

Date: November 21, 2007  
To: AWPHD Members  
From: Dick Goldsmith, Director of Legal Services and Public Policy, AWPHD  
Subject: Employee-Student Financial Assistance

In 2001, the law firm of Foster Pepper prepared a series of documents for AWPHD so that members could establish a program to provide financial assistance for health care education to current employees and students who become employees. Since that time, Internal Revenue Code ("IRC") Section 127 and RCW 70.44.060 have been revised. Enclosed with this memo are the following documents, which reflect these changes:

- **The Education Assistance Policy**

To implement an employee-student education assistance program, a district must adopt the education assistance policy and follow its terms.

Districts are not required to obtain approval from the Internal Revenue Service (IRS) before implementing the program. However, a district must maintain the records necessary for the IRS to determine if the program meets the requirements of an education assistance program under IRC Section 127. Such information should include the type of expenses reimbursed; the names and job titles, if applicable, of the employees and students who participate in the plan; and the method of providing notice of the availability and terms of the program to the district's employees.

- **Memorandum**

Brad Berg and Jim Fredman of the Seattle law firm of Foster Pepper have written a legal memorandum that discusses the use of Exhibits A-G and their attachments (also enclosed).

- **Exhibits A and B--The Financial Assistance Agreements**

Under an employer-sponsored education program that complies with IRC Section 127, an individual who enters into an agreement with a public hospital district may exclude up to \$5,250 of the education expenses paid or incurred by the district from her/his gross income. Because it is not treated as gross income, the \$5,250 is not subject to federal income tax. Districts may pay for education expenses beyond \$5,250, but those additional funds may be treated as gross income and may be taxable.

Employees of a district participating in the program should complete the “Health Care Student Financial Assistance Agreement [Current Employees]” (Exhibit A) and students who have not yet worked for the district should complete the “Health Care Student Financial Assistance Agreement [Current Students]” (Exhibit B).

- **Exhibit C, Attachments 1 and 2 – The Promissory Note**

Both current employees and students who will become employees should complete the promissory note and its attachments.

- **Exhibits D, E, F and G – Federal Truth In Lending Act Disclosures**

A district that implements the program may be subject to the Federal Truth in Lending Act (Act), which generally requires any person who regularly extends consumer credit to make certain disclosures to the borrower. Public hospital districts are prohibited from making loan. However, RCW 70.44.060(10) allows a district to make contracts with current or prospective employees and physicians or other health care practitioners for the payment or reimbursement by the district of health care training or education expenses; this includes, but is not limited to, debt obligations. In return, they must agree to provide services beneficial to the district. Consequently, a district may have to comply with the Act.

**EMPLOYEE-STUDENT EDUCATION ASSISTANCE POLICY**  
**Effective [INSERT DATE] \_\_\_\_\_**

**A. Policy.** Pursuant to the Employee-Student Education Assistance Policy (the “Policy”) of \_\_\_\_\_ County Public Hospital District No. \_\_\_\_ (the “District”), the District may provide financial assistance, as described below, to certain employees and students to pursue degrees and certification in certain health care fields through participation in formal health care education programs. The District may fully or partially fund the cost of obtaining these degrees and certifications through this Policy. The general procedures and conditions relating to the Policy are set forth below. The District is authorized under RCW 70.44.060(10) to offer this assistance in return for an employee’s or student’s agreement to provide services beneficial to the District.

**B. Assistance.** The District may in its sole discretion provide financial assistance to employees and students who satisfy the qualifications set forth in this Policy. The financial assistance will be in the form of a loan and the payments due under the loan may be forgiven in accordance with this Policy and any agreements executed by the employee or student.

**C. Term of Policy.** This Policy will be effective for all education expenses incurred after \_\_\_\_\_ and until this Policy is terminated or amended by the District. Notwithstanding any other provision of this Policy, the District may repeal or amend this policy at any time at its sole discretion.

**D. Eligibility.** For an employee to be eligible for assistance, he/she must be a current full-time employee; part-time employee; retired, disabled or laid-off employee; or an employee on leave enrolled in a health care education program described below. If an employee is a member of a collective bargaining unit, the employee shall be eligible for assistance under this Policy only if not prohibited by the applicable collective bargaining agreement and all aspects of this Policy shall be implemented consistent with any limitations expressly set forth in such collective bargaining agreement. For a student to be eligible for assistance, he/she must be enrolled in a health care education program described below.

**E. Areas of Study That Qualify for Education Assistance.**

1. Approved Courses of Study. The District will provide financial assistance for courses taken at an approved institution that are part of a curriculum necessary to obtain one of the degrees listed below (the “Program”) and such other health care-related degrees as may be approved by the District on an individual basis. Program courses need not be related to the employee’s current position but the Program courses must lead to a degree and/or certification.

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2. Approved Institutions. Program courses must be offered for credit at accredited schools, colleges, universities, or professional institutions.

**F. Education Period—Employees.** With the prior approval of the employee’s supervisor, an employee will be allowed to take Program courses during the employee’s normally scheduled working hours, but any reduction in hours worked shall cause the employee’s salary and benefits to be reduced in accordance with District policy.

**G. Education Expenses—Employees and Students.**

1. Covered Expenses. The District will provide financial assistance for education-related expenses, including but not limited to tuition, fees and similar payments, books, supplies and equipment and other costs approved by the District.

2. Non-Covered Expenses. The District will not provide financial assistance for the following: (a) expenses incurred after the completion of the Program or for meals, lodging, or transportation; (b) any Program course or education involving sports, games or hobbies; (c) any graduate level course that began prior to December 31, 2001; (d) expenses covered by some other source, such as a scholarship; or (e) tools and supplies that the employee or student would be expected to keep after completion of the course.

**H. Conditions for Payment.**

1. Financial Assistance Agreement. The employee or student must execute a Health Care Student Financial Assistance Agreement (“Financial Assistance Agreement”) in the form provided by the District and comply with the provisions contained therein before the District will advance any funds under this Policy.

2. Minimum Grade. The employee or student must maintain a minimum cumulative grade point average of 3.0 on a 4.0 scale and must not receive a grade that is lower than a 2.0 from the approved institution.

3. Graduation/Certification. The employee or student must obtain a valid certification or degree from the approved Program.

4. Verification of Grades and Expenses. The employee or student must submit appropriate documentation of all education expenses for which he/she is seeking reimbursement from the District. The request for education assistance must also include verification of grades.

5. Payment of Expenses. All other requirements and conditions for payment of education expenses will be governed by the Financial Assistance Agreement.

6. Failure to Maintain Conditions for Payment. Failure to comply with all conditions of eligibility and payment may result in loss of eligibility for future reimbursement of expenses and the obligation to immediately repay all amounts previously advanced by the District. These consequences shall be identified in the Financial Assistance Agreement.

**I. Debt Forgiveness.** An employee or student may be entitled to forgiveness of the amounts advanced to cover education expenses. Such forgiveness will be governed by the Financial Assistance Agreement and will require that he/she maintain employment with the District for a specified period upon completion of the Program.

**J. Taxability of Benefits.** The District intends that this Policy shall comply with Internal Revenue Code (“IRC”) Section 127. To the extent this Policy complies with IRC Section 127, expenses covered by the District pursuant to this Policy up to the statutory cap (which is currently \$5,250 per annum) will not be taxable. All amounts provided in excess of the statutory cap and forgiven pursuant to the Financial Assistance Agreement may be taxable.

