

After Filing Return To:

Grand-Glacier LLC
c/o Port Blakely Communities, Inc.
1775 12th Avenue NW, Suite 101
Issaquah, Washington 98027
Attn: Claudia Nelson

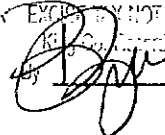
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12/20/2006 15:00
KING COUNTY, WA

DECLARATION OF RETAINED AND ASSIGNED RIGHTS
UNDER DEVELOPMENT AGREEMENT AND CONSERVATION EASEMENTS
[GRAND RIDGE DRIVE PARCELS]

Grantor:	Grand-Glacier LLC, a Washington limited liability company
Grantee:	Grand-Glacier LLC, a Washington limited liability company
Abbreviated Legal Description:	S ½ Sec. 24, and Sec. 25 all in T24N, R6E W.M. King County, Washington
Additional legal description	See Exhibit A
Assessor's Property Tax Parcel Account Number(s):	252406-9095; 252406-9096; 252406-9097; 252406-9098; 252406-9099
Reference Numbers of Documents Assigned or Released (if applicable):	Declarations of Retained Rights for other areas at Issaquah Highlands—See Exhibit B

THIS DECLARATION OF RETAINED AND ASSIGNED RIGHTS UNDER DEVELOPMENT AGREEMENT AND CONSERVATION EASEMENTS ("Declaration") is made effective the 12th day of December, 2006, by Grand-Glacier LLC, a Washington limited liability company ("Declarant") to set forth the respective rights and obligations between Declarant as master developers of Issaquah Highlands Community, under a recorded development agreements with the City of Issaquah ("City"), and with King County ("County"), and subsequent owners of portions of the Issaquah Highlands Community.

EXHIBIT NOT REQUIRED
By  Deputy

RECITALS

A. Declarant owns and is developing a mixed use Community in Issaquah, Washington, known as "Issaquah Highlands" and formerly known as "Grand Ridge." The property legally described on Exhibit A ("Property") and is a portion of the overall Community (defined in Recital C below) that comprises Issaquah Highlands. Declarant also has a beneficial interest and enforcement rights in the conservation easements covering approximately 1,560 acres at Issaquah Highlands which Declarant conveyed to King County and the City of Issaquah for public open space. King County's conservation easements are recorded under King County Recording No. 9612030694 and 9612030695, as amended (collectively "County Conservation Easement"), and the City's conservation easement is recorded under Recording No. 9612030696, as amended ("City Conservation Easement").

B. Declarant, the City and King County entered into the Grand Ridge Joint Agreement dated June 10, 1996, and recorded under King County Recording No. 9606180756 ("Joint Agreement"). The Joint Agreement governs the rural portions of Issaquah Highlands known as Grand Ridge Drive (formerly known as Southeast Rural Area). For the urban portion of Issaquah Highlands, Declarant and the City executed the Grand Ridge Annexation and Development Agreement dated June 19, 1996, a memorandum of which is recorded under King County Recording No. 9606251228 ("Development Agreement"). The Development Agreement and the Joint Agreement have been amended by amendments dated March 21, 2000, July 1, 2002, September 12, 2002 and May 7, 2003. The Development Agreement, Joint Agreement, and County and City Conservation Easements are referred to collectively as the "IH Agreements."

C. The IH Agreements provide for Declarant's rights, liabilities and obligations to complete the coordinated overall development of the entire mixed-use Issaquah Highlands Community ("Community"). The portions of the overall Community covered by previously recorded Declarations of Retained Rights are set forth on Exhibit B, and Declarant from time to time may record additional Declarations of Retained Rights for other portions of the overall Community or may add property to existing Declarations of Retained Rights. The definition of "Community" under this Declaration will be expanded automatically to include any other portions of the Issaquah Highlands community covered by Declarations of Retained Rights or any land that is added by expansion areas under Section 1 below.

D. Declarant desires to implement the IH Agreements and set forth the respective rights, liabilities and obligations retained by Declarant and those assigned now or in the future to subsequent owners of portions of the Property and other owners within the overall Community ("Individual Parcels"). The Development Agreement and Joint Agreement set forth the Issaquah Highlands Community uses, zoning and other development standards for all of the Property, rather than traditional zoning on a parcel-by-parcel basis. For the Grand Ridge Drive area, up to 40 lots are authorized and may be developed under the Joint Agreement. Within the urban area, the Development Agreement sets forth Declarant's right to allocate to subareas and construct an overall maximum "Allowable Development" in the

Community as follows: 3,250 residential units (single- and multi- family); 2,950,000 square feet of commercial uses; 425,000 square feet of retail uses, and an additional 500,000 square feet of commercial or retail uses (as designated by Declarant).

