

After Recording Return To:

Port Blakely Communities
1011 NE High Street, Suite 200
Issaquah, WA 98029
Attention: Lynette Warner

CONFORMED COPY

20130412002092

PORT BLAKELY C COV-RER 105.00
PAGE-001 OF 033
04/12/2013 14:53

COVENANT FOR COMMUNITY

FOR

ISSAQUAH HIGHLANDS

[SECOND AMENDED AND RESTATED APRIL 12, 2013]

Grantor(s):	Grand –Glacier LLC
Grantee(s):	Issaquah Highlands Plat; The Public
Legal Description:	Portions of Section 23, 24, 25 and 26, Township 24N, Range 6E, W.M., King County, Washington
Additional Legal Description:	See <u>Exhibit A</u> of this document.
Assessor's Tax Parcel Nos.:	See <u>Exhibit A</u> of this document
Reference Nos. of Related Documents:	20040204000499, as amended; See <u>Exhibit A</u> of this document

TABLE OF CONTENTS

<u>Chapter 1</u> The Community at Issaquah Highlands	2
1.1 Voice.....	2
1.2 Assurance to Stakeholders.....	2
1.3 Expectations of Stakeholders.....	3
<u>Chapter 2</u> Governance for Issaquah Highlands.....	3
2.1 Council Powers.....	3
2.2 Council Activities	3
2.3 Council Funding	4
2.4 Partner Participation	6
<u>Chapter 3</u> Tools for Community Achievement.....	7
3.1 Council Director	7
3.2 Youth Board.....	8
3.3 Community Education and Training.....	10
3.4 Volunteerism and Interest Groups	10
3.5 Dispute Resolution.....	11
3.6 Education as an Amenity	12
<u>Chapter 4</u> Connections and Community	12
4.1 Partner Participation	12
4.2 Relationship With Other Entities.....	13
<u>Chapter 5</u> Issaquah Highlands as a Special Place.....	14
5.1 Issaquah Highlands.....	14
5.2 Expansion of Issaquah Highlands.....	14
5.3 Additional Covenants and Easements.....	14
5.4 Ownership and Maintenance of Property	15
5.5 Conveyance of Property by the Founder	15
5.6 Conveyance of Property from Other Persons	15
5.7 Dedication of Council Property	15
5.8 Easements Reserved to the Founder	16
5.9 Facilities and Services Open to the Public.....	16
5.10 Amendments to this Covenant.....	16
5.11 The Covenant’s Duration.....	17
<u>Chapter 6</u> Network System	17
6.1 Establishment and Management of the Network System.....	17
6.2 Network System Connections.....	19
6.3 Governmental Regulation	20
6.4 Network Fee.....	21
6.5 Enforcement; Lien	22
6.6 Exemptions	24

TABLE OF EXHIBITS

Exhibit Subject Matter First Page Referenced

"A"	Description of Land Submitted to Covenant
"B"	Additional Property
"C"	Formula for Calculating Community Enhancement Fee

INDEX TO DEFINED TERMS

Area of Council Responsibility, 14	Master Plan, 15
Associations, 2	Neighborhood Association, 23
Community Fiber Network, 17	Network Fee, 21
Connection Fee, 20	Network System, 17
Council, 1	Owners, 1
Council Documents, 11	Periodic Fee, 21
Council Property, 14	Person(s), 4
Covenant Properties, 1	Provider Contracts, 20
Declarations, 2	System Components, 17
Dedicated Property, 24	Trustees, 7
Director, 7	Youth Board, 8
Founder, 1	Unit, 1
Governmental Regulations, 20	

COVENANT FOR COMMUNITY

FOR

ISSAQUAH HIGHLANDS
[SECOND AMENDED AND RESTATED APRIL 12, 2013]

PREAMBLE

THIS COVENANT FOR COMMUNITY (“**Covenant**”) dated effective May 19, 2003, and initially recorded under King County Recording No. 20030520000559 and re-recorded under Recording No. 20030911002246, and was amended and restated by a document recorded under King County Recording No. 20040204000499 by Grand-Glacier LLC, a Washington limited liability company, as successor to Grand Ridge Partnership (Limited Partnership), a Washington limited partnership, and Glacier Ridge Partnership (Limited Partnership), a Washington limited partnership, referred to as the “**Founder**.” The Founder hereby adopts this Second Amended and Restated Covenant for Community for Issaquah Highlands to incorporate prior amendments and to update the Covenant to reflect the actual development and expected completion of the Issaquah Highlands project.

Issaquah Highlands is a master planned community located in the City of Issaquah, King County, Washington. Founder is the developer of Issaquah Highlands, and Founder and builders acquiring from Founder are the owners of the real property described in Exhibit A attached hereto (“**Covenant Properties**”). The Highlands Council (“**Council**”) is created as a unifying entity for the Covenant Properties and to administer the terms of this Covenant. The owners of existing residences within the Issaquah Highlands project on the date of this Covenant are not included within the Covenant Properties, but have the right to join the Council voluntarily and subject their property to this Covenant, and upon such joinder those owners shall have the same rights and obligations (including fees) as the owners within the Covenant Properties.

The Council shall own and maintain real property and improvements. The Council also may maintain and operate property it does not own, provide community services benefiting all or portions of the Covenant Properties, and engage in any other activity authorized or permitted by this Covenant. To pay for the Council expenses all owners of property subject to this Covenant (“**Owners**”), through a property owners association or directly, shall be obligated to pay fees and other charges as set forth in this Covenant as they relate to each Owner’s “**Unit**” or to retail or commercial areas. The term “**Unit**” as used in the Covenant, including but not limited to Sections 2.3(d), 2.3(e), 6.1 and 6.2 below, shall mean (i) each single family residence or other independently-owned unit such as a condominium or townhouse, and (ii) each apartment unit within each multi-family building at Issaquah Highlands. In addition to fees charged to Units or to retail or commercial areas, the Council may charge use and consumption fees for the use and enjoyment of activities, services, programs, and facilities provided by or through the Council. The owners at Issaquah Highlands who are not located within the Covenant Properties may voluntarily join the Highlands Council to gain the benefits of membership to the Council. Those owners who elect not to join the Council may be subject to different fees or have limited or no access to some or all of the Council properties or services where there is a limitation on the number of participants.

The real property described in Exhibit A is hereby made subject to this Covenant. Such Exhibit A property and any additional real property described in Exhibit B that in the future is made subject to this Covenant shall be owned, conveyed, and used subject to all of its provisions which shall run with the title to such property. This Covenant shall be binding upon all Persons having any right, title, or interest in any portion of the Covenant Properties, their heirs, successors, successors-in-title, and assigns. In addition to this Covenant, property at Issaquah Highlands is subject to Declarations of Covenants, Conditions and Restrictions for applicable portions of the property (“**Declarations**”) including: (i) Declaration of Covenants, Conditions and Restrictions for Issaquah Highlands Residential Properties (Amended and Restated June 1, 2012, under Recording No. 20120607000111); (ii) Amended and Restated Declaration of Covenants, Conditions and Restrictions for Issaquah Highlands commercial and multifamily (rental) properties (Recording No. 20100409000767); Declaration of Covenants, Conditions, Restrictions and Easements for High Street Center at Issaquah Highlands (Amended and Restated September 7, 2006, under Recording No. 20060907000199); and other declarations that may be recorded from time to time at Issaquah Highlands. In addition to the Highlands Council created under this covenant, the community at Issaquah Highlands also has owner associations (“**Associations**”) created by the Declarations, including the Issaquah Highlands Community Association (residential properties), the Issaquah Highlands High Street Owners Association and any other property owner associations that may be established for the Issaquah Highlands project. Nothing in this Covenant shall limit or modify the rights, obligations, duties or other matters set forth in the Declarations or the power and authority or duties of the Associations.

Any provision in any recorded instrument which violates the terms and provisions of this Covenant shall be void and of no force or effect, regardless of whether Founder or any other Person takes action to void such provision.

Chapter 1

The Community at Issaquah Highlands

1.1 Voice

An essential component of building a sense of community involves listening to the voice of community stakeholders. The Founder appreciates the need for partner input. This covenant creates opportunities for stakeholders to build and sustain a sense of community for years to come.

1.2 Assurance to Stakeholders

The Council and Founder make the following assurances:

- to insure an inclusive environment for governance
- to provide an orderly, regular, and informative communication system within Issaquah Highlands
- to provide all stakeholders a voice in community matters, an opportunity to communicate with the Council
- to respect the value of each individual as well as the value and the importance of the community
- to appreciate diversity of thought and of peoples
- to establish community traditions that will engender pride in Issaquah Highlands

- to maintain an online network for communication within and about Issaquah Highlands
- to foster a sense of belonging
- to motivate partner participation by offering a variety of life-enriching opportunities
- to provide meaningful opportunities to connect with the greater community
- to make a significant contribution to the quality of life at Issaquah Highlands

1.3 Expectations of Stakeholders

There are but three expectations but they are vital if there is to be community. They are that in all dealings among and between stakeholders, everyone

- should be informed
- should act with civility
- should be constructive

Then there will be community.

