

ORDINANCE NO. 1-2010

INTRODUCED BY: _____

AN ORDINANCE OF THE TOWN OF TRAPPE AUTHORIZING A LINE OF CREDIT PROMISSORY NOTE WITH THE TALBOT BANK IN THE PRINCIPAL AMOUNT OF \$100,000.00, THE PROCEEDS OF WHICH MAY BE USED TO PROVIDE INTERIM FINANCING FOR RENOVATIONS TO THE TOWN OFFICE FOR THE RELOCATION OF THE TRAPPE POLICE DEPARTMENT, AND FOR STREET REPAIRS, AND TO COVER OTHER PUBLIC EXPENSES AND INDEBTEDNESS THAT MAY ARISE FROM TIME TO TIME, SAID LOAN TO BE REPAYED BY THE CITIZENS OF TRAPPE, AND THAT THE TOWN WILL PLEDGE ITS FULL FAITH AND CREDIT TOWARD THE REPAYMENT OF THE LOAN

WHEREAS, Section 304 of the Trappe Town Charter authorizes the Town to borrow money from time to time as the Town Council shall deem advisable and in such manner and by such means as the Town Council, in its sound discretion, shall deem most advantageous to the Town; and

WHEREAS, Section 612 of the Trappe Town Charter authorizes the Town of Trappe to borrow upon the full faith and credit and tax authority of the Town such sums of money as it deems proper for municipal purposes; and

WHEREAS, the Town Council has determined that it is desirable and in the best interest of the Town to obtain a line of credit and to execute a promissory note to The Talbot Bank to provide interim financing for renovations to the Town Office for the relocation of the Trappe Police Department, and for street repairs, and to cover other public expenses and indebtedness that may arise from time to time, said loan to be repaid by the citizens of Trappe, and that the Town will pledge its full faith and credit toward the repayment of the loan.

NOW, THEREFORE, be it ordained by the Council of Trappe as follows:

Section 1. The recitals set forth above are incorporated herein and are made a part of this Ordinance.

Section 2. The President of the Town Council is hereby authorized to execute and deliver to The Talbot Bank a revolving line of credit promissory note in the amount of \$100,000, in the same or substantially similar form, as the Promissory Note attached hereto (save for execution and dating), at 3.25 percent interest rate, with quarterly interest only payments. The maturity date of the note is December 31, 2010, at which time all accrued and unpaid interest thereon shall be due and payable.

Section 3. The President of the Town Council is hereby authorized to make such modifications to the form of the Note prior to its execution and delivery as he deems appropriate; however, no such modification shall materially alter the substance of the Note as set forth above, or as attached hereto as Exhibit 1.

Section 4. The Town Council hereby determine that the Note, and the terms hereof, are reasonable and that the execution and delivery thereof are in the best interests of the Town and its residents, and the Town Council hereby authorizes, ratifies, confirms and approves the execution and delivery of the Note to the Bank upon the terms and conditions stated herein.

Section 5. The proceeds of the Note shall be used for the purpose of providing interim financing for renovations to the Town Office for the relocation of the Trappe Police Department, and for street repairs, and to cover other public expenses and indebtedness that may arise from time to time, which are authorized by the Council and are valid debts or expenses of

the municipality that are consistent with and within the Town's fiscal 2010- 2011 budget, to be repaid by the general tax revenues of the Town.

Section 6. The Note shall be repaid by the citizens of Trappe through its tax revenues, consistent with the Town's 2010-2011 budget.

Section 7. The Town Council hereby designates the Note as a qualified tax-exempt obligation within the meaning of Section 265(b)(3) of the United States Internal Revenue Code of 1986, as amended.

Section 8. This Ordinance shall become effective upon adoption by the Town Council.

Robert Crosswell

Walter Chase

Norm Fegel

Rosalee Potter

Richard Dorbin

I hereby certify that the above Ordinance was adopted by a ye and nay vote of the Council this ____ day of _____, 2010.

