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Jewish Agency, Israel Corporation, 1949-1950.

PROSPECTUS

600,000 Shares

Palestine Economic Corporation

Common Stock

(Par Value \$25 Per Share)

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PRICE: \$28 PER SHARE

PALESTINE ECONOMIC CORPORATION

400 MADISON AVENUE

New York 17, N. Y.

The date of issue of this Prospectus is May 9, 1949.

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This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy in any state to any person to whom it is unlawful to make such an offer in such state.

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(Par Value \$25 Per Share)

The date of issue of this Prospectus is May 9, 1949.

GENERAL

A Registration Statement in respect of the issue of 600,000 shares of Common Stock of Palestine Economic Corporation and the required number of copies of this Prospectus have been filed with the Securities and Exchange Commission, Washington, D. C., under the Federal Securities Act of 1933 as amended.

The information contained in this Prospectus is taken in part from the Registration Statement, in part has been summarized from the information found in the Statement and includes general information which is not found in the Statement.

HISTORY AND BUSINESS OF THE CORPORATION

The Palestine Economic Corporation was incorporated under the laws of the State of Maine on January 18, 1926. It is an instrument through which Americans may participate in the economic development of Israel on a business basis.

The Corporation engages in financing enterprises of a banking, credit, industrial, land, agricultural and utility nature through subsidiary and non-subsidiary corporations. The Corporation extends loans and purchases securities or does both in various corporations. It owns no physical property. It holds securities for safe-keeping and temporary investment in the State of New York. It carries cash balances in banks in the State of New York. It also carries cash balances in Israel and London from time to time. The past record of the Corporation shows that it has engaged in worthwhile business undertakings, mainly in that part of Palestine which comprises the State of Israel.

The creation of the State of Israel will, it is expected, be followed by an economic up-swing after settlement of the new State's current military difficulties with nearby Arab states. The Corporation, by virtue of its long experience and its well organized administrative machinery in Israel, is in an advantageous position to participate actively in the future economic development of the country. For such participation, the Corporation requires large resources in addition to its present capital. In order to be able to enlist such additional capital, the Corporation has filed the aforementioned Registration Statement with the Securities and Exchange Commission.

The Palestine Economic Corporation has never made any promise or representation or given any guarantee as to the financial outcome of its endeavors. After twenty-three years of constructive operation in Palestine not only is the Corporation's capital unimpaired, but it has also accumulated appreciable reserves.

On February 22, 1948, the British Government excluded the Palestine currency from the sterling bloc, and froze the Palestine credit balances held in London. On August 17, 1948, the State of Israel created its own currency, the Israeli Pound (I£), at parity with the Palestine Pound. The Anglo-Palestine Bank, Ltd., Tel Aviv, which is acting as the bank of issue of the Israeli Pound, and which is the largest Israeli dealer in foreign exchange, is converting dollars into pounds at the official Bank of England rate of \$4.0275 per pound. There is at present prevailing an unofficial rate of \$3.025 for the Israeli pound and the Jewish Agency for Palestine is allowing that rate to certain institutions. It is therefore possible for the Corporation at present to purchase Israeli pounds at about \$3.025 per Israeli pound. However, income in respect of investments made prior to May 15, 1948, remitted from Israel to the United States continue to be converted at the rate of about \$4.02 per Israeli pound. It is currently being presumed that the Corporation's earnings on investments made with Israeli pounds purchased at the aforementioned rate of \$3.025 will be remitted to the United States at that rate. All the Corporation's foreign investments as at December 31, 1948, were made at rates of \$4.02 or more; investments since then have so far been made at the \$3.025 rate.

Subsidiary Companies

Bayside Land Corporation, Ltd.

Bayside Land Corporation, Ltd., a wholly-controlled subsidiary, owns and is developing a tract of land adjoining Haifa. Of the 2,000-odd acres acquired, about 1,320 acres remained unsold and unleased at December 31, 1948. These lands are being developed in accordance with a master plan prepared by Sir Patrick Abercrombie, well-known British city-planner, and are divided into industrial, residential and reserve zones. Generally, it is the practice to grant 99-year leases to assure predetermined use of the land by the lessee and to prevent the land from becoming an object of speculation. Through its subsidiaries or affiliates, Bayside erects modest homes and small factory buildings for sale and rental. All houses and factory buildings erected by Bayside and its wholly-owned subsidiary were sold advantageously. A company wherein Bayside is a 50% participant completed the erection of factory halls during 1948; these were rented for industrial use. A military camp, erected by the British army on Bayside's land was acquired by Bayside and is used for housing immigrants. Bayside participated in a syndicate which loaned to the Municipality of Ramat Gan (adjoining Tel Aviv) funds to acquire over 200 acres of centrally-located lands essential for the growth and progress of this important urban community. Part of the loan has already been repaid, and the balance is secured by mortgage. The Municipality reserved a small area for the syndicate. Bayside disposed of its share on satisfactory terms. Collection arrearages as at December 31st, 1948, primarily due from debtors who enlisted in the Israeli armed forces, amounted to I£ 2,294(1%). None of the properties in which Bayside is interested suffered damage as the result of war action or other disturbances.

The Central Bank of Co-operative Institutions in Palestine, Ltd.

The business of The Central Bank of Co-operative Institutions in Palestine, Ltd., a majority-controlled subsidiary, is the granting of secured loans to co-operative societies. Its clients include producers', consumers', purchasing, marketing, housing, service, transport, water and credit co-operatives. Short-term loans (up to 18 months) are generally for operating capital, advances on crops or purchase of fertilizer, fodder, seed and fuel. Intermediate and long-term loans (up to 10 years) are for orchard development, agricultural machinery, water installation, livestock,

mixed farming, roads, farm buildings, housing or refunding of indebtedness. Outstanding balances and arrearages at the five year-ends to December 31, 1948, were:

| Year | Short-Term Loans | Intermediate and Long-Term Loans | Total Loans | Arrearages |
|------------|---------------------|--|----------------|------------|
| 1944 | † £P 174,914 | £P 110,027 | £P 284,941 | £P 5,980 |
| 1945 | 209,488 | 322,805 | 532,293 | 2,918 |
| 1946 | 300,788 | 379,311 | 680,099 | 3,841 |
| 1947 | 490,812 | 455,714 | 946,526 | 1,827 |
| 1948 | I £ 459,756 | I £ 441,436 | I £ 901,192 | I £ 7,950 |

90% of the Bank's loans have been to rural co-operatives. Clients of the Bank's have been attacked during recent military operations. Ten clients, all communal settlements, were destroyed. Six have been re-settled since. The ten clients owe the Bank a total of I £ 21,000, whereof 70% are secured by guarantees and 30% are unsecured. The Bank, although not anticipating serious loss, has set aside ample reserve for contingencies.

Loan Corporation, Ltd.

Loan Corporation, Ltd., a wholly-owned subsidiary, acts for the Corporation in sundry matters in Israel. At December 31, 1948, this subsidiary owed I £ 317,660 in Loans Payable. Of those Loans Payable, I £ 98,990 bear the Corporation's guarantee whereas I £ 4,353 were owed to the Corporation and I £ 209,887 were owed to other subsidiaries of the Corporation. Loan Corporation, Ltd., used the borrowed funds mainly to make certain investments authorized by the Board of Directors of the Corporation and referred to on pages 9-10 of this Prospectus. At December 31, 1948, the subsidiary held the following investments:

| | |
|--|-----------|
| Milveh Leumi (National Loan)..... | I £ 5,500 |
| Loans to subsidiaries of Palestine Economic Corporation | 27,843 |
| Short-term loans to third parties..... | 93,230 |
| Fertilizers and Chemicals, Ltd., 24,375 £P1 ordinary shares and 40,625 £P1 cumulative, redeemable, participating 5% preference shares and I £ 10,000 loan..... | 75,000 |
| Assis Palestine Fruit Products Company Bejarano Bros., Ltd., loan | 40,000 |
| Central Bank of Cooperative Institutions in Palestine, Ltd., 26,777 £P1 "B" shares | 26,244 |
| Ata Textile Company, Ltd., 14,300 £P1 4% preference shares "C"..... | 14,300 |
| Goldberg Instruments, Ltd., 5,000 £P1 ordinary shares..... | 5,000 |
| Jewish Farmers' Company in Palestine, Ltd., 1,000 £P1 4% cumulative preference shares | 1,000 |
| Maoz La'oleh Jerusalem Immigrants Housing Company, Ltd., 500 £P1 3% cumulative preference shares | 500 |
| Palestine Defense Loan | £P 1,000 |

Palestine Economic Corporation of New York

Palestine Economic Corporation of New York, a wholly-owned subsidiary, acts for the Corporation in sundry matters in the United States. At December 31, 1948, this subsidiary owed \$141,439 in Accounts Payable. Of the latter sum, \$124,297 were owed to the Corporation. The subsidiary held \$102,500 in Notes Receivable from Palestine Purchasing Service, Inc., a company which engages in the purchase-export business and in which the Corporation has a 50% stock interest.

Palestine Mortgage and Savings Bank, Ltd.

The Palestine Mortgage and Savings Bank, Ltd., a wholly-owned subsidiary, grants first mortgage loans in urban, suburban and semi-rural areas. The Bank grants short-term mortgages up to five years, and medium and long-term mortgages from ten to twenty years. These mortgages constitute not more than 20-25% of the value of the land and building and are usually repayable as to interest and capital in equal instalments. Arrears as of December 31, 1948, were I£ 5,204 (2%). The Bank has constructed and financed upwards of 1,800 homes. It has also an active savings department and accepts fixed-term deposits.

Palestine Water Company, Ltd.

Palestine Water Company, Ltd., a wholly-owned subsidiary, initiates and manages water-works and related projects. Its principal business is the management of Samaria Water Company, Ltd. (wherein the Corporation has a 37% interest), Sharon Water Company, Ltd. (wherein the Corporation has a 61% interest), and Water Company, Aleph Ltd. (wherein Palestine Water Company, Ltd., has a 60% interest). The latter three companies are public utilities furnishing water to some thirty farming settlements for domestic use and irrigation. Their twelve water plants are situated in villages in the most thickly populated sections of Israel's coastal plain. Their sales in 1948 totalled 3,400 million gallons of water. Collections from water consumers were generally satisfactory even though each calendar year-end shows a seasonal lag in payments. Because citrus growers did not receive seasonal advances, there was an increase in accounts in arrears.