Chapter 2

Governance for Issaquah Highlands

2.1 Council Powers

The Council shall have such express or implied powers reasonably necessary to create and provide activities, services, and programs, and to maintain and manage property for the common good and general welfare of Issaquah Highlands and the surrounding City of Issaquah and King County areas. The Council may create and delegate authority to for-profit and nonprofit entities that may or may not be tax-exempt organizations and may employ any of the tools for community achievement discussed in Chapter 4.

The Council will act consistently with this Covenant, the Council's By-Laws, the Council's Articles, and Washington law to achieve the mission and goals of Chapter 1 and realize Issaquah Highlands vision of community.

2.2 Council Activities

The Council shall organize, fund, and administer such activities, services, and programs necessary, desirable, and appropriate to fulfill the Council's mission, including, but not limited to, the following:

- (a) primary education and adult special interest programs;
- (b) services to benefit Issaquah Highlands' stakeholders and the City of Issaquah and King County areas (e.g., caretaker services, childcare, personal shopping services, etc.);
- (c) interest groups and other volunteer organizations and activities;

- (d) educational trust or endowment;
- (e) data bank of community residents who are interested in volunteering time at the local school, library, or within the community;
- (f) social programs (e.g., parties, festivals, and similar events);
- (g) environmental programs (e.g., community-wide recycling, tree planting, garden plots);
- (h) activities designed to promote compliance with community standards through education, communication, and grass roots support;
- (i) public relations activities to publicize the Council's programs and activities;
- (j) cultural, artistic, and wellness programs;
- (k) operation and preservation of historical and archaeological sites;
- (l) computer Internet or intranet sites;
- (m) learning centers and computer centers;
- (n) community-wide video and technology;
- (o) strategic partnerships among local schools or public entities (e.g., library or local school system); and
- (p) other services, activities, and programs which advance the Council's mission.

The Council may contract with other entities, including the Founder, to provide activities, services, programs, and the necessary facilities to accomplish the mission. The Council may also coordinate partnerships with local schools or corporate sponsors for the purpose of organizing or facilitating the above community building endeavors.

2.3 Council Funding

(a) *Use and Consumption Fees.* The Council may charge use and consumption fees to any person, corporation, partnership, limited liability company, trustee, or any other legal entity (hereinafter referred to as "**Person**" or "**Persons**") who uses its services or facilities. The Council shall have the sole discretion to establish the amount and method of determining use or consumption fees. The Council may charge lower use and consumption fees to Owners Covenant than to non-Owners.

(b) *Trust or Endowment.* The Council may establish or cooperate with an educational trust to assist local schools. The Council may solicit and collect charitable donations from the public, stakeholders, or corporate sponsors to fund the trust and its mission of sustaining the highest quality of education for students who attend local schools.

(c) **Grants.** The Council may also seek to qualify for local, state, or federal grants.

(d) **Community Enhancement Fee.**

(i) **Authority.** The Council has the authority to establish and collect a Community Enhancement Fee from Owners at Issaquah Highlands. For each independently-owned residential Unit (single family residence, condominium, townhouse, etc.), the fee will be paid by each Owner upon each transfer of title to real property subject to this Covenant, unless the transfer is exempt. This residential transfer fee will be payable at the closing of the transfer and will constitute an assessment against the property being transferred, which is secured by the Council's lien. For multi-family Units and for retail/commercial uses, the fee will be paid by each Owner as provided in Exhibit C. The Community Enhancement Fee for commercial and retail space (under Exhibit C(1)) and for apartments (under Exhibit C(2)) shall commence upon the City of Issaquah's (a) issuance of a certificate of occupancy (whether temporary or permanent) or (b) if the City does not issue a certificate of occupancy for completion of a remodel or other type of construction, the City's final inspection or other approval of completion of construction. Commencement of the Community Enhancement Fee shall not be delayed for "punchlist" items.

(ii) **Amount of Fee.** The Council has the sole discretion to determine the amount (within the maximums provided herein) and method of calculating any Community Enhancement Fee. The fee may differ depending on property use (e.g., residential use versus commercial use). Initially the fee shall be imposed in accordance with the formula set forth on Exhibit C. In the future the Council may elect to alter the method of calculating the fee. The fee may be based upon a sliding scale, which varies according to the gross selling price of the property or such other factors as the Council deems appropriate. However, the amount of any such fee for residential property shall not exceed one quarter of one percent (.25%) of the gross sales price of the real property transferred, or in the case of a transfer other than a sale at fair market value, one quarter of one percent (.25%) of the appraised value of the real property being transferred, as determined by the local authority for real estate *ad valorem* tax purposes. If a sliding scale is established for single family homes, then the homes located within the real property legally described on Exhibit A-1 shall be charged with the lowest percentage then being charged to other single family homes in Issaquah Highlands. For purposes of this Section, the "gross sales price" means the total amount paid by the purchaser for the real property, excluding customary closing costs. Further, the amount of the fee for retail or commercial uses and for multi-family Units shall not exceed the amounts (plus CPI escalation) set forth in Exhibit C(1) and (2), respectively, except pursuant to an amendment of Exhibit C, including the consent of any owner materially adversely affected by a proposed amendment, as provided in Section 5.10.

(iii) **Purpose of Fee.** All Community Enhancement Fees shall be used exclusively for purposes consistent with the Council's mission and with the purposes for which the Council was created.

(iv) **Exempt Transfers.** No Community Enhancement Fee shall be levied upon transfer of title to property:

(A) by or to the Founder;

(B) by a builder, who is taking or holding title solely for the purposes of development and resale;

(C) by a co-Owner to any Person who was a co-Owner immediately prior to such transfer;

(D) to a family trust or a family limited partnership controlled by the Owner as grantor, or to the Owner's estate, surviving spouse, or child upon the death of the Owner;

(E) to an entity wholly owned by the grantor or, provided that upon any subsequent transfer of an ownership interest in such entity, the Community Enhancement Fee shall become due;

(F) to an institutional lender pursuant to a mortgage or upon foreclosure of a mortgage; or

(G) by an Owner who subjects his/her Unit to this Covenant and receives a one-time waiver of the Community Enhancement Fee as evidenced in a recorded "Issaquah Highlands Participation and Covenant" or similar recorded document.

(e) **Lien Rights.** The Council has a lien against each Unit to secure payment of delinquent fees and charges as well as interest on the past due amount, late charges, and costs of collection (including attorneys' fees). The lien is superior to all other liens, except (a) the liens of all taxes, bonds, assessments, and other levies which by law would be superior; (b) the lien or charge of any recorded first mortgage (meaning any recorded mortgage with first priority over other mortgages) made in good faith and for value; and (c) the Associations' liens for common expenses. The lien may be enforced by suit, judgment, and judicial or nonjudicial foreclosure, in the same manner as the Associations' liens, in the Declarations. The Council may sue for unpaid Community Enhancement Fees and other charges authorized in this Covenant without foreclosing or waiving the lien securing the amount due.

The sale or transfer of property does not affect the lien or relieve such property from the lien for any subsequent fees or charges. However, sale or transfer pursuant to foreclosure of the first mortgage will extinguish the lien as to any fees and charges due prior to the mortgagee's foreclosure. An Owner acquiring property through foreclosure of a first mortgage will not be personally liable for fees and charges due prior to acquisition of title.

2.4 Partner Participation

(a) **Partner Opinion.** At Issaquah Highlands, partner opinion and input are essential to community success. The Council will stay apprised of resident interests, public opinions, and concerns. Stakeholders may participate in polls organized by the advisory panel at their discretion, and the Council may impose polling guidelines on the advisory panel to ensure polling fairness, accuracy, and resident privacy.

(b) **Advisory Panel.** Trustees (defined in Section 3.1 below) are charged with the responsibility of keeping apprised of community and resident related matters. In order to facilitate an

open exchange of ideas at Issaquah Highlands, the Trustees at such times as they deem appropriate may organize an Issaquah Highlands advisory panel for the sole purpose of collecting resident and community-related information, such as resident opinions, interests, grievances, and attitudes and reporting the information to the Council. The Trustees in their discretion will take resident opinion and interest into consideration when performing their duties and responsibilities. The advisory panel shall not have any authority or power other than to collect and report community information.

The Trustees will determine how and when the advisory panel is selected and how the advisory panel will serve (e.g., serve on an ad hoc basis or per assignment, or for a set period of time), and the scope of the desired information. Depending on the information desired by the Trustees, the advisory panel may be comprised of a cross section of people who live or work in Issaquah Highlands, such as Owners of various types of property (e.g. single-family, multifamily, commercial, retail), Owners with varying interests, Owners of varying age groups, or employees of various community businesses. Costs associated with opinion polling shall be itemized in the Council budget.

(c) *Measuring Device.* The sole purpose of the advisory panel is to gather information from stakeholders by conducting interviews, disseminating questionnaires, mailings and emails, conducting phone interviews, or organizing any other form of polling effort. The advisory panel should relay its findings to the Trustees.

