

**Montauk -
1931 and
after**

THE CARL G. FISHER PROPERTIES

Montauk

MEMO TO Messrs. Fisher and Collins

DATE October 22, 1931

FROM Paul Kunschik

SUBJECT MONTAUK NOTES

Complying with your request transmitted by Mr. Collins I have today mailed by air mail, registered, a letter addressed to Montauk Beach Development Corporation demanding payment of all past due interest on the notes. A copy of my letter is attached hereto for your information. This will open up the way for negotiations to have the notes converted into a mortgage secured by Montauk property.

void

PK:MKH

Paul Kunschik
PAUL KUNSCHIK

October 22, 1931

Montauk Beach Development Corporation,
Montauk, Long Island, New York.

ATTENTION: Mr. Parke G. Haynes, Vice-Pres.

Gentlemen:-

We are holding notes of your Corporation, aggregating \$1,120,323.18, bearing dates January 1, 1930 to December 17, 1930, on which no interest has been paid and find it necessary to demand payment from you forthwith of the sum of \$89,451.62 representing due and past due interest maturities, but not including currently accruing interest, with additional interest on past due maturities computed to October 24, 1931, as follows:

<u>DATE</u> <u>OF</u> <u>NOTE</u> <u>1930</u>	<u>AMOUNT</u> <u>OF</u> <u>NOTE</u>	<u>FIRST</u> <u>SEMI-ANNUAL</u> <u>INTEREST</u>	<u>SECOND</u> <u>SEMI-ANNUAL</u> <u>INTEREST</u>	<u>THIRD</u> <u>SEMI-ANNUAL</u> <u>INTEREST</u>	<u>INTEREST</u> <u>ON PAST DUE</u> <u>INTEREST</u>	<u>TOTAL</u> <u>INTEREST</u>
Jan. 1	\$ 50,000.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 292.93	\$ 4,792.93
Jan. 8	15,549.44	466.48	466.48	466.48	88.95	1,488.39
Jan. 30	125,000.00	3,750.00	3,750.00	3,750.00	680.82	11,910.82
Feb. 11	25,000.00	750.00	750.00	750.00	126.25	2,376.25
Feb. 24	10,000.00	300.00	300.00	300.00	47.93	947.93
Feb. 26	50,000.00	1,500.00	1,500.00	1,500.00	287.70	4,737.70
Mar. 3	50,000.00	1,500.00	1,500.00	1,500.00	230.79	4,730.79
Mar. 18	50,000.00	1,500.00	1,500.00	1,500.00	216.00	4,716.00
Mar. 22	70,000.00	2,100.00	2,100.00	2,100.00	296.88	6,596.88
Mar. 24	25,000.00	750.00	750.00	750.00	105.40	2,555.40
Mar. 27	8,786.68	263.60	263.60	263.60	36.40	827.20
Mar. 27	10,000.00	300.00	300.00	300.00	41.42	941.42
Apr. 9	70,000.00	2,100.00	2,100.00	2,100.00	272.94	6,572.94
Apr. 24	125,000.00	3,750.00	3,750.00	3,750.00	450.41	11,700.41
June 9	25,000.00	750.00	750.00	-0-	74.96	1,574.96
June 26	125,000.00	3,750.00	3,750.00	-0-	346.85	7,846.85
July 1	35,544.15	1,066.32	1,066.32	-0-	90.65	2,103.29
July 24	10,341.68	310.25	310.25	-0-	24.82	645.32
July 28	15,501.92	465.06	465.06	-0-	36.59	966.51
Aug. 9	56,806.97	1,704.21	1,704.21	-0-	124.36	3,532.80
Aug. 13	15,489.76	464.69	464.69	-0-	33.10	962.48
Oct. 21	77,183.77	2,315.51	2,315.51	-0-	95.92	4,726.94
Nov. 4	51,437.69	1,543.13	-0-	-0-	58.51	1,601.64
Nov. 13	15,417.76	462.53	-0-	-0-	16.65	479.16
Dec. 17	10,263.36	307.90	-0-	-0-	8.71	316.61
\$1,120,323.18		\$33,609.68	\$51,296.12	\$20,530.06	\$4,015.74	\$89,451.62

Please give this matter your immediate attention.