Non-subsidiary Companies

Fertilizers and Chemicals, Ltd.

Loan Corporation, Ltd., a wholly-owned subsidiary has invested I£ 75,000 in Fertilizers and Chemicals, Ltd. The latter company was established under the auspices of Palestine Potash, Ltd. Its factories for the manufacture of sulphuric acid and phosphate fertilizer are now under construction. Operations are scheduled to begin during 1949.

Palestine Housing Corporation (Palhouse), Ltd.

Palestine Housing Corporation (Palhouse), Ltd., engages in the development of housing areas and the erection of houses therein for sale. At December 31, 1948, its paid-up capital amounted to I£ 227,260, whereof Palestine Economic Corporation provided I£ 81,687 and Bay-side I£ 17,668. Of the houses containing 712 rooms and 6 stores erected to the end of 1948, Palhouse sold houses containing 574 rooms and 3 stores. Palhouse owns 225 acres in the Haifa Bay area and 30 acres south of Tel Aviv. Palhouse grants second mortgage loans on its houses. There was a total of I£ 14,519 outstanding at December 31, 1948, when arrearages totaled I£ 188. An I£ 8,280 first mortgage loan on an I£ 40,000 property which matured in early 1948 was extended in view of the enlistment of the borrower in the army. None of Palhouse's properties were damaged in the recent war disturbances.

Palestine Potash, Ltd.

The Corporation owned as at December 31, 1948, 56,669 ordinary shares and 20,610 preference shares of Palestine Potash, Ltd., or 20% of the outstanding voting shares. Palestine Potash, Ltd., which operates an exclusive concession for extraction of the minerals of the Dead Sea, suffered severely from the war which broke out in Palestine with the termination of the British Mandate. All

operations by the company have been at a standstill since April, 1948. The company's property at the north end of the Dead Sea was evacuated in mid-May and was immediately occupied by the Arab legion. No representative of the company has been able to visit these premises, but it appears from reports from reliable sources that the buildings and their contents have been largely demolished. The investment in these buildings and in their contents is estimated at approximately £630,000 after depreciation. The company's property at the south end of the Dead Sea is occupied by Israeli military forces and suffered little damage. In view of the uncertainty of the company's position and the substantial losses which it has suffered, the full extent of which cannot be ascertained at present, the company did not pay the dividends on its preference shares on July 1, 1948, and January 1, 1949. Results were, according to the available last five reports of the company:

| | <u>1947</u> | <u>*1946</u> | <u>1945</u> | <u>1944</u> | <u>1943</u> |
|---|-------------|--------------|-------------|-------------|-------------|
| Profit from Trading (including transfer fees) | £ 411,791 | £ 142,201 | £ 156,886 | £ 170,363 | £ 194,915 |
| <i>Less:</i> | | | | | |
| Interest | 3,194 | 1,520 | 5,005 | 21,893 | 18,031 |
| Royalties, Governments of Palestine and Transjordan | 55,964 | 26,766 | 38,750 | 37,163 | 34,015 |
| Directors' Fees | — | 1,800 | 1,800 | 2,200 | 2,200 |
| Depreciation and Amortization | 71,820 | 54,260 | 60,734 | 55,000 | 55,000 |
| Deferred Repairs | 75,461 | — | — | — | — |
| Profit, subject to Taxation | £ 205,352 | £ 57,855 | £ 50,597 | £ 54,107 | £ 85,669 |
| <i>Add:</i> | | | | | |
| Adjustments to previous years | 3,280 | 21,297 | — | — | — |
| | £ 208,632 | £ 79,152 | £ 50,597 | £ 54,107 | £ 85,669 |
| <i>Less:</i> | | | | | |
| Expenses in connection with issues of Notes and Capital | — | — | — | 5,640 | 1,533 |
| Net Taxation Reserves | 72,000 | 3,000 | 23,000 | 30,000 | 73,000 |
| Preference Dividend, free of United Kingdom income tax | 12,870 | 12,870 | 11,700 | 12,364 | 10,340 |
| Ordinary Dividend, free of United Kingdom income tax | 8,388 | 16,775 | — | — | — |
| Balance, added to Surplus | £ 115,374 | £ 46,507 | £ 15,897 | £ 6,103 | £ 796 |

* The results of this year were affected by a 10 weeks' strike at the company's plants.

General Observations

The business of the Corporation and its subsidiaries continued satisfactorily during the past five years, which coincided with post-war reconversion, political disorders, lack of public security and—following the termination of the Palestine Mandate—with war between the new State of Israel and neighboring countries. However, the resources of the Corporation and its subsidiaries were not always fully utilized, due partly to a shortage of building materials, to post-war restrictions and to the high level of prices and partly to conservative management during periods of uncertainty. Except in the case of Palestine Potash, Ltd., the Corporation and its subsidiaries were materially unaffected by the current warfare between the State of Israel and the Arab countries and the preceding disorders. There was little unemployment in the country.

The State of Israel has demonstrated its ability to maintain public security and has taken far-reaching steps to develop the economy of the country. The Israeli Government has initiated

the exploitation of the country's resources and of its favorable geographic position and is encouraging the participation of Americans in the development of the country.

On November 21, 1949, the Corporation acquired all of the assets of The Israel Corporation of America (a company engaged in a business similar to that of this corporation), at a price of \$422,730.18. Payment was made by the issuance of 15,097.5064 shares of the common stock of this corporation. The assets acquired consisted of \$356,600.28 in cash and miscellaneous assets including a leasehold covering an office at 425 Fourth Avenue, New York, N. Y. for a term ending January 31, 1952, good will and like intangibles. The Corporation has assumed the tenant's obligations under this lease for the unexpired term. As part of the transaction, the Corporation has guaranteed to the Zionist Organization of America the payment of four semi-annual installments of principal maturing on or before October 1, 1951 (aggregating \$100,000) of a note made by the Jewish Agency in the principal sum of \$250,000 plus interest accruing thereon from October 1, 1949 to October 1, 1951 at the rate of 5% per annum.

CAPITAL SECURITIES OF THE CORPORATION

As of December 31, 1948, the Corporation's authorized capital consisted of 100,000 shares of common stock of the par value of \$100 each, of which 26,762.105 shares were outstanding, and 30,000 shares of "B" stock of the par value of \$1 each, of which 19,472.672 shares were outstanding. On May 5, 1949, the common stock of the Corporation was split four to one by reducing the par value thereof from \$100 to \$25 and the capitalization of the Corporation was increased to 1,030,000 shares of which 1,000,000 shares of the par value of \$25 each are common stock and 30,000 shares of the par value of \$1 each are "B" stock. After giving effect to this capitalization, the capital securities of the Corporation are as follows:

| <u>Title of Class</u> | <u>Amount Authorized or to be Authorized</u> | <u>Amount Outstanding as of December 31, 1948</u> | <u>Amount to Be Outstanding if All Securities Being Registered Are Sold</u> |
|-------------------------------|--|---|---|
| Common Stock | 1,000,000 shares | *107,048 shares | 707,048 shares |
| "B" Stock | 30,000 shares | 19,473 shares | 19,473 shares |

* This figure is the number of shares of common stock of the par value of \$25 each resulting from the four-to-one split of the 26,762.105 shares of common stock of the par value of \$100 each actually outstanding as at December 31, 1948.

The securities, other than those owned by the Corporation, of the subsidiaries whose financial statements are filed with the Registration Statement are as follows:

| <u>Title of Class</u> | <u>Amount Authorized (Shares)</u> | <u>Amount Outstanding as of December 31, 1948 (Shares)</u> | <u>Amount Owned Other than by Registrant (Shares)</u> |
|---|---|--|---|
| Bayside Land Corporation, Ltd. | | | |
| Ordinary Shares of £P1 each..... | 250,000 | 250,000 | — |
| 5% Redeemable Cumulative Preference shares of £P1 each (redeemable at a premium not ex- ceeding 25 mils per share)..... | 100,000 | 100,000 | 100,000 |

| <u>Title of Class</u> | <u>Amount Authorized (Shares)</u> | <u>Amount Outstanding as of December 31, 1948 (Shares)</u> | <u>Amount Owned Other than by Registrant (Shares)</u> |
|---|---|--|---|
| The Central Bank of Co-operative Institutions in Palestine, Ltd. | | | |
| Ordinary Shares of £P1 each..... | 203 | 101 | 25 |
| "A" Shares of £P1 each..... | 108,218 | 107,641 | 68,667* |
| "B" Shares of £P1 each..... | 134,105 | 134,105 | 10,055 |
| "A" or "B" Shares of £P1 each..... | 14,009 | — | — |
| Sharon Water Company, Ltd. | | | |
| Ordinary Shares of £P1 each..... | 35,000 | 32,393 | 12,590 |

* Includes 2,321 "A" shares on which I £ 1,744 was called up and paid on account.

The Corporation has no bonds or funded debt outstanding.

A holder of the Common Stock having a par value of \$25 each is entitled to exchange such share for one quarter ($\frac{1}{4}$) share of "B" Stock of the par value of \$1.00 each, provided, in every case, \$24.75 is transferred from Capital Account to Contributed Surplus. "B" Shares are sold and issued only if, on the issue of each share of "B" Stock, \$100 is paid into the Corporation of which \$1.00 is allocated to the Capital Account and \$99.00 to Contributed Surplus. No dividends may be paid out of this Contributed Surplus.

There have been authorized 1,000,000 shares of Common Stock and 30,000 shares of "B" Stock. There are outstanding 19,472.672 shares of "B" Stock, leaving 10,527.328 available for exchange of Common Stock. There are outstanding 107,048.042 shares of Common Stock. If the present issue of 600,000 shares of Common Stock is sold, there will not be sufficient "B" shares authorized to exchange for all the outstanding Common Stock. Should the need for additional "B" shares become manifest, the stockholders can at any time authorize an additional issue of "B" shares to provide for the exchange of all the Common Stock outstanding.