**K. Tax Withholding.** If the District determines that the funds advanced by the District pursuant to this Policy are taxable, the District will withhold applicable federal, state, and Social Security taxes from the employee’s compensation. Taxable benefits for an employee will be reported as part of annual income on his/her W-2 statement. Tax withholding should generally occur in the year that any debt forgiveness occurs. Taxable benefits provided to a student will be reported on a 1099.

**L. Application and Approval Procedure.**

1. An application for financial assistance must be made in advance of enrollment in the Program for which the employee or student is requesting assistance. A standardized form available at \_\_\_\_\_ [INSERT DEPARTMENT NAME] is to be used. This form will require information about the Program he/she is planning to follow, an itemized budget showing the total cost and requested amount for each semester/trimester, and a supporting statement from an employee’s supervisor.

2. All requests will be processed through the \_\_\_\_\_ Department [INSERT DEPARTMENT NAME], which will be responsible for developing a budget, maintaining records, recommending updates in the Policy, and final approval of payment.

3. The employee or student must receive the approval of \_\_\_\_\_ before any assistance will be provided.

**M. Other Agreements.** At the District’s sole discretion, the District may elect to advance funds outside this Policy and in excess of the amount designated by IRC Section 127.

Except as otherwise provided in this Policy, the policies and procedures of the District will continue to apply to employee’s employment.

## Memorandum

To: Members of the Association of Washington Public Hospital Districts

From: Brad Berg and Jim Fredman

Date: November 21, 2007

Subject: Federal Disclosure Requirements for Student Loan Assistance Program

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Many public hospital districts have expressed an interest in offering financial assistance to current employees or students who are enrolled in or wish to enroll in a health care education program offered by an accredited educational institution which is not affiliated with the district. This assistance, in most cases, will be provided through each district's health care student financial assistance program (the "Program") and employee-student education policy (the "Policy"). Each person who receives financial assistance (the "Loan") through the Program must sign a health care student financial assistance agreement (the "Agreement") in the form attached as Exhibit A or B, as applicable, and a note (the "Note") in the form attached as Exhibit C hereto, evidencing her/his obligation to repay any funds advanced by the district (the "Debt"). The Debt will be for the amount of the initial advance and each additional advance will be added to the existing Debt and a new balance and interest rate will be determined when each additional advance is made. The Debt must be repaid immediately if the employee or student leaves the education program prior to graduation. If the employee or student graduates, the Debt must be repaid on a monthly basis but the district will forgive the monthly payment for each month that she/he remains employed by the district in a capacity appropriate to the her/his new qualifications. The Debt is unsecured and the agreements do not require co-signers.

The Program contains features that may subject the district to the provisions of the federal Truth in Lending Act (the "Act") and to federal and local anti-discrimination laws. The purpose of this memorandum is to inform the districts when they are subject to the Act and of their disclosure obligations under the Act. Attached hereto are exhibits containing sample forms and statements for use by the districts. Although we have attempted to cover most of the applicable requirements, the districts should seek advice of legal counsel on specific matters not discussed or explained in this memorandum. The districts should also seek review by legal counsel of any printed materials to be sent by the district to the employee or student borrowers that are not in the form attached to this memorandum.

### **I. Truth in Lending Act**

The Act and Federal Reserve Board Regulation Z (Code of Federal Regulations (CFR) Title 12, Part 226) create certain disclosure obligations for individuals who regularly extend consumer credit.

## **A. To Whom Does the Act Apply?**

The Act applies to each individual or business that: (i) offers or extends “consumer credit” as defined by the applicable regulations; (ii) when the offering or extension of credit is done regularly; and (iii) when the credit is subject to a finance charge or is subject to a written agreement and payable in more than four installments. CFR Title 12, Section 226.2(a)(17).

“Consumer credit” means credit offered or extended to a consumer primarily for personal, family or household purposes. CFR Title 12, Section 226.2(a)(12). Although Regulation Z does not define “personal” use, the Loan will be treated by the IRS as personal income to the employee or student, and will likely be deemed for personal use. “Credit” means the right to defer payment of a debt. CFR Title 12, Section 226.2(14). Applying these definitions, the Loan would likely be considered consumer credit, as would any credit extended for purposes of payments for education expenses. Credit extended for purposes of personal health care services is also likely to be considered consumer credit. As a result, many instances where a patient is allowed to defer payment for health care services provided by a district would qualify as consumer credit. Other examples of consumer credit that a district must consider to determine if it regularly extends consumer credit might include other loans to employees that satisfy the above requirements and recruitment assistance provided directly to a physician rather than a professional corporation or group practice.

The Act will apply to a district, however, only if the district regularly extends consumer credit. A district regularly extends consumer credit only if it extended consumer credit more than 25 times in the preceding calendar year. CFR Title 12, Section 226.2, Footnote 3. If the district does not meet this numerical standard in the preceding calendar year, the numerical standard will be applied to the current calendar year. This means that the Act will apply to a district on the 26<sup>th</sup> time that the district extends consumer credit during a calendar year and to all subsequent consumer credit extended during that and the immediately following calendar year.

When calculating whether the district has extended consumer credit more than 25 times, only credit that is subject to (1) a finance charge or (2) is subject to a written agreement and payable in more than four installments should be counted. The Loans are subject to a finance charge, as defined below. Therefore, the Loans must be counted to determine if the district regularly extends credit. In addition, the Loans are subject to a written agreement and require, in most instances, payments in more than four installments. Therefore, even if a Loan were interest-free it would be counted to determine if the district regularly extends credit.

Also, if the district extends other credit—for example, enters into a written agreement with a patient for payment of the patient’s account and more than four payments will be made, regardless of whether interest is charged—such extensions of credit must be counted. Another example would be allowing a patient to pay his or her account over a period of time and charging a finance charge, even if there is no written agreement or the written agreement calls for four or fewer installments. This would not, however, include instances where interest is imposed only as the result of an unexpected late payment. CFR Title 12, Section 226.4(c)(2).

## **B. Disclosure Requirements.**

If a district regularly extends consumer credit, it is required to comply with certain disclosure requirements set forth in Regulation Z. All disclosures must be made clearly and conspicuously in writing, in a form that can be kept by the employees or students to whom credit is offered or extended. The information disclosed must be grouped together, separate from any other information provided to them, and contain only information directly related to the disclosures required under Regulation Z. Further, the terms “finance charge” and “annual percentage rate,” when disclosed with a corresponding amount or percentage rate and the creditor’s identity, must be more conspicuous than any other disclosure.

### **1. Initial Disclosures.**

Regulation Z allows a district to make limited initial disclosures if the Loans qualify as interim student credit extensions. Interim student credit extensions are government or private student credit plans involving extensions of credit for education purposes where the repayment amount and schedule are not known at the time the credit is advanced, and the repayment period does not begin immediately. The Loans have been structured to qualify as interim student credit extensions.