E. Capitalized terms not defined in this Declaration shall have the same meaning as in the respective IH Agreements.

NOW, THEREFORE, Declarant hereby declare, establish, retain and assign respective rights and obligations of Declarant under the IH Agreements as follows:

1. **Expansion Areas.** Declarant, along with the City and County, retain the sole right to (a) request or approve the addition of any property, including but not limited to “expansion areas” as defined in § 2.2.2(g) of the Development Agreement and the Joint Agreement, to the Issaquah Highlands Community or to the Development Agreement, and (b) determine the development standards and other terms and conditions applicable to the property added to the expanded Community, except to the extent Declarant or either of them has assigned or does assign by separate agreement such rights or has agreed or does agree to certain development standards for specific portions of the Community.

2. **Assigned Units and Square Footage to Individual Parcels.** As Declarant conveys ownership of portions of the Community to third parties (i.e., Individual Parcels), each Individual Parcel is allocated a specific portion of the Allowable Development in the urban areas in terms of number of residential units or square footage of commercial or retail use, through express provisions in a purchase and sale agreement, plat or other document. Likewise, for the rural Grand Ridge Drive area, where the Individual Parcels are the individual lots, Declarant allocates, out of the allowable development for the rural area under the Joint Agreement, specific development rights to each lot through express provisions in a purchase and sale agreement, plat or other document. During the term of the Development Agreement and Joint Agreement, Declarant retains all portions of the Allowable Development not specifically allocated to Individual Parcels. During the term of the Development Agreement and the Joint Agreement, the following shall apply unless Declarant’s consent in writing or record a supplemental declaration modifying the following rights: (a) Declarant retains the sole right, in their sole discretion, to do the following: allocate the retained Allowable Development to any portion of the Community; convert commercial to residential development pursuant to § 3.3 of the Development Agreement; or seek an increase in and allocate to any portion of the Community any increase in the Allowable Development permitted by the City, (b) the Allowable Development assigned by Declarant to each urban Individual Parcel, and the development rights assigned to each Grand Ridge Drive lot, is the maximum development allowed on that Individual Parcel or Grand Ridge Drive lot, as applicable; (c) and no Individual Parcel or Grand Ridge Drive lot owner or other person may request or obtain from the City or City any increased units, lots, square footage of nonresidential units or other portion of the Allowable Development in the urban or rural area of Issaquah Highlands other than that specifically allocated by Declarant. Upon termination of the Development Agreement, Individual Parcels in the urban area shall have such zoning

and development rights, and the right to request changes in the same, as granted by the City pursuant to § 5.13 of the Development Agreement. Upon termination of the Joint Agreement, the Grand Ridge Drive lots shall have such zoning and development rights, and the right to request changes in the same, as granted by the County.

3. Impervious Surface Allocation. The Development Agreement and Joint Agreement set forth the maximum amount of impervious surface by drainage basin within the Community (Appendix D to Development Agreement and the Joint Agreement). Declarant will allocate that maximum impervious surface among the various divisions or parcels within Issaquah Highlands through express provisions in purchase and sale agreements, plats or other documents or through recorded supplements to this Declaration. Declarant shall not reduce the amount of impervious surface allocated to an Individual Parcel without that owner's consent, but Declarant without any required consents may allocate additional unallocated impervious surface area to other portions of the Community through recorded supplements of this Declaration or through the express provisions of purchase and sale agreements, plats or other documents.

4. Amendments of Development Agreement or Joint Agreement. Any amendment to the Development Agreement or the Joint Agreement must be approved by each of the following: (a) Declarant so long as Declarant owns any portion of the Community, and (b) a "Designated Successor" for a specified portion of the Community. "Designated Successor" is a successor owner in the urban area which caused Declarant to be formally released of liability under § 5.2.3 of the Development Agreement or is otherwise expressly specified in writing by Declarant as such a successor to the City. No Individual Parcel owner or other person may seek an amendment of the Development Agreement or the Joint Agreement except (a) the Declarant, or (b) a Designated Successor in the urban area as to that portion of the Community owned by the Designated Successor.

5. Development Standard Modifications. For the Grand Ridge Drive lots, any amendment to the development standards set forth in the Joint Agreement must comply with the provisions of Paragraph 4 above as an amendment to the Joint Agreement. For the urban areas, any modifications of Development Standards under Appendix M or Appendix N of the Development Agreement shall require written consent of Declarant, including "Authorized Elections and Modifications" (Sec. 1, App. M), "Administrative Minor Modifications" (Sec. 2, App. M), "Major Modifications" (Sec. 3 App D), or the "Dimension Standards" in App. N, unless the modification is requested by the Individual Parcel owner who demonstrates that the modification will not have a materially adverse effect on other portions of the Community or common areas other than the Individual Parcel. If Declarant and an Individual Parcel owner disagree on whether a material effect will occur, then the Designated Official under Appendix M of the Development Agreement shall decide if a material effect exists. During the term of the Development Agreement, no Individual Parcel owner (including a Designated Successor) may seek a Major Modification (Sec. 3, App. D) unless Declarant in its sole discretion consent thereto.

