

THIRD AMENDMENT TO GRAND RIDGE JOINT AMENDMENT
[3-Party Agreement for Issaquah Highlands]

This Third Amendment ("3rd Amendment") is entered into effective as of the last signature date by the undersigned parties to amend the 3-Party Agreement for Issaquah Highlands as described below. Capitalized terms not defined in this 3rd Amendment shall have the same meaning as in the 3-Party Agreement.

RECITALS

A. King County ("County"), the City of Issaquah ("City") and the predecessor partnerships to Grand-Glacier LLC ("Partnership") entered in to the *Grand Ridge Joint Agreement* dated June 10, 1996, a Memorandum of which is recorded under King County recording number 199606180756, as amended by the First Amendment dated effective March 21, 2000, and the Second Amendment dated September 12, 2000 (collectively "3-Party Agreement"). The 3-Party Agreement, along with the *Annexation and Development Agreement* signed by the City and Partnership also in 1996 ("2-Party Agreement"), established a master planned community within the City known as "Issaquah Highlands" (formerly known as "Grand Ridge"). The 3-Party Agreement included several expansion areas to be added to Issaquah Highlands and to be governed by the 2-Party Development Agreement. King County, the City and the Partnership also entered into the Master Transportation Financing Agreement dated June 10, 1996 ("MTFA").

B. The parties wish to amend the 3-Party Agreement in two related actions as provided in this Amendment: (a) approve an increase of 550 residential units within the existing Issaquah Highlands project ("IH Units"); and (b) use a 4:1 open space/urban concept to expand the City's Potential Annexation Area by 35 acres adjacent to Issaquah Highlands, as described and shown in Exhibit 1 ("Expanded UGA"), through the dedication of at least 144 acres of park and open space and the transfer of development rights of 410 units ("TDR Units") to the 35-acre Expanded UGA.

C. These actions are possible since the Partnership has acquired an additional 78.3 acres from the Washington State Department of Transportation ("78-acre Parcel"), which area is directly adjacent to the east of the existing City UGA, an area known as the original "WSDOT Expansion Area" designated and described in Exhibits 1-D and 3 of the original 3-Party Agreement. Approximately 35 acres of the additional 78-acre Parcel is a logical expansion of the City's UGA.

D. In the first action, described in Section 1 of this Amendment, the parties wish to provide a means for the City to acquire, or be able to assign its rights to portions of, the 78-acre Parcel from Partnership by approving an increase of the 550 IH Units in the allowable development within the existing Issaquah Highlands project to facilitate the transfer of development rights. These additional residential units will be governed by the existing 2-Party Agreement.

E. In the second action, described in Section 2 of this Amendment, which is conditioned on completion of the first action, the parties also wish to designate the Expanded UGA of 35 acres adjacent to the original WSDOT Expansion Area for use of the 410 TDR Units to be transferred from 144 acres of permanently dedicated park and open space.

F. To permanently preserve at least 144 acres of park and open space, the City will work with property owners to transfer development rights from property located within the City that is adjacent to West Tiger Mountain Natural Resource Conservation Area or the Cougar Mountain Regional Wildland Park. Accordingly, the parties have identified the Park Pointe property, described in Exhibit 2, as the first priority for conservation and transfer of the TDR Units to the Expanded UGA. If Park Pointe acquisition is infeasible, then King County and the City will consider other property in the Issaquah vicinity that provides substantially equivalent benefits in terms of linking Issaquah Alps' open space, enhancing access to regional open space by both urban and rural residents, protecting forest cover in the Issaquah/Lake Sammamish Basin, and protecting salmon habitat.

G. These actions will require a number of coordinated approvals by the parties. In addition to executing this Amendment, King County will amend the King County Comprehensive Plan to approve the Expanded UGA and adopt "Urban Reserve" zoning with a P-Suffix for those 35 acres. A new conservation easement will be placed on the 144 acres of park and open space and fee title will be conveyed to the Public (e.g. State, City or County). The City will amend its Comprehensive Plan and Potential Annexation Area for the Expanded UGA. The City and Partnership will amend the 2-Party Agreement to allow the 550 additional IH Units and enter into a separate development agreement for the 410 TDR Units ("New DA") within 35-acre Expanded UGA.

