 Preston lacks knowledge or information sufficient to form a belief as  
2 to the truth or falsity of the allegations contained in paragraph 1.61 and, on that  
3 basis, denies those allegations.

4           1.62 Preston states that the Coopers & Lybrand analyses and the record of  
5 testimony referred to in paragraph 1.62, as a whole, speak for themselves. Preston  
6 denies the allegations contained in the first and second sentences of paragraph 1.62  
7 to the extent they are inconsistent with these documentary records. Preston lacks  
8 knowledge or information sufficient to form a belief as to the truth or falsity of the  
9 allegations contained in the third sentence of paragraph 1.62 and, on that basis,  
10 denies those allegations.

11           1.63 Preston lacks knowledge or information sufficient to form a belief as  
12 to the truth or falsity of the allegations contained in paragraph 1.63 and, on that  
13 basis, denies those allegations.

14           1.64 Preston lacks knowledge or information sufficient to form a belief as  
15 to the truth or falsity of the allegations contained in paragraph 1.64 and, on that  
16 basis, denies those allegations.

17           1.65 Preston lacks knowledge or information sufficient to form a belief as  
18 to the truth or falsity of the allegations contained in paragraph 1.65 and, on that  
19 basis, denies those allegations.

20           1.66 Preston states that the Ordinance and the record of the hearing  
21 referred to in paragraph 1.66, as a whole, speak for themselves, denies the City's  
22 characterization of the Ordinance and denies the remaining allegations contained in  
23 paragraph 1.66 to the extent they are inconsistent with the Ordinance and record.

24           1.67 Preston admits that parking revenues were projected to be more than  
25 the sum of operating expenses and ground rent, states that the record of the

1 November 25, 1995 Council Meeting referred to in paragraph 1.67, as a whole,  
2 speaks for itself, and denies the remaining allegations contained in paragraph 1.67.

3 1.68 Preston states that paragraph 1.68 contains legal conclusions for  
4 which no answer is required. To the extent any answer is required, Preston lacks  
5 knowledge or information sufficient to form a belief as to the truth or falsity of the  
6 allegations contained in paragraph 1.68 and, on that basis, denies those allegations.

7 1.69 Preston states that the record of the public meetings referred to in  
8 paragraph 1.69, as a whole, speak for themselves and denies the remaining  
9 allegations contained in paragraph 1.69 to the extent inconsistent with that written  
10 record.

11 1.70 Preston states that debt service is an expense paid with Garage  
12 revenues and that payment of debt service reduces the revenues, if any, remaining  
13 to pay other expenses, including ground rent and operating expenses, and denies  
14 each and every other or different allegation contained in the first sentence of  
15 paragraph 1.70. Preston states that the records of the public meetings referred to  
16 in the second sentence of paragraph 1.70, as a whole, speak for themselves and  
17 denies the remaining allegations contained in paragraph 1.70 to the extent  
18 inconsistent with such records.

19 1.71 Preston states that when the Mayor appointed and Council approved  
20 Authority board members is a matter of public record that speaks for itself and  
21 denies each and every other or different allegation contained in paragraph 1.71 for  
22 lack of knowledge or information sufficient to form a belief as to truth or falsity.

23 1.72 Preston states that the resolution referred to in paragraph 1.72 is a  
24 written document, which, as a whole, speaks for itself and denies each and every  
25

1 other or different allegation contained in paragraph 1.72 to the extent inconsistent  
2 with that written document.

3 1.73 Preston states that the proposed lease agreement referred to in  
4 paragraph 1.73 is a written document, which, as a whole, speaks for itself and  
5 denies the remaining allegations contained in paragraph 1.73 to the extent  
6 inconsistent with the written document.

7 1.74 Preston states that paragraph 1.74 contains legal conclusions for  
8 which no response is required. To the extent any answer is required, Preston lacks  
9 knowledge or information sufficient to form a belief as to the truth or falsity of the  
10 allegations contained in paragraph 1.74 and, on that basis, denies those allegations.

11 1.75 Preston objects to the allegations contained in paragraph 1.75 as  
12 vague and ambiguous and, on that basis, denies those allegations.

13 1.76 Preston denies the implicit characterization of the Ordinance referred  
14 to in paragraph 1.76, states that the Ordinance, as a whole, speaks for itself and  
15 lacks knowledge or information sufficient to form a belief as to the truth or falsity  
16 of the remaining allegations contained in paragraph 1.76 and, on that basis, denies  
17 those allegations.