Yours very truly,
THE CARL G. FISHER COMPANY

PAUL KUNSCHIK,
Vice-President

PK:MMH

C O P Y

HOUSE OF REPRESENTATIVES U.S.
COMMITTEE ON NAVAL AFFAIRS
WASHINGTON, D. C.

Montauk

Mr. Carl G. Fisher
Miami Beach, Florida

My dear Carl:

Your letter is interesting because you ask me to do something over which I have been pondering for months, "the future of Montauk".

When I see you in Miami next month, I will be prepared to give you my opinion (whatever its value may be) on a progressive program for Montauk and if the thing appeals to you at all, we will "organize" to put it across, the beginning having already been made by me.

The few men I have talked with who are substantially interested at Montauk appear to be of the opinion that big things should be doing in 1932. I think I know why they do not say 1931 and I shall be prepared to give you my best advice along this line also.

It is true that real estate is slow pretty generally all over the country, but that is no reason why we should lay down at Montauk and wait for it to come back. My thought is that we can do a lot toward bringing it back if we can agree upon the right kind of a program of publicity, activity, salesmanship and a colorful presentation of the finest summer recreation grounds in the United States.

If hundreds of thousands of people can be brought to Montauk for enjoyment and recreation during the months of June to October, there ought to be ample opportunity to sell even a small percentage of them a lot or two and I am quite convinced that this can be done at a very, very slight expense and if you agree with me, I am willing to undertake the job.

It would be necessary for me to put in all of my time with you after March 4th when Congress adjourns and a great portion of my time prior to March 4th upon the many, many details of the various projects.

When I say "with you" I do not necessarily mean with

you personally, but with your projects either at Miami or at Montauk,

I think it is very important to you personally that certain definite steps be made at Montauk and I am ready to take off my coat for you and to protect your every interest with the same care and diligence as if I were doing the entire job for myself.

Those who suggest that 1932 will be time enough to "start something" at Montauk are thinking first of themselves. Let's beat them to it by doing business in 1931.

Yours very cordially,

FRED A. BRITTON

MONTAUK BEACH DEVELOPMENT CORPORATION

MONTAUK, LONG ISLAND

January 7, 1932.

TO THE STOCKHOLDERS OF THE MONTAUK BEACH DEVELOPMENT CORPORATION

Inasmuch as certain negotiations which have been pending during the past sixty days, looking toward the reorganization of the corporation's affairs and the conservation of its equities, have not successfully been concluded, it seems highly advisable at this time that the stockholders of the Montauk Beach Development Corporation be advised as to the status of the corporation's finances and affairs.

Since July, 1929, the requirements of the corporation for operating costs and expenses, interest on bonds, and other carrying charges in excess of income, have been supplied through loans from, or purchases of real estate by The Carl G. Fisher Company, and these loans and purchases to date aggregate in excess of \$1,500,000.00.

Due to continued unfavorable business conditions during the past two or more years, The Carl G. Fisher Company advises us that it is not physically able to make further advances to the Montauk Beach Development Corporation, and the income of the corporation itself is not at all sufficient to take care of its operating and carrying charges.

To date all obligations have been promptly met with the exception of installments on three purchase money mortgages which matured during 1931, and on which extensions were obtained. At the present time unsecured current obligations of the Corporation, exclusive of purchase money mortgages, aggregate considerably less than \$10,000.00. In addition, the company has one note in the amount of \$20,000.00 secured by a pledge of receivables as collateral, given to secure funds to effect a reorganization and foreclosure of a valuable property in Montauk.

On the other hand, however, the income of the corporation has diminished to a point where it is not sufficient to provide for even a substantial portion of the corporation's ordinary expenses, to say nothing of interest and principal installments on mortgages and bonds. On the first of January, there was a maturity of an interest installment on a purchase money mortgage amounting to \$8,343.75. On the tenth of January, there will be approximately \$50,000.00 required to pay taxes. In addition, between January 1st and April 30th, we will have various purchase money mortgages maturing in an amount aggregating approximately \$150,000.00, some of which, of course, can be extended. There are no funds in sight at this time to meet any of these items.

The big problem facing the corporation, however, is the maturity on April 30, 1932 of its first and second mortgage bonds, of which there are approximately \$2,740,000. of firsts and \$1,000,000.00 of seconds outstanding.