Voting Rights

The holders of the Common Stock possess all voting rights except that the rights and privileges of the "B" stock cannot be altered without the affirmative vote of 80% of the "B" stock.

Pre-emptive Rights

The Common Stock has no pre-emptive rights to subscribe to new stock or to securities convertible into stock of any class.

Dividends

The holders of the Common Stock are entitled to receive, when and as declared by the Board of Directors, non-cumulative dividends at a rate up to but not exceeding 7% per annum on the par value before any dividend shall be paid upon or set apart for the holders of "B" Stock. After a 7% dividend on the Common Stock shall have been declared and paid, or provided for in any one year, then and not otherwise, so long as any of the Common Stock shall remain out-

standing, may a non-cumulative dividend be declared upon the "B" Stock up to but not exceeding \$7.00 for each share of the "B" Stock. If in any year, dividends are paid or set apart as above provided on the Common Stock and on the "B" Stock, the Board of Directors may declare further dividends upon the Common Stock, and thereafter, in their discretion, upon the "B" Stock.

No dividends have ever been paid upon the "B" Stock.

Liquidation

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of Common Stock shall be entitled, before any assets of the Corporation shall be distributed among or paid over to the holders of the "B" Stock, to be paid \$31.25 per share, and, after such payment to the holders of the Common Stock, the holders of the "B" Stock shall be entitled, to the exclusion of the holders of the Common Stock, to be paid \$125 per share; and after such payments, the assets remaining, if any, shall be distributed ratably among the holders of the Common Stock.

ISSUE OF 600,000 SHARES OF COMMON STOCK

This issue of 600,000 shares with an aggregate par value of \$15,000,000 now offered to the public consists of Common Stock only. The price is \$28 per share. This issue will not be offered at prices less than \$28 per share to any persons or classes of persons. No discount will be allowed or paid to anyone in respect of this security. There are no underwriting contracts in respect of this issue.

The Corporation intends to sell the issue with the aid of members of the Board of Directors, Officers and employees. The Corporation reserves the right to pay a commission not in excess of 6% to any person who may assist in the sale or disposition of the security, such person being an underwriter as defined in the Securities Act of 1933. The Corporation employs Palestine Economic Corporation of New York, a wholly-owned subsidiary, to sell this Corporation's common stock. No commission is payable to Palestine Economic Corporation of New York, but the Corporation reimburses the subsidiary for expenses incurred in stock selling. As of March 25, 1949, the number of salaried Officers and employees selling this Corporation's stock is fourteen, including stenographers and clerks, and their aggregate compensation on an annual basis is \$90,000. Proceeds received from the sale of common stock to the extent of the excess over the par value is chargeable with the expenses incurred in the sale of the common stock.

PURPOSE OF ISSUE

From 1933 to the end of the British Mandate, over 330,000 Jews immigrated to Palestine, principally from Germany and other Fascist-dominated countries. Since the establishment of the State of Israel, 109,000 Jews entered the country. This immigration is likely to continue on an even larger scale. The volume of this immigration is without precedent when compared with the present population of the State of Israel. The resulting expansion of the country's economy will also require substantial additional investments.

So far as is known, the Corporation intends to use the proceeds of this issue in the ordinary course of its business. The estimated net proceeds of this issue will be \$15,000,000 after deduction of the expenses of this issue. The Board of Directors now envisages the use of those proceeds approximately as follows:

- (a) Participation in the further development of Israeli industry—\$4,000,000.
- (b) Development of urban and suburban areas in accordance with accepted city-planning practice—\$3,000,000.
- (c) Development of tourist traffic and the construction and management of hotels—\$2,000,000.
- (d) Extension of co-operative and other banking credit—\$500,000.
- (e) Extension of mortgage construction loans—\$2,000,000.
- (f) Establishment and operation of modern irrigation waterworks on a public utility basis—\$500,000.
- (g) Financing of exports to Israel—\$2,000,000.
- (h) Balance for working capital and general corporate purposes.

The aforementioned plans and purposes may be changed in the near or more distant future if, in the judgment and discretion of the Board of Directors, conditions warrant.

It is the practice of the Corporation not to enter into any commitments for the expenditure of funds unless funds are in hand. Pending ultimate investments in Israel, the Corporation makes temporary investments in domestic loans and securities. The Corporation will use in conjunction with the proceeds of this issue other funds which it now has in cash or which may result from liquidation of its domestic and foreign investments.

MANAGEMENT

The names and addresses of the members of the Board of Directors and of the Officers are as follows:

| <u>Name</u> | <u>Address</u> | <u>Office Held</u> |
|----------------------|--|---|
| Herbert H. Lehman | 41 E. 57th Street, New York, N. Y. | Honorary Chairman of Board of Directors |
| Robert Szold | 30 Broad St., New York, N. Y. | Chairman of Board of Directors |
| Israel B. Brodie | 521 Fifth Ave., New York, N. Y. | Vice-Chairman of Board of Directors |
| Julius Simon | 29 Benjamin Metudela Street, Jerusalem | President and Director |
| Aaron Baroway | 400 Madison Ave., New York, N. Y. | Vice President and Director |
| Albert Seiffer | 400 Madison Ave., New York, N. Y. | Secretary |
| Paul Singer | 13 Achad Haam St., Tel Aviv, Israel | Vice-President |
| Edward M. M. Warburg | 280 Madison Avenue, New York, N. Y. | Vice-President and Director |

| <u>Name</u> | <u>Address</u> | <u>Office Held</u> |
|-----------------------|---|------------------------|
| Sidney Musher | 250 West 57th St., New York, N. Y. | Treasurer and Director |
| Jacob M. Alkow | 8161 Laurel View Drive, Hollywood, Calif. | Director |
| George Backer | 295 Fifth Avenue, New York, N. Y. | Director |
| Oscar Berman | 3rd and Plum Sts., Cincinnati, Ohio | Director |
| Jacob Billikopf | 805 Bankers Securities Bldg., Philadelphia, Pa. | Director |
| Maurice H. Blinken | 104 East 25th St., New York, N. Y. | Director |
| Benjamin G. Browdy | 3 W. 19th St., New York, N. Y. | Director |
| Joseph Cherner | 1630 Juniper St., N. W., Washington, D. C. | Director |
| Samuel H. Daroff | Walnut and 23rd St., Philadelphia, Pa. | Director |
| Moses P. Epstein | 500 Fifth Ave., New York, N. Y. | Director |
| Leon Falk, Jr. | Farmers Bank Bldg., Pittsburgh, Pa. | Director |
| F. Julius Fohs | 2133 Commerce Bldg., Houston, Texas | Director |
| Abraham Feinberg | 350 Fifth Ave., New York, N. Y. | Director |
| Marvin B. Gelber | 205 Richmond St., W., Toronto, Canada | Director |
| Benjamin Glazer | 1775 Broadway, New York, N. Y. | Director |
| Ira Guilden | Waldorf Towers, Park Ave. at 50th, N. Y., N. Y. | Director |
| Maurice B. Hexter | 71 West 47th St., New York, N. Y. | Director |
| Harry Horowitz | 499 Seventh Avenue, New York, N. Y. | Director |
| Bernhard Kahn | 270 Madison Ave., New York, N. Y. | Director |
| Abraham S. Kay | 4800-17th St., N. W., Washington, D. C. | Director |
| Moses A. Leavitt | 270 Madison Ave., New York, N. Y. | Director |
| Louis E. Levinthal | 606 City Hall, Philadelphia, Pa. | Director |
| Joseph Levy | 34-02 Queens Blvd., L. I. City, N. Y. | Director |
| Boris Margolin | 469 Seventh Ave., New York, N. Y. | Director |
| Yoland D. Markson | 241 S. Beverly Drive, Beverly Hills, Calif. | Director |
| Joseph Mazer | 505 Park Ave., New York, N. Y. | Director |
| Hans Meyer | 52 William St., New York, N. Y. | Director |
| Edward A. Norman | 60 Beaver St., New York, N. Y. | Director |
| James N. Rosenberg | 165 Broadway, New York, N. Y. | Director |
| Charles J. Rosenbloom | 521 Union Trust Bldg., Pittsburgh, Pa. | Director |
| Joel W. Schenker | 350 Fifth Ave., New York, N. Y. | Director |
| Albert Schiff | 160 Central Park So., New York, N. Y. | Director |
| Joseph Shulman | 6 East 34th St., New York, N. Y. | Director |
| Herbert M. Singer | 70 Pine St., New York, N. Y. | Director |
| Rudolf G. Sonneborn | 88 Lexington Ave., New York, N. Y. | Director |
| Nathan Straus III | 33 E. 17th St., New York, N. Y. | Director |
| Alfred A. Strelsin | 595 Madison Ave., New York, N. Y. | Director |
| Alan M. Stroock | 61 Broadway, New York, N. Y. | Director |
| Isador S. Turover | 4725 Bethesda Ave., Bethesda, Md. | Director |
| Eric M. Warburg | 52 William St., New York, N. Y. | Director |
| Julius Weiss | 51 East 42nd St., New York, N. Y. | Director |
| Richard Zeisler | 14 E. 60th St., New York, N. Y. | Director |
| Samuel Zemurray | 605 United Fruit Bldg., New Orleans, La. | Director |

The chief executive officers are Mr. Robert Szold, Mr. Israel B. Brodie, Mr. Julius Simon, Mr. Aaron Baroway and Mr. Albert Seiffer. Mr. Szold has been an executive officer of the Corporation since its formation; he was Chairman of the Board from November, 1944, to December, 1948; and he is also engaged in the practice of law. Mr. Brodie has been an active director since 1930; was Vice-Chairman of the Board from June, 1944, to December, 1948; he is engaged in the practice of law, and is also Chairman of the Board of Reliable Stores Corp., Baltimore, Md. Mr. Simon has been President since 1931 and has been stationed in Palestine since 1936. Mr. Baroway was manager of the Corporation's subsidiaries in Palestine from January, 1939, to October, 1941; he was Secretary from November, 1941, to June, 1949, and has been Vice-President since November, 1944. Mr. Seiffer has been Secretary since June, 1949. Salaries paid by the Corporation to Officers in 1948 totaled \$22,900.