A district must make the disclosures set forth below (the “Initial Disclosures) before the execution of the Note and each time additional funds are advanced under the Note. The Initial Disclosures must be grouped together and must include the following information:

- a. Creditor. The district.
- b. Amount Financed. The amount financed, using the statement: “Amount Financed, which is the amount of credit provided to you, shall be \$\_\_\_\_\_.” Generally, the amount financed is calculated by (i) determining the principal loan amount, (ii) adding any other amounts that are financed by the district and are not part of the finance charge, and (iii) subtracting the prepaid finance charges, if any. We do not contemplate that there will be any prepaid finance charges. The Amount Financed will be updated each time a new advance is made.
- c. Annual Percentage Rate. The APR, using the statement: “Annual Percentage Rate, which is the cost of your credit as a yearly rate, shall be \$\_\_\_\_\_.” We contemplate that only simple interest will be charged and therefore, the APR will be the interest calculated on an annual basis. The APR will be updated each time a new advance is made.
- d. Prepayment. A statement that no penalty will be imposed if the Loan is prepaid in full, and that the employee or student will not be entitled to a rebate of any finance charge if the Loan is prepaid in full.
- e. Late Payment. For each Loan, the dollar or percentage charge that will be imposed on a late payment.

f. Loan Agreement. A statement that the employee or student should refer to the Agreement and the Note for information regarding other Loan conditions and policies.

A sample form of Initial Disclosure is attached to this memorandum as Exhibit D. Additionally, the Initial Disclosures must include an itemization of the amount financed for each Loan. A district may provide an itemization of the amount financed in a separate box or separate writing that includes the following:

- (1) The amount of any proceeds distributed directly to the employee or student;
- (2) The amount credited to the employee's or student's account with the district;
- (3) Any amounts paid to other persons by the district on an employee's or student's behalf, including identification of those persons; and
- (4) The prepaid finance charge, if any.

A form itemization for the amount financed is attached as Exhibit E.

Alternatively, a district may provide the employee or student with a statement that he/she has the right to receive a written itemization of the amount financed, with a space for him/her to indicate whether or not he/she wishes to obtain a written itemization. This statement is currently provided on Exhibit D. If the employee or student wishes to receive an itemization, the itemization must contain the required disclosures set forth in the above paragraph for the amount financed.

When an employee or student has completed his/her education, the district should calculate the repayment schedule in conformance with the Agreement. Creating the repayment schedule is a new transaction that triggers new initial disclosures obligations. The new disclosure must contain all the required initial disclosures set forth above plus the following:

- (1) Finance Charge. The finance charge, using the statement: "Finance Charge, which is the dollar amount that the Loan will cost you, shall be \$\_\_\_\_\_." This amount will equal the total interest paid under the Note.
- (2) Repayment Schedule. The number, amounts, and timing of payments scheduled to repay the Note must be specified.
- (3) Total Amount of Payments. The total amount of payments, using the statement: "The total of payments, which is the amount you will have paid when you have made all scheduled payments, shall be \$\_\_\_\_\_."

Disclosure form set forth on Exhibit D when the repayment schedule is calculated and complete the sections for Finance Charge, Total Payments and Payment Schedule.

## **2. Subsequent Disclosures.**

If a disclosure becomes inaccurate after the date that the Note is executed, new disclosures may be required. The district should consult legal counsel regarding the proper procedure for correcting the disclosure.

## **II. Equal Credit Opportunity**

Federal Reserve Board Regulation B (CFR Title12, Part 202) implements the Federal Equal Credit Opportunity Act. Washington State has similar regulations which impose essentially the same requirements on persons who provide credit to Washington citizens. Compliance with the Regulation B requirements will ensure compliance with the Washington State requirements.

Regulation B prohibits creditors from denying credit to any credit applicant on account of race, color, religion, national origin, gender, age, receipt of public assistance, marital status, use of a birth or given name, a surname, spouse's surname or a combined surname. Special rules also apply to creditors' evaluation of credit applications and use of information contained in credit applications.

Regulation B generally applies to districts because Regulation B defines "creditor" as any person who, in the ordinary course of business, regularly participates in the decision of whether or not to extend credit. Each employee or student who requests to participate in the Program is applying for credit. Patients who request to defer payment on their accounts may also be applying for credit. Unlike Regulation Z, there is no requirement that a district make credit decisions more than 25 times during a calendar year before Regulation B applies.

Under Regulation B, a creditor generally may not require information from a credit applicant on the applicant's gender, matters related to childbearing, race, color, religion, national origin, and whether the applicant derives his or her income from alimony, child support or separate maintenance. Required disclosure of marital status by the applicant is generally prohibited, but a district may make such requests if the applicants are residents of Washington because Washington is a community property state. However, a district should not require a spouse to sign the Loan documents except in limited circumstances and only after the matter has been discussed with legal counsel.

Due to the requirements of Regulation B, each district should create a standard application for all students seeking a Loan from the district. The district should request the same information from all applicants.

Under Regulation B, a district must also notify each credit applicant as to the approval or denial of credit within 30 days of receipt of a Loan application. If a Loan application is not approved or any other adverse action is taken on the application, a district must provide the applicant a written notification containing (i) a statement of the action taken, (ii) the name and address of the district, (iii) a statement of the provisions of Section 701(a) of the Consumer

Credit Protection Act, (iv) the name and address of the northwest regional office of the Federal Trade Commission, which is the federal agency that oversees legal compliance by creditors such as the district, and (v) either (a) a statement of specific reasons for denial of credit or the action taken (the “Statement”), or (b) a disclosure of the applicant’s right to a Statement of specific reasons within 30 days if the applicant makes a request for a Statement within 60 days of the creditor’s notification (because of the risk of errors, we recommend always giving the reasons for denial up front). A form a district can use to provide notification of adverse action is attached hereto as Exhibit F.

Regulation B contains additional disclosure and notice requirements in the event that an application is incomplete. A form for notifying an applicant of an incomplete application is attached hereto as Exhibit G.

Additionally, county ordinances may prohibit discrimination on grounds beyond those covered by Regulation B. For example, Title 12, Chapter 12.22 of the King County Code (“Discrimination in Places of Public Accommodation”) may prohibit denial of credit based on religion, parental status, sexual orientation, and mental or physical disabilities. If a district approves a Loan to anyone who is not a resident of the state of Washington, the state and local anti-discrimination laws where such applicant resides could also apply. A district should consult with legal counsel on any questions related to additional disclosures and local laws.

### **III. Record Keeping Requirements**

A district is required to retain evidence of compliance with the Regulation Z disclosure requirements for a period of two years after the date the disclosures are required to be made.

A district is required under Regulation B to retain for 25 months after the date that it notifies an applicant of action taken on a loan application or of incompleteness of an application either the original or a copy of:

- (1) any application that it receives, any information required to be obtained concerning characteristics of the applicant to monitor compliance with the Consumer Credit Protection Act and Regulation B or other similar law, and any other written or recorded information used in evaluating the application and not returned to the applicant at the applicant’s request;
- (2) a copy of the following documents if furnished to the applicant in written form (or, if furnished orally, any notation or memorandum made by the district):
  - (a) the notification of action taken, and
  - (b) the statement of specific reasons for adverse action;
- (3) any written statement submitted by the applicant alleging a violation of the Consumer Credit Protection Act or Regulation B.

Please be aware also that a district is required to retain additional records if adverse action is taken on any existing account.