(d) *Diversity.* Issaquah Highlands is rich with diversity. There are various housing types and commercial/retail uses throughout the community, and stakeholders are diverse in areas such as culture, race, religion, age, background, physical capabilities, and interest. The Trustees, through the collaborative efforts of the advisory panel, may develop and facilitate programs and activities that encourage contribution and participation of all stakeholders.

Chapter 3

Tools for Community Achievement

3.1 Council Director

The Council shall create and fund the position of “**Council Director**,” or “**Director**,” whose role shall be to provide leadership for the overall planning, development, implementation, and continuing evaluation of programs, activities and services to carry out the Council’s mission. The Director may be an employee or independent contractor.

The Director’s specific responsibilities include the following:

(a) creating accessible opportunities for stakeholders, and invitees to participate in and volunteer their time and skills for community events and activities;

(b) working with volunteers and staff members and coordinating with the Council’s Board of Trustees (“**Trustees**”) and the Associations’ boards of directors to implement the Council’s objectives and administer its daily affairs;

(c) coordinating, promoting, and facilitating community-wide cultural, artistic, musical, athletic, and social events and activities;

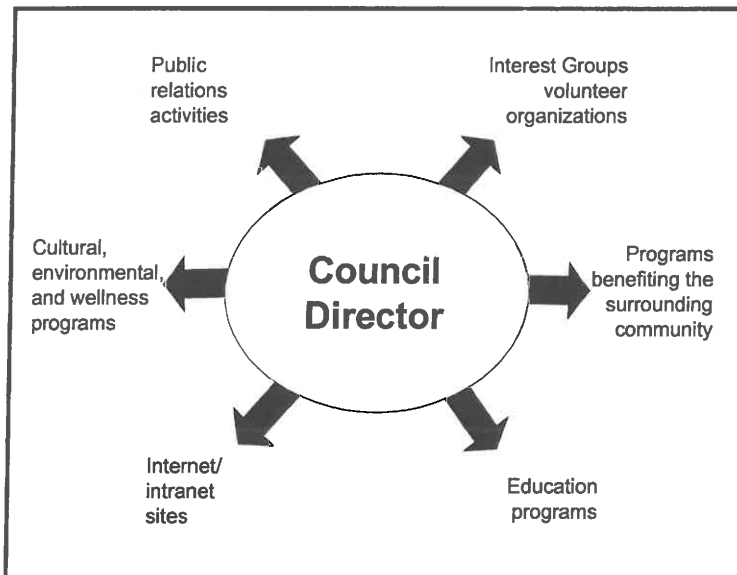
(d) conducting governance educational programs and contracting for and coordinating continuing education programs and opportunities;

(e) serving as an ombudsman within Issaquah Highlands by teaching and practicing “non-adversarial communication” and, if determined productive by the Director, mediating, or otherwise intervening to solve disputes and conflicts at the request of the parties involved; and

(f) seeking out new opportunities for building community life and spirit while appreciating partner diversity.

The Director’s responsibilities may also include those agreed upon by the Director and the Trustees, so long as such responsibilities do not hinder, limit, or otherwise interfere with the fulfillment of Director’s responsibilities outlined above.

The Director shall be employed or otherwise contracted for by the Council and shall be entitled to attend and participate in meetings of the Trustees; however, in the case of discussions regarding the Director’s employment the Director may be excluded from meetings of the Trustees. The Council may enact rules to ensure the successful creation, staffing (including the Council’s appointment rights), funding, operation, execution of duties, and continuity of the Director position.



3.2 Youth Board

The Council shall create and fund a “**Youth Board**” composed of community residents between the ages of 13 and 17. The Youth Board shall serve as a liaison between Issaquah Highlands’ youth and the Council, empowering Issaquah Highlands’ youth with a voice, a sense of “belonging” and a mechanism for positively influencing their peers and others in Issaquah Highlands.

An important aspect of the Youth Board’s ability to be the voice of Issaquah Highlands’ youth is its composition. The best Youth Board is one that is representative of those it seeks to serve. The

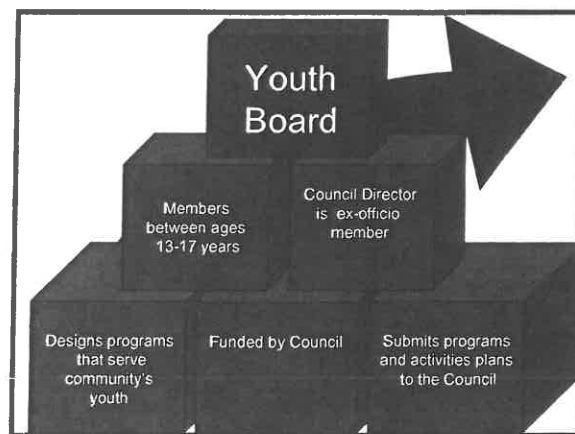
members of the Youth Board shall be selected from candidates solicited through Issaquah Highlands-wide publications, emails, and any other methods of reaching large portions of the Community employed by the Council or the Associations. The Council Director shall compile all applications for the Youth Board. The Trustees, with the assistance of the Council Director, will then select the Youth Board members from the applications. In the process of selecting members of the Youth Board, the Trustees and the Council shall include representatives from a wide variety of backgrounds, ages, hobbies, interest groups, sports teams, and residence locations within Issaquah Highlands.

The Youth Board shall hold one meeting at least every three months. In addition, the Youth Board may hold discussion groups or sponsor other events to foster group discussion and collective decision-making. The Youth Board may request funding from the Council for additional services, facilities, or activities; organize and independently operate such services, facilities, or activities; communicate with the Trustees on issues of importance to the youth; or make suggestions or recommendations for community improvement to the Trustees. The Council shall fund the Youth Board based upon a budget proposed by the Youth Board. However, the Trustees may approve or reject any requested service, facility, or activity or any budget or other funding request (or may rescind any previously approved budget, service, or funding request) based upon reasonable, community-related considerations.

The Youth Board members shall select, from its own membership, an *ex officio* member (non-voting) of the Trustees and an alternate. The Youth Board member serving as *ex-officio* member of the Trustees shall attend all meetings of the Trustees, deliver the minutes of the most recent Youth Board meeting to the Council, deliver any proposed budgets or budget requests, and report on any Youth Board-related matters.

The Council Director shall serve as an *ex officio* member (non-voting) of the Youth Board, and the Youth Board shall cooperate with and assist the Council Director in the performance of its duties.

The Trustees may enact additional rules to ensure the successful formation, selection, operation, and continuity of the Youth Board, including terms of service of the Youth Board.



3.3 Community Education and Training

In recognition of the fact that Owners, tenants, and other stakeholders who are well-informed regarding their community's structure and governance and their rights and responsibilities in the community, have greater capacity to participate in civic life and in the affairs of the community, the Trustees may establish education, training, and orientation programs, including "continuing" education programs, for everyone in Issaquah Highlands. The Trustees may utilize any appropriate method to achieve these education goals, including a community intranet; learning centers, computer centers, and business centers; and coordinated activities with the Director, one or more Council committees, Trustees, or the Associations.

Community education shall begin as early as the marketing stage or the point of sale of property within Issaquah Highlands and may include orientation classes regarding community structure and governance; the nature, extent, and purpose of the covenants, rules, and regulations; and community-building issues such as the mission for Issaquah Highlands, opportunities to participate in and affect the community's evolution and growth, and general community orientation. In addition, the Council shall cover such topics as board election procedures, director responsibilities and duties, officers' duties and responsibilities, and committee service guidelines and training. The Council shall also provide programming explaining the Youth Board's purpose, goals, and selection to those interested in being participants and to their parents. The Council also may teach non-adversarial dispute or conflict resolution, negotiation, listening, team building, and other community skills designed to serve community members in many different contexts.

Community governance education is an essential component of living in Issaquah Highlands. The Council shall also coordinate with the Associations to achieve the goal of educating stakeholders as to how their community operates. Educating Owners regarding ownership rights, voting privileges, property use restrictions, community development, developer turn-over or transition period, community activities, etc. should be an ongoing innovative process geared toward including residents of all ages. Governance education may be offered in the form of seminars, simple question and answer pamphlets, audio/video recordings, through the community cable channel, or through Issaquah Highlands' interactive website. The Council may also coordinate with nationally recognized organizations such as the Urban Land Institute or the Community Associations Institute to offer programs regarding Community governance or coordinate with nationally recognized speakers in the field to provide community governance instruction and workshops.

Training for Trustees is required and shall be conducted as specified in the Council By-Laws. The Trustees may delegate all or any of its training, education, and orientation duties to the Associations. The Council's expenses (or the Association's expenses if delegated by the Trustees) of training, education, or orientation, or contracts for such services from third parties, shall be Council expenses.