18 1.77 Preston states that paragraph 1.77 contains legal conclusions for  
19 which no answer is required. To the extent any answer is required, Preston states  
20 that the decision of the Supreme Court in Queen v. City of Spokane referred to in  
21 paragraph 1.77 is a written document, which, as a whole, speaks for itself and  
22 denies the remaining allegations contained in paragraph 1.77 to the extent they are  
23 inconsistent with that decision.

24 1.78 Preston admits the allegations contained in paragraph 1.78.  
25

1           1.79 Preston lacks knowledge or information sufficient to form a belief as  
2 to the truth or falsity of the allegations contained in the first sentence of paragraph  
3 1.79 and, on that basis, denies those allegations. Preston states that the record of  
4 the Council meeting referred to in paragraph 1.79, as a whole, speaks for itself and  
5 denies the remaining allegations contained in paragraph 1.79 to the extent  
6 inconsistent with that record.

7           1.80 Preston states that the letter referred to in paragraph 1.80 is a written  
8 document, which, as a whole, speaks for itself and denies the remaining allegations  
9 contained in paragraph 1.80 to the extent inconsistent with that written document.

10          1.81 Preston admits the allegations contained in paragraph 1.81.

11          1.82 Preston states that ownership of the Garage was transferred to the  
12 Foundation and leased to the Authority in about September 1999 and that prior to  
13 such transfer, AMC made objections in writings, which, as a whole, speak for  
14 themselves. Preston lacks knowledge or information sufficient to form a belief as  
15 to the truth or falsity of each and every other or different allegation contained in  
16 paragraph 182 and, on that basis, denies those allegations.

17          1.83 Preston objects to the word "important" on the grounds that it is  
18 vague, states that any projections referred to in paragraph 1.83, as a whole, speak  
19 for themselves, denies the allegations to the extent inconsistent with those  
20 projections and lacks knowledge or information sufficient to form a belief as to the  
21 truth or falsity of each and every other or different remaining allegation contained  
22 in paragraph 1.83 and, on that basis, denies those allegations.

23          1.84 Preston admits that an agreement was reached regarding parking rates  
24 for the Garage and states that the agreement is a written document, which, as a  
25 whole, speaks for itself and denies the allegations to the extent inconsistent with

1 that written agreement. Preston admits that AMC has remained a tenant. Preston  
2 states that the words “secured an agreement” are vague and ambiguous, denies that  
3 counsel for the Foundation secured the agreement and lacks knowledge or  
4 information sufficient to form a belief as to the truth or falsity of each and every  
5 other or different allegation contained in paragraph 1.84.

6 1.85 Preston admits that the Developers reached an agreement with AMC  
7 and that Preston was not informed regarding the terms of the agreement. Preston  
8 lacks knowledge or information sufficient to form a belief as to the truth or falsity  
9 of each and every other or different remaining allegation contained in paragraph  
10 1.85 and, on that basis, denies those allegations.

11 1.86 Preston lacks knowledge or information sufficient to form a belief as  
12 to the truth or falsity of the allegations contained in paragraph 1.86 and, on that  
13 basis, denies those allegations.

14 1.87 Preston states that the Garage remained open during reconstruction  
15 and denies the allegations contained in paragraph 1.87.

16 1.88 Preston admits the allegations contained in paragraph 1.88.

17 1.89 Preston lacks knowledge or information sufficient to form a belief as  
18 to the truth or falsity of the allegations contained in paragraph 1.89 and, on that  
19 basis, denies those allegations.

20 1.90 Preston lacks knowledge or information sufficient to form a belief as  
21 to the truth or falsity of the allegations contained in paragraph 1.90 and, on that  
22 basis, denies those allegations.

23 1.91 Preston states that the resolution and agreement referred to in  
24 paragraph 1.91 are written documents, which, as a whole, speak for themselves and  
25

1 denies each and every other or different remaining allegation contained in  
2 paragraph 1.91 to the extent inconsistent with those written documents.

3 1.92 Preston states that the Council approvals referred to in paragraph 1.92  
4 are written documents, which, as a whole, speak for themselves and denies the  
5 remaining allegations contained in paragraph 1.92 to the extent inconsistent with  
6 those written documents.

7 1.93 Preston objects to the words "come anywhere near" as vague and  
8 argumentative and lacks knowledge or information sufficient to form a belief as to  
9 the truth or falsity of the remaining allegations contained in paragraph 1.93 and, on  
10 that basis, denies those allegations.

