

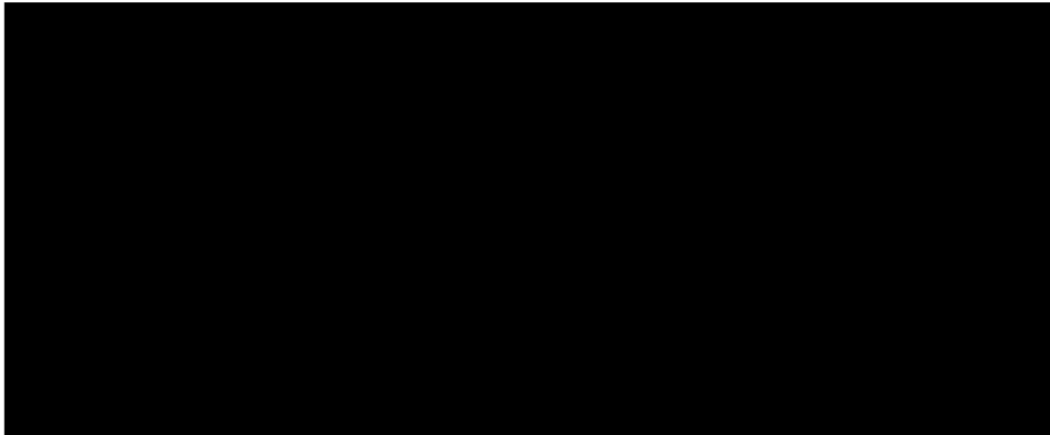
**LOAN DEFICIENCY
SETTLEMENT AGREEMENT**

1-800-603-3525

The parties to this Settlement Agreement ("Agreement") are KITSAP CREDIT UNION, a Washington Corporation ("KCU"); and [REDACTED] a married couple ([REDACTED]). This Agreement relates to real property commonly known as [REDACTED] Bainbridge Island, WA 98110 ("the Property").

RECITALS

A. KCU is lender, and [REDACTED] are borrowers, to a Balloon Note dated June 25, 2007 in the principal sum of \$1,912,500. Said Balloon Note is secured by a Deed of Trust dated June 25, 2007 recorded under Recorder's No. [REDACTED] of Kitsap County, Washington, which Deed of Trust encumbers the Property, said Property being legally described as follows:



SITUATE IN THE CITY OF BAINBRIDGE ISLAND, COUNTY OF KITSAP,
STATE OF WASHINGTON.

B. [REDACTED] have defaulted under the Balloon Note and Deed of Trust by failing to pay sums due for the months of June, July, August, September, October and November 2011, in the sum of \$13,465.73 each; total past due payment: \$80,794.38, plus late charges in the sum of \$2,996.64, for a total delinquent balance in the sum of \$83,791.02 through November 3, 2011. The total balance owing on the Balloon Note is \$1,933,696.15 as of November 7, 2011 (exclusive of legal expenses).

C. On October 4, 2011 a Notice of Default was issued to [REDACTED] pursuant to RCW 61.24 et seq as a result of the default specified above.

D. As an alternative to nonjudicial foreclosure proceedings pursuant to RCW 61.24 et seq, the parties have determined that it is in their mutual benefit to enter into this Agreement, together with a Promissory Note of even date herewith.

NOW, THEREFORE, in consideration of the mutual covenants and benefits to the parties hereto, it is hereby agreed as follows:

1. Short Sale of the Property. The parties agree to a short sale by [REDACTED] as sellers to buyers [REDACTED] in the sum of One Million Four Hundred Fifty Thousand Dollars (\$1,450,000.00), offset by total sales commissions not exceeding five percent (5%) of the purchase amount, and further subject to KCU's approval of the HUD-1 Settlement Statement, whereby KCU shall reconvey the Deed of Trust securing the Property upon receipt of sale proceeds totaling One Million Three Hundred Twenty Four Thousand Two Hundred Eighty Six Dollars and Fifty Six Cents (\$1,324,286.56). Closing must occur no later than December 22, 2011. In the event closing does not timely occur, this Agreement is automatically terminated and KCU may pursue all rights under the Deed of Trust. Pehlings shall receive no net proceeds from the short sale.

2. Settlement of Deficiency Balance and Payment. Following KCU's receipt of sale proceeds, the parties agree to settle the balance due under the Balloon Note for One Hundred Fifty Thousand Dollars (\$150,000.00). Said sum shall be payable subject to the following terms: (1) [REDACTED] shall pay Seventy Five Thousand Dollars (\$75,000.00) to KCU upon the closing of the sale of the Property; (2) [REDACTED] shall execute a Promissory Note of even date herewith in the amount of Seventy Five Thousand Dollars (\$75,000.00), payable over three (3) years in equal monthly installments beginning January 1, 2012, with interest accruing at five percent (5%). The required monthly payment due under the Promissory Note shall be no less than Two Thousand Two Hundred Forty Seven Dollars and Eighty Two Cents (\$2,247.82). The Promissory Note shall be secured by a UCC-1 financing statement covering all account receivables of [REDACTED] which is presently known as [REDACTED] and regardless of any subsequent name changes of said dental practice.

3. Discontinuance of Nonjudicial Foreclosure. Upon receipt of sale proceeds at closing, KCU will discontinue its nonjudicial foreclosure proceedings by release and reconveyance of the Deed of Trust securing the Property. In the event closing does not timely occur, KCU may proceed with nonjudicial foreclosure proceedings and shall have all rights and remedies afforded it under the Deed of Trust.

4. Subsequent Attorneys' Fees and Costs. In the event that any party hereto should bring any action or other proceedings against any other party hereto, contesting the validity of this Agreement or attempting to rescind, negate, modify, or reform this Agreement, any of the terms or provisions hereof, or any of the matters referred to herein, such party shall pay to the other party or parties all of the other party's or parties' attorneys' fees incurred therein, including any and all appeals or petitions therefrom.

In the event that any action or other proceeding is instituted to remedy, prevent, or obtain relief from a breach of this Agreement, or arising out of a breach of this Agreement, the prevailing party or parties shall recover all of such party's costs and attorneys' fees incurred in each and every such action, suit or other proceeding, including any and all appeals or petitions therefrom.

5. Integration and Amendment. This Agreement constitutes a single, integrated written contract expressing the entire agreement of the parties hereto relative to the subject matter hereof. No covenants, agreements, representations, or warranties of any kind whatsoever have been made by any party hereto, except as specifically set forth in this Agreement. All prior discussion and negotiations have been and are merged and integrated into, and are superseded by this Agreement. This Agreement may be amended only by written document.

6. Severability. In the event that any provision of this Agreement should be held to be void, voidable or unenforceable, the remaining portions hereof shall remain in full force and effect.

7. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. Facsimile signatures, or electronically-scanned images of physical ("pen-and-ink") signatures, on counterparts of this Agreement are hereby accepted and acknowledged as though they were originals.

8. Survival of Representations and Warranties. The warranties and representations of this Agreement are deemed to survive the closing hereof.

IN WITNESS WHEREOF, the parties hereto have approved and executed this Agreement on the dates set forth opposite their respective signatures. This Agreement shall take effect on the last of the dates on which this Agreement is executed by the parties.

KITSAP CREDIT UNION

Dated: _____

By: _____
[Redacted Signature]
Loan Servicing Manager

Dated: _____

[Redacted Signature]

Dated: _____

[Redacted Signature]