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June 2, 2000

VIA FACSIMILETom Grant
KXLY TV
500 W. Boone Ave.
Spokane, WA 99201Tim Connor
Senior Editor
Rhubarb Sky, L.L.C.
Spokane Magazine Project
1016 S. Buena Vista Dr.
Spokane, WA 99224-2204

Gentlemen:

This will reiterate what we, as lawyers for River Park Square, informed you both at a press conference on Thursday, June 1, 2000. The KXLY TV report of Wednesday, May 31, 2000, was false in at least two respects: (1) It states that the Cowles made \$11.5 million on the River Park Square garage transaction; and (2) it indicates that not all funds received from the sale of the garage were used for the River Park Square project.

As you both were informed at the press conference yesterday, all funds derived from sale of the parking garage were utilized in the River Park Square project and the developer did not "pocket" \$11.5 million concerning the project.

Your report failed to point out that building permit valuations are based on "construction work," which is typically limited to costs of construction and associated labor costs and does not include the soft costs set out in the Coopers & Lybrand report that the developer indicated it would be spending concerning the garage. We can only assume that, since the Coopers & Lybrand report had been reviewed by you, as was the final building permit valuation, you intentionally misrepresented the facts concerning expenditure of funds relating to the parking facility.

We are assuming that these egregious misstatements will not be repeated on KXLY or in any articles authored by Mr. Connor.

There was also some discussion at the press conference concerning the Barrett and Auble appraisals commissioned by the City of Spokane in 1996 concerning the parking garage. Both of those appraisals, as was instructed by the City, were based on an

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June 2, 2000

Page 2

investment analysis, which is an appropriate and accepted method for valuing property such as the garage and the business associated therewith, and is somewhat akin to the income approach. The appraisals were commissioned by the City originally as part of the negotiation process concerning potential acquisition of the parking garage and were later used by the City concerning its decision-making process on the pledge of parking meter revenues. Among the factors that made the investment analysis appropriate were the unique nature of the parking garage, the revitalization effort concerning downtown Spokane as a motivating factor for the City and Foundation's participation, the availability of tax-exempt financing, and the potential tax-exempt status of the parking facility.

As we indicated at the press conference, it was the appraisals that formed the basis for the negotiated price concerning acquisition of the parking facility and not the costs of construction. Not only did the costs of construction, as reflected in the building permit valuation, not include soft costs, but also they did not take into account the value of the pre-existing 750 stall garage.

Very truly yours,

WITHERSPOON, KELLEY, DAVENPORT
& TOOLE, P.S.

By

DUANE M. SWINTON

DMS:kwb

cc: Laurel H. Siddoway (via facsimile)
Paul Brandt, KXLY TV News Director (via facsimile)

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