AGREEMENTS

NOW, THEREFORE, for good valuable consideration, including the mutual covenants and promises in this 3rd Amendment, the adequacy and receipt of which are hereby acknowledged, the parties amend the 3-Party Agreement as follows.

1. City Control of 78-acre Parcel. Partnership will convey fee title to the 78-acre Parcel to the City or its designee for the creation of a conservation easement, if the City provides for authorization of an additional 550 IH Units for the Issaquah Highlands project on terms set forth in the amendment of the 2-Party Agreement being concurrently adopted by the City and Partnership ("7th Amendment"). All references in the 3-Party Agreement to a maximum buildout are amended to include these additional 500 IH Units, plus an additional 50 affordable housing units in a City-sponsored project as provided in the 7th Amendment, including but not limited to amendment of the following provisions:

1.1 Transportation Improvements and Phasing. Section 5.13 of the 3-Party Agreement, Phase III or full project buildout, is hereby amended and restated in its entirety as follows [with new text shown as underlined]:

5.1.3 Phase III. Phase III shall consist of full Project buildout, consisting of Phases I and II with issuance of certificates of occupancy for a total of up to 2,950,000 square feet of commercial uses, plus certificates of occupancy for the Additional Allowable Development of 500,000 square feet of commercial or retail uses, plus occupancy of an additional 550 residential units, upon completion of the North SPAR connection (i.e. so it is fully operational), with a minimum of 4 lanes.

1.2 Equivalency to Convert. Section 5.3 of the 3-Party Agreement, which allows conversion of some of the non-residential entitlement to additional residential units is amended and restated in its entirety as follows [with new text shown as underlined]:

The conversions based upon transportation equivalency allow the Partnership to elect the specific types of residential units within the Phases defined herein. However, notwithstanding that transportation equivalency, the maximum development allowed within the UGA shall be 3,250 residential units, 2.95 million square feet of commercial uses, 425,000 square feet of retail uses, plus an additional 500,000 square feet of commercial or retail uses as determined by the Partnership to be used only in Urban Development Area 4 or the Lakeside North expansion area (as reconfigured pursuant to paragraph 4 below). Further, in Phase I, II, or III, the Partnership may elect to convert up to 840,000 square feet of commercial square feet to residential uses at the ratio of 1 residential unit (of any type) for each 1,200 square feet of authorized commercial space, in which event the full Project buildout would include 3,950 residential units, 2.11 million square feet of commercial uses, and 425,000 square feet of retail uses, plus the additional 500,000 square feet of commercial or retail use (which is not eligible for conversion into residential units), plus 550 additional residential units

1.3 Mitigation. The City shall be lead agency for SEPA compliance for the New Development Agreement ("New DA") and the 2-Party Agreement. The development standards established under the 3-Party Agreement and the 2-Party Agreement shall apply to the IH Units. The existing mitigation measures required under the 3-Party Agreement and the 2-Party Agreement shall remain in effect, along with the further mitigation required under the New DA and the concurrent amendment of the 2-Party Agreement.

1.3.1 Traffic. Any on-going mitigation requirements under the MTFA shall remain in effect. However, Section 5.3.3 of the MTFA, as previously amended by the 1st Amendment to the MTFA and 3-Party Agreement dated March 21, 2000, is hereby deleted because the City Council has determined not to move forward with planning, design and construction of the SE Bypass. Therefore, the Partnership shall no longer have an obligation to help fund the facility.

1.3.2 I-90 Viewshed. The County, City and Partnership will cooperatively notify the Washington State Department of Transportation of the strong desire to retain in its natural state the I-90 viewshed area shown on Exhibit 1. Further, all view standards applicable to the Issaquah Highlands project under the 2-Party Agreement

will continue to apply to the Expanded UGA to prevent development from being seen from I-90 east of the start of the eastbound off ramp to the Sunset Interchange.