Negotiations have been constantly under way in an effort to provide funds to meet these various obligations, or to arrange some manner of carrying them for

a further period, but so far, regrettably, there have been no very encouraging results obtained due almost entirely to the very demoralized state of money markets.

Of the corporation's sales, which aggregate to date about \$2,750,000.00, approximately \$2,418,000.00 in cash have been collected, and of the remaining outstanding \$332,000.00 approximately \$249,600.00 have not matured, leaving a balance of \$82,400.00 which is now due and most of which can be collected only by litigation or by trading. In other words, of a total sales of about \$2,750,000.00, a very small proportion of the total can be classed as uncollectable or slow.

The Directors feel that all the stockholders are quite familiar with the fact that continued business depression has resulted in severe losses in all lines of business and industry. This condition has naturally been felt more keenly in enterprises like our own than it has in almost any other line of business endeavor. Had it not been for the financial support which The Carl G. Fisher Company has given to our Corporation, we would, in all probability, have found ourselves two years ago facing the same situation which we are facing today.

All the Directors as well as the stockholders who are closest to the situation, have unbounded faith in the future of Montauk, and are confident that the optimistic prospects prevailing at the beginning of the work at Montauk could still be realized if some way could be worked out to carry the property until the return of normal business conditions.

Obviously an emergency exists in the affairs of the corporation. The Board of Directors wants the stockholders to be fully informed as to true conditions in corporate affairs, and invites you to make further inquiry, as well as suggestion as to how this emergency can be dealt with. If enough stockholders deem it advisable, a general meeting will be called to discuss the entire situation.

All correspondence in this matter should be addressed to the Corporation's Office at Montauk, New York.

MONTAUK BEACH DEVELOPMENT CORPORATION

Montauk
March 7th 1932.

Mr. C. M. Keys,
39 Broadway,
New York City.

Dear Clem:

I have yours of the 3rd.

As far as I am concerned I am very well satisfied that a change of control will in some manner be necessary at Montauk, and I am very willing to agree to same. However, we have had two changes of control at Montauk in the past, and temporarily the only result that accrued from the changes in control was a quite useless expense of about \$150,000 to the Corporation.

I would be perfectly willing to see that the change of control of Montauk passes into your hands, or into a Committee's hands with Pan American cooperation. I agree with you that this decision should be made before April 30th. I think it should be made if possible by April 1st.

We must operate Montauk, and outside of taxes and insurance we can operate very nicely at about \$3,000 per month through this coming season. I am sure we can sell enough property to more than pay for operating expenses. The hotel and golf course will maintain themselves.

We should only have a small road expense this Spring, and the property now is in very good shape throughout.

I wish you to know that I thoroughly appreciate your position, and we are working here as never before; without Montauk to look after at the present time we might be able to slide through here, but our situation here is growing very difficult each day as the season is drawing to an end.

I am having a lot of figures gotten together which I will send you a copy of within the next few days. I wish you could figure out

C. H. Keys - #2

a definite plan that would be best for all of us to follow. I am willing to cooperate with you to the limit.

Yours,

C. G. FISHER

CCF-NM

C. N. Keys - #2

a definite plan that would be best for all of us to follow. I am willing to cooperate with you to the limit.

Yours,

C. C. FISHER

CGF-HM

from Jack

Port Washington, N.Y.
April 30, 1932

Mr. Victor Erhardt
Pittsburg
Pennsylvania

Dear Uncle Vic:

We turned the Montauk Development Corporation over to the bond holders yesterday in a very friendly and equitable manner. It was though best to do this in order to protect the stockholders and the company, as per a letter which will be mailed to all stockholders on Monday.

I have been trying to get in touch with a real official of the Jones & Laughlin Steel Corporation in Pittsburg. We want to locate a steel company that make a specialty of angle iron and small 2-1/2" or 3" channel irons. We have a prospective order for one hundred houses at Montauk and perhaps the same will go through at Miami Beach. At least we are not spending a great deal of money in preparing our plans, but we are in hopes that we can get, at the present time, quotations on steels that will more than allow these houses to compete with wood.

I will be glad to show you one of these houses when you come up, as we are going to build one right here in the yard.

Will write you further next week.

