

Spokane Parking Public Development Authority  
221 North Wall Street, Suite 600  
Spokane, Washington 99201

August 13, 1999

Mr. Michael C. Ormsby  
Preston Gates & Ellis LLP  
1400 Seafirst Financial Center  
Spokane, WA 99201

**Re: River Park Square Parking Facility**

Dear Mike:

The Board of Directors (the "Board") of the Spokane Parking Public Development Authority (the "Authority") was briefed by Mr. Peter Fortin last week on certain matters pertaining to AMC's participation in River Park Square.

When the River Park Square parking facility (the "Facility") was financed, the City of Spokane (the "City") retained Walker Parking Consultants to prepare a feasibility analysis with respect to the Facility. That analysis was based on a parking rate of \$1.50 per hour Monday through Saturday and a rate of \$1.00 per hour on Sunday. The study concluded that approximately 40 percent of the revenue of the Facility would be derived from AMC patrons. The study further concluded that at the parking rates described above, the Facility would generate sufficient revenues to meet all its financial obligations. Based on that projection, we requested that the City contingently pledge its parking meter revenues to ground rent and operating costs.

We now understand that AMC is asserting that on June 8, 1999, it learned for the first time that their patrons will not benefit from free parking. We have further learned that AMC believes that its Spokane operations will not be economically feasible unless it can offer free parking to its patrons.

I have been briefed on the substance of the telephone conference that you, Mr. Duane Swinton and Mr. Roy Koegen had with Dick Walsh, AMC Regional Vice President. Evidently, AMC is negotiating with the Parkade in order for it to be able to offer its patrons free parking.

Lastly, we have reviewed the Walker Parking Consultant revenue analysis dated June 12, 1999, as revised and received on August 6, 1999, that projects in the year 2001, as revised with flat-rate parking charges of \$2.00 after 5 p.m. and on Sundays, revenues will be insufficient by approximately \$1,240,000; and that annual revenues are projected to be insufficient by approximately that amount into the future. The Authority is required to set parking rates in an amount sufficient to provide revenue to pay all expenditures; therefore, our Board believes the

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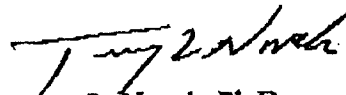
projections as stated in the analysis are unacceptable and, unless a solution is found to this matter, is of the view that it will need to meet with the City Council; and, that due to these unexpected changes, it will be unable to lease the Facility from the Spokane Downtown Foundation. We do believe, however, there are possible solutions to this dilemma as offered below:

1. Institute parking rates in the amount and times that were used in the feasibility analysis supporting the Foundation's outstanding bonds.
2. Leave parking rates at the levels projected in the June 12, 1999, Walker Analysis until 2001, at which time the rates would need to be adjusted to an amount sufficient to provide adequate revenues to meet the coverage requirements contained in the Facility Lease. If the solution is to simply raise parking rates in the future, we need to be advised of the potential impact on AMC.

There are probably additional solutions to this dilemma, and we welcome the opportunity to work with your board so that we can proceed to lease the Facility.

Very truly yours,

SPOKANE PARKING PUBLIC  
DEVELOPMENT AUTHORITY



Terry L. Novak, Ph.D.  
President

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