The Certificate of Organization (charter) of the Corporation provides that each Officer and each Director shall be indemnified by the Corporation against expenses actually and necessarily incurred by him in connection with the defense of any action, suit, or proceeding in which he is made a party by reason of his being or having been an Officer or a Director of the Corporation, except in relation to matters as to which he shall be adjudged in such action, suit, or proceeding to be liable for negligence or misconduct in the performance of his duties as such Officer or Director; such right of indemnification shall not be deemed exclusive of any other rights to which he may be entitled under any by-law, agreement, vote of stockholders, or otherwise.

Insofar as the foregoing provision may permit indemnification for liabilities arising under the Securities Act of 1933, the Corporation is advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and therefore unenforceable. In the event that a claim for such indemnification is asserted by a Director or Officer for liabilities arising under the Securities Act of 1933, in connection with the sale of the Common Stock offered by this Prospectus, the Corporation will (unless the question has already been determined by a precedent deemed to be controlling) submit to a court of appropriate jurisdiction the question of whether or not indemnification by the Corporation is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The American Jewish Joint Distribution Committee, Inc., owned 92.26% of the "B" Stock outstanding and Mrs. Felix M. Warburg and the Felix M. and Frieda Schiff Warburg Foundation owned 5.98% and 9.71%, respectively, of the common stock outstanding as of December 31, 1948.

LEGAL OPINION

All legal details in connection with this issue have been passed upon by Julius Weiss, Esquire, 51 East 42nd Street, New York City, Counsel for the Corporation.

FINANCIAL STATEMENTS

The Balance Sheet and Statements of Income, Profit and Loss of the Palestine Economic Corporation submitted hereunder are in the form prepared by its auditors.

The books of the Palestine Economic Corporation are kept on a cash basis.

The financial reports submitted to the shareholders are prepared on an accrual basis. The Balance Sheets and Statements of Income, Profit and Loss in the Registration Statement and in this Prospectus are on an accrual basis.

The Balance Sheet as of December 31, 1948, and the related Statements of Income, Profit and Loss and Earned Surplus Arising from Operations for the three year period ended December 31, 1948, have been audited by the Registrant's independent public accountant. He has accepted, after review, the financial statements of the Registrant's Israeli subsidiaries, as certified by the latter's independent Israeli public auditors, for the purpose of including such subsidiaries' undistributed profits in the Registrant's statements.

As of December 31, 1948, the official rate of exchange for the Israeli Pound and the Pound Sterling was \$4.0275. The official rate of exchange for the Pound Sterling on December 31, 1947, and December 31, 1946, was \$4.0375 and \$4.0475 for the Palestine Pound.

The book values listed for the foreign assets in the Balance Sheet are the actual cost in American dollars adjusted to the par basis of \$4.875 for the Israeli Pound and \$4.8665 for the Pound Sterling. The difference between the actual cost and these par rates has been charged or credited to the Reserve for Foreign Exchange Valuation. As of December 31, 1948, the foreign assets were reduced to the value of the official rate (\$4.0275) by increasing the Reserve for Foreign Exchange Valuation to \$817,614.15. This required a transfer of \$80,972.06 from the Reserve for Contingencies.

The undistributed earnings of the Registrant's wholly-controlled Israeli subsidiaries have been reflected at the par basis of \$4.875 to December 31, 1939, and at a rate of \$4.02 since January 1, 1940.

The par value of the Corporation's common stock (both issued and unissued) was reduced from \$100 to \$25 and the authorized common stock was increased from \$10,000,000 to \$25,000,000 on May 9, 1949. These changes are reflected in the information on pages 1 to 11, inclusive, of this Prospectus, but the balance sheet of the Corporation in this Prospectus does not reflect them since it shows the position as at December 31, 1948.

PALESTINE ECONOMIC CORPORATION

Balance Sheet as of December 31, 1948

(Adjusted to Nearest Dollar)

ASSETS

Assets Abroad:

Subsidiary Companies:

| | | |
|--|--------|-------------|
| Bayside Land Corporation, Ltd. (100% Control)—Stock | | \$1,587,929 |
| Palestine Mortgage and Savings Bank, Ltd. (100% Control)—Stock | | 727,273 |
| Central Bank of Co-operative Institutions in Palestine, Ltd. (75% Control)—Stock | | 664,594 |
| Sharon Water Company, Ltd. (61% Control)—Stock | | 96,525 |
| Palestine Water Company, Ltd. (100% Control): | | |
| Stock | \$ 98 | |
| Loans | 71,097 | 71,195 |
| Loan Corporation, Ltd. (100% Control): | | |
| Stock | \$ 98 | |
| Loans | 23,211 | 23,309 |

Non-Subsidiary Companies:

| | |
|--|--------------------|
| Palestine Potash, Ltd.—Stock | 424,043 |
| Palestine Housing Corporation (Palhouse), Ltd.—Stock | 349,338 |
| Samaria Water Company, Ltd.—Stock | 232,276 |
| Palestine Electric Corporation, Ltd.—Stock | 221,016 |
| Agricultural Mortgage Company of Palestine, Ltd.—Stock | 121,875 |
| Anglo-Palestine Bank Investment Co. Ltd.—Stock | 82,857 |
| Palestine Hotels, Ltd.—Stock | 58,567 |
| Sundry Investments (five companies) | 70,892 |
| Cash | 546 |
| Sundry Accounts Receivable | 3,944 |
| | <u>\$4,736,179</u> |
| Less: Sundry Accounts Payable | 22,932 |
| | <u>\$4,713,247</u> |
| Less: Reserve for Foreign Exchange Valuation | 736,642 |
| Total Assets Abroad—At Cost | <u>\$3,976,605</u> |
| Less: Additional Reserve for Foreign Exchange Valuation to reflect assets abroad at \$4.0275 for the Israeli Pound and Pound Sterling | 80,972 |
| Total Assets Abroad | <u>\$3,895,633</u> |

PALESTINE ECONOMIC CORPORATION

Balance Sheet as of December 31, 1948

(Adjusted to Nearest Dollar)

ASSETS (Continued)

Domestic Assets:

Subsidiary Companies:

| | | |
|--|------------|-------------|
| Palestine Economic Corporation of New York (100% Control): | | |
| Stock | \$ 37,446 | |
| Loan | 124,297 | \$ 161,743 |
| Palestine Purchasing Service Inc. (50% Control)—Stock | | |
| American Palestine Company (100% Control)—Stock | | 47,000 |
| Cash in Banks and On Hand | | 100 |
| United States Government and Other Marketable Securities held in New York for temporary investment (Market Value \$1,646,590)—Cost and Accrued Interest (a) .. | | 200,896 |
| Notes and Other Securities—Cost and Accrued Interest | \$ 279,547 | 1,646,430 |
| Less: Note Discounted | 200,000 | 79,547 |
| Cash and U. S. A. Treasury Bonds—Funds for Dividends Unpaid (see contra) | | |
| Sundry Accounts Receivable | | 9,736 |
| Stock Selling Expenses—Capitalized | \$ 236,585 | 22,305 |
| Less Pro-rata Write-off | 43,894 | 192,691 |
| Total Domestic Assets | | \$2,360,448 |
| TOTAL ASSETS (b) | | \$6,256,081 |

LIABILITIES AND CAPITAL

| | | |
|---|-------------|-------------|
| Federal and Miscellaneous Taxes | | \$ 17,677 |
| Accounts Payable | | 337,899 |
| Dividends Payable on Common Stock (see contra) | | 9,736 |
| Capital Stock and Surplus (c): | | |
| Common Stock—Issued (Authorized \$10,000,000—Par Value \$100) | \$2,676,201 | |
| "B" Stock—Issued (Authorized \$30,000—Par Value \$1) | 19,473 | |
| Total Capital Stock Issued | \$2,695,674 | |
| Partial Payments on Subscriptions to Common Stock | 17,139 | |
| Contributed Surplus | 1,634,953 | |
| Reserve for Contingencies | 6,334 | |
| Earned Surplus Arising from Operations (b) and (d) | 1,536,669 | |
| Total Capital Stock and Surplus | | 5,890,769 |
| TOTAL LIABILITIES (e) AND CAPITAL | | \$6,256,081 |

- (a) \$600,000 U. S. A. Certificate of Indebtedness Series "A" 1¼% January 1, 1950, held by Public National Bank and Trust Company, New York, as collateral for an availability credit granted by Ottoman Bank, Tel Aviv, Israel, to Bayside Land Corporation, Ltd.
- (b) Including \$1,083,019 undistributed profits and losses of subsidiaries whose ordinary shares are wholly-owned by the Corporation.
- (c) In the event of liquidation or dissolution the holders of Common Stock are entitled to receive \$125 per share and then the "B" stockholders receive \$125 per share. Thereafter the assets remaining are to be distributed ratably among the Common stockholders.
- (d) If the undistributed profits and losses of the subsidiaries whose ordinary shares are wholly-owned by the Corporation were eliminated, the Earned Surplus Arising from Operations would be reduced to \$453,650. See also column titled "Earned Surplus Arising from Operations" on page 18.
- (e) The Corporation is contingently liable: (1) as guarantor on loans made to Loan Corporation, Ltd., a wholly-owned subsidiary, in the sum of I£ 98,990; (2) as joint guarantor to a note in the amount of \$200,000; (3) as endorser to a note due March 15, 1949, in the amount of \$200,000; and (4) see foregoing footnote (a).