Yours,

CARL G. FISHER

CGF/L

C



MONTAUK BEACH

LONG ISLAND, N. Y.

120 MILES OUT IN THE COOL ATLANTIC
Like A Trans-Atlantic Voyage With None Of Its Discomforts

June 3, 1932

TO STOCKHOLDERS AND LANDOWNERS OF THE MONTAUK BEACH DEVELOPMENT CORPORATION

You have perhaps already learned that on May 6, 1932, in an action brought before Judge Robert A. Inch, in the Federal Court in Brooklyn, N.Y., William H. Robbins, of Bay Shore, L.I., and Otis S. Carroll, of Brooklyn, N.Y., were appointed co-
Receivers in Equity of the Montauk Beach Development Corporation.

The mere statement, without further explanation, that Receivers have been appointed, can be so readily misleading that considerable misunderstanding will naturally follow, and for that reason this letter is written in order that all stockholders, property owners and others interested in Montauk may understand the developments leading up to this action, and the possible outcome of the situation.

On May 1, 1928, the Corporation borrowed \$3,000,000 on its First Bond and Mortgage, guaranteed by the Carl G. Fisher Company of Miami Beach, Florida, and \$1,000,000 on its Second Bond and Mortgage, both of which Bond Issues matured on April 30, 1932. The proceeds of these two loans were used to redeem the then outstanding balance of a previous issue of First Mortgage Bonds amounting to \$1,392,000, to complete certain development projects which were considered essential for the operation and sale of the property, and for the general costs and carrying charges for the operation of the Corporation's affairs.

This cash was exhausted on July 1, 1929, and since that date the cost of operating the properties has been met almost entirely by unsecured loans made to the Corporation by the Carl G. Fisher Company, and by sales of property to the Carl G. Fisher Company for cash. To date the unsecured loans referred to aggregate \$1,120,323.98, and the cash purchases by the Carl G. Fisher Company and Mr. Fisher personally, have aggregated \$569,668.92.

Due to the generally depressed condition of business, and the particularly inactive real estate markets, the Corporation was not able on April 30, 1932 to provide the cash funds with which to meet the maturing bonds which aggregated \$3,741,000. Likewise, the Carl G. Fisher Company was unable to advance any additional cash to help meet these maturing bonds.

A strenuous effort was made during the past winter to bring about a reorganization of the affairs of the Corporation, and to secure extensions of the maturing obli-

gations, but due to the unfavorable financial conditions prevailing, these efforts did not have a successful conclusion, so that on May 1, 1932, the Corporation was actually in default in the payment of principal and interest of both of its first and second Mortgage Bonds, and was threatened with immediate foreclosure.

In view of these conditions it seemed almost imperative that steps be taken if at all possible to maintain the property intact and to provide for the operation of the property during the coming season in order that some plan of reorganization might be evolved, or that the process of liquidation might be carried on in an orderly manner, with the hope that some equity might be preserved for the stockholders. The only plan which seemed feasible for the accomplishment of these results was through Equity Receivership in the Federal Court, and, accordingly, after careful consideration of the matter by some of the principal stockholders and the Directors of the Corporation, and upon advice of attorneys, it was decided that the Corporation should consent to the appointment of Equity Receivers.

This action resulted in the appointment of the two Receivers as stated in the first paragraph of this letter.

Both of these gentlemen are lawyers of excellent standing, and we are convinced that they will do everything in their power to conduct the operation and sale of the assets of the Corporation in as helpful a manner as possible, from the standpoint of the stockholders, consistent with their duties and obligations to the creditors.

It should be understood, however, that there is a probability that the liquidation of the assets will leave little if anything for the stockholders. Bankruptcy and immediate foreclosure, we felt sure, would most certainly wipe out stockholders' equities almost immediately, and Equity Receivership, while it by no means assures preservation of any equities for stockholders, seemed to be the only chance for the preservation of such equities.

A feasible plan of reorganization has been suggested, which requires an investment of additional cash in order to afford protection for the present equities. We feel certain that such a reorganization could be effected on an attractive basis for the stockholders and property owners at Montauk if they were in a position to protect their present investment. We are not requesting or recommending your participation in such a plan, but we are suggesting that it might be to the advantage of all stockholders and landowners if a general meeting could be held in the near future, at which time all the facts could be presented and a general discussion could be had on the subject of reorganization.