6. **Enforcement of Development Agreement and Joint Agreement.** Declarant retains the right to enforce all provisions of the Development Agreement and Joint Agreement so long as Declarant owns any portion of the Community. Any residential property owners' association(s) or nonresidential property owners' association(s) established by Declarant under one or more Declaration of CCRs for Issaquah Highlands (collectively "Associations") may enforce all provisions of the Development Agreement and Joint Agreement, as it relates to the portions of the Community and owners covered by the respective Declarations of CCRs, at the earlier of (a) Declarant's specific assignment of enforcement rights or (b) after the date Declarant has conveyed all portions of the Community to third parties. Each Individual Parcel owner may enforce the development standards or other provisions of the Development Agreement or Joint Agreement, as applicable, as it directly affects that Individual Parcel.

7. **Termination of Development Agreement.** For the Grand Ridge Drive lots, the Joint Agreement may be terminated after 20 years as set forth in Section 7.13 of the Joint Agreement. For the urban area, the Development Agreement may be terminated as provided in § 5.13 thereof as follows: (a) by Declarant so long as Declarant owns any portion of the Community or (b) after the date Declarant has conveyed all portions of the Community to third parties, by owners owning 51% (by acreage) of the land within Urban Development Areas defined in the Development Agreement, as the same may be expanded by the addition of property to the Community.

8. **Notices.** Notices under § 7.17 of the Joint Agreement or § 5.18 of the Development Agreement shall be delivered as follows: (a) Declarant so long as it owns any portion of the Community; or (b) the Associations at the earlier of the time when Declarant has conveyed all portions of the Community to third parties or the Declarant designates the Associations to receive some or all of the notices under the Joint Agreement or the Development Agreement.

9. **Indemnification.** The indemnification in § 7.19 of the Joint Agreement and § 5.22 of the Development Agreement shall apply to Declarant and Individual Parcel owners as to each party's respective actions and omissions.

10. **Estoppel Certificate.** For property in the urban areas, Declarant, an Individual Parcel owner, or a mortgagee of either can obtain an estoppel certificate pursuant to § 5.15 of the Development Agreement.

11. **Sewer and Water Facilities.** Declarant, and not Individual Parcel owners, retain sole control over and the obligation for providing water and sewer facilities pursuant to Appendixes F and G of the Development Agreement, respectively, unless the Declarant assigns in writing some or all of the obligation and control over water and sewer facilities. However, Individual Parcel Owners may be obligated to pay latecomer reimbursements for such facilities. Further, Declarant shall be entitled to any latecomer or similar reimbursements, unless Declarant assigns the right to receive some or all of any latecomer or similar reimbursements. In recognition that Declarant paid for the extra capacity in the

regional water line serving Issaquah Highlands, the Declarant shall receive any latecomer payments under Section 5.6.3 of the "Agreement Between the City of Issaquah and Port Blakely Communities for Regional Water Supply Design and Facility Extension" dated October 15, 1999 ("RFA"). Consequently, this Declaration and each owner's acceptance of the deed to its property at Issaquah Highlands constitutes the written contract referred to in the RFA, and the parties hereto direct that any latecomer or other water capacity payment collected and remitted by the City shall be paid by the City to Port Blakely Communities as ~~agent for Declarant, and each owner waives, releases and assigns to Declarant any interest~~ each owner may have or could claim in such latecomer or water capacity payments under the RFA.

12. Master Transportation and Financing Agreement. Declarant retains the obligation to pay for the "Transportation Improvements" as defined in the Master Transportation Financing Plan (Appendix F to the Joint Agreement and Appendix J to the Development Agreement) (which includes the Sunset Interchange expansion and South SPAR) and certain defined work on Black Nugget Road, unless Declarant assigns such obligations pursuant to § 13.13 of the MTF. Individual Parcel owners may be obligated to pay traffic or latecomer fees for transportation improvements, including Transportation Improvements constructed under the MTF (Appendix J to the Development Agreement) to the extent provided in city ordinances, any recorded notice, or separate agreements between Declarant and Individual Parcel owners.

13. Capital Facilities. Declarant retains sole control of the rights and obligations relating to capital facilities for the urban areas under Appendix K of the Development Agreement, including without limitation the budget amounts, final design and description of capital facilities and equipment and Declarant financing obligations, unless Declarant expressly assigns, in writing such rights and obligations or grant approval rights to another party.