3.4 Volunteerism and Interest Groups

In recognition of the fact that volunteerism benefits both Issaquah Highlands and the larger community, the Council desires to promote a strong volunteer ethic among stakeholders and encourage and facilitate the organization of volunteer organizations within Issaquah Highlands. To accomplish this end, the Council may grant incentives for volunteering, such as exemptions from

specific program fees and public recognition of distinguished volunteers and their achievements. The Council also may cooperate with and support outside organizations, such as recreational leagues or cultural organizations, by making facilities available for the organization's use or sponsoring the organization's activities. Additionally, the Council may compile and maintain a data bank of Owners, tenants, residents, or invitees interested in volunteering and make such data available to other volunteer organizations.

In its discretion, the Council may establish or support the establishment of "interest groups" to encourage or facilitate the gathering of people to pursue common interests or hobbies. For example, the Council may grant privileges including financial support; material support; facility use privileges, either with or without charge; priority for facility use; administrative and technical support; and liability insurance coverage.

The Council may grant support to any group of individuals who share a particular field of interest. Any Owner, tenant, or resident may submit a written request to the Director for support. In his or her discretion, the Director may grant or deny such request. The Council may fund the interest group as a Council Expense and/or require that group members pay use or consumption fees for materials, facilities use, or other expenses.

Volunteerism

Council:

- ✦ Facilitates volunteer organizations
- ✦ Supports recreational leagues and cultural organizations
- ✦ May maintain volunteer data bank
- ✦ Supports establishment of interest groups
- ✦ Publicizes meetings, events, etc.
- ✦ Provides recognition to volunteers

The Director may use computer bulletin boards, web sites, and publications to assist interest groups and other community groups, religious groups, civic groups, youth organizations, and support groups in publicizing meetings, events, and the need for volunteer assistance. However, the Council may not fund the specific advertising or promotion of an interest group's events or another volunteer group's events, unless the Council, in its discretion, determines that such events or organizations benefit the entire community.

3.5 Dispute Resolution

The Founder, the Associations, and each Owner agree that it is in the best interest of all concerned to resolve disputes among and between the Associations or any Owner and the Council without the emotional and financial costs of litigation. Accordingly, each of the foregoing agree that the provisions of the Declarations relating to resolution of disputes arising out of the Declarations or related governing documents shall also apply to resolution of any dispute arising out of this Covenant,

the By-Laws of the Council, the Articles of incorporation of the Council, and any rules and regulations adopted by the Council (“**Council Documents**”), subject to such exceptions as are set forth in the Declarations.

Prior to the initiation of any administrative or judicial proceeding by the Founder, Associations or any Owner against the Council, the party initiating such action shall comply with all procedures and rules the Council has enacted pursuant to this Section. This Section shall serve as an agreement by the Founder, Associations and the Owners to submit their claims to such procedures or rules, and the failure to abide by such requirements shall serve as a defense to any such action. The requirements of this Section shall not apply to any action by the Council to collect fees or charges authorized by this Covenant, which actions may proceed in the Council’s discretion directly without any prior procedure for claims resolution.

3.6 Education as an Amenity

Continuing education and learning opportunities are community amenities to be enjoyed by all stakeholders, particularly adults and retirees. The range of continuing education opportunities being offered at Issaquah Highlands should be determined by resident interest, participation, satisfaction, and budget. The Council should make every effort to provide or provide for a variety of continuing education opportunities that reflect the diverse interests of the community and its residents, i.e., finance, art, music, exercise, community wellness, gardening, sports, and recreation. If created by the Trustees, an advisory panel may provide assistance to the Council in determining opportunities that are desired and appropriate. The Council may coordinate or contract with local schools, civic leagues, or professional speakers or instructors to offer these continuing education opportunities. The Council may charge a user fee to some or all participants and open programs to the community at large.

Issaquah Highlands is proud of its schools, and the Council will work in cooperation with community schools to achieve continued success in educating students. The advisory panel, if in existence, may seek the opinions of parents, teachers, administrators, and students to make education a high priority at Issaquah Highlands. The Council will strive to meet the needs of parent/student stakeholders by offering a variety of services and programs, e.g., before and after school programs, tutorial programs, and holiday events. The Council may draw from Issaquah Highlands’ databank of partner volunteers (e.g., retirees or stay-at-home parents) to support these programs.

Chapter 4

Connections and Community

4.1 Partner Participation

Owners and occupants at Issaquah Highlands are essential to community life and community success. As such, the Founder views each resident as an integral part of Issaquah Highlands and a partner in Issaquah Highlands’ community successes. Stakeholders are encouraged to participate, at their discretion and level of interest, in community life, events, governance, continuing education, and volunteer opportunities, and the Council is encouraged to provide or provide for opportunities for Owners and occupants to participate.

4.2 Relationship With Other Entities

(a) **General.** The Council may enter into cooperative agreements and expend funds for facilities use, shared services, and development of projects and activities that benefit Issaquah Highlands and communities outside of Issaquah Highlands.

(b) **Relationships With Other Nonprofit Organizations.** The Founder or the Council may create, and/or enter into agreements or contracts with nonprofit organizations to gain some direct or indirect benefit upon Issaquah Highlands and the surrounding community. Such organization(s) may perform a variety of services and functions, such as educational, environmental, conservation, health, wellness, and cultural programs, benefiting Issaquah Highlands and the larger community.

If the Founder or the Council establishes a tax-exempt entity for activities within Issaquah Highlands, the Council shall fund the minimum annual organizational expenses of maintaining such entity and may contribute additional money, real or personal property, or services to such entity. Such expenses and any such contributions shall be a Council Expense. For the purposes of this Section, a "tax-exempt organization" shall mean an entity exempt from federal income taxes under the Internal Revenue Code ("Code"), for example, entities exempt under Section 501(c)(3) or 501(c)(4), as the Code may be amended from time to time.

The Council may maintain multiple use facilities within Issaquah Highlands for temporary use by tax-exempt organizations. Such use may be on a scheduled or "first-come, first-served" basis. A reasonable maintenance and use fee may be charged for such use.

(c) **Other Third Parties.** In the Trustees' sole discretion, the Council may provide services or facilities to the general public or other people or groups who do not reside within Issaquah Highlands and charge and collect use and consumption fees for such use. The Council also may enter into agreements with third parties to provide such services or facilities in exchange for financial or other consideration.

4.3 The Community Beyond Issaquah Highlands

Interacting with the greater Issaquah community is an important part of the Council's purpose, as the Council is uniquely able to connect stakeholders with the City of Issaquah. To achieve this goal, the Council shall work with local government and civic groups to promote or address local concerns and issues and create opportunities for stakeholders to become involved in the Issaquah area. This interaction will foster contributions of time and energy that will benefit both Issaquah Highlands and City of Issaquah and enrich the lives of everyone who lives, works, or plays in Issaquah Highlands.

The Trustees, at their discretion, may invite local civic and professional groups that are of interest to stakeholders (i.e., Girl/Boy Scouts of America, Eagle Scouts, little leagues, Big Brothers and Big Sisters, Rotary Club, AARP, Garden Club, Junior Women's League, NAACP, and Veterans Club).

Chapter 5

Issaquah Highlands as a Special Place

5.1 Issaquah Highlands

“Issaquah Highlands,” as used throughout this Covenant, consists of the property described in Exhibit A and any additional property made subject to this Covenant in the future by amendment or supplement, as provided in Section 5.2. This Covenant shall run with the title to such property, binding not only the Founder, its successors and assigns, but also future owners of any portion of the property, their respective heirs, successors, successors-in-title, and assigns, and any other Person or entity that now or hereafter has any legal, equitable, or beneficial interest in any portion of such property. This Covenant shall also be binding upon the Council.

5.2 Expansion of Issaquah Highlands

From time to time, the Founder may submit to the terms of this Covenant all or any portion of the property that is or becomes part of the Issaquah Highlands Project, as described in Exhibit B, by recording a Supplement or other document describing the additional property to be submitted. The Founder may record such a Supplement without the consent of any Person except the owner of such property, if not the Founder.

The Founder’s right to expand Issaquah Highlands under this section expires when (a) all property described in Exhibit B has been submitted to this Covenant and Founder has determined not to expand the Issaquah Highlands Project, or (b) 15 years after this Covenant is recorded, whichever is earlier. Until then, the Founder may transfer or assign this right, by a recorded document, to any Person who is the developer of at least a portion of the real property described in Exhibit A or B.

Nothing in this Covenant shall require the Founder or any successor to submit additional property to this Covenant or to develop any of the property described in Exhibit B in any manner whatsoever.

The Council may also submit additional property to this Covenant by recording a supplemental covenant or other document executed by or on behalf of the Council and the owner(s) of the property being submitted and by the Founder, so long as the Founder owns any portion of the Exhibit A or B property.

The Founder or the Council may also submit additional property to this Covenant by recording a “Highlands Council Participation and Covenant” or similar document on specific lots or parcels that is executed by a property owner who consents to join the Highlands Council and be subject to this Covenant.

5.3 Additional Covenants and Easements

Additional covenants and easements may be recorded by the Founder on the property described in a written instrument, such as covenants creating property restrictions in favor of a property owners association. Such provisions may be included in a separate instrument applicable to all or a portion of property previously submitted to this Covenant. If someone other than the Founder

owns the property, then the instrument must be signed by such owner evidencing such owner's consent.