Joedy Cecil, Town Clerk

PROMISSORY NOTE
FROM THE TOWN OF TRAPPE, MARYLAND
TO THE TALBOT BANK OF EASTON, MARYLAND

\$100,000.00

Date: April ___, 2010

1. **BORROWER'S PROMISE TO PAY: INTEREST.** For value received, the Town of Trappe, a municipal corporation of the State of Maryland (herein referred to as "Borrower"), hereby promises to pay to the order of The Talbot Bank of Easton, Maryland ("Bank"), its successors and assigns, and any subsequent holder of this Note, the principal sum of **One Hundred Thousand and 00/100 Dollars (\$100,000.00)**, or as much as may be outstanding ("Principal Sum"), together with interest on the unpaid balance thereof at a fixed rate equal to Three point two five percent (3.25%) per annum; if, however, the interest paid on the Principal Sum for any reason becomes includable in gross income for Federal income tax purposes, the interest rate shall be equal to the Prime Rate, effective as of the date that the interest is includable in gross income for Federal income tax purposes and, within thirty (30) days of such event, Borrower shall pay Bank the amount necessary to bring Borrower current with interest being computed at the increased rate. The term "Prime Rate" as used herein means the daily floating and fluctuating Prime Rate as established in the "Money Rates" Table appearing in the Wall Street Journal. In the event that the Wall Street Journal fails to establish the Prime Rate, the Bank may select a substitute index which is available to and verifiable by the Borrower and beyond the control of the Bank. Interest will be charged on the basis of a three hundred sixty-five (365) day year and the actual number of days elapsed.

2. **PAYMENTS AND MATURITY.** Interest only on the Principal Sum, or as much as may be outstanding, shall be due and payable quarterly, commencing on June 30, 2010, and on the same day of each and every third month thereafter up to and including December 31, 2010 (maturity), at which time the entire unpaid Principal Sum, together with all accrued and unpaid interest thereon shall be due and payable.

3. **DEFAULT INTEREST.** Upon the occurrence of an Event of Default (as hereinafter defined) and/or after the maturity of this Note (whether by acceleration, declaration, extension, or otherwise), the Borrower promises to pay to the Bank, upon demand by the Bank, interest on the unpaid Principal Sum at a rate equal to the rate of interest then due and payable under the terms of this Note, plus two per cent (2%) per annum ("Default Rate"). The Default Rate shall remain in effect thereafter until payment in full of the unpaid Principal Sum, together with any and all accrued and unpaid interest thereon and any and all other sums due and payable hereunder, notwithstanding the entry of any decree, order, judgment or other judicial action under, pursuant to, in connection with, or otherwise concerning the Note.

4. **LATE CHARGES.** If the Borrower shall fail to make any payment under the terms of this Note within fifteen (15) days after the date such payment is due, the Borrower promises to pay to the Bank, upon demand by the Bank, a late charge equal to five per cent (5%) of such

EXHIBIT 1

payment. Such fifteen (15) day period shall not be construed as in any way extending the due date of any payment. The “late charge” is imposed for the purpose of defraying the Bank’s expenses incident to handling such delinquent payment. This charge shall be in addition to, and not in lieu of, any other remedy the Bank may have and is in addition to any fees and charges of any agents or attorneys which the Bank may employ upon an Event of Default hereunder, whether authorized herein or by law. Such “late charge” if not previously paid, shall, at the option of the Bank, be added to, and become part of, the succeeding payment to be made under the terms of this Note.

5. **APPLICATION AND PLACE OF PAYMENTS.** All payments hereunder, shall be applied first to the payment of interest, second to the payment of principal and third to any uncollected late charges and/or costs. All payments on account of this Note shall be paid to the Bank at 18 East Dover Street, Easton, Maryland 21601 or at such other place as the Bank may at any time and from time to time designate in writing to the Borrower.

6. **PREPAYMENT.** The Borrower may prepay the Principal Sum in whole or in part without premium or penalty at any time and from time to time. All prepayment of the Principal Sum, whether in whole or in part, shall be accompanied by a payment of interest on the amount so prepaid through the date of prepayment. Partial prepayments shall be applied against installments of the Principal Sum due hereunder in the inverse order of their maturity.

7. **LINE OF CREDIT.** This Note evidences a revolving line of credit. Advances under this Note, as well as directions for payment from Borrower’s accounts, may be requested orally or in writing by Borrower or by an authorized person. Bank will have no obligation to advance funds under this Note if: (a) Borrower is in default under the terms of this Note, or any agreement Borrower has with Bank; (b) Borrower is insolvent; or (c) Borrower has applied funds pursuant to this Note for purposes other than those authorized by the Bank.

8. **EVENTS OF DEFAULT.** The occurrence of any one or more of the following events shall constitute an event of default (“Event of Default”) under terms of this Note:

- (a) The failure of the Borrower to pay to the Bank when due any and all amounts payable by the Borrower to the Bank under the terms of this Note; or
- (b) The occurrence of an Event of Default (as defined therein) under the terms and conditions of any of the Loan Documents; or
- (c) The occurrence of an event of default with respect to any other indebtedness owed by the Borrower to the Bank.

