



**PORT BLAKELY
COMMUNITIES**

Integrity and Innovation since 1864

c/o Heartland LLC P: 206-682-2500
1301 First Avenue, Suite 200
Seattle, WA 98101

June 8, 2016

«NAME»
«ADDRESS»
«CITY», «STATE» «ZIP»

Re: GRAND RIDGE DRIVE – Three-Party Development Agreement

Dear «SALUTATION»:

I am writing to share information about an upcoming milestone in the governance of your neighborhood. For the past 20 years, a Three-Party Development Agreement (Development Agreement) among King County, the City of Issaquah and Port Blakely has governed development regulations and building permits for lots in the Grand Ridge Drive (GRD) neighborhood. That Development Agreement will expire on July 10, 2016.

Upon its expiration, development within the GRD neighborhood will be governed by King County ordinances and development standards. King County will continue to review project applications, yet it will process those applications according to their requirements rather than those defined in the Development Agreement. To implement this expiration, Port Blakely will record 3 documents to give notice that (a) the Development Agreement has expired by its own terms, (b) the impervious surface and clearing limits under the Development Agreement have ended, and (c) the zoning, height and setback standards under the Development Agreement have ended. Also, Port Blakely will record an amendment to the Conditions, Covenants and Restrictions (CCR's) to remove the impervious and clearing limits, which were based on the Development Agreement.

Although the County's permitting standards will change, the Architectural Standards for the GRD neighborhood and the ARC review process will remain the same. These Architectural Standards are required by the CCR's recorded against all GRD lots and continue to define requirements even with the expiration of the Development Agreement. The Architectural Standards for GRD were updated in October 2015 (a CD with the current standards can be provided upon request).

Port Blakely, through the Custom Home ARC, will, for some period of time, continue to manage the GRD neighborhood's ARC review process as long as there are significant numbers of projects in the review pipeline. Currently, six projects are undergoing the ARC review process, two are under construction, 17 homes have completed the process, and 15 lots have yet to begin the process.

The expiration of the Development Agreement is another stage of Port Blakely's completing its role in the community. As contemplated, Port Blakely has finalized all of its obligations as Master Developer under

the Three Party Development Agreement. It previously turned over control of the IHCA in 2011, the Highlands Council in 2013, and the Highlands Fiber Network in 2013. Similarly, all of the non-custom home ARC functions in Issaquah Highlands were delegated to the IHCA in August of 2014. In the future, it is likely that the Custom Home ARC function for GRD and Harrison St. will also be delegated to the IHCA, as contemplated by the CCR's.

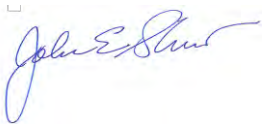
In summary, residents will continue to be served by the same community services provided by the IHCA, Highlands Council and the Highlands Fiber Network. The IHCA and King County will be responsible for the care and maintenance of the community. The County and the Custom Home ARC will be responsible for reviewing and approving new homes in the community. The County and IHCA's ARC will be responsible for reviewing and approving changes to existing homes and lots.

While Grand Ridge Drive remains a part of unincorporated King County, the City of Issaquah will continue to provide domestic water service to the neighborhood. The GRD water system was formally dedicated to the City in September 2015. Except as noted above, the CCR's remain unchanged. Likewise, Community Enhancement Fees required under the Covenant for Community to be paid on the sale of properties at Issaquah Highlands, including Grand Ridge Drive, will continue to be due at closing.

Our objective is to achieve a seamless transition for you as a homeowner. Attached are Q&A and contact information to address your questions. We appreciate your support.

Sincerely,

Port Blakely Communities LLC

A handwritten signature in blue ink, appearing to read "John Shaw".

John Shaw, Heartland
Its Authorized Agent

Attachments: Three Party Agreement Resident Q&A
GRD Contact Sheet