Such a meeting should, in our opinion, be held in New York at as early a date as possible.

We do not wish to call such a meeting unless enough stockholders and landowners are interested in having it. Will you not therefore indicate your wishes on the enclosed card, sign the same and mail it to us. We will advise you of results as soon as we have received sufficient replies to enable us to interpret the wishes of the stockholders and landowners.

Very truly yours,

C
C. Fisher

L. Hopkins

February 20th 1933.

Mr. Lindsay Hopkins,
First National Bank Building,
Miami, Fla.

My dear Lindsey:

We are commencing to get a number of letters from our stockholders, asking for a resume of conditions at Montauk. In the past we have made it a practice to keep our stockholders advised of new buildings, new improvements of all kinds, and to advise them generally that we remembered they were stockholders.

We found this of great value to us in building up goodwill, and also for our hotel, and I think it very advisable to have a letter go out, within the next week or so, stating something to our stockholders at Montauk, to let them know that we have not forgotten that they are stockholders, and to tell them what we are trying to do.

Kindly let me hear from you.

Yours very truly,

CARL G. FISHER

CGF-FM

C

Montauk

February 25th 1933.

Mr. C. M. Keys,
39 Broadway,
New York City.

My dear Clem:

Replying to yours of the 23rd. Fallon may be your best bid. To make a lease without a gambling clause is both foolish and very unbusinesslike; then besides that, as long as I have stock interests and land and mortgages and a hotel at Montauk I am going to resist in every way I possibly can any hotel manager ruining the reputation of the hotel, and to a large extent, the property, by making a gambling place of the hotel. Fallon or noone else can run a gambling house in the hotel, with the Committee now organized at Montauk to see that it is not done.

I think Abel in addition to \$15,000 will give the Committee a percentage of the earnings, or of the gross. I believe he would give you 5% of the gross in addition to the \$15,000.00.

You informed me over the telephone that the check up on the hotel shortages was not correct, but I have not been able to verify this statement here. The check up apparently is correct, and aside from this check up, there are other shortages.

I am in hopes your building crowd at Montauk will come through. There is in the process of sale here, (at least these prospects are in the mill and are being worked on) \$100,000 or more of Carl G. Fisher Company properties, and a lump transaction on the Lenox Corporation.

A sale is going through the mill at Port Washington of approximately \$15,000, however, there is a mortgage on this property, leaving only a small margin with which to pay delinquent taxes and interest on the property, which will just about clean up the situation at Port Washington, to this date.

C.M.Keys - #2

There is some \$60,000 coming in from the Flamingo which will have to apply on the interest and the bonds. Same is true of the Lincoln. In the meantime we sell a lot now and then for \$1,000 of Carl G. Fisher property. Most of our property, as you know is on Lincoln Road, and Penn Terminal property, and as soon as we get any moneys in here, it keeps us busy to take care of the interest and delinquent taxes. We cannot give deeds to some of the property where it is sold until we get the tax situation cleared up. Any of the major sales which I refer to would allow us to send perhaps \$10,000 or \$15,000 to help out up there.

As I have explained to you before, there is no difference in the situation here, except that we are now entering some sort of a selling season, and none of us know what it is going to be.

The Bay Shore Company are doing some business; several houses have been sold and several lots, a total I imagine of some \$60,000, and this is being used as fast as they can get it to liquidate their own indebtedness.

They have succeeded in re-writing the bonds on the Nautilus, and we hope to do something of this kind with the Flamingo. The bonds on the Nautilus have been reduced to a 5% basis, and a five year extension on any amortization, and it would be necessary to do this same thing with the Flamingo if we are in hopes of pulling it out.

We continue to have a good crowd in spite of the rumors and everything else regarding the North. As fast as harried business men are called home, it seems their place is filled up by harried business people who come here to get away from trouble and discouragement.

We are paying about 60% of our own office force with land, which eventually of course will be sold, but I only mention this to show you we are doing all we can do here.

I didnt seriously consider the Veillier plan because the only thing I can see in his plan is that we would

C. M. Keys - #3

raise money for him to try to do something with.

Yours,

CARL G. FISHER

CCF-HM

Miss Sarah Wilford -- 2.

12-27-35.