14. County Open Space Conservation Easement. Declarant retains and assign rights and obligations under the County Conservation Easement as follows:

14.1 Amendment. Declarant retains the right to approve all amendments or modifications to the County Conservation Easement pursuant to § 17 of the County Conservation Easement, until the earlier of (a) the date Declarant has conveyed all portions of the Community to third parties (and thereafter the Associations shall have the rights to approve amendments) or (b) Declarant's assigning such rights to the Associations.

14.2 Enforcement. Pursuant to § 23.10 of the County Conservation Easement, Declarant retains the right to enforce the County Conservation Easement and the right to designate three entities within the urban portion of the Community. If Declarant has not designated three entities at a time when the Declarant no longer owns any portion of the Community, then the Associations shall be the designated entities to enforce the County Conservation Easement.

15. City Open Space Conservation Easement. Declarant retain and assign rights and obligations under the City Conservation Easement as follows:

15.1 Amendment. Declarant retain the right to approve all amendments or modifications to the City Conservation Easement pursuant to § 16 of the City Conservation Easement, until the earlier of (a) the date Declarant has conveyed all portions of the Community to third parties (and thereafter the Associations shall have the rights to approve amendments) or (b) Declarant's assigning such rights to the Associations.

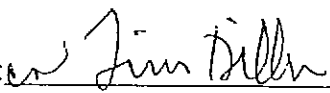
15.2 Enforcement. Pursuant to § 22.10 of the City Conservation Easement, Declarant retains the right to enforce the City Conservation Easement and the right to designate three entities within the urban portion of the Community. If Declarant has not designated three entities at a time when the Declarant no longer own any portion of the Community, then the Associations shall be the designated entities to enforce the City Conservation Easement.

16. General Provisions. This Declaration shall be governed by the laws of the state of Washington. This Declaration may be amended or supplemented by a writing recorded by Declarant, but such amendment or supplement shall not adversely affect the rights or development of any Individual Parcel owner or other holder of a recorded interest in any of the Property. This Declaration shall be binding upon and inure to the benefit of successors and assigns and shall be a covenant running with the land. The failure by Declarant to enforce any provisions of this Declaration shall not be a waiver of its right to enforce this Declaration against any and all parties.

DATED EFFECTIVE on the date first above written.

GRAND-GLACIER LLC, a Washington limited liability company

By: Port Blakely Communities, Inc., a Washington corporation, its Manager

By: 
Tim Diller, Director of Finance

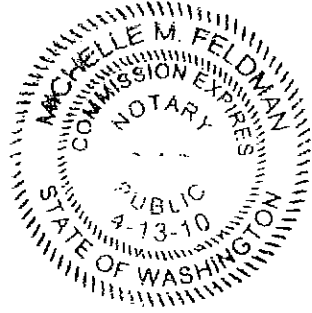
Exhibits: Exhibit A – Legal Description of the Property
Exhibit B – Portions of overall Issaquah Highlands Community covered by previously recorded Declarations of Retained Rights

ACKNOWLEDGMENT

STATE OF WASHINGTON }
 } SS.
COUNTY OF KING

On this 12th day of December, 2006, before me, a Notary Public in and for the State of Washington, personally appeared Tim Diller, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he was authorized to execute the instrument, and acknowledged it as the Director of Finance of Port Blakely Communities, Inc., its Manager of GRAND-GLACIER LLC, a Washington limited liability company to be the free and voluntary act and deed of said corporation and limited liability company for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.



Michelle M. Feldman
NOTARY PUBLIC in and for the State of
Washington, residing at Kirkland
My appointment expires 4-13-10
Print Name Michelle M. Feldman

Exhibit A
Legal Description of Property

Parcel V of King County Boundary Line Adjustment NO. L99L0008, according to Survey recorded in January 3, 2000 in Volume 134 of Surveys at Pages 214, 214A through 214I, under Recording NO. ~~20000103900006~~, in King County, Washington.

Lots 9, 10, 11 and 12 of King County Boundary Line Adjustment No. L04L0032, according to Survey recorded October 13, 2004 in Volume 177 of Surveys, Pages 292 through 297, under Recording No. 20041013900008, in King County, Washington.

[Also commonly known as Lots 14 – 18 Grand Ridge Drive]

Exhibit A

EXHIBIT B
PORTIONS OF OVERALL ISSAQUAH HIGHLANDS COMMUNITY
COVERED BY PREVIOUSLY-RECORDED
DECLARATIONS OF RETAINED RIGHTS

Recorded under King County Auditor's File No.'s: 9712190677, 9805110405,
20011128000874, 20021120001902, 20021120001923, 20021204000141, 20030515002498,
~~20030625003050, 20031118000200, 20031120000446, 20040624000952, 20040818002424,~~
20041026000312, 20041117000906, 2004120100520, 20050601000449, 20050922000302,
20051107000628, 20051114001846, 20060330000551, 20060619000053; 20061101000929;

Exhibit B