PALESTINE ECONOMIC CORPORATION

Statements of Income, Profit and Loss

(Adjusted to Nearest Dollar)

| | December 31, 1948 | December 31, 1947 | December 31, 1946 |
|--|----------------------|----------------------|----------------------|
| INCOME | | | |
| Interest: | | | |
| Loan Corporation, Ltd. | \$ 1,053 | \$ — | \$ 138 |
| Palestine Water Company, Ltd. | 2,225 | 3,080 | 4,512 |
| Palestine Mortgage and Savings Bank, Ltd. | — | — | 4,897 |
| Marketable Securities Held in New York and in London for Temporary Investment | 18,622 | 33,945 | 24,843 |
| Notes and Other Securities | 2,898 | 230 | 270 |
| Dividends: | | | |
| Central Bank of Co-operative Institutions in Palestine, Ltd. | 21,976 | 24,043 | 21,954 |
| Samaria Water Company, Ltd. | 4,544 | 8,884 | 10,866(a) |
| Sharon Water Company, Ltd. | 3,980 | 4,782 | 5,560 |
| Palestine Potash, Ltd. | — | 23,988 | 2,497 |
| Palestine Hotels, Ltd. | — | 2,295 | 1,026 |
| Palestine Electric Corporation, Ltd. | — | 11,283 | 9,659 |
| Agricultural Mortgage Company of Palestine, Ltd. | — | 4,028 | 4,030 |
| Palestine Housing Corporation (Palhouse), Ltd. | 9,821 | 2,451 | — |
| Anglo-Palestine Bank Investment Co., Ltd. | 1,562 | — | — |
| Palestine Purchasing Service, Inc. | 25,000 | — | — |
| Profits of Wholly-controlled Subsidiaries: | | | |
| Bayside Land Corporation, Ltd. (b) | 253,235 | 258,321 | 287,591 |
| Palestine Mortgage and Savings Bank, Ltd. (c) | 39,420 | 26,605 | 21,097 |
| Palestine Economic Corporation of New York | 10,732(d) | — | — |
| Loan Corporation, Ltd. | 5,274(e) | — | — |
| Palestine Water Company, Ltd. | 148 | 2,443 | 10,621 |
| Miscellaneous Income | 2,094 | 92 | 529 |
| Profit on Sales and Redemption of Securities | (2,912) | 3,957 | 12,528 |
| Non-Recurring Income: | | | |
| Profit on Land—Palestine Mortgage and Savings Bank, Ltd. | 42,210 | — | — |
| TOTAL INCOME | \$441,882 | \$410,427 | \$422,618 |
| CURRENT EXPENSES | | | |
| New York General and Administrative Expenses | \$ 56,195 | \$ 56,976 | \$ 42,703 |
| Palestine Administrative Expenses | 7,140 | 14,292 | 17,264 |
| London Office Expenses | — | 1,079 | 2,412 |
| TOTAL CURRENT EXPENSES | \$ 63,335 | \$ 72,347 | \$ 62,379 |
| Net Operating Income Before Other Deductions | \$378,547 | \$338,080 | \$360,239 |

PALESTINE ECONOMIC CORPORATION

Statements of Income, Profit and Loss (Continued)

(Adjusted to Nearest Dollar)

| | For the Year Ended | | |
|--|----------------------|----------------------|----------------------|
| | December 31, 1948 | December 31, 1947 | December 31, 1946 |
| OTHER DEDUCTIONS | | | |
| Pro-rata Write-off of Stock Selling Expenses | \$ 15,772 | \$ 10,995 | \$ 9,064 |
| Foreign Income Taxes Deducted and Withheld | 47,961 | 58,298 | 45,683 |
| Provision for Federal Income Tax | 17,000 | — | 19,046(f) |
| TOTAL OTHER DEDUCTIONS | <u>\$ 80,733</u> | <u>\$ 69,293</u> | <u>\$ 73,793</u> |
| NET PROFIT FOR THE PERIOD CARRIED TO EARNED SURPLUS ARISING FROM OPERATIONS | <u>\$297,814</u> | <u>\$268,787</u> | <u>\$286,446</u> |

- (a) Dividends of \$1,597.68 erroneously included were adjusted in 1947 through Earned Surplus Arising from Operations.
- (b) During 1948, 1947 and 1946 this subsidiary paid to the Corporation dividends amounting to \$120,710, \$100,673, and \$130,954, respectively.
- (c) During 1948, 1947 and 1946 this subsidiary paid to the Corporation dividends amounting to \$28,983, \$19,326, and \$17,710, respectively.
- (d) Prior to 1948 the undistributed earnings of this subsidiary were not included in the Corporation's statements. Earned Surplus Arising from Operations has been charged with \$1,286 for the prior year's operations.
- (e) Prior to 1948 the profits and losses of this subsidiary were carried to the Reserve for Contingencies. In 1948 the accumulated losses amounting to \$19,035 were transferred to Earned Surplus Arising from Operations.
- (f) Federal Income Tax Return disclosed no tax liability for 1946. Adjustment was effected in 1947 through Earned Surplus Arising from Operations.

PALESTINE ECONOMIC CORPORATION

Statement of Surplus and Reserve

(Adjusted to Nearest Dollar)

| | Total | Reserve for Contingencies | Earned Surplus Arising from Operations | Contributed Surplus |
|--|--------------------|------------------------------|---|------------------------|
| Balance as of January 1, 1946..... | \$2,718,275 | \$ 70,445 | \$1,012,877 | \$1,634,953 |
| <i>Add:</i> Profit for the Year Ended December 31, 1946 | 286,446 | | 286,446 | |
| Profit from Liquidation of Loan Corpora- tion, Ltd. | 8,927 | 8,927 | | |
| Refund of Palestine Income Tax..... | 826 | | 826 | |
| Miscellaneous Adjustments | 1,135 | 1,135 | | |
| | <u>\$3,015,609</u> | <u>\$ 80,507</u> | <u>\$1,300,149</u> | <u>\$1,634,953</u> |
| <i>Deduct:</i> Dividends Declared 1946 | \$ 54,787 | | \$ 54,787 | |
| Bayside Land Corporation, Ltd.: Dividend paid on 5% redeemable cumulative pref- erence shares | 24,375 | | 24,375 | |
| Palestine Mortgage and Savings Bank, Ltd.: Expense in connection with increase in capital stock | 1,219 | | 1,219 | |
| Miscellaneous Adjustments | 770 | | 770 | |
| | <u>\$ 81,151</u> | <u>\$ —</u> | <u>\$ 81,151</u> | <u>\$ —</u> |
| Balance as of December 31, 1946..... | \$2,934,458 | \$ 80,507 | \$1,218,998 | \$1,634,953 |
| <i>Add:</i> Profit for the Year Ended December 31, 1947 | 268,787 | | 268,787 | |
| Cancellation for Provision for Federal In- come Tax for 1946..... | 19,046 | | 19,046 | |
| Refund of Palestine Income Tax | 6,973 | | 6,973 | |
| Cancellation of Expense in Connection with Increase in Capital Stock of Palestine Mortgage and Savings Bank, Ltd. | 1,219 | | 1,219 | |
| Miscellaneous Adjustments | 609 | | 609 | |
| | <u>\$3,231,092</u> | <u>\$ 80,507</u> | <u>\$1,515,632</u> | <u>\$1,634,953</u> |
| <i>Deduct:</i> Dividends Declared 1947..... | \$ 81,219 | | \$ 81,219 | |
| Bayside Land Corporation, Ltd.: Dividend paid on 5% redeemable cumulative pref- erence shares | 24,375 | | 24,375 | |
| Loss from Liquidation of Loan Corpora- tion, Ltd. | 12,236 | 12,236 | | |
| Adjustment for Dividend from Sharon Water Company, Ltd. | 1,598 | | 1,598 | |
| | <u>\$ 119,428</u> | <u>\$ 12,236</u> | <u>\$ 107,192</u> | <u>—</u> |

PALESTINE ECONOMIC CORPORATION

Statement of Surplus and Reserve (Continued)

(Adjusted to Nearest Dollar)

| | Total | Reserve for Contingencies | Earned Surplus Arising from Operations | Contributed Surplus |
|---|--------------------|------------------------------|---|------------------------|
| Balance as of December 31, 1947..... | \$3,111,664 | \$ 68,271 | \$1,408,440 | \$1,634,953 |
| <i>Add:</i> Profit for the Year Ended December 31, 1948 | 297,814 | | 297,814 | |
| Refund of British Tax Withheld from 1947 Dividends | 1,065 | | 1,065 | |
| Refund of Palestine Income Tax..... | 6,147 | | 6,147 | |
| Cancellation of Prior Year's Charge to Expenses | 3,810 | | 3,810 | |
| Cancellation of Dividends to American Palestine Company | 2,716 | | 2,716 | |
| Miscellaneous Adjustments | 476 | | 476 | |
| Transfer Losses of Loan Corporation, Ltd. | 19,035 | 19,035 | | |
| | <u>\$3,442,727</u> | <u>\$ 87,306</u> | <u>\$1,720,468</u> | <u>\$1,634,953</u> |
| <i>Deduct:</i> Dividends Declared 1948 | \$ 96,922 | | \$ 96,922 | |
| Bayside Land Corporation, Ltd.: Dividends paid on 5% redeemable cumu- lative preference shares | 24,375 | | 24,375 | |
| Additional Israeli income tax..... | 6,418 | | 6,418 | |
| Palestine Mortgage and Savings Bank, Ltd.: Provision for Israeli income taxes and other contingencies | 34,418 | | 34,418 | |
| Transfer Losses of Loan Corporation, Ltd. | 19,035 | | 19,035 | |
| Miscellaneous Adjustments | 2,631 | | 2,631 | |
| Transfer to Reserve for Foreign Exchange Valuation to reflect Assets Abroad at \$4.0275 | 80,972 | 80,972 | | |
| | <u>\$ 264,771</u> | <u>\$ 80,972</u> | <u>\$ 183,799</u> | <u>—</u> |
| Balance as of December 31, 1948..... | <u>\$3,177,956</u> | <u>\$ 6,334</u> | <u>\$1,536,669</u> | <u>\$1,634,953</u> |

Notes to the Balance Sheet of Palestine Economic Corporation

1. Should the Israeli subsidiaries whose ordinary shares are wholly-owned by the Corporation distribute their undistributed profits which are included in the Earned Surplus Arising from Operations, there would be a substantial income tax liability in Israel or in the United States of America.