2. Additional Open Space; Expanded UGA Area. Concurrent with the effective date of the 7th Amendment to be executed by City and the Partnership, the entire 78-acre Parcel will be placed in a New Conservation Easement (defined below) for passive recreational use only. Concurrent with the TDR acquisition as described below, 35 acres of the 78-acre Parcel will be removed from the New Conservation Easement and become the Expanded UGA as an expansion of the City's UGA.

Upon successful passage of amendments to the King County Comprehensive Plan and the King County Countywide Planning Policies to expand the UGA by 35 acres as shown in Exhibit 1, and consistent with the conditions set forth in Section 2.2 below, the Expanded UGA approved for 35 acres based on the ratio of 1 urban acre for each 4 acres of permanent park and open space area, as shown in Exhibit 1. If the TDR acquisition does not occur by March 1, 2012, the entire 78-acre Parcel will remain in the New Conservation Easement as open space for passive recreational use, and the County shall, as part of the 2012 Comprehensive Plan update, propose to re-designate the 78-acre Parcel property as Rural.

2.1 City PAA. The City will seek amendments to both the King County Comprehensive Plan and the King County Countywide Planning Policies to amend the Potential Annexation Area Map to reflect this change.

2.2 Open Space TDRs. As a condition of designating the Expanded UGA pursuant to this Section 2, additional permanent open space must be created and placed in conservation easements as follows:

2.2.1 43 acres of the 78-acre Parcel, as shown on Exhibit 1, will be retained as permanent rural open space for passive recreational use in a new conservation easement with the City as grantee ("New Conservation Easement"). As part of a future agreement or agreements, the City and the County will determine which entity will maintain the New Conservation Easement area. The New Conservation Easement will contain substantive terms similar to the existing Issaquah Highlands Conservation Easement [*i.e. Term Deed of Development Rights, Conservation and Trail Easements, Covenants, Obligations & Conditions* [1,064.29 acres] dated 10 June 1996, and recorded under King County Recording No. 9612030694; and

2.2.2 No less than 101 acres of contiguous undeveloped land located within the City, as shown on Exhibit 2, or other open space land as mutually approved by the County and City pursuant to Recital F, to be added to the New Conservation Easement (for a total of at least 144 acres in the New Conservation Easement); and

2.2.3 Upon successful completion of the TDR acquisition described in this Section 2, the parties shall take the actions necessary to again move the UGA boundary, this time for the purpose of re-designating to Rural the 101 acre property described in Section 2.2.2. Such actions include, but may not be limited to, obtaining approval(s) from the Growth Management Planning Council and amending the city's and county's comprehensive plans; and

2.2.4 All development rights for these open space acres, comprised of 410 residential units (as described in Section 3 below), are transferred to the Expanded UGA, to the Issaquah Highlands project for development pursuant to the terms of the New DA and the 2-Party Agreement, or will be reserved as allowed through the City of Issaquah's TDR Program respectively.

3. Development Rights. Upon successful completion of the Expanded UGA as described above in Section 2, additional urban development in the Expanded UGA is authorized up to a maximum of 410 TDR Units on terms set forth in the New DA.

4. Annexation. Upon adoption of amendments to both the King County Comprehensive Plan and the King County Countywide Planning Policies to add the Expanded UGA to the Potential Annexation Area of the City of Issaquah, as provided in Section 2 above, and upon adoption of the City Comprehensive Plan amendment establishing the Expanded UGA, as provided in Section 6 below, and satisfaction of the conditions for dedication of open space and/or the TDR Units as outline in Section 2 above, the City will initiate annexation of the Expanded UGA. The County and Partnership will support annexation before the Boundary Review Board or other appropriate body or proceeding.


5. SEPA Compliance. The City is the lead agency for this 3rd Amendment. The City has reviewed the Grand Ridge EIS prepared in conjunction with the 3-Party Agreement, 2-Party Agreement and MTFA, as well as the I-90 Sunset Interchange EIS, and other relevant environmental documents and information, including but not limited to those set forth in Exhibit 3. The City has independently reviewed these environmental documents and the Development Standards in the 3-Party Agreement and 2-Party Agreement and the development standards that will apply to the Expanded UGA. Further, the City reviewed an environmental checklist prepared for the actions covering this 3rd Amendment as well as the New DA (SEP10-001WS). Based on this review, the City has determined that there will be no probable significant adverse environmental impacts from the actions to be taken pursuant to this 3rd Amendment, and that a mitigated determination of non-significance ("MDNS") is appropriate under WAC 197-11-340 and 350. Mitigation is provided through an amendment to the County Conservation Easement, imposition of a new conservation easement, the concurrent amendment of the 2-Party Agreement and the terms of the proposed New DA. Pursuant to WAC 197-11-630 and 965, the City has adopted the Grand Ridge EIS and the I-90 Sunset Interchange EIS in conjunction with this SEPA action.

