

When Recorded Return To:

Washington State Department of Community,
Trade and Economic Development
Housing Trust Fund
906 Columbia Street Southwest
Post Office Box 42525
Olympia, Washington 98504-2525

Attention: Deanna Tabor; (360) 725-2976

SCR 26346

**LOW INCOME HOUSING COVENANT AGREEMENT
(Rock Creek Terrace)**

Grantor (Borrower): Mercy Properties Washington I, LLC
Grantee (Lender): Department of Community, Trade and Economic Development
Assessor's Tax Parcel ID#: 02-07-01-1-0-0801-00
11-30-04
alm (501 SW Rock Creek Drive, Stevenson, WA)
Legal Description (abbreviated): Sec. 1, T2N, R7E
Contract Number: 05-49300-011

This Low Income Housing Covenant Agreement (the "Covenant") is made by Mercy Properties Washington I, LLC, a Washington limited liability company, whose sole member is Mercy Properties Washington II ("Grantor"), and is part of the consideration for the financial assistance provided by the Department of Community, Trade and Economic Development, a department of the state of Washington ("Department"), to Mercy Properties Washington II, a Washington nonprofit corporation, pursuant to a Housing Trust Fund Agreement, Contract Number 05-49300-011 (the "Contract"), for the acquisition and rehabilitation of real property ("Property") legally described on Exhibit A attached hereto (the "Property").

This Covenant will be filed and recorded in the official public land records of Skamania County, Washington and shall constitute a restriction upon the use of the property described herein, subject to and in accordance with the terms of this Covenant, for forty (40) years beginning November 1, 2006 and ending October 31, 2046.

The covenants contained herein are to be taken and construed as covenants running with the land and shall pass to and be binding upon the Grantor, his successors and assigns heirs, grantees, or lessees of the Property, beginning November 1, 2006 and ending October 31, 2046. Each and every contract, deed or other instrument covering or conveying the Property, or any portion thereof, shall be conclusively held to have been executed, delivered and accepted subject to such covenants, regardless of whether such covenants are set forth in such contract, deed, or other instruments.

NOW, THEREFORE, it is hereby covenanted, for the forty (40) years commencing November 1, 2006 and terminating October 31, 2046, as follows:

1. The residential units in the Property will be rented to households who at the time of initial occupancy have gross annual household incomes at or below eighty percent (80%) median income, with preference given to

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income-level priorities as identified in USDA regulations, for Skamania County, Washington, adjusted for family size, as estimated from time to time by the United States Department of Housing and Urban Development ("HUD"). If HUD ceases to provide such estimates of median income, then median income shall mean such comparable figure for Skamania County, Washington published or reported by a federal, state, or local agency as the Department shall select. Rents shall be adjusted for family size and are less the monthly allowance for customary utilities and services (excluding telephone, cable television and other telecommunications), to be paid by tenant.

2. The Grantor will provide safe and sanitary housing, and will comply with all state and local housing codes, licensing requirements, and other requirements regarding the condition of the structure and the operation of the project in the jurisdiction in which the housing is located.

3. The Grantor will keep any records and make any reports relating to compliance with this covenant that the Department may reasonably require.

4. DEFAULT: If a violation of this Covenant occurs, the Department may, after thirty days notice to the Grantor, institute and prosecute any proceeding at law or equity to abate, default the loan, prevent, or enjoin any such violation or to compel specific performance by the Grantor of its obligations hereunder; provided that, the Grantor shall not be required by any provision herein to evict a residential tenant. No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage, or waive the right of any party entitled to enforce the provisions hereof or to obtain relief against or recover for the continuation or repetition of such breach or violations or any similar breach or violation hereof at any later time.

IN WITNESS HEREOF, Mercy Properties Washington I, LLC has executed this Covenant on the 19th day of November, 2004.

Mercy Properties Washington I, LLC,
a Washington limited liability company

By: Mercy Properties Washington II,
Its Sole Member

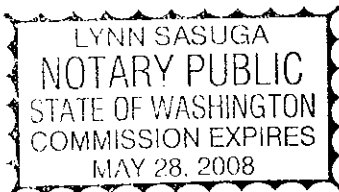
By: Patricia O'Roark
Print Name: Patricia O'Roark
Title: VP

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Patricia O'Rearke is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the Vice President of Mercy Properties Washington II, the sole member of Mercy Properties Washington I, LLC, a Washington limited liability company, to be the free and voluntary act and deed of such corporation for the uses and purposes mentioned in the instrument.

Date: November 18, 2004

(seal or stamp)



[Signature]
Notary Public in and for the State of Washington,
residing at Remton, WA

My commission expires 5/28/08
Lynn Sasuga
Print Name

Exhibit "A"

A tract of land located in Section 1, Township 2 North, Range 7 East of the Willamette Meridian, in the county of Skamania, State of Washington, described as follows:
Beginning at a point on the North line of said Section 1, which is 804.5 feet West of the intersection of said North line with the West line of the H. Shepard D.L. C.; thence South $00^{\circ}50'54''$ West parallel with the West line of the said Shepard D.L.C., 34.00 feet to the South right of way line of Vancouver Avenue and the True Point of Beginning; thence North $88^{\circ}56'55''$ West 172.73 feet to a brass screw set in curb; thence South $01^{\circ}33'03''$ West 227.60 feet; thence North $82^{\circ}48'05''$ West 162.97 feet, more or less, to the East right of way line of Second Avenue; thence Southeasterly along said East line to a point which bears South $00^{\circ}50'54''$ West from the True Point of Beginning; thence North $00^{\circ}50'54''$ East parallel with the West line of Shepard D.L.C., 499.56 feet to the True Point of Beginning.

Gary H. Martin, Skamania County Assessor

Date 11-30-04 Parcel # 2-7-1-1-801

G.H.M.