

LAW SCHOOL LOAN REPAYMENT PROGRAM (LRAP)

PROMISSORY NOTE

This contract is intended to evidence the agreement between Southwest Virginia Legal Aid Society (SVLAS), and _____ (attorney), and is executed in furtherance of the desire of the Board of Directors to assist staff members who have law school loan indebtedness.

This contract describes the intended goal of the SVLAS LRAP program; the means utilized to best effectuate the goal of the program, and the agreement of the parties.

Program Goal: As a means of assisting employees with law school loan obligations, and as a means of encouraging beginning attorneys to remain with SVLAS for a number of years, SVLAS intends, its budget permitting, to loan qualifying staff members up to \$200 per month to help defray the costs of repaying law school loans; and, further it is the intention of SVLAS to fully forgive the loan once the employee has worked for SVLAS continuously for three years.

Means of Achieving Goal: It was the desire of SVLAS to loan the LRAP funds in such a manner that the attorney would experience no tax consequences upon loan forgiveness. SVLAS has determined that Section 108 of the Internal Revenue Code makes this impossible. Accordingly, believing it to be in the best interests of its staff members, SVLAS intends to withhold tax on the loan proceeds at the time of distribution so that upon loan forgiveness the attorney will experience no tax consequences (i.e., the funds will have been treated as income in the year distributed and will already have been taxed). Since LRAP funds will be treated as income upon distribution, a staff member leaving the program prior to attaining three years of service will be obligated to repay SVLAS only the net LRAP funds (not the gross) that have been paid to them. The parties agree that if the attorney is later required to repay SVLAS the net LRAP proceeds that she/he has received, that the net proceeds paid to attorney will be repaid to SVLAS with no consideration to attorney's personal tax bracket, tax refunds received in any tax year, number of deductions claimed on any income tax return, or any other individual tax consideration.

◆ **Agreement:** The attorney having provided documentation to SVLAS of an outstanding law school loan repayment obligation, **SVLAS agrees** to loan attorney \$200 per month towards law school loan repayment for each full month that attorney is employed by SVLAS. These funds shall be included in the attorney's regular bi-monthly payroll check (\$100 gross each complete pay period). Once attorney has worked continuously for SVLAS for a period of three years, SVLAS will forgive any obligation to repay the net proceeds received by the attorney.

Continuation of the LRAP program beyond March of 2004 is contingent upon the annual budgets yet to be adopted by the SVLAS Board of Directors. The parties agree that this Promissory Note will cover an extension of the SVLAS LRAP program beyond March 2004 if the Board funds the LRAP program under the same terms and conditions. This agreement is not a promise of LRAP funds beyond March of 2004.

◆ **Attorney agrees** to provide SVLAS with any documentation of law school loan indebtedness requested by SVLAS. Further, attorney agrees to fully reimburse SVLAS the NET PROCEEDS of the LRAP funds paid to attorney if attorney leaves her/his employment with SVLAS prior to having been employed continuously for three years. For purposes of computing the attorneys three years of employment, the attorney's starting date with SVLAS is considered to be **May 27, 2003**.

Unless the parties agree otherwise in writing, if attorney is later obligated to repay to SVLAS the net proceeds of the LRAP funds paid to attorney, the parties agree that 90 days after the attorney leaves the employment of SVLAS that the attorney will begin making monthly payments to SVLAS in an amount equal to the total net proceeds paid to attorney under the LRAP program, divided by the number of months for which the attorney was paid LRAP funds, and will continue making monthly payments until the net proceeds previously paid to attorney have been repaid in full. These net proceeds shall be repaid to SVLAS with **no interest**.

SVLAS will inform attorney of the net proceeds included with her/his bi-monthly salary payment. Since the net proceeds will be the same every month, attorney will be advised of the net proceeds amount with the distribution of the first payroll check and thereafter will be notified only if the amount changes.

◆ **Hardship:** In the event that attorney's employment with SVLAS terminates prior to the attorney being employed for three full years, repayment of the LRAP net proceeds may be forgiven in cases of hardship to be determined in the sole discretion of the Executive Director of SVLAS. Examples of hardship would include (but not be limited to) an employee who is laid off or an employee who leaves SVLAS for reasons concerning health.

Entered into this the 24th day of June, 2003.

Attorney's Name

LARRY T. HARLEY, for SVLAS