**EXHIBIT A**

**HEALTH CARE STUDENT FINANCIAL ASSISTANCE AGREEMENT  
[CURRENT EMPLOYEES]**

This Health Care Student Financial Assistance Agreement (the "Agreement") is made and entered into as of \_\_\_\_\_, 200\_\_, by and between \_\_\_\_\_ County Public Hospital District No. \_\_\_\_\_, a Washington Public Hospital District (the "District"), and \_\_\_\_\_ (the "Student"), an individual.

RECITALS

- A. The District owns and operates \_\_\_\_\_ (the "Facility").
- B. The District provides necessary health services to the residents of the District and to other persons.
- C. The Student is currently employed by the District as \_\_\_\_\_.
- D. The Student is enrolled in the \_\_\_\_\_ program (the "Program") at \_\_\_\_\_ **[SPECIFY APPLICABLE INSTITUTION]** (the "School") and intends to obtain a \_\_\_\_\_ degree in \_\_\_\_\_ from the School and to meet such other qualifications necessary for the Student to become a \_\_\_\_\_ **[SPECIFY TYPE OF PROVIDER]** ("Provider").
- E. The number of Providers practicing within the District is not sufficient to meet the health needs of persons residing within the District and other persons served by the District.
- F. The District is authorized under RCW 70.44.060 to enter into contractual relationships with current or prospective employees, physicians, or other health care practitioners providing for the payment or reimbursement by the District of health care training or education expenses, including but not limited to debt obligations, incurred by current or prospective employees, physicians, or other health care practitioners in return for their agreement to provide services beneficial to the District.
- G. It is in the best interest of the District to enter into contractual relationships with qualified students enrolled in the Program upon such terms and conditions as will assist District in meeting its health care mission and responsibilities.
- H. The District provides limited financial assistance to employees who are enrolled in the Program and who agree to continue to work for the District upon graduation from the Program.
- I. The Student seeks financial assistance from the District and agrees to work for the District as a Provider at the Facility upon successful completion of the Program and satisfaction of any other requirements necessary to become a Provider.

NOW, THEREFORE, in consideration of the mutual benefits to be derived, and all the terms, conditions and covenants hereafter set forth, the parties agree as follows:

**AGREEMENT**

1. **TERM.** This Agreement shall begin on \_\_\_\_\_, 200\_\_ (the “Commencement Date”), and, unless earlier terminated, shall terminate upon repayment by the Student of all amounts advanced by District pursuant to this Agreement (the “Term”).

2. **THE STUDENT’S OBLIGATIONS.** Beginning on the Commencement Date, and through the remaining Term, the Student shall have the following obligations:

2.1 **Qualifications.**

2.1.1 **During School.** The Student shall ensure that he/she (a) is enrolled in the Program at the School on a **[full/part]**-time basis; (b) maintains a minimum cumulative grade point average of 3.0 on a 4.0 scale; (c) receives no grade that is lower than a 2.0 from the School; and (d) is in compliance with all qualifications for admission and continued enrollment in the Program.

2.1.2 **Graduation.** The Student shall graduate from the Program on or before \_\_\_\_\_, 200\_\_.

2.1.3 **[OPTIONAL] After Graduation.** Upon graduation from the Program, the Student must:

- (a) **complete the applicable state board requirements;**
- (b) **receive and maintain a license to practice as a provider in the State of Washington; and**
- (c) **[LIST ANY OTHER APPROPRIATE REQUIREMENTS].**

2.2 **Employment.**

2.2.1 **[OPTION 1] Student Services During School.** The Student shall, while enrolled in classes at the School, maintain his or her current employment at the District on a **[full/part]**-time basis. The Student’s salary and benefits may be adjusted based upon a reduction in the time devoted to his or her current position at District.

**[OPTION 2] Student Provider Services During School.** The Student shall, while enrolled in classes at the School, provide student Provider services at the Facility for a minimum of \_\_\_\_\_ **[days/weekends]** per month, not to exceed \_\_\_\_\_ hours per month. The services provided shall be within the scope of the Student’s qualifications, shall adhere to the limitations placed upon the Student by the Facility and comply with the community standards for Providers. In addition, during these periods the Student shall attend all appropriate education programs, meetings of staff committees, and related activities at the Facility.

**[OPTION 3: DELETE SECTION 2.2.1 IF THE DISTRICT DOES NOT WISH TO IMPOSE EITHER OPTION 1 OR OPTION 2]**

2.2.2 After Graduation. Upon graduation from the Program **[(IF USE SECTION 2.1.3 ADD: and compliance with the requirements set forth in Section 2.1.3)]**, the Student agrees to become a full-time employee of the District. During employment, the Student shall be subject to all conditions of employment applicable to Providers at the Hospital, which may include employment at will. **[RENUMBER THIS SECTION AS 2.2.1 IF OPTION 3 (above) IS CHOSEN.]**

2.3 Promissory Note.

2.3.1 Note. Upon the initial payment of Financial Assistance by the District pursuant to Section 3.1, the Student shall execute a promissory note for the amount of such payment in the form set forth in Exhibit A (the "Note"). The amount of each subsequent payment of Financial Assistance by the District shall be added to the Note and acknowledged by the Student. The Note shall bear interest from the date of the Note at the prime rate as published in The Wall Street Journal on the date of the Note plus one percent (1%) or the maximum interest permitted by law, whichever is less.

2.3.2 Repayment Schedule. Upon the Student's graduation from the Program, the District shall determine the amount of Financial Assistance paid by the District as evidenced by the Note and shall set the repayment schedule (the "Repayment Schedule"). The Repayment Schedule shall be incorporated into the Note and shall provide for equal monthly payments amortized over the term of the Note (the "Repayment Term"). The Repayment Term shall be \_\_\_\_\_ months. The payments due under the Repayment Schedule shall be due on the first day of each month beginning the first month after the Student begins employment after graduation pursuant to Section 2.2.

3. OBLIGATIONS OF THE DISTRICT. During the Term, the District shall have the following obligations:

3.1 Financial Assistance. For each academic year after the Commencement Date during which the Student is enrolled in the Program, the District shall provide the Student with up to \$\_\_\_\_\_ to cover registration, tuition/class fees, testing fees, books and other costs agreed to by the District (the "Financial Assistance"). The total Financial Assistance advanced pursuant to this Agreement shall not exceed \$\_\_\_\_\_. The District shall provide the Financial Assistance only upon proper proof of an expense that qualifies as Financial Assistance. The District may pay the Financial Assistance directly to the School.

3.2 Duration of Financial Assistance. The period during which the District provides the Financial Assistance to the Student shall begin on the Commencement Date and continue for \_\_\_\_\_ months, ending \_\_\_\_\_, 20\_\_\_\_ (the "Assistance Period").

3.3 Employment while in School. The District shall employ the Student in accordance with Section 2.2. **[If USE SECTION 2.2.1 OPTION 2 ADD: For these periods, the Student shall be compensated at the hourly rate of \_\_\_ % of the compensation for first year Providers at the Facility. Payment shall be made at the times set forth in**

**District/Facility policies. The Student shall not be entitled to any other benefits provided to the Providers employed by the District or its other employees.]**

3.4 Employment upon Graduation/Licensure. Upon the Student's graduation, the District shall employ the Student in accordance with Section 2.2 and shall provide the Student with compensation and benefits consistent with those provided to other first-year Providers employed by the District. The Student shall also be subject to all policies and procedures applicable to the District's employees and Providers, including those that apply to termination of employment.