2. It is the practice of the Corporation to accrue the undistributed earnings of its wholly-owned or wholly-controlled subsidiaries. A summary of the stock investments and the accrued profits of the subsidiaries included in the Corporation's Earned Surplus Arising from Operations as of December 31, 1948, follows:

| | <i>No. of Shares held on December 31, 1948</i> | <i>Stock Investment</i> | <i>Undistributed Accrued Profits to December 31, 1948</i> | <i>Total Stock Investment and Accrued Profits</i> | <i>Amount Credited to Reserve for Foreign Exchange Valuation to Equalize to \$4.875</i> | <i>Total</i> |
|---|--|-----------------------------|---|---|---|--------------------|
| Palestine Mortgage and Savings Bank, Ltd. | | | | | | |
| Voting Ordinary Shares of £1 Par Value..... | 135,000 | \$ 658,125 | \$ 54,532 | \$ 712,657 | \$ 14,616 | \$ 727,273 |
| Loan Corporation, Ltd.—Stock, Surplus and Loan | | | | | | |
| Voting Ordinary Shares of £1 Par Value..... | 20 | 56,500(a) | (34,200) | 22,300 | 1,009 | 23,309 |
| Bayside Land Corporation, Ltd. | | | | | | |
| Voting Ordinary Shares of £P1 Par Value | 250,000 | 341,250 | 1,054,628 | 1,395,878 | 192,051 | 1,587,929 |
| 5% Redeemable Cumulative Preference Shares of £P1 Par Value | — | — | — | — | — | — |
| Palestine Water Company, Ltd.—Stock and Loan | | | | | | |
| Voting Ordinary Shares of £P1 Par Value | 20 | 67,358(a) | (1,387) | 65,971 | 5,224 | 71,195 |
| Palestine Economic Corporation of New York | | | | | | |
| Voting No Par Value Stock | 170 | 28,000 | 9,446 | 37,446 | — | 37,446 |
| American Palestine Company | | | | | | |
| Voting Capital Stock of \$100 Par Value | 10 | 100 | — | 100 | — | 100 |
| Total | | <u>\$1,151,333</u> | <u>\$1,083,019</u> | <u>\$2,234,352</u> | <u>\$212,900</u> | <u>\$2,447,252</u> |

(a) These figures represent cost of the stock plus loans. Against these were charged operating losses of the subsidiaries and for the Palestine Water Company, Ltd., a write-off of worthless assets.

No part of the surplus of subsidiaries at the dates of acquisition is included in the Corporation's Earned Surplus Arising from Operations.

3. Expenses to the extent of \$243,320 have heretofore been incurred with respect to the issuance of the Common Stock.

4. No sales of stock were made through any subsidiaries except that the Corporation employs Palestine Economic Corporation of New York, a wholly-owned subsidiary, to sell this Corporation's common stock. In all such sales, this Corporation receives the full price of \$100 per share and no commission is payable to the subsidiary. However, this Corporation reimburses the subsidiary for expenses incurred.

5. 284 shares of Common Stock were subscribed to on a deferred payment basis and \$11,083 was collected on their account to December 31, 1948.

CERTIFICATE OF AUDITOR

I have examined the Balance Sheet of the Palestine Economic Corporation, the Registrant, as of December 31, 1948, and the Statements of Income, Profit and Loss and Earned Surplus Arising from Operations for the three-year period ended December 31, 1948. I have reviewed the accounting procedures of the Registrant and have examined or tested its accounting records and other supporting evidence by methods and to the extent I deemed appropriate. My examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which I considered necessary.

I have accepted, after review, the financial statements of the controlled Israeli (Palestinian) subsidiaries, as certified by independent Israeli public auditors, for the purpose of including such subsidiaries' current and undistributed earnings in the Registrant's statements.

As of December 31, 1948, and the date of this certificate, the official rate of exchange for the Pound Israeli and Pound Sterling was \$4.0275.

The book values listed for the foreign assets in the Balance Sheet are the actual cost in American dollars adjusted to the par basis of \$4.875 for the Israeli Pound and \$4.8665 for the Pound Sterling. The difference between the actual cost and these par rates has been charged or credited to the Reserve for Foreign Exchange Valuation. As of December 31, 1948, the foreign assets were reduced to the value of the official rate (\$4.0275) by increasing the Reserve for Foreign Exchange Valuation to \$817,614.15. This required a transfer of \$80,972.06 from the Reserve for Contingencies.

The undistributed earnings of the Registrant's wholly-controlled Israeli subsidiaries have been reflected at the par basis of \$4.875 to December 31, 1939, and at a rate of \$4.02 since January 1, 1940.

In my opinion, the accompanying Balance Sheet of the Registrant and the related Statements of Income, Profit and Loss and Earned Surplus Arising from Operations, together with the related notes and supporting schedules, present fairly the position of the Registrant as of December 31, 1948, and the results of operations for the three-year period ended December 31, 1948, in conformity with generally accepted accounting principles which have been applied on a basis consistent with that of the preceding years.

Respectfully submitted,

JOSEPH KALAFAT
Certified Public Accountant

New York, January 25, 1949.

PALESTINE ECONOMIC CORPORATION

Balance Sheets of Subsidiary and Related Companies

(Adjusted to Nearest Pound or Dollar)

| | *BAYSIDE LAND CORPORATION, LTD. | THE CENTRAL BANK OF CO-OPERATIVE INSTITUTIONS IN PALESTINE, LTD. |
|--|------------------------------------|--|
| Percentage of Outstanding Voting Stock Owned by Registrant..... | 100% | 75% |
| Percentage of All Outstanding Stock Owned by Registrant..... | 71% | 56% |
| Auditor | Kesselman & Kesselman | Russell & Co. |
| Balance Sheet as of | Dec. 31, 1948 I£ | Dec. 31, 1948 I£ |
| Assets: | | |
| Cash on Hand, in Banks and with Co-operative Societies..... | 6,694 | 521,678 |
| Government Bonds—at Cost | 1,000 | |
| Securities—at Cost | 11,000 | 259,492(c) |
| Loans and Sundry Debtors and Debit Balances (including Related Companies) | 270,919 | 937,951(d) |
| Land | 166,275(a) | |
| Development Account | 52,666 | |
| Shares (at Cost) of and Loans to Related Companies | 27,750(b) | |
| Loans—Secured by Mortgages | | |
| Water Plants—at Cost | | |
| Completed Houses—at Cost | | |
| Building Materials, Pipes and Equipment—at Cost or Below | | |
| TOTAL ASSETS | 536,304 | 1,719,121 |
| Contra and Agent Accounts | 137,885 | 255,043 |
| Liabilities and Capital: | | |
| Share Capital (Fully Paid—except as otherwise noted): | | |
| Ordinary Shares | 250,000 | 101 |
| 5% Redeemable, Cumulative, Preference Shares | 100,000(m) | |
| "A" Shares | | 107,641(o) |
| "B" Shares | | 134,105 |
| Reserves: | | |
| General Reserve | 16,308 | 67,500 |
| Specific Reserves | 31,654(z) | |
| Profit and Loss Appropriation Account (Surplus) | 38,721 | 8,592 |
| Total | 436,683 | 317,939 |
| Banks and Sundry Creditors and Credit Balances (including Related Companies) | 99,621(n) | 55,268 |
| Loans and Advances—partly secured | | 302,876 |
| Demand, Savings and Fixed-Term Deposits | | 1,043,038 |
| Provision for Depreciation | | |
| TOTAL LIABILITIES AND CAPITAL | 536,304 | 1,719,121 |
| Contra and Agent Accounts | 137,885 | 255,043 |
| Contingent Liabilities | 47,880 | |

| LOAN CORPORATION, LTD. | PALESTINE MORTGAGE AND SAVINGS BANK, LTD. | PALESTINE WATER COMPANY, LTD. | SHARON WATER COMPANY, LTD. | PALESTINE HOUSING CORPORATION (PALHOUSE), LTD. | SAMARIA WATER COMPANY, LTD. | PALESTINE ECONOMIC CORPORATION OF NEW YORK |
|---------------------------|--|--|-------------------------------|--|--------------------------------|---|
| 100% 100% | 100% 100% | 100% 100% | 61% 61% | 40% 36% | 37% 37% | 100% 100% |
| Kesselman & Kesselman | Kesselman & Kesselman | Kesselman & Kesselman | Kesselman & Kesselman | Kesselman & Kesselman | Kesselman & Kesselman | Joseph Kalafa |
| Dec. 31, 1948 | Dec. 31, 1948 | Dec. 31, 1948 | Dec. 31, 1948 | October 31, 1948 | Dec. 31, 1948 | Dec. 31, 1948 |
| I£ | I£ | I£ | I£ | I£ | I£ | \$ |
| 20,400 | 54,284 | 8,023 | | 6,101 | 6,500(l) | 34,076 |
| 1,000 | 16,660 | 1,500 | 2,000 | | 3,000 | |
| 131,349(e) | | | | 6,005(h) | | |
| 132,886 | 61,443 | 34,803 | 23,418 | 48,520 | 31,081 | 43,804 |
| | | | | 77,421(i) | | |
| | | | | 34,280(j) | | |
| 54,087 | | 21,224(g) | | | | 102,500 |
| | 260,768(f) | | 23,380 | | 177,163 | |
| | | | | 65,453 | | |
| | | | | 4,809(k) | 53,195(k) | |
| 339,722 | 393,155 | 65,550 | 48,798 | 242,589 | 270,939 | 180,380 |
| 13,714 | 12,730 | | | | | |
| 20 | 135,000(s) | 20 | 32,393 | 200,000 | 125,000 | 15,400(x) |
| | | | | 27,260(v) | | |
| | 10,000 | | | | 7,275 | |
| 1,377 | 4,184 | 787 | 4,127 | 8,225 | 1,922 | 22,046 |
| (967)(p) | | | | | | |
| 430 | 149,184 | 807 | 36,520 | 235,485 | 134,197 | 37,446 |
| 339,292(q) | 47,194(t) | 64,743(u) | 3,427 | 7,104 | 116,827(w) | 142,934(y) |
| | 66,343 | | | | | |
| | 130,434 | | 8,851 | | 19,915 | |
| 339,722 | 393,155 | 65,550 | 48,798 | 242,589 | 270,939 | 180,380 |
| 13,714 | 12,730 | | | | | |
| (r) | | 150 | | 5,588 | 1,998 | |

Notes to the Balance Sheets

* In 1939 Bayside Land Corporation, Ltd., a totally-controlled subsidiary, gave effect to an appreciation of its land assets on the basis of the appraisal of their current value by an independent licensed land valuer. In so doing, it increased at that time its land assets by £P153,577 and increased its surplus account by £P102,385 and its development reserve account by £P51,192. This revaluation is reflected in the subsidiary's financial statements, but has never been shown in the Registrant's books and statements; the Registrant's statements continue to be based on the subsidiary's original cost of land. As a result of these different bases, the profits from sales and leases of land have been reflected on the subsidiary's books on the basis of the written-up appraised value, while such profits have been reflected on the Registrant's statements on the basis of original cost. Thus for the year 1948 the subsidiary's statements showed a net profit of I£35,019 whereas in the Registrant's statements this profit is reflected as I£62,994 at \$4.02 or \$253,235.