5.4 Ownership and Maintenance of Property

The Council may own and maintain real property ("Council Property") subject to every Owner's right and non-exclusive easement of use, access, and enjoyment, the rights and powers of the Council as set forth in the Council Documents, and any terms, conditions, covenants, or restrictions set forth in the instrument conveying such property to the Council.

The Trustees may enact reasonable rules and regulations governing access, use, and enjoyment of the "Area of Council Responsibility." Every Owner and the Associations shall comply with such rules and regulations. Also, the Founder or the Trustees may grant exclusive and/or non-exclusive easements over the Area of Council Responsibility to nonprofit organizations, the operation of which confers some benefit on Issaquah Highlands and the surrounding community.

5.5 Conveyance of Property by the Founder

At any time the Founder owns any property described in Exhibit A or B, the Founder may convey to the Council, or assign the Council maintenance responsibility for, improved or unimproved real estate located within Issaquah Highlands, personal property, and leasehold or other property interests consistent with the Council's purpose and authority. The Council shall accept and maintain, operate, and manage such property as part of the Area of Council Responsibility. The Council also shall perform, as a Council Expense, such obligations and responsibilities with respect to such property as the Founder may assign in writing.

In recognition of the fact that the Founder conveys real property to the Council at no cost to the Council, if conveyed in error or needed to make minor adjustments in property lines, the Founder, for so long as it owns property described in Exhibit A or B, may unilaterally amend this Covenant to withdraw property from its coverage and may require the Council to reconvey unimproved real property to the Founder or to other Persons.

5.6 Conveyance of Property from Other Persons

Under negotiated terms, the Council may acquire and maintain improved or unimproved real estate, personal property, easements, and leasehold or other property interests from other Persons.

5.7 Dedication of Council Property

Subject to the approval of and acceptance by such entity, the Council may dedicate, lease, grant easements in, or convey portions of any real property it owns to any local, state, or federal governmental or quasi-governmental entity, provided the Trustees have determined, in their reasonable discretion, that such entity has the funding source and commitment properly to maintain the dedicated property.

5.8 Easements Reserved to the Founder

There is hereby reserved to the Founder and granted to its duly authorized agents, representatives, successors, assigns, licensees, and mortgagees, a perpetual, non-exclusive easement over property the Council owns for the use, access, and development of property depicted on the Master Plan for Issaquah Highlands (“**Master Plan**”). This easement includes, but is not limited to, a right of ingress and egress over such property for construction of roads and for tying in and installation of utilities on such property. Founder also reserves for itself the non-exclusive right and power to grant and record specific easements as may be necessary, in Founder’s sole discretion, for orderly property development. The Founder’s rights under this section shall expire upon completion of the build out of the Master Plan.

5.9 Facilities and Services Open to the Public

Certain facilities and areas within Issaquah Highlands which the Council owns or for which it has responsibility may be made available for use and enjoyment of the public. Such facilities and areas may include, by way of example: trails and paths; greenbelts; parks and other spots conducive to gathering and interaction; roads; sidewalks; and medians. The Founder may designate such facilities and areas as open to the public at the time the Founder makes such facilities and areas a part of the Area of Council Responsibility or the Trustees may do so thereafter.

5.10 Amendments to this Covenant

This Covenant may be amended unilaterally at any time by the Founder, its successors or assigns, if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on any portion of the property subject to this Covenant; (c) to permit any institutional or governmental lender, purchaser, guarantor, or insurer of mortgage loans to make, purchase, guarantee, or insure mortgage loans; or (d) to satisfy the requirements of any local, state, or federal governmental agency.

In addition, for so long as the Founder has authority under the Council By-Laws to appoint the members of the Board of Trustees, the Founder may unilaterally terminate this Covenant and dissolve the Council.

Further, for a period of one year from the date this Covenant is recorded the Founder may unilaterally amend this Covenant for any purpose. Thereafter, for a period of 30 years, if the Founder owns any property described on Exhibit A or B, the Founder may unilaterally amend this Covenant for any other purpose, provided such amendment has no material adverse effect upon the title to real property subject to this Covenant without the consent of the affected Owner(s); and has no material adverse effect upon any right, privilege, or protection specifically granted to Owners hereunder without the consent of the affected Owner(s).

In addition, except as otherwise specifically provided herein, this Covenant may be amended or terminated upon the affirmative vote or written consent, or any combination thereof, of at least 67% of the Owners, other than the Founder, and a majority of the Board of Trustees, with Founder’s consent so long as the Founder owns any property described on Exhibit A or B. However, no

amendment may remove, revoke, increase, decrease, or modify any right, privilege, or obligation of any property owners association within Issaquah Highlands right, privilege, or obligation without the property owners association's written consent.

Amendments to this Covenant are effective upon recordation unless a later effective date is specified. Any procedural challenge to an amendment must be made within six months of its recordation. In no event shall a change of conditions or circumstances operate to amend any provision of this Covenant.

5.11 The Covenant's Duration

(a) Unless terminated by Founder, the Trustees and/or the Owners in the manner provided in Section 5.10, this Covenant shall have perpetual duration. If Washington law limits the period during which covenants may run, then to the extent consistent with such law, this Covenant shall automatically be extended at the expiration of such period for successive 10-year periods, unless terminated as provided below. Notwithstanding the above, if any provision of this Covenant would be unlawful, void, or voidable by reason of any Washington law restricting the period of time that covenants on the land may be enforced, such provision shall expire 21 years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

(b) Unless otherwise required by Washington law, this Covenant may only be terminated by a recorded instrument stating the intent to terminate and approved by the Trustees. Further, Founder's consent also is required for any termination of this Covenant for so long as Founder owns property described on Exhibit A or B.

Chapter 6 **Network System**

6.1 Establishment and Management of the Network System

(a) The Founder has established a high-speed fiber optic network to serve Issaquah Highlands with capacity for a community intranet and for high speed internet access ("**Network System**"), which system can be expanded as the Issaquah Highlands project is expanded. The Founder is acting in the capacity of a private network provider. The Founder has created Community Fiber Networks LLC ("**CFN**") as the entity to operate the Network System.

The Council shall have the authority to purchase from or contract with the Founder for ownership or operation of the Network System, and thereafter the Council may operate, enhance, and/or replace the Network System. The Council's purchase of the Network System from the Founder will be at a purchase price not to exceed the amount to reimburse the Founder for the actual cost (including interest) of building and operating the Network System. If the Council determines not to acquire the Network System after an offer from the Founder, then the Founder may convey the Network System to a third party. The Council or the third party, as applicable, are referred to herein as the "Successor."

The Network System, during the time owned or operated by the Founder or the Successor, as applicable, will include the existing and expanded fiber optic data delivery system (including

connections to each Unit through the system of vaults, conduits and fiber optic cable and related facilities and equipment) and may include different technologies for community networking such as wireless technologies or a combination of existing or new technologies and may include delivery of video or voice. Some of the equipment used in the Network System may be owned by third parties and used by contractual or other arrangement.

At all times prior to the Successor's acquisition from or contracting with the Founder for the Network System, the Founder shall have the sole authority to own, expand and operate the Network System and/or to select the vendors and providers of particular hardware, software, programming, infrastructure, services, and administration constituting the Network System (collectively, "**System Components**"). For all properties subject to this Covenant, this Chapter shall be binding on all Owners and tenants of Units and of retail and commercial space at Issaquah Highlands and in full force and effect while the Founder owns and operates the Network System and whether or not a Successor acquires the Network System.

Except as expressly provided in this Chapter, the Founder (prior to Successor ownership of the Network System if any) and the Successor (after its owns the Network System if it acquires), shall be the sole source provider of the functionalities of the Network System and all System Components and shall act solely in the capacity of a private network provider.

(b) If a Successor acquires the Network System, thereafter it shall have the sole authority to select the vendor(s) or provider(s) of the System Components, and shall have the sole authority to enter into contracts with such vendors or providers (which may include vendors affiliated with the Founder, so long as the terms of the relevant contracts are commercially reasonable). If a Successor acquires the Network System, thereafter the Successor shall also have the authority to enter into contracts with Persons for the purchase of System Components and for the maintenance and operation of the Network System, and to enter into contracts with Persons to modify the Network System (which may include contracts with Persons affiliated with Founder, so long as the terms of the relevant contracts are commercially reasonable).

Depending on the requirements of such contracts, it may be necessary for Owners or tenants of Units or of retail and commercial space to execute contracts directly with such vendors or other Persons as a condition to gaining access to the Network System, and each such Owner or tenant, by accepting title to real property (or leasing real property) within the Covenant Properties, agrees to do so, provided that such contracts do not impose any monetary obligation on such Owner or tenant (other than the Network Fee described in Section 6.4). Subject to the foregoing, such contracts may contain terms and conditions with regard to use of and access to the Network System in addition to those contained in this Chapter 6.