3.5 Forgiveness of Debt. The District shall forgive the monthly payment due under the Note for each month after graduation the Student maintains full-time employment at the Facility as a Provider in accordance with Section 2.2.

3.6 Taxes. If the District determines that the funds advanced to the Student by the District pursuant to this Agreement are taxable, the District will withhold applicable federal, state, and Social Security taxes from the employee's compensation. Taxable benefits will be reported as part of annual income on the employee's W-2 statement.

#### 4. TERMINATION.

4.1 For Cause Termination by the District. The District shall be relieved of any further obligation under this Agreement and may terminate this Agreement immediately upon providing the Student with written notice if any one of the following events occur:

4.1.1 The Student fails to maintain the applicable qualifications set forth in this Agreement, fails to perform any term or condition of this Agreement, or fails to comply with the applicable policies, standards or regulations of the School, the District or the Facility after written notice and a reasonable opportunity to cure;

4.1.2 The Student is convicted of any offense punishable as a felony or engages in unprofessional conduct as defined in RCW 18.130.180; or

4.1.3 The Student is not qualified to perform his or her essential job functions with or without reasonable accommodation by the District as defined by federal and state disabilities laws; or **[IF SECTION 4.1.4 IS NOT USED, INSERT PERIOD AFTER "laws" AND DELETE "; or".]**

**[IF APPLICABLE ADD: 4.1.4 The Student's Provider license in the State of Washington is revoked, restricted or expires.]**

4.2 Termination by District Without Establishing Cause. The District may terminate this Agreement and its obligations under this Agreement at any time, with or without establishing cause, upon ninety (90) days written notice to the Student.

4.3 For Cause Termination by the Student. The Student may immediately terminate this Agreement if the District fails to perform any term or condition of this Agreement after written notice of such failure and a reasonable opportunity to cure.

4.4 Termination by the Student Without Establishing Cause. The Student may terminate this Agreement, with or without establishing cause, upon ninety (90) days written notice to the District.

5. REPAYMENT OF FINANCIAL ASSISTANCE UPON EARLY TERMINATION.

5.1 Prior to Full-Time Employment. If this Agreement is terminated by the District for cause or by the Student without cause before the Student begins full-time employment at the Facility pursuant to Section 2.2, the Student shall repay the District all amounts advanced to the Student under Section 3.1 and Section 3.5 shall not apply.

5.2 After Full-Time Employment. If this Agreement is terminated by the District for cause or by the Student without cause after the Student begins full-time employment at the Facility pursuant to Section 2.2, the Student shall repay the District all amounts remaining under the Note executed by Student under Section 2.3 and the Repayment Schedule shall be accelerated as set forth in Section 5.3.

5.3 Timing of Repayment. Payments due under Section 5.1 or 5.2 shall be made within 90 days of termination. In the event the payments due to the District hereunder are not made as set forth above, the outstanding balance shall bear interest from the date payment is due until the date paid at the rate of twelve percent (12%) per annum, or the maximum interest rate permitted by law, whichever is less.

5.4 Withholding Wages Upon Termination. **The Student agrees that upon termination of this Agreement, the District may withhold the Student's wages, including unused vacation pay, for the sole purpose of applying the amounts withheld to reduce the payments due under Section 5.1 or 5.2.**

5.5 Termination of Repayment Obligation. If at any time during the Term, this Agreement is terminated by the Student for cause or by the District without cause as set forth in Section 4, then the Student shall have no obligation to repay any amounts advanced pursuant to Section 3.1. **[THE DISTRICT NEEDS TO ANSWER THE FOLLOWING QUESTION: ARE THERE ANY INSTANCES WHERE THE DISTRICT TERMINATES WITHOUT CAUSE OR THE STUDENT TERMINATES WITH CAUSE AND THE OBLIGATION TO PAY REMAINS? FOR EXAMPLE, THE DISTRICT IS NO LONGER HIRING PROVIDERS. IF SO, THIS PROVISION SHOULD BE WRITTEN TO ADDRESS THESE CIRCUMSTANCES.]**

6. NOTICES. All notices required by this Agreement shall be delivered personally, by facsimile or mailed by certified mail, return receipt requested. All correspondence and notices to the District shall be directed to \_\_\_\_\_,

\_\_\_\_\_ Washington, 98\_\_\_\_\_. All correspondence and notices to Student shall be directed to \_\_\_\_\_, \_\_\_\_\_, Washington 98\_\_\_\_\_. The designated representative and addresses may be changed as necessary by giving notice in the same manner.

7. GOVERNING LAW. This Agreement shall be governed by and construed under the laws of the State of Washington.

8. NO ASSIGNMENT. The Student shall not assign, delegate, or otherwise transfer any rights, benefits, duties or obligations under this Agreement without the prior written consent of the District. Any effort to do so shall be void and be cause for immediate termination of this Agreement by the District.

9. ENTIRE AGREEMENT/AMENDMENT. This Agreement constitutes the entire agreement between the parties and supersedes any and all other prior agreements or understandings, either oral or written, relating in any way to the subject matter of this Agreement, and it may be amended only in writing.

10. NO WAIVER. No failure by either party to insist upon the strict performance of any provision of this Agreement shall be construed as depriving that party of the right to insist on strict performance of such provision or of any other provision in the future, and no waiver shall be deemed to have been made unless made expressly in writing and signed by the other party.

11. SEVERABILITY. If any provision of this Agreement or its application to any person or circumstance is held unenforceable, the remainder of the Agreement, or the application of the provision to other persons or circumstances, shall not be affected.

12. BINDING EFFECT. This Agreement is binding on the parties and on their respective executors, administrators, representatives, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement effective the date first above written.

THE DISTRICT

THE STUDENT:

By: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_

**EXHIBIT B**

**HEALTH CARE STUDENT FINANCIAL ASSISTANCE AGREEMENT  
[CURRENT STUDENTS]**

This Health Care Student Financial Assistance Agreement (the “Agreement”) is made and entered into as of \_\_\_\_\_, 200\_\_, by and between \_\_\_\_\_ County Public Hospital District No. \_\_\_\_, a Washington Public Hospital District (the “District”), and \_\_\_\_\_ (the “Student”), an individual.

RECITALS

- A. The District owns and operates \_\_\_\_\_ (the “Facility”).
- B. The District provides necessary health services to the residents of the District and to other persons.
- C. The Student is enrolled in the \_\_\_\_\_ program (the “Program”) at \_\_\_\_\_ **[SPECIFY APPLICABLE INSTITUTION]** (the “School”) and intends to obtain a \_\_\_\_\_ degree in \_\_\_\_\_ from the School and to meet such other qualifications necessary for the Student to become a \_\_\_\_\_ **[SPECIFY TYPE OF PROVIDER]** (the “Provider”).
- D. The number of Providers practicing within the District is not sufficient to meet the health needs of persons residing within the District and other persons served by the District.
- E. It is in the best interest of the District to enter into contractual relationships with qualified students enrolled in the Program upon such terms and conditions as will assist the District in meeting its health care mission and responsibilities.
- F. The District is authorized under RCW 70.44.060 to enter into contractual relationships with current or prospective employees, physicians, or other health care practitioners providing for the payment or reimbursement by the District of health care training or education expenses, including but not limited to debt obligations, incurred by current or prospective employees, physicians, or other health care practitioners in return for their agreement to provide services beneficial to the District.
- G. The District provides limited financial assistance to health care students who are enrolled in the Program and who agree to work for the District at the Facility while enrolled in the Program and upon graduation.
- H. The Student seeks financial assistance from the District and agrees to work for the District as a Provider at the Facility upon successful completion of the Program and satisfaction of any other requirements necessary to become a Provider.