- (a) Based on Licensed Valuer's 1939-40 Certificate.
- (b) Comprises shares: Palestine Housing Corporation (Palhouse), Ltd., I£17,668; Modern Factory Buildings, Ltd., I£10,000; and Economic Housing Corporation, Ltd. (subsidiary company), I£82.
- (c) At cost, par or market value, whichever is the lowest.
- (d) Comprises: Loans and Advances, I£901,191; Sundry Debtors and Debit Balances, I£36,760.
- (e) Includes I£40,000 payment on account of shares not yet allotted.
- (f) Partly pledged.
- (g) Comprises investments in Water Company Aleph, Ltd. (subsidiary company): shares, I£3,914; loan secured by first mortgages (including interest, etc., accrued), I£17,310.
- (h) Includes sundry assets at nominal value.
- (i) At cost.
- (j) Comprises: Development expenses, I£32,779; plans and preparatory work for future buildings, I£1,501.
- (k) Per Manager's certificate.
- (l) At call and on fixed terms.
- (m) Redeemable at a premium not exceeding 25 mils per share.
- (n) Includes provisions and I£971 due to subsidiary company.
- (o) Includes I£1,744 representing amount called up and paid on account of 2,321 "A" shares.
- (p) Loss.
- (q) Whereof I£4,353 were due to the Registrant and I£209,887 to related companies. Includes provisions.
- (r) There is a commitment to pay a life pension of I£15 per month to a former employee.
- (s) Whereof I£15,000 represent receipt on account of shares to be allotted.
- (t) Includes provisions.
- (u) Whereof I£13,797 were due to the Registrant and I£36,942 to related companies. Includes provisions.
- (v) Of the I£72,500 subscription price, I£27,260 have been paid and I£45,240 called have not yet been paid.
- (w) Includes I£90,000 loans to be converted to shares.
- (x) 170 shares of no par value capital stock.
- (y) Whereof \$124,297 were due to the Registrant.
- (z) Comprises: I£6,654 Specific Reserve; I£25,000 Reserve for Equalization of Dividends.

PALESTINE ECONOMIC CORPORATION

Statements of Income and Profit and Loss of Subsidiary and Related Companies

(Adjusted to Western Pound or Dollar)