(c) Founder and a Successor make no representation or warranty as to the quality, fitness, or performance of the Network System, or as to any of the System Components, or that any particular System Component or type of System Component will be utilized for the Network System, or that the Network System will continue to be provided to Issaquah Highlands. The Founder and a Successor shall not have any liability for any errors, omissions, mistakes, outages or interruptions. The Founder and a Successor, whichever then owns the Network System, shall have the sole right to terminate the Network System at any time during their respective ownership. Further, the Founder and a Successor, whichever then owns the Network System, shall have the sole discretion to determine what areas

within Issaquah Highlands will and will not receive extensions of and services by the Network System and the timing of any extensions, as further provided in Section 6.2 below. Neither the Founder nor a Successor shall have any liability for not extending the Network System or not providing "lighted fiber" to any portion of Issaquah Highlands or for the timing of any extensions.

(d) The Founder or a Successor, during their respective periods of ownership of the Network System, each reserves the authority to implement such rules and regulations concerning all aspects of the use of the Network System as the Founder or Council, as applicable, may deem desirable or appropriate in its sole and absolute discretion.

(e) The Founder or a Successor, during their respective periods of ownership of the Network System, each reserves the authority to adopt and implement additional provisions regarding the Network Fee insofar as it applies to commercial or retail or apartment property (as distinguished from residential property) by one or more separate recorded declarations affecting such commercial or retail or apartment property. Such additional provisions may include, without limitation, different types or levels of connections to be provided to commercial or retail or apartment property Owners, and when a Network Fee will be levied with respect to such commercial or retail or apartment property Owners.

6.2 Network System Connections

(a) Single Family/Condominiums. Each single-family or condominium residential Unit within the Covenant Properties at Issaquah Highlands must include at least one connection to the Network System. The connection shall be required, and the Network Fee due, whether or not the Owner of a single-family or condominium Unit actually uses the Community Network. However, no Network Fee shall be due if the Unit is exempt under Section 6.6, or (ii) "lighted fiber" service via the Network System is not available (and the Founder or Council has determined lighted fiber will not be available to the Unit) to a vault in a street or other location adjacent to or in the vicinity of such Unit.

(b) Apartments. Each apartment in each multi-family building within the Covenant Properties at Issaquah Highlands may be connected to the Network System to the extent provided in this paragraph. Notwithstanding any other provision of this Chapter 6, the determination to extend and connect any particular multi-family building to the Network System, the timing thereof and the Network Fee (including the Connections Fees, Periodic Fees (defined in Section 6.4 below), buildout fees or other charges) and the types of services available for a particular multi-family building, shall be established by either a (i) separate recorded instrument on such terms as the Founder or Council determines (along with the consent of the Owner of any multi-family building on the property covered by the recorded document), or (ii) separate written agreement between the Owner of or tenant within the multi-family building and either the Founder, Council or CFN. If the multi-family building is connected to the Network System, then the Owner may allow individual tenants within the building to not connect to the Network System, in which case no Network Fee shall be due for that apartment. For tenant that elects to use the Network System (or if the Owner elects to connect for common areas or other Owner-controlled spaces), then the Network Fee shall be due for such apartment or Owner-controlled spaces..

(c) Commercial and Retail Space. Each separate tenant space in each building containing any commercial or retail uses within the Covenant Properties at Issaquah Highlands may be connected

to the Network System to the extent provided in this paragraph.. Notwithstanding any other provision of this Chapter 6, the determination to extend and connect any particular commercial or retail building or tenant space to the Network System, the timing thereof and the Network Fee (including the Connections Fees, Periodic Fees, buildout fees or other charges) and the types of services available for a particular commercial or retail building or tenant space, shall be established by either a (i) separate recorded instrument on such terms as the Founder or Council determines (along with the consent of the Owner of any commercial or retail building on the property covered by the recorded document), or (ii) separate written agreement between the Owner of or tenant within the commercial or retail building and either the Founder, Council or CFN. If the commercial or retail building is connected to the Network System, then the Owner may allow individual tenants within the building to not connect to the Network System, in which case no Network Fee shall be due for that tenant space. For each individual Owner or tenant that elects to use the Network System, then the Network Fee shall be due for such Owner or tenant space.

(d) Converted Units. If any multifamily Units are converted to condominium ownership, then the following shall apply. If the Building containing the converted Units was already connected to the Network System, then all condominium Units shall pay for monthly service for the level of service selected by the Unit owner at the rates being charged to other condominium Units owners, as those rates may be adjusted. If the Building containing the converted Units was not connected to the Network System at the time of the conversion, then either the condominium association (on behalf of the converted Unit owners) or the Founder or Council may request negotiations to seek an agreement to extend service to the converted Units, including the amount of Connections Fees, Periodic Fees, buildout fees or other charges and the types of services that would be available for the converted Units. If an agreement is reached to extend the Network System to a building with the convert Units, then each converted Unit within the building will be required to connect and each converted Unit will pay the Network Fee.

(e) Additional Connections. Each Owner or tenant of a Unit or of retail and commercial space within the Covenant Properties may obtain additional Network System connections at such Owner's or tenant's own expense, subject to the requirements of the Founder or a Successor (as applicable during the period of their respective ownership of the Network System) and the particular vendor of the relevant System Components or services. Such Owner or tenant may be required to pay additional fees to the Founder or Council (as applicable) or such vendor (or both), as well as to execute additional contracts with the Founder or Council (as applicable) or such vendor (or both), as a condition of receiving such additional connections. Such contracts may contain terms and conditions with regard to use of and access to the Network System in addition to those contained in this Chapter. Founder and a Successor make no representation or warranty that additional Network System connections will be provided.

6.3 Governmental Regulation

The Network System, and the providers, managers, and operators of the Network System, may be subject (currently or in the future) to federal, state, or municipal regulations, laws, and ordinances (collectively, "**Governmental Regulations**"). Such Governmental Regulations may have a significant impact on certain aspects of the Network System including, but not limited to, the fees charged, the method of delivery, the rights of the users of the Network System, as well as the rights of the providers, managers, or operators of the Network System.

These Governmental Regulations, and their impact, are beyond the control of the Founder and a Successor. The Founder or Council (as applicable during the period of their respective ownership of the Network System) may impose additional obligations on Owners or tenants in Issaquah Highlands (in addition to those contained in this Chapter [collectively, "**Provider Contracts**"], as well as any other rules and regulations that may be adopted by the Founder or Council), if the Founder or Council determines that such additional obligations are necessary or appropriate due to such Governmental Regulations.

6.4 Network Fee

(a) The Network System shall be funded through collecting from each Owner within the Covenant Properties that is connected or required by this Covenant to be connected to the Network (i) a one-time charge levied with respect to each connection to the Network System ("**Connection Fee**"), which may include a builder or buildout fee component as well as an Owner connection charge, and (ii) a separate periodic fee ("**Periodic Fee**" aka Network Facilities Fee), which collectively are referred to herein as the "**Network Fee.**" Each user of the Network also will pay an internet service fee based on the type or level of service selected by the user. Except as required by any applicable Governmental Regulation or Provider Contract (which may dictate, in whole or in part, the amount of the Network Fee), the amount of the Network Fee will be determined in the sole discretion of the Founder or Council (as applicable during the period of their respective ownership of the Network System). If either the Founder or Council provides different types or levels of connections to apartment building Owners or commercial or retail property Owners (as distinguished from Owners of single-family or condominium residential Units), then the amount of the Network Fee may be different for the different types of Owners in the Founder's or a Successor's discretion, as applicable during the period of their respective ownership of the Network System.

(b) Each Owner shall be obligated to pay the Network Fee for each Network System connection that is installed at his, her, or its property and for each connection to be installed pursuant to Section 6.2. The levying of the Connection Fee shall occur, and the levying of the Periodic Fee shall commence, upon the issuance of a certificate of occupancy (or equivalent governmental approval) for the relevant Unit or building. Notwithstanding the foregoing, subject to the provisions of applicable Provider Contracts and Governmental Regulations, (i) the Founder or Council (as applicable during the period of their respective ownership of the Network System), in its discretion, may establish a reduced Network Fee payable by commercial or retail property Owners with respect to any tenants occupying less than a specified minimum floor area, or utilizing its property for a specified use, as determined by the Founder or a Successor (as applicable during the period of their respective ownership of the Network System), and (ii) where such Provider Contract provisions expressly permit, the Founder or a Successor (as applicable during the period of their respective ownership of the Network System) may establish rules whereby the Periodic Fee is waived for commercial or retail space or Owners of multi-family Units with respect to tenant spaces, suites or apartments for which such fee was previously collected but which later become unoccupied. Further, the Founder or Council may adopt reduced or varied Network Fees for multi-family Units.