NOW, THEREFORE, in consideration of the mutual benefits to be derived, and all the terms, conditions and covenants hereafter set forth, the parties agree as follows:

### AGREEMENT

1. **TERM.** This Agreement shall begin on \_\_\_\_\_, 200\_\_ (the “Commencement Date”), and, unless earlier terminated, shall terminate upon repayment by the Student of all amounts advanced by the District pursuant to this Agreement (the “Term”).

2. **STUDENT’S OBLIGATIONS.** Beginning on the Commencement Date and through the remaining Term, the Student shall have the following obligations:

2.1 **Qualifications.**

2.1.1 **During School.** The Student shall ensure that he/she (a) is enrolled in the Program at the School on a full-time basis; (b) maintains a minimum cumulative grade point average of 3.0 on a 4.0 scale; (c) receives no grade that is lower than a 2.0 from the School; and (d) is in compliance with all qualifications for admission and continued enrollment in the Program.

2.1.2 **Graduation.** The Student shall graduate from the Program on or before \_\_\_\_\_, 200\_\_.

2.1.3 **[OPTIONAL] [After Graduation.** Upon graduation from the Program, the Student must:

- (a) **complete the applicable state board requirements;**
- (b) **receive and maintain a license to practice as a Provider in the State of Washington; and**
- (c) **[LIST ANY OTHER APPROPRIATE REQUIREMENTS].**

2.2 **Employment.**

2.2.1 **[OPTIONAL] During School.** The Student agrees to become a part-time employee of the District while enrolled in classes at the School. The Student agrees to provide student Provider services at the Facility for a minimum of \_\_\_\_\_ **[days/weekends]** per month, not to exceed \_\_\_\_\_ hours per month. The Student’s employment shall be within the scope of the Student’s qualifications, adhere to the limitations placed upon the Student by the District and comply with the community standards for Providers. In addition, during these periods the Student shall attend all appropriate education programs, meetings of staff committees, and related activities at the Facility.

2.2.2 **After Graduation.** Upon graduation from the Program **[(IF USE SECTION 2.1.3 ADD: and compliance with the requirements set forth in Section 2.1.3),** the Student agrees to become a full-time employee Provider of the District and shall work at the Facility. During employment, the Student shall be subject to all conditions of

employment applicable to Providers at the Facility, which may include employment at will. **[RENUMBER THIS PARAGRAPH AS 2.2.1. IF SECTION 2.2.1 OPTIONAL (“During School”) IS NOT USED.]**

2.3 Promissory Note.

2.3.1 Note. Upon the initial payment of Financial Assistance by the District pursuant to Section 3.1, the Student shall execute a promissory note for the amount of such payment in the form set forth in Exhibit A (the “Note”). The amount of each subsequent payment of Financial Assistance by the District shall be added to the Note and acknowledged by the Student. The Note shall bear interest from the date of the Note at the prime rate as published in The Wall Street Journal on the date of the Note plus one percent (1%) or at the maximum interest permitted by law, whichever is less.

2.3.2 Repayment Schedule. Upon the Student’s graduation from the Program, the District shall determine the amount of Financial Assistance paid by the District as evidenced by the Note and shall set a repayment schedule (the “Repayment Schedule”). The Repayment Schedule shall be incorporated into the Note and shall provide for equal monthly payments amortized over the term of the Note (the “Repayment Term”). The Repayment Term shall be \_\_\_\_\_ months. The payments due under the Repayment Schedule shall be due on the first day of each month beginning the first month after the Student begins employment pursuant to Section 2.2.

3. OBLIGATIONS OF THE DISTRICT. During the Term, the District shall have following obligations:

3.1 Financial Assistance. For each academic year after the Commencement Date during which the Student is enrolled in the Program, the District shall provide the Student with up to \$\_\_\_\_\_ to cover registration, tuition/class fees, testing fees, books and other costs agreed to by the District (the “Financial Assistance”). The total Financial Assistance advanced pursuant to this Agreement shall not exceed \$\_\_\_\_\_. The District shall provide the Financial Assistance only upon proper proof of an expense that qualifies as Financial Assistance. The District may pay the Financial Assistance directly to the School.

3.2 Duration of Financial Assistance. The period during which the District provides the Financial Assistance to the Student shall begin on the Commencement Date and continue for \_\_\_\_ months, ending \_\_\_\_\_, 200\_\_ (the “Assistance Period”).

**[IF SECTION 2.2.1 OPTIONAL (“During School”) IS USED ADD:**

**3.3 Employment During School. While the Student is enrolled in the Program, the District shall employ the Student in accordance with Section 2.2.1. For these periods, the Student shall be compensated at the hourly rate of \_\_ % of the compensation for first year Providers at Facility. Payment shall be made at the times set forth in District/Facility policies. The Student shall not be entitled to any other benefits provided to the Providers employed by District or its other employees.]**

3.4 Employment upon Graduation/Licensure. The District shall employ the Student in accordance with Section 2.2. Upon full-time employment, the District will provide

the Student with compensation and benefits consistent with those provided to other first-year Providers employed by the District. The Student shall also be subject to all policies and procedures applicable to the District's employees and Providers, including those that apply to termination of employment. **[RENUMBER THIS SECTION AS 3.3 IF SECTION 2.2.1 OPTIONAL ("During School") IS NOT USED.]**

3.5 Forgiveness of Debt. The District shall forgive the monthly payment due under the Note for each month the Student maintains full-time employment at the Facility as a Provider in accordance with Section 2.2. **[RENUMBER THIS SECTION AS 3.4 IF SECTION 2.2.1 OPTIONAL ("During School") IS NOT USED.]**

3.6 Taxes. If District determines that the funds advanced to the Student by the District pursuant to this Agreement are taxable, the District will withhold applicable federal, state, and Social Security taxes from compensation if he/she is employed by the District during school. Taxable benefits will be reported as part of annual income on the employee's W-2 statement. **[RENUMBER THIS SECTION AS 3.5 IF SECTION 2.2.1 OPTIONAL ("During School") IS NOT USED.]**

#### 4. TERMINATION.

4.1 For Cause Termination by District. The District shall be relieved of any further obligation under this Agreement and may terminate this Agreement immediately upon providing the Student with written notice if any one of the following events occur:

4.1.1 The Student fails to maintain the applicable qualifications set forth in this Agreement, fails to perform any term or condition of this Agreement, or fails to comply with the applicable policies, standards or regulations of the School, the District or the Facility after written notice and a reasonable opportunity to cure;

4.1.2 The Student is convicted of any offense punishable as a felony or engages in unprofessional conduct as defined in RCW 18.130.180; or

4.1.3 The Student is not qualified to perform his or her essential job functions with or without reasonable accommodation by the District or the Facility as defined by federal and state disabilities laws; or **[IF SECTION 4.1.4 IS NOT USED, INSERT PERIOD AFTER "laws" AND DELETE "; or".]**

**[IF APPLICABLE ADD: 4.1.4 The Student's Provider license in the State of Washington is revoked, restricted or expires].**

4.2 Termination by District Without Establishing Cause. The District may terminate this Agreement and its obligations under this Agreement at any time, with or without establishing cause, upon ninety (90) days written notice to the Student.