6. Comprehensive Plan Amendment. The County adopted a Comprehensive Plan amendment in 2008 that allows annual revision of an UGA to implement an amendment to an existing interlocal agreement and/or development agreement. By this 3rd Amendment, the parties have identified the Expanded UGA to be an appropriate expansion of the City of Issaquah's UGA, to be considered as part of the County's 2010 Comprehensive Plan amendments.

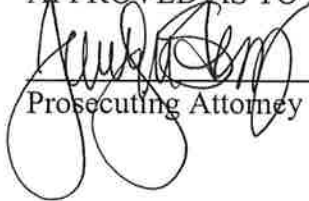
7. No Other Changes. Except as amended by this 3rd Amendment, the 3-Party Agreement, as it has been previously amended, remains in full force and effect.

8. **Effective Date.** This 3rd Amendment is made effective on the date of the last signature below. The provisions of Section 1 of this 3rd Amendment shall be effective upon the last signature below (and do not require a Comprehensive Plan amendment). The provisions for the establishment of the Expanded UGA shall be effective upon adoption of the County's Comprehensive Plan amendment as provided in Section 6 above.

KING COUNTY, a Washington home rule charter county

By: 
Its: EXECUTIVE
Dated: 9.16.10

APPROVED AS TO FORM:

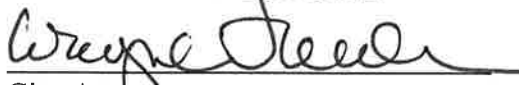

Prosecuting Attorney

CITY OF ISSAQUAH, a Washington municipal corporation

By: 
Ava Frisinger, Mayor

Date: 8-16-10

APPROVED AS TO FORM:


City Attorney

GRAND-GLACIER LLC, a Washington limited liability company, as successor to Grand Ridge Partnership and Glacier Ridge Partnership, both formerly Washington limited partnerships

By Port Blakely Communities, Inc., a Washington corporation, managing member

By: 

René Ancinas, CEO

Date: August 11, 2010

Attachments:

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| Exhibit 1 | Expanded UGA Area—map, legal description and tabulation of acres |
| Exhibit 2 | Additional Open Space/TDR Sending site—map |
| Exhibit 3 | List of SEPA Documents and Studies |

EXHIBIT 1

Expanded UGA Area —MAP, LEGAL DESCRIPTION AND TABULATION OF ACRES

CORE DESIGN, INC.
BELLEVUE WA 98007

Core Project No: 04129FP
8/3/10

LEGAL DESCRIPTION - Proposed Urban Growth Boundary Expansion

That portion of the northwest quarter and the northwest quarter of the northeast quarter of Section 26, Township 24 North, Range 6 East W.M., in King County, Washington, described in Stipulated Judgment and Decree of Appropriation, Cause No. 778896 in the Superior Court for the State of Washington, King County, recorded at Reel 974, Page 2016 Records of King County and in Stipulated Judgment and Decree of Appropriation Cause No. 778959 in the Superior Court for the State of Washington, King County dated March 7, 1978 described as follows:

BEGINNING at the north quarter corner of said Section 26; thence S89°46'59"W, along the north line of said northwest quarter, 965.38 feet to the east line of the Final Plat of Issaquah Highlands South Expansion, according to the plat thereof recorded in Volume 250 of Plats at pages 039 through 042, inclusive, recorded under Recording No. 20081216000515, records of said County, said line being the City Limits of Issaquah (Urban Growth Boundary) as established in City of Issaquah Ordinance No. 2112; thence the following twelve (12) courses and distances along said line;

thence S 39'37'00" W 238.45 feet;
thence S 50°20'45" W 257.78 feet;
thence S 24°30'45" W 211.17 feet;
thence S 02°39'30" E 289.80 feet;
thence S 27°24'50" W 227.45 feet;
thence S 68°00'20" W 233.56 feet;
thence S 87°44'30" W 294.32 feet;
thence S 72°11'00" W 82.47 feet;
thence S 44°02'20" W 145.88 feet;
thence S 17°10'00" W 338.18 feet;
thence S 31°20'40" W 299.68 feet;
thence S 48°26'00" W 239.30 feet;
thence S 79°59'52" E 312.49 feet;
thence S 88°07'07" E 300.00 feet;

thence N 43°46'15" E 47.06 feet to the west line of Northwest Pipeline Easement (El Paso Natural Gas Line Easement) recorded under Cause No. 492642; thence N 22°06'52" W, along said west line, 58.74 feet;