11 1.94 Preston objects to the words "substantial shortfall" on the grounds that  
12 they are vague, admits that the Foundation's bonds have been downgraded twice  
13 by bond-rating agencies on or about February 1, 2000 and on or around April 18,  
14 2000, states that the downgrade reports issued by such bond-rating agencies  
15 regarding the reasons given for the downgrade, as a whole, speak for themselves  
16 and lacks knowledge or information sufficient to form a belief as to the truth or  
17 falsity of the remaining allegations contained in paragraph 1.94 and, on that basis,  
18 denies those allegations.

19 1.95 Preston states that the financial statements referred to in paragraph  
20 1.95 are written documents, which, as a whole, speak for themselves and lacks  
21 knowledge or information sufficient to form a belief as to the truth or falsity of the  
22 remaining allegations contained in paragraph 1.95 and, on that basis, denies those  
23 allegations.  
24  
25

1           1.96 Preston lacks knowledge or information sufficient to form a belief as  
2 to the truth or falsity of the allegations contained in paragraph 1.96 and, on that  
3 basis, denies those allegations.

4           1.97 Preston lacks knowledge or information sufficient to form a belief as  
5 to the truth or falsity of the allegations contained in paragraph 1.97 and, on that  
6 basis, denies those allegations.

7           1.98 Preston states that the Keyser Marston report and Walker Feasibility  
8 Analysis are written documents, which, as a whole, speak for themselves and lacks  
9 knowledge or information sufficient to form a belief as to the truth or falsity of the  
10 remaining allegations contained in paragraph 1.98 and, on that basis, denies those  
11 allegations.

12           1.99 Preston states that the report referred to in paragraph 1.99 is a written  
13 document, which, as a whole, speaks for itself and denies each and every other or  
14 different remaining allegation to the extent inconsistent with that written  
15 document.

16           1.100 Preston lacks knowledge or information sufficient to form a belief as  
17 to the truth or falsity of the allegations contained in paragraph 1.100 and, on that  
18 basis, denies those allegations.

19           1.101 Preston lacks knowledge or information sufficient to form a belief as  
20 to the truth or falsity of the allegations contained in paragraph 1.101 and, on that  
21 basis, denies those allegations.

22           1.102 Preston lacks knowledge or information sufficient to form a belief as  
23 to the truth or falsity of the allegations contained in the first sentence of paragraph  
24 1.02 and, on that basis, denies those allegations. Preston states that the letter  
25 referred to in the second sentence of paragraph 1.102 is a written document, which,

1 as a whole, speaks for itself and denies each and every other or different allegation  
2 contained in the second sentence of paragraph 1.102 to the extent inconsistent with  
3 that written document. Preston lacks knowledge or information sufficient to form  
4 a belief as to the truth or falsity of the allegations contained in the third sentence of  
5 paragraph 1.102 and, on that basis, denies those allegations.

6 1.103 Preston admits that the City's bond rating was downgraded on or  
7 around June 6, 2000, states that the downgrade reports issued by bond-rating  
8 agencies regarding the reasons given for the downgrade, as a whole, speak for  
9 themselves and lacks knowledge or information sufficient to form a belief as to the  
10 truth or falsity of the remaining allegations contained in paragraph 1.103 and, on  
11 that basis, denies those allegations.

12 1.104 Preston admits the allegations contained in the first sentence of  
13 paragraph 1.104. Preston states that the record of the mandamus action and the  
14 Order referred to in the second sentence of paragraph 1.104, as a whole, speak for  
15 themselves and denies the remaining allegations for lack of knowledge or  
16 information sufficient to form a belief as to truth or falsity.

17 1.105 Preston states that the Order referred to in paragraph 1.105 is a written  
18 document, which, as a whole, speaks for itself and denies the allegations contained  
19 in paragraph 1.105 to the extent inconsistent with that Order.

20 1.106 Preston states that the appellate record referred to in paragraph 1.106,  
21 as a whole, speaks for itself and denies the remaining allegations to the extent  
22 inconsistent therewith.

23 1.107 Preston lacks knowledge or information sufficient to form a belief as  
24 to the truth or falsity of the allegations contained in paragraph 1.107 and, on that  
25 basis, denies those allegations.