4.3 For Cause Termination by the Student. The Student may immediately terminate this Agreement if the District fails to perform any term or condition of this Agreement after written notice of such failure and a reasonable opportunity to cure.

4.4 Termination by the Student Without Establishing Cause. The Student may terminate this Agreement, with or without establishing cause, upon ninety (90) days written notice to the District.

5. REPAYMENT OF FINANCIAL ASSISTANCE UPON EARLY TERMINATION.

5.1 Prior to Full-Time Employment. If this Agreement is terminated by the District for cause or by the Student without cause before the Student begins full-time employment at the Facility pursuant to Section 2.2, the Student shall repay the District all amounts due under the Balloon Notes, the maturity date of such notes shall be accelerated as set forth in Section 5.3 and Section 3.5 shall not apply.

5.2 After Full-Time Employment. If this Agreement is terminated by the District for cause or by the Student without cause after the Student begins full-time employment at the Facility pursuant to Section 2.2, the Student shall repay the District all amounts remaining under the Note executed by the Student pursuant to Section 2.3 and the Repayment Schedule shall be accelerated as set forth in Section 5.3.

5.3 Timing of Repayment. Payments due under Section 5.1 or 5.2 shall be made within 90 days of termination. In the event the payments due to the District hereunder are not made as set forth above, the outstanding balance shall bear interest from the date payment is due until the date paid at the rate of twelve percent (12%) per annum, or the maximum interest rate permitted by law, whichever is less.

5.4 Withholding Wages Upon Termination. **The Student agrees that upon termination of this Agreement, the District may withhold the Student's wages, including unused vacation pay, for the sole purpose of applying the amounts withheld to reduce the payments due under Section 5.1 or 5.2.**

5.5 Termination of Repayment Obligation. If at any time during the Term this Agreement is terminated by the Student for cause or by the District without cause as set forth in Section 4, then the Student shall have no obligation to repay any amounts advanced pursuant to Section 3.1. **[THE DISTRICT NEEDS TO ANSWER THE FOLLOWING QUESTION: ARE THERE ANY INSTANCES WHERE THE DISTRICT TERMINATES WITHOUT CAUSE OR THE STUDENT TERMINATES WITH CAUSE AND THE OBLIGATION TO PAY REMAINS? FOR EXAMPLE, THE DISTRICT IS NO LONGER HIRING PROVIDERS. IF SO, THIS PROVISION SHOULD BE WRITTEN TO ADDRESS THESE CIRCUMSTANCES.]**

6. NOTICES. All notices required by this Agreement shall be delivered personally, by facsimile or mailed by certified mail, return receipt requested. All correspondence and notices to the District shall be directed to \_\_\_\_\_, \_\_\_\_\_ Washington, 98\_\_\_\_\_. All correspondence and notices to the Student shall be directed to \_\_\_\_\_, \_\_\_\_\_, Washington 98\_\_\_\_\_. The designated representative and addresses may be changed as necessary by giving notice in the same manner.

7. GOVERNING LAW. This Agreement shall be governed by and construed under the laws of the State of Washington.

8. NO ASSIGNMENT. The Student shall not assign, delegate, or otherwise transfer any rights, benefits, duties or obligations under this Agreement without the prior written consent of the District. Any effort to do so shall be void and be cause for immediate termination of this Agreement by District.

9. ENTIRE AGREEMENT/AMENDMENT. This Agreement constitutes the entire agreement between the parties and supersedes any and all other prior agreements or understandings, either oral or written, relating in any way to the subject matter of this Agreement, and it may be amended only in writing.

10. NO WAIVER. No failure by either party to insist upon the strict performance of any provision of this Agreement shall be construed as depriving that party of the right to insist on strict performance of such provision or of any other provision in the future, and no waiver shall be deemed to have been made unless made expressly in writing and signed by the other party.

11. SEVERABILITY. If any provision of this Agreement or its application to any person or circumstance is held unenforceable, the remainder of the Agreement, or the application of the provision to other persons or circumstances, shall not be affected.

12. BINDING EFFECT. This Agreement is binding on the parties and on their respective executors, administrators, representatives, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement effective the date first above written.

THE DISTRICT

THE STUDENT:

By: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
Printed Name: \_\_\_\_\_

## EXHIBIT C

### PROMISSORY NOTE

\_\_\_\_\_, 200\_  
\_\_\_\_\_, Washington

FOR VALUE RECEIVED, the undersigned, \_\_\_\_\_ (herein, "Maker") having a principal address of \_\_\_\_\_, \_\_\_\_\_, Washington, unconditionally promises to pay to the order of \_\_\_\_\_ County Public Hospital District No. \_\_\_\_ (the "Holder"), at \_\_\_\_\_, Washington, 98\_\_\_\_ or such other place as Holder may designate, the principal set forth on Attachment 1 attached hereto, which shall not exceed \$\_\_\_\_\_, together with interest thereon from this date at the rate and in the manner hereinafter set forth, pursuant to the Healthcare Student Financial Assistance Agreement by and among the Maker and the Holder (the "Agreement").

1. Payments of Principal and Interest. In the absence of acceleration by reason of default herein, the indebtedness evidenced hereby shall be payable as follows:

(a) Maturity Date. The Maker shall pay all principal and accrued unpaid interest and fees on or before \_\_\_\_\_, 200\_ or the due date of the last payment set forth on Exhibit B attached hereto, if such date has been determined, whichever is later ("Maturity Date").

(b) Interest Rate. Interest on the principal due shall accrue at the prime rate most recently published by The Wall Street Journal as of the date of the most recent advance under the Agreement, as evidenced on Exhibit A attached hereto, plus one percent (1%) per annum or Twelve Percent (12%) per annum, whichever is less. Interest shall be calculated on the basis of a 365 or 366 day year, as the case may be, and the actual number of days elapsed. Should The Wall Street Journal no longer publish the prime rate, the rate shall be the prime rate as published by any other nationally recognized publisher of similar information chosen by the Holder.

(c) Advance. Each advance made pursuant to the Agreement and evidenced on Attachment 1 of this Note shall be added to the then current balance of the Note and a new balance shall be calculated. Interest on the new balance from and after the date of the advance shall be determined in accordance with subsection (b) above.

(d) Form and Application of Payments. Maker shall make payments of principal and interest in the amounts and on the dates set forth on the repayment schedule attached hereto as Attachment 2. Payments shall be made in lawful money of the United States of America, and when received by the Holder shall be applied first to the payment of accrued interest; second, to late fees and collection experts, if any; and finally to the reduction of principal of this Note.

(e) Prepayment Permitted. Maker may prepay the amount due under this Note in whole or in part at any time without penalty.

(f) Late Fee. Maker shall pay a late fee of five percent (5%) of the payment amount on any payment (except the final payment at maturity) which is not paid within ten (10) days of the due date.