thence N 15°17'14" W 273.29 feet;
thence N 04°19'06" W 200.00 feet;
thence N 06°16'43" E 287.98 feet;
thence N 85°40'54" E 215.00 feet;
thence S 04°27'50" E 457.63 feet;
thence N 85°32'10" E 157.78 feet;
thence N 47°29'38" E 24.18 feet;
thence N 56°44'11" E 46.78 feet;

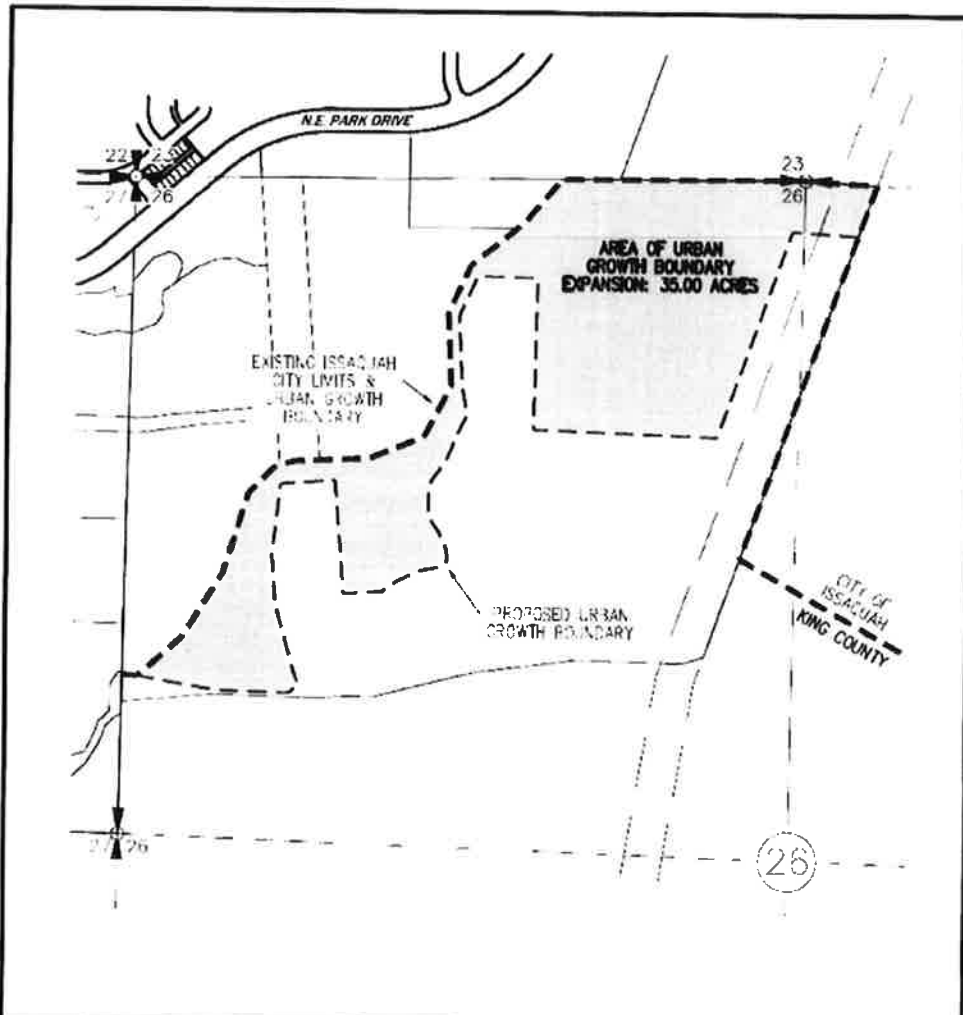
thence N 60°45'25" E 10.63 feet;
thence N 64°52'04" E 73.31 feet;
thence N 71°46'36" E 18.01 feet;
thence N 78°38'16" E 64.78 feet;
thence N 52°55'39" E 47.31 feet;
thence N 06°41'09" W 47.37 feet;
thence N 19°30'35" W 44.44 feet;
thence N 23°46'27" W 35.81 feet;
thence N 34°27'19" W 37.38 feet;
thence N 29°41'35" W 14.76 feet;
thence N 21°13'13" W 14.76 feet;
thence N 12°45'13" W 14.76 feet;
thence N 04°17'13" W 14.76 feet;
thence N 01°22'11" E 73.72 feet;
thence N 06°43'10" E 14.84 feet;
thence N 15°13'45" E 14.84 feet;
thence N 23°44'21" E 14.84 feet;
thence N 32°11'17" E 14.84 feet;
thence N 37°26'29" E 40.08 feet;
thence N 31°03'31" E 51.01 feet;
thence N 21°57'39" E 91.05 feet;
thence N 25°22'30" E 94.55 feet;
thence N 09°09'27" W 120.20 feet;
thence N 02°39'30" W 277.06 feet;
thence N 24°30'45" E 169.25 feet;
thence S 88°59'19" E 230.94 feet;
thence S 01°00'41" W 600.00 feet;