We also have the finest water supply that we know of in the Eastern part of the country, and the weather reports over a period of many years give us many advantages over other Eastern resorts, in temperature, fog, and driving distance to New York; to say nothing of our harbors.

While Montau may be a "dream", it is quite a healthy dream as there have been over twelve million dollars invested there by our own Company, to say nothing of the investments by other companies.

There isn't a single ounce of hard feeling in this letter and I only hope you will get to Montauk this coming summer and take another look at the place.

I am sending you under separate cover a little souvenir from our Flamingo Hotel here at Miami Beach. You can use this for speculative purposes. If you will hold it in your hand a couple of minutes, looking straight East, you will see if you are hot or cold. If you are hot, you can make a bet on your opinions - but not over a dime.

Yours truly,

CARL G. FISHER.

CGF:AVM



Bernarr Macfadden

CHANIN BUILDING
122 EAST 42ND STREET
NEW YORK

Private Office

August 23rd
19 37

Mr. Carl G. Fisher
Carl G. Fisher Corp.
Miami Beach, Fla.

Dear Mr. Fisher:

Thanks for your letter of recent date.

At the present time however, my real estate holdings are such that I would not be interested.

Sincerely,

Bernarr Macfadden

C

Aug. 10, 1937.

Mr. Bernarr Macfadden,
c/o Physical Culture Hotel,
Dansville, N. Y.

My dear Mr. Macfadden:-

I think there is a splendid opportunity for you to purchase, at a very great sacrifice, Montauk property, and I believe that it would fit in with your general plan of hotel promotion and your physical culture program. I am enclosing under separate cover some booklets which will refresh your memory of Montauk properties.

I am leaving here Saturday and will be in Montauk on Monday. The State Park Department has completed a magnificent road right through the heart of Montauk properties, and as I do not think that you have been over to Montauk for several years, it might be very interesting to you to know more of the possibilities of what we can offer you at Montauk.

If you are interested in this subject at all I would be very glad to meet you in Montauk and go over the properties and get you a price on whatever, if any, of the properties you might be interested in.

Very truly yours,

CGF-C

CARL G. FISHER

IT'S VACATION TIME AT THE PHYSICAL CULTURE HOTEL



*Come here and improve your health—renew
your vitality by Nature's methods*

THIS great health resort, founded by Bernarr Macfadden, invites you to find again life's most precious possession—spirited youth. This resort at Dansville, N. Y., is patronized by boys and girls of all ages, from sixteen to eighty. If you have forgotten how to play they will teach you. Many non-contagious diseases respond readily to physcultopathic measures. A beneficent, friendly institution. ¶ In addition to being the ideal health resort, the management of Physical Culture Hotel have gone to great lengths to make it a delightful and charming spot at which to spend a few days or weeks in rest and recreation. ¶ If you are seeking the ideal vacation resort or are generally run-down or have a specific health problem to solve the chances are that Physical Culture Hotel can be of priceless service to you. By all means write for full information including views, moderate rate schedule and wonderful testimonials regarding some of the almost miraculous recoveries that have taken place here.

SPORTS AND AMUSEMENTS

Among the many facilities for personal enjoyment available at Physical Culture Hotel are a splendid swimming pool, tennis, golf, volley ball, dancing, mass singing and horseback riding. Everything possible is done to make your visit not only a wonderful adventure in health building but one of the happiest vacations you ever spent.

PHYSICAL CULTURE HOTEL

INCORPORATED

DANSVILLE

NEW YORK

MOTHER AND DAUGHTER GREATLY IMPROVED

"One year ago Mrs. Butler and our daughter La Vange entered the Physical Culture Hotel for a health training course of five weeks.

"Mrs. Butler at that time was suffering from a general run-down condition, and our daughter, from a long standing bronchial-trouble which had given us considerable worry, as well as untold discomfort for herself.

"After five weeks they returned home completely improved and with a knowledge of correct living that has reflected itself in perfect health for them both during the past twelve months.

"To state we are pleased with the benefits of their visit is entirely inadequate, as they derived knowledge and improved health that has been of untold value to all of us. They both look forward with keen interest to a return visit in the near future to renew the pleasant acquaintances they made at the Physical Culture Hotel, as well as to receive the benefits we know will be there."—K. L. Butler.