1           1.108 Preston states that the Supreme Court decision referred to in  
2 paragraph 1.108 is a written document, which, as a whole, speaks for itself and  
3 denies the remaining allegations to the extent inconsistent with that written  
4 decision.

5           2.1 Although no answer is required, Preston incorporates by this reference  
6 each of its answers to the allegations contained in paragraphs 1.1 through 1.108  
7 above.

8           2.2 Preston states that Ordinance C-31823 is a written document, which,  
9 as a whole, speaks for itself, denies the City's characterization of the Ordinance  
10 and denies each and every other or different allegation contained in paragraph 2.2.

11           2.3 Preston lacks knowledge or information sufficient to form a belief as  
12 to the truth or falsity of the allegations contained in paragraph 2.3 and, on that  
13 basis, denies those allegations.

14           2.4 Preston states that the financial statements referred to in paragraph 2.4  
15 are written documents, which, as a whole, speak for themselves, denies the City's  
16 characterization of Ordinance C-31823 and lacks knowledge or information  
17 sufficient to form a belief as to the truth or falsity of each and every other or  
18 different remaining allegation contained in paragraph 2.4 and, on that basis, denies  
19 those allegations.

20           2.5 Preston states that Ordinance C-31823 is a written document, which,  
21 as a whole, speaks for itself and denies each and every other or different allegation  
22 contained in paragraph 2.5.

23           2.6 Preston objects to the allegations contained in paragraph 2.6 as vague  
24 and ambiguous and lacks knowledge or information sufficient to form a belief as to  
25

1 the truth or falsity of the allegations contained in paragraph 2.6 and, on that basis,  
2 denies those allegations.

3 2.7 Preston objects to the allegations contained in paragraph 2.7 as vague  
4 and ambiguous and lacks knowledge or information sufficient to form a belief as to  
5 the truth or falsity of the allegations contained in paragraph 2.7 and, on that basis,  
6 denies those allegations.

7 2.8 Preston states that paragraph 2.8 contains legal conclusions for which  
8 no answer is required. To the extent any answer is required, Preston states that the  
9 allegations contained in paragraph 2.8 mischaracterize the City's obligations and,  
10 on that basis, denies those allegations.

11 2.9 Preston admits the allegations contained in paragraph 2.9.

12 2.10 Preston admits the allegations contained in paragraph 2.10.

13 2.11 Preston admits the allegations contained in paragraph 2.11.

14 2.12 Preston admits the allegations contained in paragraph 2.12.

15 2.13 Preston states that paragraph 2.13 states legal conclusions for which  
16 no answer is required. To the extent any answer is required, Preston lacks  
17 knowledge or information sufficient to form a belief as to the truth or falsity of the  
18 allegations contained in paragraph 2.13 and, on that basis, denies those allegations.

19 2.14 Although no answer is required, Preston admits that the City seeks the  
20 determination regarding the loan pledge referred to in paragraph 2.14, denies that it  
21 should be interpreted and defined as sought by the City and denies each and every  
22 other or different remaining allegation contained in paragraph 2.14.

23 2.15 Although no answer is required, Preston incorporates by this reference  
24 each of its answers to the allegations contained in paragraphs 1.1 through 2.14 set  
25 forth above.

1           2.16 Although no answer is required, Preston admits that the City seeks the  
2 determination referred to in paragraph 2.16, states that the Ordinance referred to in  
3 paragraph 2.16 is a written document, which, as a whole, speaks for itself, denies  
4 that it should be interpreted and defined as sought by the City and denies each and  
5 every other or different remaining allegation contained in paragraph 2.16.

6           2.17 Preston admits the allegations contained in paragraph 2.17.

7           2.18 Preston admits the allegations contained in paragraph 2.18.

8           2.19 Preston admits the allegations contained in paragraph 2.19.

9           2.20 Preston states that paragraph 2.20 states legal conclusions for which  
10 no answer is required. To the extent any answer is required, Preston lacks  
11 knowledge or information sufficient to form a belief as to the truth or falsity of the  
12 allegations contained in paragraph 2.20 and, on that basis, denies those allegations.

13           2.21 Preston states that paragraph 2.21 contains legal conclusions for  
14 which no response is required. To the extent any answer is required, Preston states  
15 that the referenced statutory, constitutional and City Charter provisions, as a  
16 whole, speak for themselves and denies each and every other or different allegation  
17 contained in paragraph 2.21 to the extent inconsistent with those legal provisions.