thence S 88°02'12" E 250.00, thence S 69°34'16" E 455.17 feet to a point 100.00 feet westerly of and perpendicular to the west line of the Bonneville Power Administration Easement as described in U.S. District Court Cause No. 4035, and shown on United States Department of Interior Map titled "Chief Joseph — Covington No. 1, approved for right of way July, 1955;

thence N 19°32'07"E, parallel with said easement, 1030.00 feet;
thence S 86°22'00" E 103.98 feet to said west line of said easement;
thence N 19°32'07" E, along said west line, 210.07 feet to the north line of the northeast quarter of Section 26; thence N 86°22'00" W, along said north line, 127.58 feet to the POINT OF BEGINNING.

Contains: 1,524,580± square feet (35.00± acres)





<p align="center">PORT BLAKELY RURAL PARCEL PROPOSED URBAN GROWTH BOUNDARY</p>	<p align="center">PAGE 1 OF 1</p>
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	<p>14711 NE 29th Place, #101 Bellevue, Washington 98007 425.885.7877 Fax 425.885.7963</p> <p align="center">ENGINEERING • PLANNING • SURVEYING</p> <p align="center">JOB NO. 04129</p>
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SCALE: 1" = 600'

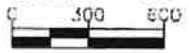
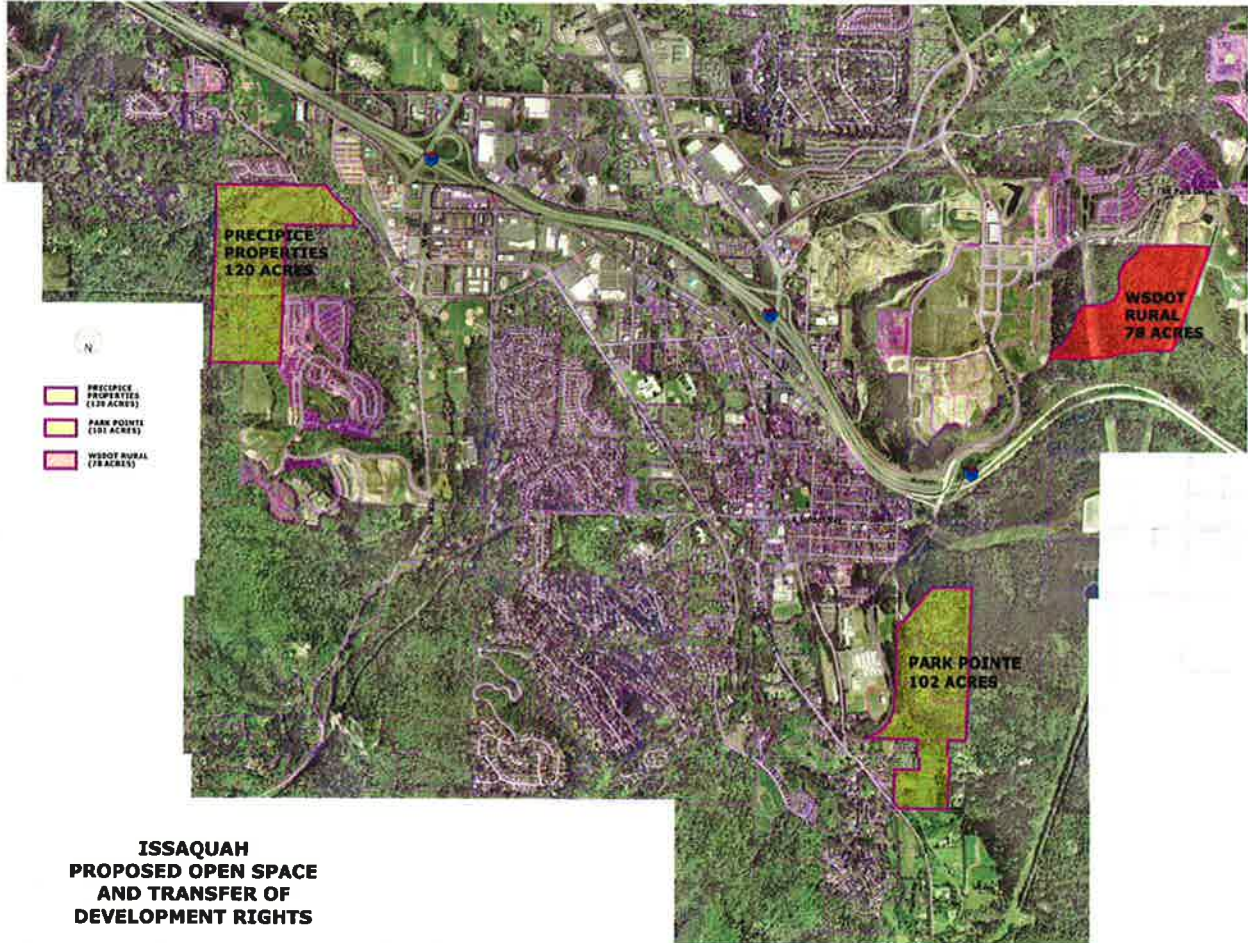


EXHIBIT 2

Additional Open Space/TDR Sending site—MAP



Alternative Open Space/TDR Sending sites:

1. ParkPointe land: 101 acres (see map)
2. Other open space within city as mutually approved by County and City

EXHIBIT 3

LIST OF SEPA DOCUMENTS

1. Grand Ridge EIS – 1995. The Final EIS for Grand Ridge (Issaquah Highlands). The document identified the preferred alternative and the mitigations necessary for project completion.
2. Interstate 90 South Sammamish Plateau Access Road and Sunset Interchange Modifications- 1999. The Final EIS detailed the transportation improvements that became the Sunset Interchange with I-90 and the Highlands Drive-9th Avenue Couplet.
3. Revised Action Memo dated 23 March 2000.
4. TRANSPO Phase IC Traffic Analysis, February 2002
5. TRANSPO Issaquah Highlands Town Center Traffic Operations Report – Update, 12 October 2007
6. Nelson/Nygaard, 3rd Draft Memorandum, *Trip Generation Projection for New Development*, 3 October 2008.
7. Nelson/Nygaard, 1st Draft Memorandum, *Cost Estimation of Traffic Reduction Measures*, 6 October 2008.
8. SEPA Checklist for Expanded UGA and New DA--SEP10-001WS