9. **REMEDIES.** Upon the occurrence of an Event of Default, at the option of the Bank, the unpaid Principal Sum, any and all accrued and unpaid interest thereon, and all other amounts payable by the Borrower to the Bank under the terms of this Note shall immediately become due and payable by the Borrower to the Bank without notice or demand of any kind, and the Bank shall have

all of the rights, powers, and remedies available under the terms of this Note, the Loan Documents, and applicable law and equity. The Borrower and all endorsers, guarantors, and other parties who may now or in the future be primarily or secondarily liable for the payment of the indebtedness evidenced by this Note hereby waive demand, notice, presentment, and protest, and expressly agree that this Note, or any payment hereunder, may be extended from time to time without in any way affecting the liability of any Borrower. The liability hereunder of the Borrower, if more than one, shall be joint and several.

10. **FULL FAITH AND CREDIT OF BORROWER.** Subject only to any lawful limitation imposed by the Borrower's Town Charter or other applicable laws with respect to its taxing power as that taxing power may relate to the obligations evidenced by this Note, the full faith and credit and taxing power of the Borrower are irrevocably pledged to the prompt payment of the principal and interest on this Note according to its terms, and the Borrower does hereby covenant and agree to pay the principal and interest on this Note as the same shall become due and payable according to its terms.

11. **EXPENSES.** The Borrower promises to pay to the Bank, upon demand by the Bank, all costs and expenses incurred by the Bank in connection with the collection and enforcement of this Note, including, without limitation, all court costs and expenses and reasonable attorney's fees incurred by the Bank.

12. **WAIVER OF JURY TRIAL. THE BORROWER AND THE BANK HEREBY JOINTLY AND SEVERALLY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THE BORROWER AND THE BANK MAY BE PARTIES, ARISING OUT OF, OR IN CONNECTION WITH OR IN ANY WAY PERTAINING TO, THIS NOTE OR THE LOAN DOCUMENTS. IT IS AGREED AND UNDERSTOOD THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS NOTE.** This waiver is knowingly, willingly and voluntarily made by the Borrower, and the Borrower hereby represents that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury or to in any way modify or nullify its effect. The Borrower further represents and warrants that it has been represented in the signing of this Note and in the making of this waiver by independent legal counsel, selected of its own free will, and that it has had the opportunity to discuss this waiver with counsel.

13. **MISCELLANEOUS.** Each right, power and remedy of the Bank as provided for in this Note or any of the other Loan Documents, or now or hereafter existing under any applicable law or otherwise, shall be cumulative and concurrent and shall be in addition to every other right, power, or remedy provided for in this Note or in any of the other Loan documents or now or hereafter existing under any applicable law, and the exercise or beginning of the exercise by the Bank of any one or more of such rights, powers, or remedies shall not preclude the simultaneous or later exercise by the Bank of any or all such other rights, powers, or remedies. No failure or delay

by the Bank to insist upon the strict performance of any term, condition, covenant, or agreement of this Note or of any of the other Loan Documents, or to exercise any right, power or remedy consequent upon a breach thereof, shall constitute a waiver of any such term, condition, covenant, or agreement or of any such breach, or preclude the Bank from exercising any such right, power, or remedy at a later time or times. By accepting payment after the due date of any amount payable under the terms of this Note, the Bank shall not be deemed to waive the right either to require prompt payment when due of all other amounts payable under the terms of this Note or to declare an Event of Default for the failure to effect such prompt payment of any such other amount. No course of dealing or conduct shall be effective to amend, modify, waive, release, or change any provisions of this Note. As used in this Note, the term "Bank" shall mean the Bank, its successors or assigns, and any subsequent holder of this Note. The captions herein set forth are for convenience only and shall not be deemed to define, limit, or describe the scope or intent of this Note. The provisions of this Note shall be governed by the laws of the State of Maryland.

14. **PARTIAL INVALIDITY.** In the event any provisions of this Note shall for any reason be held to be invalid, illegal or unenforceable, in whole or in part or in any respect, then such provision or provisions only shall be deemed null and void and such invalidity, illegality, or unenforceability shall not affect any other provision (or remaining part of the affected provision) or this Note; provided, however, that if any such invalid, illegal, or unenforceable provision pertains to the repayment of the Principal Sum or interest thereon, the occurrence of any such invalidity, illegality, or unenforceability shall constitute an Event of Default.

IN WITNESS WHEREOF, the Borrower has executed this Note under seal as of the date first written above.

ATTEST:

TOWN OF TRAPPE,
A Maryland Municipal Corporation

By: _____(SEAL)
Robert Croswell
President of the Town Council
Of Trappe