(c) The Periodic Fee shall be levied each fiscal year and shall be paid in monthly installments. However, the Founder or a Successor (as applicable during the period of their respective ownership of the Network System) may establish other dates or manner of payments, including but not limited to the requirement (by either all Owners or only Owners with a history of delinquent payment)

that the Periodic Fee be due and payable in advance on the first day of the fiscal year, or to grant discounts for early payment or similar time/price differentials. In addition, if any Owner is delinquent in paying any installment of the Periodic Fee, the Founder or a Successor (as applicable during the period of their respective ownership of the Network System) may require all outstanding installments for the current fiscal year to be paid in full immediately. Further, the Founder or a Successor (as applicable during the period of their respective ownership of the Network System) may require advance payment of the Network Fee at the closing of the transfer of title to a parcel of real property and impose special requirements for Owners with a history of delinquent payment.

(d) Upon request of an Owner or other party with an interest in the Owner's property, the Founder or a Successor (as applicable during the period of their respective ownership of the Network System) shall provide a statement setting forth the amount of any unpaid Network Fee affecting the Owner's property. The statement shall be provided within ten (10) business days and shall be binding on the Founder, a Successor, and the other Owners, if the statement is requested by an escrow agency licensed pursuant to Washington law.

Failure to provide the statement to the escrow agent within the time provided for in this subsection shall not extinguish any lien for any unpaid Network Fee then due. The Founder or a Successor (as applicable during the period of their respective ownership of the Network System) may require the advance payment of a reasonable processing fee for the issuance of such statement.

6.5 Enforcement; Lien

(a) The Network Fee is mandatory to the extent provided in this Covenant; no Owner that is otherwise required to connect to the Network System may avoid the obligation for payment of the Network Fee through a claim of nonuse of the Network System or any other claim, excuse, or exception. The Network Fee shall be in addition to, and not in lieu of, any other fees or charges provided for under this Covenant.

The obligation to pay the Network Fee is separate and apart from any other fee provided for by this Covenant. No diminution, abatement, or set-off of the Network Fee shall be claimed or allowed for any alleged failure of the Founder or a Successor (as applicable during the period of their respective ownership of the Network System) for any reason, including but not limited a claimed failure to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from errors, mistakes, outages or interruptions, or from any other action it takes.

Failure of the Founder or a Successor to fix the amount of the Network Fee for any fiscal year or to deliver or mail each Owner a notice of the amount of the Network Fee shall not be deemed a waiver or modification of, or a release of any Owner from, the obligation to pay the Network Fee during such fiscal year. In such event, each Owner shall continue to pay the Network Fee on the same basis as during the prior fiscal year until a new Network Fee is levied, at which time the Founder or a Successor (as applicable during the period of their respective ownership of the Network System) may retroactively assess any shortfalls in collections.

(b) The Network Fee, together with interest (computed from its due date at a rate of ten percent per annum or such higher rate as the Founder or a Successor (as applicable during the period

of their respective ownership of the Network System) may establish, subject to the limitations of Washington law), late charges as determined by the Founder or a Successor, costs, and reasonable attorneys' fees, shall be a charge and continuing lien upon each property for which a Network Fee is payable. The Network Fee, together with interest, late charges, costs, and reasonable attorneys' fees, also shall be the personal obligation of the Owner and the tenant or other occupant as of the date the Network Fee was levied. Upon a transfer of title to any such property, the grantee shall be jointly and severally liable with its grantor for any Network Fee due at the time of conveyance. Each Owner, by accepting a deed or entering into a recorded agreement for sale for any portion of the Covenant Properties at Issaquah Highlands, is deemed to covenant and agree to pay the Network Fee, on the terms and subject to the conditions set forth in this Chapter. However, no first mortgagee that obtains title, directly or through an affiliate, by exercising the remedies provided in its mortgage, or any other Person purchasing at a foreclosure sale pursuant to a first mortgage, shall be liable for any unpaid Network Fee accrued prior to such acquisition of title.

(c) The Network Fee shall constitute a lien against the property against which it is levied from the time such Network Fee becomes delinquent until paid. The lien shall also secure payment of interest (subject to the limitations of Washington law), late charges, and costs of collection (including attorneys' fees, lien fees and administrative costs). Such lien shall be superior to all other liens, except those other liens deemed by Washington law to be superior, and, without limiting the generality of the foregoing, shall be superior to any lien asserted or held by any "**Neighborhood Association**" (as defined in the recorded Declaration of Covenants, Conditions, and Restrictions for Issaquah Highlands Residential Properties recorded under King County Recording No. 20120607000111). The Founder or a Successor (as applicable during the period of their respective ownership of the Network System) may enforce such lien, when any Network Fee is delinquent, by suit, judgment, and foreclosure. The Founder or a Successor (as applicable during the period of their respective ownership of the Network System) may bid for the relevant property at the foreclosure sale and acquire, hold, lease, mortgage, and convey such property. While a lot or parcel of real property is owned by the Founder or Council following such foreclosure: (i) no right to vote shall be exercised on behalf of such lot or parcel; and (ii) no Network Fee shall be levied on such lot or parcel. The Founder or a Successor (as applicable during the period of their respective ownership of the Network System) may sue for unpaid Network Fees without foreclosing or waiving the lien securing the same. The sale or transfer of any lot or parcel shall not affect the foregoing lien or relieve such lot or parcel from the lien for any subsequent Network Fee. However, the sale or transfer of any lot or parcel pursuant to foreclosure of a first mortgage shall extinguish the lien as to any installments of such Network Fees due prior to the mortgagee's foreclosure. The subsequent Owner of the foreclosed Unit or parcel shall not be personally liable for Network Fees on such Unit or parcel due prior to such acquisition of title.

(d) Subject to Governmental Regulations and Provider Contract provisions, the Founder or a Successor (as applicable during the period of their respective ownership of the Network System) may collect the Network Fee (directly or through any other Person designated by a Successor), or the Founder or a Successor (as applicable during the period of their respective ownership of the Network System) may cause a third party provider, manager, or operator of the Network System to collect the Network Fee (directly or through any other Person designated by such third party provider, manager, or operator).

(e) To the extent permitted under any applicable Governmental Regulations and any applicable Provider Contracts:

(i) In addition to any other action it may take, a Successor may act as the agent for the third party provider (including the Founder), manager, or operator of the Network System, for the purpose of collecting any unpaid Network Fee. In its capacity as an agent, a Successor may utilize all methods of enforcement available by law or contract to such third party provider, manager, or operator.

(ii) If any third party provider (including the Founder), manager, or operator seeks to collect unpaid fees on its own behalf, or engages the services of another Person for the purpose of collection, the Founder or a Successor (as applicable during the period of their respective ownership of the Network System) shall have the authority to assign its enforcement rights under this Covenant (including, but not limited to, its lien rights) to such third party provider (including the Founder), manager, operator, or such other agent.

6.6 Exemptions

(a) Notwithstanding any other provision of this Covenant, the City of Issaquah shall not be liable for any Network Fee on any property dedicated to and accepted by the City of Issaquah (“**Dedicated Property**”), and the City of Issaquah shall have no right or obligation to be connected to the Network System or any other component of the Network System, unless otherwise agreed between the City and the Founder or a Successor (as applicable during the period of their respective ownership of the Network System). Dedicated Property shall include, without limitation, such areas created by or dedicated in the form of deeds and easements, including perpetual easements, tract easements, and easements in favor of the City of Issaquah. If the Dedicated Property is connected to and using the Network System, then the City shall pay a fee as agreed between the City and the Founder or a Successor.

If only a portion of a lot or parcel of real property is dedicated as Dedicated Property, any Network Fee affecting the lot or parcel which arose prior to the dedication shall remain due and owing against the non-dedicated portion of the lot or parcel, and the lien shall remain in effect with respect to the undedicated portion of the lot or parcel but shall terminate with respect to the Dedicated Property. If the entire lot or parcel is Dedicated Property, any such unpaid Network Fee shall be deemed to be waived, and the lien shall terminate with respect to the entire lot or parcel.

(b) Notwithstanding any other provision of this Covenant, the Founder or a Successor (as applicable during the period of their respective ownership of the Network System) may in its discretion (without need for amendment to this Covenant) exempt any property of the following types listed in subsection (i), (ii), (iv), (v), and (vi) below from the obligation of (A) connecting to the Network System under Section 6.2 and, (B) payment of all or any portion of the Network Fee. The type of affordable housing listed in subsection (iii) is automatically exempt from the obligation of (A) connecting to the Network System, and (B) payment of all or any portion of the Network Fee (however the Network Fee shall be paid if the owner of the Property listed in (iii) elects to utilize the Network System).

(i) Property included in the Area of Council Responsibility pursuant to this Covenant, and property included in the "Area of Common Responsibility" pursuant to the Declarations;

(ii) Property owned by any Neighborhood Association for the common use and enjoyment of its members, or owned by the members of a Neighborhood Association as tenants-in-common;

(iii) Property owned by Persons qualifying for tax exempt status under Section 501(c) of the Internal Revenue Code, if and for so long as such property is used for purposes listed in Section 501(c), or any Property that is financially assisted under Section 42 of the Internal Revenue Code, only if and for so long as such Units qualify for Low Income Housing Tax Credits and are rent-restricted in accordance with the provisions of said Section 42;

(iv) or other Property used for affordable housing as approved by the Founder or Council (as applicable during the period of their respective ownership of the Network System);

(v) Property owned by a school district or other governmental or quasi-governmental entity (other than the City of Issaquah); and

(vi) Property containing commercial or retail uses where the Owner or one or more tenants has an exclusive or primary provider of internet access or data services that is substantially equivalent to the Network System services, or where the Founder or Council (as applicable during the period of their respective ownership of the Network System) determines in its sole discretion that certain commercial or retail Owners or tenants are to be exempt for business or competitive reasons.