-----MAIL COUPON TODAY-----

Physical Culture Hotel, Inc., Dept. L 8-7.
Dansville, New York.

Please send me full information including moderate rate schedule.

Name.....

Street.....

Town.....State.....

MONTAUK BEACH COMPANY, INC.

MONTAUK, LONG ISLAND, NEW YORK



Balance Sheet and Statement of Operations
Year Ended December 31, 1949

MONTAUK BEACH COMPANY, INC.

(INCORPORATED IN NEW YORK)

BALANCE SHEET

December 31, 1949

<u>ASSETS</u>	<u>LIABILITIES</u>		
CASH (1) -----	\$ 164,712.13	CURRENT AND ACCRUED LIABILITIES, EXCLUSIVE OF FIRST MORTGAGE AND COLLATERAL TRUST BONDS AND ACCRUED INTEREST THEREON SINCE MATURITY:	
ACCOUNTS RECEIVABLE FROM SALE OF REAL ESTATE -----	180,530.79	Notes payable -----	\$ 288,844.16
OTHER RECEIVABLES LESS RESERVE FOR DOUBTFUL ACCOUNTS of \$4,807.38 -----	3,333.03	Accounts payable -----	35,319.75
INVENTORIES -----	6,148.43	Real estate taxes payable -----	34,422.90
DUE FROM SUBSIDIARY COMPANY -----	4,625.93	Accrued interest payable on first mortgage and collateral trust bonds and notes payable (3) -----	465,706.52
REAL ESTATE HELD FOR SALE (2) -----	2,334,891.33		
FIXED ASSETS (2):		Total current and accrued liabilities, exclusive of first mortgage and collateral trust bonds and accrued interest thereon since maturity -----	\$ 824,293.33
Montauk Manor Hotel and Lodge -----	\$1,679,640.70	MORTGAGE PAYABLE (SURF CLUB PROPERTY) -----	65,000.00
Montauk Yacht Club -----	241,422.80	FIRST MORTGAGE AND COLLATERAL TRUST BONDS, 6%, MATURED JUNE 1, 1948 -----	800,000.00
Montauk Downs Golf Club and Golf Course -----	260,198.70	UNREALIZED PROFIT ON REAL ESTATE SALES -----	92,138.54
Montauk Surf Club -----	154,799.63	CAPITAL STOCK AND SURPLUS:	
Shops, warehouses, office building and other property -----	380,717.00	Capital Stock—\$1.00 par—authorized, 500,000 shares; issued, 426,903.65 shares, less 6,926.315 shares in treasury; outstanding, 419,977.335 shares -----	\$ 419,977.34
Total fixed assets -----	\$2,716,778.83	Capital surplus (2) -----	3,306,236.58
Less reserve for depreciation -----	1,676,718.56	Earned surplus (deficit #) (3) -----	1,586,807.23#
Remainder — net book value -----	1,040,060.27	Total capital stock and surplus -----	2,139,406.69
INVESTMENTS:		Total -----	\$3,920,838.56
Montauk Water Supply Corporation -----	\$ 126,724.62		
Carl G. Fisher Corporation — at a nominal value -----	1.00		
Total investments -----	126,725.62		
PREPAID AND DEFERRED EXPENSES -----	59,811.03		
Total -----	\$3,920,838.56		

(1)—The cash at December 31, 1949, includes \$9,472.62 representing a restricted deposit with the First National Bank of Bay Shore, Trustee, deposited for the release of real estate sold which originally was pledged as security for the 6% first mortgage and collateral trust bonds which matured June 1, 1948.

(2)—Effective January 1, 1944, the Corporation adjusted the basis of its assets on its books at December 31, 1943, to reflect the cost basis of its predecessor in accordance with Section (113) (a) (22) of the Revenue Act of 1943. The cost basis of the predecessor company was taken from a previous report on that company and was not verified by us.

(3)—No provision has been made in the above statement for the accrual of interest on the first mortgage and collateral trust bonds from June 1, 1948, date of maturity, to December 31, 1949.

MONTAUK BEACH COMPANY, INC.