2. Default. Time is of the essence of this Note. If any of the following events (each an “Event of Default”) shall occur and be continuing:

(a) Maker shall fail to pay any portion of principal or interest owing under this Note within ten (10) days of the date;

(b) Maker shall fail to perform or observe in any material respect any other term, covenant or agreement contained in this Note or the Agreement, and any such failure shall remain unremedied for thirty (30) days after written notice thereof shall have been given to Maker by the Holder.

Then, and in any such event, at the option of the Holder, all sums owing and to become owing hereon shall become immediately due and payable without further demand, presentment, protest or notice of any kind, all of which are hereby waived by Maker.

3. Attorneys’ Fees and Collection Costs. In the event of any default under this Note, or in the event that any dispute arises relating to the interpretation, enforcement, or performance of this Note, the Holder shall be entitled to collect from Maker on demand all fees and expenses incurred in connection therewith, including but not limited to fees of attorneys, accountants, appraisers, consultants, expert witnesses, arbitrators, mediators, and court reporters. Without limiting the generality of the foregoing, Maker shall pay all such costs and expenses incurred in connection with (a) arbitration or other alternative dispute resolution proceedings, trial court actions, and appeals; (b) bankruptcy or other insolvency proceedings of Maker; (c) post judgment collection proceedings; (d) all claims, counterclaims, cross-claims, and defenses asserted in any of the foregoing whether or not they arise out of or are related to this Note; (e) all preparation for any of the foregoing; and (g) all settlement negotiations with respect to any of the foregoing.

4. Governing Law. This Note has been executed under and shall be construed and enforced in accordance with the laws of the State of Washington.

5. Maximum Interest. It is expressly stipulated and agreed to be the intent of Maker and the Holder to comply strictly with the applicable usury laws now or hereafter governing consideration received under this Note. If the applicable laws are ever interpreted so as to render usurious any consideration called for, contracted for, charged, taken, reserved or received with respect to this Note, or if any prepayment of this Note by Maker or the Holder’s exercise of the option to accelerate the maturity of this Note, results in Maker having paid any interest in excess of that permitted by law, then notwithstanding anything to the contrary in this Note, it is Maker’s and the Holder’s express intent and agreement that all excess amounts theretofore collected by the Holder be credited to the principal balance of this Note (or, if this Note has been paid in full, refunded to Maker) and the provisions of this Note shall immediately be deemed reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of

any new documents, so as to comply with then applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

6. Notices. All notices required or permitted to be given under this Promissory Note shall be in writing and delivered by hand or first class mail, postage pre-paid, return receipt requested, to the addresses set forth on the first page of this Promissory Note. A notice shall be deemed to have been given, delivered and received upon three (3) days after deposit in the United States mail.

IN WITNESS WHEREOF, this Note has been executed as of the day and year first above written.

Maker

By: \_\_\_\_\_  
\_\_\_\_\_



ATTACHMENT 2  
TO EXHIBIT C  
REPAYMENT SCHEDULE

**EXHIBIT D**

**FEDERAL TRUTH-IN-LENDING DISCLOSURE  
(INTERIM STUDENT LOAN)**

Borrower: \_\_\_\_\_  
 Creditor: \_\_\_\_\_ County Public Hospital District No. \_\_\_\_  
 \_\_\_\_\_ County, Washington

<p><b>ANNUAL PERCENTAGE RATE</b>                  The cost of your credit as a yearly rate.                  %</p>	<p><b>FINANCE CHARGE</b>                  The dollar amount the credit will cost you.                  \$ N/A</p>	<p><b>AMOUNT FINANCED</b>                  The amount of credit provided to you or on your behalf                  \$</p>	<p><b>TOTAL OF PAYMENTS</b>                  The amount you will have paid after you have made all payments as scheduled.                  \$ N/A</p>
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You have the right to receive at this time an itemization of the Amount Financed.

I want an itemization.  I do not want an itemization.

Payment Schedule:  
 Number of Payments \_\_\_\_\_

Amount of Payments \_\_\_\_\_

When Payments are Due \_\_\_\_\_

N/A

N/A

N/A

**Variable Rate:** The Annual percentage rate may increase during the term of this transaction if the prime rate of interest, as published in *The Wall Street Journal*, increases. The interest rate will not increase above 12%. Any increase will take the form of higher payment amounts. For example: if your loan is for \$ \_\_\_\_\_ at \_\_\_\_\_% for a term of \_\_\_\_ months and the rate increased to \_\_\_\_\_% in \_\_\_\_ months, your regular payments would increase by \$ \_\_\_\_\_.

**Late Charge:** If a payment is more than ten (10) days late, you will be charged \_\_\_\_% of the payment.

**Prepayment:** If you pay off early, you will not have to pay a penalty, but you will not be entitled to a refund of any part of the finance charge.

See your Health Care Student Financial Assistance Agreement and the attached Promissory Note for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

**EXHIBIT E**

**INTERIM STUDENT LOAN  
AMOUNT FINANCED ITEMIZATION**

Creditor: \_\_\_\_\_ Public Hospital District No. \_\_\_\_\_  
\_\_\_\_\_ County, Washington

Itemization of the Amount Financed of \$ \_\_\_\_\_

\$ \_\_\_\_\_ Amount given to you directly

\$ \_\_\_\_\_ Amount paid on your account

Amount paid to others on your behalf

\$ \_\_\_\_\_ to \_\_\_\_\_ [name of other]

Prepaid finance charge: \$ \_\_\_\_\_

Existing balance: \$ \_\_\_\_\_

New balance: \$ \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT F**

**NOTICE OF ACTION TAKEN AND STATEMENT OF REASONS**

Dear Applicant:

Date: \_\_\_\_\_

Thank you for your recent application. Your request for a health care student loan was carefully considered and we regret that we are unable to approve your application at this time, for the following reason(s):

Your Income:

- is below our minimum requirement.
- is insufficient to sustain payments on the amount of credit requested.

Your Employment:

- is not of sufficient length to qualify.

Your Application:

- \_\_\_\_\_

Other: \_\_\_\_\_

The consumer reporting agency contacted that provided information that influenced our decision in whole or in part was \_\_\_\_\_ **[Insert name, address and [toll-free] telephone number of the reporting agency]**. You do have a right under the Fair Credit Reporting Act to know the information contained in your credit file. You also have a right to a free copy of your report from the reporting agency, if you request it no later than 60 days after you receive this notice. In addition, if you find that any information contained in the report you receive is inaccurate or incomplete, you have the right to dispute the matter with the reporting agency. Any questions regarding such information should be directed to **[Insert name of consumer reporting agency]**.

If you have any questions regarding this letter, you should contact us at \_\_\_\_\_.

**[Insert creditor's name, address and telephone number]**.

NOTICE: The federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Trade Commission, Northwest Region, 2896 Federal Building, 915 Second Avenue, Seattle, WA 98174.

EXHIBIT G

**NOTICE OF INCOMPLETE APPLICATION AND REQUEST  
FOR ADDITIONAL INFORMATION**

Creditor's Name: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone number: \_\_\_\_\_

Dear Applicant:

Thank you for your application for credit. The following information is needed to make a decision on your application: \_\_\_\_\_

\_\_\_\_\_

We need to receive this information by \_\_\_\_\_ (date). If we do not receive it by that date, we will regrettably be unable to give further consideration to your credit request.

Sincerely,