18           2.22 Preston states that paragraph 2.22 contains legal conclusions for  
19 which no answer is required. To the extent any answer is required, Preston denies  
20 the allegations contained in paragraph 2.22 for lack of knowledge or information  
21 sufficient to form a belief as to truth or falsity.

22           2.23 Preston states that the Ordinance and lease referred to in paragraph  
23 2.23 are written documents, which, as a whole, speak for themselves and denies  
24 each and every other or different allegation contained in paragraph 2.23.

25

1           2.24 Preston states that the Ordinance and Feasibility Analysis referred to  
2 in paragraph 2.24 are written documents, which, as a whole, speak for themselves,  
3 admits that Garage revenues have been less than projected, objects to the  
4 allegations contained in paragraph 2.24 as vague and ambiguous because they fail  
5 to adequately identify any alleged “material flaws” in the Feasibility Analysis and  
6 lacks knowledge or information sufficient to form a belief as to the truth or falsity  
7 of the remaining allegations contained in paragraph 2.24 and, on that basis, denies  
8 those allegations.

9           2.25 Preston states that the Keyser Marston report and the Walker analysis  
10 referred to in paragraph 2.25, as a whole, speak for themselves and lacks  
11 knowledge or information sufficient to form a belief as to the truth or falsity of the  
12 remaining allegations contained in paragraph 2.25 and, on that basis, denies those  
13 allegations.

14           2.26 Preston lacks knowledge or information sufficient to form a belief as  
15 to the truth or falsity of the allegations contained in paragraph 2.26 and, on that  
16 basis, denies those allegations.

17           2.27 Preston lacks knowledge or information sufficient to form a belief as  
18 to the truth or falsity of the allegations contained in paragraph 2.27 and, on that  
19 basis, denies those allegations.

20           2.28 Although paragraph 2.28 does not require a response, Preston denies  
21 that the City should be provided the relief requested.

22           2.29 Preston states that paragraph 2.29 contains legal conclusions for  
23 which no answer is required. To the extent any answer is required, Preston states  
24 that the record before the Washington Supreme Court in Clean v. City of Spokane,  
25 as a whole, speaks for itself, denies that the City is entitled to the relief requested

1 and lacks knowledge or information sufficient to form a belief as to the remaining  
2 allegations contained in paragraph 2.29 and, on that basis, denies those allegations.

3 2.30-2.68 Preston states that the allegations contained in and claims  
4 allegedly asserted by paragraphs 2.30 through 2.68 are not directed at Preston and  
5 therefore do not require any response from Preston.

6 **AFFIRMATIVE DEFENSES**

7 AND, NOW, by way of further answering the allegations in the City of  
8 Spokane's Cross-Claims, Preston sets forth its additional defenses as follows:

9 (1) The City's Cross-Claims fail to state, in whole or in part, a claim upon  
10 which relief can be granted;

11 (2) The City's Cross-Claims are barred, in whole or in part, by the  
12 statutes of limitations;

13 (3) The City's Cross-Claims are barred, in whole or in part, by the  
14 doctrines of laches, waiver and/or estoppel;

15 (4) The City's Cross-Claims fail, in whole or in part, under the doctrine of  
16 unclean hands;

17 (5) The City's alleged injuries and damages were caused, in whole or in  
18 part, by the acts or omissions of others, whether individual, corporate or otherwise,  
19 whether named or unnamed, for whose conduct Preston is not responsible;

20 (6) The City's Cross-Claims are barred, in whole or in part, by its own  
21 conduct and comparative fault; and

22 (7) The City has failed to mitigate its alleged damages.  
23  
24  
25





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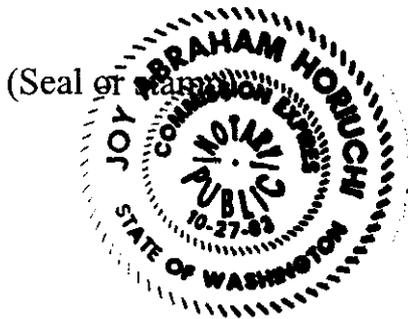
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Christy A. Weaver  
CHRISTY A. WEAVER

SIGNED AND SWORN to before me on January 9<sup>th</sup>, 2002.

Joy Abraham Horiuchi  
(Signature)

Joy Abraham Horiuchi  
(Name legibly printed or stamped)  
Notary Public in and for the State of Washington,  
residing at Seattle



10-27-03  
My appointment expires