CONDENSED STATEMENT OF OPERATIONS

For the Year Ended December 31, 1949

REVENUE:

Profit on real estate sales (1):	
Collections on sales -----	\$151,271.33
Less cost of land applicable to collections, discounts, etc.—net -----	76,954.75
Remainder—profit on real estate sales -----	\$ 74,316.58
Net profit from operations of recreational units before real estate taxes and depreciation -----	63,629.86
Rental income -----	3,479.00
Miscellaneous -----	972.90
Total revenue -----	\$142,398.34

OPERATING EXPENSES:

Real estate selling and commissions -----	\$ 30,591.53
Real estate advertising and promotion -----	14,138.75
New York sales office expense -----	7,950.55
Executive and administrative salaries -----	18,261.10
General and administrative -----	19,491.68
Maintenance and repairs -----	6,713.89
Insurance, exclusive of operating units -----	6,481.74
Real estate taxes (2) -----	14,483.71
New York State franchise tax -----	565.73
Total operating expenses -----	118,678.68

PROFIT FROM OPERATIONS BEFORE DEPRECIATION ----- \$ 23,719.66

DEPRECIATION ϵ ----- 96,410.65

LOSS FROM OPERATIONS ----- \$ 72,690.99

OTHER DEDUCTIONS—INTEREST ON NOTES PAYABLE ----- 11,553.76

GROSS LOSS ----- \$ 84,244.75

OTHER INCOME:

Interest earned -----	\$ 6,196.02
Dividend income -----	2,915.00
Profit on sale of fixed assets -----	203.50

 Total other income ----- 9,314.52

NET LOSS FOR THE YEAR ----- \$ 74,930.23

(1)—Real estate sales for the year ended December 31, 1949, amounted to \$177,675.00.

(2)—This statement does not include property taxes of \$19,592.16 on real estate held for sale which were capitalized.

(3)—No provision has been made in the above statement for the accrual of interest on the first mortgage and collateral trust bonds from June 1, 1948, date of maturity, to December 31, 1949.

ACCOUNTANTS' OPINION

The Board of Directors,
Montauk Beach Company, Inc.

We have examined the balance sheet of Montauk Beach Company, Inc. as of December 31, 1949, and the related condensed statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as described in the following paragraph.

The accounts receivable at December 31, 1949, were not verified by confirmation of the individual balances shown by the books as receivable from the debtors, and in accordance with the terms of our engagement, we did not verify the income or expenses of the Yacht Club, the Surf Club, or the Golf Club.

The Company did not accrue interest on the matured first mortgage and collateral trust bonds for the period from June 1, 1948, date of maturity, to December 31, 1949.

Based on our examination, limited as described hereinbefore, in our opinion, the accompanying balance sheet and summary of net loss and deficit present fairly the financial position of Montauk Beach Company, Inc. at December 31, 1949, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent, (except as stated in the preceding paragraph) with that of the preceding year.
New York, New York,
April 13, 1950.

GEORGE ROSSETTER & CO.
Certified Public Accountants.

MONTAUK BEACH COMPANY, Inc.

Notice of Special Meeting of Stockholders

November 16, 1950

TO THE STOCKHOLDERS OF MONTAUK BEACH CO., INC.:

PLEASE TAKE NOTICE, that a Special Meeting of the Stockholders of the corporation will be held on November 27, 1950, at 4:00 P.M. Eastern Standard Time, at the office of the corporation, 1 East 42nd Street, New York, New York, for the purpose of voting upon the following matters:

1. Approval of the Plan of Recapitalization of Montauk Beach Company, Inc. dated October 2, 1950, of which a copy is enclosed herewith.
2. The amendment of the Certificate of Incorporation of the corporation so as to authorize a new issue of 100,000 shares of 5% Cumulative Preferred Stock having a par value of \$10.00 per share and the designations, preferences and privileges set forth in the said Plan of Recapitalization.
3. Authorizing the issuance of 3% Debentures having the terms set forth in said Plan of Recapitalization.
4. Authorizing the exchange of securities provided for by the said Plan of Recapitalization and all other steps necessary to consummate the Plan.

By order of Board of Directors.

JOHN A. CRAFT,
Secretary.

278,962 Bds (35%)
159,000 Int "

438,062 of Pfd Stk (5% Cum) 9% = 39,000
45,000 Int 33% 9% = 8600
1600 Int "
96,000 of 3% Debentures 47,600