



Beach Theatre
Foundation, Inc.

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BOARD OF DIRECTORS
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September 24, 2009

Honorable Dr. Edward J. Mahaney, Jr., Mayor
Mr. Bruce MacLeod, City Manager
City of Cape May
643 Washington Street
Cape May, NJ 08204

Re: Beach Theatre Foundation, Inc.-- Note

Gentlemen:

This letter is written to follow up on the meeting Bernie Haas and I had with you on September 18, 2009 at which we discussed matters relating to that certain Promissory Note dated September 27, 2007 (the "Note") issued by the Beach Theatre Foundation, Inc., as "Maker" (the "BTF"), to the order of the City of Cape May, as "Payee" (the "City"), in the original principal amount of \$100,000.

As we advised the City, the BTF is not in compliance with certain terms of the Note, specifically:

- (i) the BTF did not commence paying cash interest on the principal balance of the note, which interest became due on or after 12 months from the date loan proceeds in the Loan Agreement (as defined in the Note) were disbursed, and
- (ii) despite the occurrence of the event identified in Paragraph 2 , clause (ii) [*sic*], i.e. the termination of the Lease (as defined in the Note) without the option therein being exercised by the Maker, the BTF did not pay the entire principal balance of the Note.

All grace periods allowed by the Note with respect to the non-compliance have passed.

In view of the above, the BTF is requesting the City to (A) waive the above events as breaches or defaults by the BTF, and (B) further to amend and restate the Note so that its principal amount, \$102,000 as of September 7, 2008, becomes due and payable five years from the date of the Note, i.e. on September

7, 2012, as set forth in Paragraph 2, [the first] clause (ii) without regard to the other events referred to in said Paragraph.

As consideration for the waiver and amendment, the BTF has offered the payment of cash interest monthly, as provided in the original terms of the Note with the first payment to be made on the first of the month after the waiver and amendment become effective and to consist of the current interest then due, plus all arrears of interest at the Note rate from October 1, 2008 to date.

In our discussion concerning the merits of the request concerning Note, we pointed out that the BTF's efforts in attempting to preserve the Beach Theatre remain active and ongoing. Those efforts were responsible for keeping the theatre open for the 2007/2008 season in improved condition benefitting the community in the fields of art and culture. Moreover, although it paid for an extension of the operating lease for the theatre through March 31, 2009, the BTF was unable to obtain further lease extensions from the landlord to operate in 2009 through no fault of the BTF. In that connection and with its activities aimed ultimately at improving and developing the property and preserving the theatre, the BTF believes the fact that the theatre was open at all and still standing for the 2009 summer season is largely due to its efforts. Finally, as we have discussed and disclosed, even in the difficult times of the current recession, the BTF is still developing and seeking to exploit plans, such as partnering with developers, aimed at ultimately preserving the essence of the Beach Theatre in the local community. In that regard, the BTF Board continues to meet actively and expend substantial time and personal funds in vetting development plans and alternatives.

The BTF respectfully submits that the above efforts have had value to the City and its residents and visitors and justify relief from the debilitating burden of accelerating the Note prematurely (prior to the basic underlying five year term) in this case.

The BTF respectfully requests the City to take all such action as is necessary to waive all prior non-compliance by the BTF with the terms of the Note and modify the Note as requested.

Very truly yours,

Stevens P. Jackson, Jr.
President & Founder
Beach Theatre Foundation, Inc.

cc: Bernie Haas