Without limiting the generality of the foregoing, the Founder or a Successor (as applicable during the period of their respective ownership of the Network System) may charge the Owner of any such exempt property (or any other Person not otherwise liable for payment of the Network Fee) a separate fee for access to the Network System, if such Owner desires such access, which fee shall be in an amount to be agreed upon between the Founder or a Successor (as applicable during the period of their respective ownership of the Network System) and such Owner, and (except as otherwise agreed between the Founder or Council and such Owner), such fee shall otherwise be subject to the foregoing provisions concerning the Network Fee.

The Founder or Council (as applicable during the period of their respective ownership of the Network System) may issue a written determination to confirm the approval of any exemption above. The Founder and Council shall have the right to attach conditions to any exemption under subsection (i), (ii), (iv), (v), or (vi) above, which may require future connection to the Network System and payment of the Network Fee under this Article VI upon the occurrence of specified conditions or events. Further, Founder or Council (as applicable during the period of their respective ownership of the Network System) shall have the right to place a time limit on the period of any exemption under subsection (i), (ii), (iv), (v), or (vi) above, after which a connection to the Network System and payment of the Network Fee become mandatory under this Article VI.

IN WITNESS WHEREOF, the undersigned Founder has executed this amendment and restatement to the Covenant to continue to be effective from and after May 19, 2003.

FOUNDER:

GRAND-GLACIER LLC, as successor to GRAND RIDGE PARTNERSHIP (LIMITED PARTNERSHIP), and GLACIER RIDGE PARTNERSHIP (LIMITED PARTNERSHIP), both Washington limited partnerships

By: Port Blakely Communities, Inc., Manager

By: Tim Diller
Tim Diller, VP Asset Management

EXHIBITS:

- A Land Submitted to Covenant
- B Additional Property
- C Formula for Calculating Community Enhancement Fee

STATE OF WASHINGTON)
) ss
COUNTY OF KING)

On this 10th day of April, 2013 before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared TIM DILLER to me known to be the Vice President of Asset Management of Port Blakely Communities, Inc., the corporation which is Manager of Grand-Glacier LLC, the Washington limited liability company, that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation and company, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument.

Witness my hand and official seal hereto affixed the day and year first above written.



Lynette C Warner
NOTARY PUBLIC in and for the State of
Washington, residing at Kirkland
My Appointment Expires: 10-12-15
Printed Name: Lynette C Warner

EXHIBIT "A"

**LEGAL DESCRIPTION OF LAND COVERED BY COVENANT FOR COMMUNITY
FOR ISSAQUAH HIGHLANDS**

All property covered by the following recording numbers:

Covenant for Community for Issaquah Highlands, re-recorded under King County Recording No. 20030911002246, as Amended and Restated under King County Recording No. 20040204000499; and as amended by additional covenants as follows:

King County Recording No. 20030723000761;
King County Recording No. 20031121000403;
King County Recording No. 20040818002422;
King County Recording No. 20041026000310;
King County Recording No. 20041117000904;
King County Recording No. 20041201000518;
King County Recording No. 20050411000021;
King County Recording No. 20050601000447 and re-recorded under King County Recording No. 20060215000131;
King County Recording No. 20050922000304;
King County Recording No. 20051107000626;
King County Recording No. 20051114001844;
King County Recording No. 20060330000549;
King County Recording No. 20060619000249;
King County Recording No. 20061101000927;
King County Recording No. 20061107000718;
King County Recording No. 20061220001724;
King County Recording No. 20070719001712;
King County Recording No. 20070730001823;
King County Recording No. 20080918001614 and re-recorded under King County Recording No. 20080926000557;
King County Recording No. 20080926000558;
King County Recording No. 20081216000521;
King County Recording No. 20090227001959;
King County Recording No. 20090421000825;
King County Recording No. 20090821002105;
King County Recording No. 20091229002093;
King County Recording No. 20100805001280;
King County Recording No. 20110323001692;
King County Recording No. 20120308000906

IN ADDITION, this Covenant covers all property for which an "Issaquah Highlands Participation and Covenant" was recorded on that property and which expressly subjected said property to this Covenant.

EXHIBIT "B"

Additional Property

As provided in Section 5.2 of the Covenant, the Founder may record a Supplement to expand this Covenant to cover any additional lands, beyond the land described in Exhibit A, within the Issaquah Highlands Project. The Founder or the Council may also submit additional property to this Covenant by recording a "Highlands Council Participation and Covenant" or similar document on specific lots or parcels that is executed by a property owner who consents to join the Highlands Council and be subject to this Covenant.

For purposes of this Exhibit B and Section 5.2, the term "Issaquah Highlands Project" means any land governed by the Annexation and Development Agreement dated June 19, 1996, a memorandum of which is recorded under King County Recording No. 9606251228, as amended and expanded from time to time, and any additional expansion areas that adjoin or are located within 1 mile of the lands covered by the Development Agreement, as amended. Except for the land described in Exhibit A, this Covenant shall not be recorded against any other land within the Issaquah Highlands Project, and described in this Exhibit B unless and until a Supplement is recorded for such additional land.

EXHIBIT "C"

FORMULA FOR CALCULATING COMMUNITY ENHANCEMENT FEE

The Community Enhancement Fee shall be applied to all property that is subject to the Covenant. The fee shall differ depending on the use of the property. The Council is authorized to assign the designations described below to the property subject to the Covenant for the purpose of imposing the Community Enhancement Fee.

1. Nonresidential Property Designated as Retail/Commercial. Each nonresidential property owner, whose property has been designated as "commercial" or "retail," as provided in Paragraph 4 below, shall pay an annual Community Enhancement Fee of \$0.12 per square foot of building square feet within all structures on such owner's Parcel (as that term is defined in the Declaration of Covenants, Conditions, and Restrictions for Issaquah Highlands Commercial and Multi-Family Properties) rounded up to the next whole square foot. Such amount shall be adjusted annually by the increase, if any, in the annual rate of inflation as measured by the Consumer Price Index for All Urban Consumers for the immediately preceding twelve (12) month, however, in no event shall such adjusted fee be less than the Community Enhancement Fee payable for the twelve (12) month period immediately preceding the date of the adjustment. The Community Enhancement Fee for commercial and retail space shall commence upon the City of Issaquah's (a) issuance of a certificate of occupancy (whether temporary or permanent) or (b) if the City does not issue a certificate of occupancy for completion of a remodel or other type of construction, the City's final inspection or other approval of completion of construction. Commencement of the Community Enhancement Fee shall not be delayed for "punchlist" items.

2. All Other Nonresidential Property. Each nonresidential property owner, whose property has not been designated as "commercial" or "retail," as provided in Paragraph 4 below, shall pay an annual Community Enhancement Fee of \$50 per Unit (i.e., each apartment unit in a multi-family building).. Such amount shall be adjusted annually by the increase, if any, in the annual rate of inflation as measured by the Consumer Price Index for All Urban Consumers for the immediately preceding twelve (12) month period, however, in no event shall such adjusted fee be less than the Community Enhancement Fee payable for the twelve (12) month period immediately preceding the date of the adjustment. The Community Enhancement Fee for apartments shall commence upon the City of Issaquah's (a) issuance of a certificate of occupancy (whether temporary or permanent) or (b) if the City does not issue a certificate of occupancy for completion of a remodel or other type of construction, the City's final inspection or other approval of completion of construction. Commencement of the Community Enhancement Fee shall not be delayed for "punchlist" items.

3. Residential Property. Each residential property owner shall pay a Community Enhancement Fee that is based upon a sliding scale, which varies according to the gross selling price of the owner's property. The amount of any such fee shall be one quarter of one percent (.25%) of the gross sales price of the real property transferred, or in the case of a transfer other than a sale at fair market value, one quarter of one percent (.25%) of the appraised value of the real property being transferred, as determined by the local authority for real estate *ad valorem* tax purposes. For purposes of this paragraph, the phrase "gross sales price" means the total amount paid by the purchaser for the

real property, excluding customary closing costs. If a sliding scale is established for single family homes, then the homes located within the real property legally described on Exhibit A-1 shall be charged with the lowest percentage then being charged to other single family homes in Issaquah Highlands.

4. Determination of Property Designation. The Council shall have the authority and the discretion to designate the particular use of properties subject to the Covenant for the purpose of calculating the Community Enhancement Fee that will be imposed on the property subject to the Covenant. The Council may designate property as residential, nonresidential "retail" or "commercial" property, and all other nonresidential property. In the event that any dispute arises with regard to the designation of a particular Parcel or piece of property, the determination of the Council shall be final and binding.