| Year Ended | 1947 | 1948 | 1949 | 1950 | 1951 | 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 | 2045 | 2046 | 2047 | 2048 | 2049 | 2050 | 2051 | 2052 | 2053 | 2054 | 2055 | 2056 | 2057 | 2058 | 2059 | 2060 | 2061 | 2062 | 2063 | 2064 | 2065 | 2066 | 2067 | 2068 | 2069 | 2070 | 2071 | 2072 | 2073 | 2074 | 2075 | 2076 | 2077 | 2078 | 2079 | 2080 | 2081 | 2082 | 2083 | 2084 | 2085 | 2086 | 2087 | 2088 | 2089 | 2090 | 2091 | 2092 | 2093 | 2094 | 2095 | 2096 | 2097 | 2098 | 2099 | 2100 | 2101 | 2102 | 2103 | 2104 | 2105 | 2106 | 2107 | 2108 | 2109 | 2110 | 2111 | 2112 | 2113 | 2114 | 2115 | 2116 | 2117 | 2118 | 2119 | 2120 | 2121 | 2122 | 2123 | 2124 | 2125 | 2126 | 2127 | 2128 | 2129 | 2130 | 2131 | 2132 | 2133 | 2134 | 2135 | 2136 | 2137 | 2138 | 2139 | 2140 | 2141 | 2142 | 2143 | 2144 | 2145 | 2146 | 2147 | 2148 | 2149 | 2150 | 2151 | 2152 | 2153 | 2154 | 2155 | 2156 | 2157 | 2158 | 2159 | 2160 | 2161 | 2162 | 2163 | 2164 | 2165 | 2166 | 2167 | 2168 | 2169 | 2170 | 2171 | 2172 | 2173 | 2174 | 2175 | 2176 | 2177 | 2178 | 2179 | 2180 | 2181 | 2182 | 2183 | 2184 | 2185 | 2186 | 2187 | 2188 | 2189 | 2190 | 2191 | 2192 | 2193 | 2194 | 2195 | 2196 | 2197 | 2198 | 2199 | 2200 | 2201 | 2202 | 2203 | 2204 | 2205 | 2206 | 2207 | 2208 | 2209 | 2210 | 2211 | 2212 | 2213 | 2214 | 2215 | 2216 | 2217 | 2218 | 2219 | 2220 | 2221 | 2222 | 2223 | 2224 | 2225 | 2226 | 2227 | 2228 | 2229 | 2230 | 2231 | 2232 | 2233 | 2234 | 2235 | 2236 | 2237 | 2238 | 2239 | 2240 | 2241 | 2242 | 2243 | 2244 | 2245 | 2246 | 2247 | 2248 | 2249 | 2250 | 2251 | 2252 | 2253 | 2254 | 2255 | 2256 | 2257 | 2258 | 2259 | 2260 | 2261 | 2262 | 2263 | 2264 | 2265 | 2266 | 2267 | 2268 | 2269 | 2270 | 2271 | 2272 | 2273 | 2274 | 2275 | 2276 | 2277 | 2278 | 2279 | 2280 | 2281 | 2282 | 2283 | 2284 | 2285 | 2286 | 2287 | 2288 | 2289 | 2290 | 2291 | 2292 | 2293 | 2294 | 2295 | 2296 | 2297 | 2298 | 2299 | 2300 | 2301 | 2302 | 2303 | 2304 | 2305 | 2306 | 2307 | 2308 | 2309 | 2310 | 2311 | 2312 | 2313 | 2314 | 2315 | 2316 | 2317 | 2318 | 2319 | 2320 | 2321 | 2322 | 2323 | 2324 | 2325 | 2326 | 2327 | 2328 | 2329 | 2330 | 2331 | 2332 | 2333 | 2334 | 2335 | 2336 | 2337 | 2338 | 2339 | 2340 | 2341 | 2342 | 2343 | 2344 | 2345 | 2346 | 2347 | 2348 | 2349 | 2350 | 2351 | 2352 | 2353 | 2354 | 2355 | 2356 | 2357 | 2358 | 2359 | 2360 | 2361 | 2362 | 2363 | 2364 | 2365 | 2366 | 2367 | 2368 | 2369 | 2370 | 2371 | 2372 | 2373 | 2374 | 2375 | 2376 | 2377 | 2378 | 2379 | 2380 | 2381 | 2382 | 2383 | 2384 | 2385 | 2386 | 2387 | 2388 | 2389 | 2390 | 2391 | 2392 | 2393 | 2394 | 2395 | 2396 | 2397 | 2398 | 2399 | 2400 | 2401 | 2402 | 2403 | 2404 | 2405 | 2406 | 2407 | 2408 | 2409 | 2410 | 2411 | 2412 | 2413 | 2414 | 2415 | 2416 | 2417 | 2418 | 2419 | 2420 | 2421 | 2422 | 2423 | 2424 | 2425 | 2426 | 2427 | 2428 | 2429 | 2430 | 2431 | 2432 | 2433 | 2434 | 2435 | 2436 | 2437 | 2438 | 2439 | 2440 | 2441 | 2442 | 2443 | 2444 | 2445 | 2446 | 2447 | 2448 | 2449 | 2450 | 2451 | 2452 | 2453 | 2454 | 2455 | 2456 | 2457 | 2458 | 2459 | 2460 | 2461 | 2462 | 2463 | 2464 | 2465 | 2466 | 2467 | 2468 | 2469 | 2470 | 2471 | 2472 | 2473 | 2474 | 2475 | 2476 | 2477 | 2478 | 2479 | 2480 | 2481 | 2482 | 2483 | 2484 | 2485 | 2486 | 2487 | 2488 | 2489 | 2490 | 2491 | 2492 | 2493 | 2494 | 2495 | 2496 | 2497 | 2498 | 2499 | 2500 | 2501 | 2502 | 2503 | 2504 | 2505 | 2506 | 2507 | 2508 | 2509 | 2510 | 2511 | 2512 | 2513 | 2514 | 2515 | 2516 | 2517 | 2518 | 2519 | 2520 | 2521 | 2522 | 2523 | 2524 | 2525 | 2526 | 2527 | 2528 | 2529 | 2530 | 2531 | 2532 | 2533 | 2534 | 2535 | 2536 | 2537 | 2538 | 2539 | 2540 | 2541 | 2542 | 2543 | 2544 | 2545 | 2546 | 2547 | 2548 | 2549 | 2550 | 2551 | 2552 | 2553 | 2554 | 2555 | 2556 | 2557 | 2558 | 2559 | 2560 | 2561 | 2562 | 2563 | 2564 | 2565 | 2566 | 2567 | 2568 | 2569 | 2570 | 2571 | 2572 | 2573 | 2574 | 2575 | 2576 | 2577 | 2578 | 2579 | 2580 | 2581 | 2582 | 2583 | 2584 | 2585 | 2586 | 2587 | 2588 | 2589 | 2590 | 2591 | 2592 | 2593 | 2594 | 2595 | 2596 | 2597 | 2598 | 2599 | 2600 | 2601 | 2602 | 2603 | 2604 | 2605 | 2606 | 2607 | 2608 | 2609 | 2610 | 2611 | 2612 | 2613 | 2614 | 2615 | 2616 | 2617 | 2618 | 2619 | 2620 | 2621 | 2622 | 2623 | 2624 | 2625 | 2626 | 2627 | 2628 | 2629 | 2630 | 2631 | 2632 | 2633 | 2634 | 2635 | 2636 | 2637 | 2638 | 2639 | 2640 | 2641 | 2642 | 2643 | 2644 | 2645 | 2646 | 2647 | 2648 | 2649 | 2650 | 2651 | 2652 | 2653 | 2654 | 2655 | 2656 | 2657 | 2658 | 2659 | 2660 | 2661 | 2662 | 2663 | 2664 | 2665 | 2666 | 2667 | 2668 | 2669 | 2670 | 2671 | 2672 | 2673 | 2674 | 2675 | 2676 | 2677 | 2678 | 2679 | 2680 | 2681 | 2682 | 2683 | 2684 | 2685 | 2686 | 2687 | 2688 | 2689 | 2690 | 2691 | 2692 | 2693 | 2694 | 2695 | 2696 | 2697 | 2698 | 2699 | 2700 | 2701 | 2702 | 2703 | 2704 | 2705 | 2706 | 2707 | 2708 | 2709 | 2710 | 2711 | 2712 | 2713 | 2714 | 2715 | 2716 | 2717 | 2718 | 2719 | 2720 | 2721 | 2722 | 2723 | 2724 | 2725 | 2726 | 2727 | 2728 | 2729 | 2730 | 2731 | 2732 | 2733 | 2734 | 2735 | 2736 | 2737 | 2738 | 2739 | 2740 | 2741 | 2742 | 2743 | 2744 | 2745 | 2746 | 2747 | 2748 | 2749 | 2750 | 2751 | 2752 | 2753 | 2754 | 2755 | 2756 | 2757 | 2758 | 2759 | 2760 | 2761 | 2762 | 2763 | 2764 | 2765 | 2766 | 2767 | 2768 | 2769 | 2770 | 2771 | 2772 | 2773 | 2774 | 2775 | 2776 | 2777 | 2778 | 2779 | 2780 | 2781 | 2782 | 2783 | 2784 | 2785 | 2786 | 2787 | 2788 | 2789 | 2790 | 2791 | 2792 | 2793 | 2794 | 2795 | 2796 | 2797 | 2798 | 2799 | 2800 | 2801 | 2802 | 2803 | 2804 | 2805 | 2806 | 2807 | 2808 | 2809 | 2810 | 2811 | 2812 | 2813 | 2814 | 2815 | 2816 | 2817 | 2818 | 2819 | 2820 | 2821 | 2822 | 2823 | 2824 | 2825 | 2826 | 2827 | 2828 | 2829 | 2830 | 2831 | 2832 | 2833 | 2834 | 2835 | 2836 | 2837 | 2838 | 2839 | 2840 | 2841 | 2842 | 2843 | 2844 | 2845 | 2846 | 2847 | 2848 | 2849 | 2850 | 2851 | 2852 | 2853 | 2854 | 2855 | 2856 | 2857 | 2858 | 2859 | 2860 | 2861 | 2862 | 2863 | 2864 | 2865 | 2866 | 2867 | 2868 | 2869 | 2870 | 2871 | 2872 | 2873 | 2874 | 2875 | 2876 | 2877 | 2878 | 2879 | 2880 | 2881 | 2882 | 2883 | 2884 | 2885 | 2886 | 2887 | 2888 | 2889 | 2890 | 2891 | 2892 | 2893 | 2894 | 2895 | 2896 | 2897 | 2898 | 2899 | 2900 | 2901 | 2902 | 2903 | 2904 | 2905 | 2906 | 2907 | 2908 | 2909 | 2910 | 2911 | 2912 | 2913 | 2914 | 2915 | 2916 | 2917 | 2918 | 2919 | 2920 | 2921 | 2922 | 2923 | 2924 | 2925 | 2926 | 2927 | 2928 | 2929 | 2930 | 2931 | 2932 | 2933 | 2934 | 2935 | 2936 | 2937 | 2938 | 2939 | 2940 | 2941 | 2942 | 2943 | 2944 | 2945 | 2946 | 2947 | 2948 | 2949 | 2950 | 2951 | 2952 | 2953 | 2954 | 2955 | 2956 | 2957 | 2958 | 2959 | 2960 | 2961 | 2962 | 2963 | 2964 | 2965 | 2966 | 2967 | 2968 | 2969 | 2970 | 2971 | 2972 | 2973 | 2974 | 2975 | 2976 | 2977 | 2978 | 2979 | 2980 | 2981 | 2982 | 2983 | 2984 | 2985 | 2986 | 2987 | 2988 | 2989 | 2990 | 2991 | 2992 | 2993 | 2994 | 2995 | 2996 | 2997 | 2998 | 2999 | 3000 | 3001 | 3002 | 3003 | 3004 | 3005 | 3006 | 3007 | 3008 | 3009 | 3010 | 3011 | 3012 | 3013 | 3014 | 3015 | 3016 | 3017 | 3018 | 3019 | 3020 | 3021 | 3022 | 3023 | 3024 | 3025 | 3026 | 3027 | 3028 | 3029 | 3030 | 3031 | 3032 | 3033 | 3034 | 3035 | 3036 | 3037 | 3038 | 3039 | 3040 | 3041 | 3042 | 3043 | 3044 | 3045 | 3046 | 3047 | 3048 | 3049 | 3050 | 3051 | 3052 | 3053 | 3054 | 3055 | 3056 | 3057 | 3058 | 3059 | 3060 | 3061 | 3062 | 3063 | 3064 | 3065 | 3066 | 3067 | 3068 | 3069 | 3070 | 3071 | 3072 | 3073 | 3074 | 3075 | 3076 | 3077 | 3078 | 3079 | 3080 | 3081 | 3082 | 3083 | 3084 | 3085 | 3086 | 3087 | 3088 | 3089 | 3090 | 3091 | 3092 | 3093 | 3094 | 3095 | 3096 | 3097 | 3098 | 3099 | 3100 | 3101 | 3102 | 3103 | 3104 | 3105 | 3106 | 3107 | 3108 | 3109 | 3110 | 3111 | 3112 | 3113 | 3114 | 3115 | 3116 | 3117 | 3118 | 3119 | 3120 | 3121 | 3122 | 3123 | 3124 | 3125 | 3126 | 3127 | 3128 | 3129 | 3130 | 3131 | 3132 | 3133 | 3134 | 3135 | 3136 | 3137 | 3138 | 3139 | 3140 | 3141 | 3142 | 3143 | 3144 | 3145 | 3146 | 3147 | 3148 | 3149 | 3150 | 3151 | 3152 | 3153 | 3154 | 3155 | 3156 | 3157 | 3158 | 3159 | 3160 | 3161 | 3162 | 3163 | 3164 | 3165 | 3166 | 3167 | 3168 | 3169 | 3170 | 3171 | 3172 | 3173 | 3174 | 3175 | 3176 | 3177 | 3178 | 3179 | 3180 | 3181 | 3182 | 3183 | 3184 | 3185 | 3186 | 3187 | 3188 | 3189 | 3190 | 3191 | 3192 | 3193 | 3194 | 3195 | 3196 | 3197 | 3198 | 3199 | 3200 | 3201 | 3202 | 3203 | 3204 | 3205 | 3206 | 3207 | 3208 | 3209 | 3210 | 3211 | 3212 | 3213 | 3214 | 3215 | 3216 | 3217 | 3218 | 3219 | 3220 | 3221 | 3222 | 3223 | 3224 | 3225 | 3226 | 3227 | 3228 | 3229 | 3230 | 3231 | 3232 | 3233 | 3234 | 3235 | 3236 | 3237 | 3238 | 3239 | 3240 | 3241 | 3242 | 3243 | 3244 | 3245 | 3246 | 3247 | 3248 | 3249 | 3250 | 3251 | 3252 | 3253 | 3254 | 3255 | 3256 | 3257 | 3258 | 3259 | 3260 | 3261 | 3262 | 3263 | 3264 | 3265 | 3266 | 3267 | 3268 | 3269 | 3270 | 3271 | 3272 | 3273 | 3274 | 3275 | 3276 | 3277 | 3278 | 3279 | 3280 | 3281 | 3282 | 3283 | 3284 | 3285 | 3286 | 3287 | 3288 | 3289 | 3290 | 3291 | 3292 | 3293 | 3294 | 3295 | 3296 | 3297 | 3298 | 3299 | 3300 |
|------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|--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|------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|--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PALESTINE ECONOMIC CORPORATION

Statements of Income and Profit and Loss of Subsidiary and Related Companies

(Adjusted to Nearest Pound or Dollar)

| Year Ended | BAYSIDE LAND CORPORATION, LTD. | THE CENTRAL BANK OF CO-OPERATIVE INSTITUTIONS IN PALESTINE, LTD. |
|--|--------------------------------------|--|
| | Dec. 31, 1946 £P | Dec. 31, 1946 £P |
| INCOME AND PROFITS: | | |
| From Sale of Land and Houses, Lease Premiums and Rentals | 65,234 | |
| From Supervision, Management and Service Fees | 12,982 | |
| From Dividends, Interest and Miscellaneous | 11,016 | 57,005(b) |
| Total Income and Profits | 89,232 | 57,005 |
| EXPENDITURES: | | |
| General and Administrative Expenses, Taxes, etc. | 33,115(a) | 30,385(c) |
| Interest and Commissions | | 12,205 |
| Total Expenditures | 33,115 | 42,590 |
| PROFIT FOR THE PERIOD | 56,117 | 14,415 |
| <i>Profit and Loss Appropriation Account (Surplus)</i> | | |
| Balance brought forward | 21,337 | 6,204 |
| Profit for Period | 56,117 | 14,415 |
| Profit from Sale of Assets | | |
| Provisions and Reserves | | |
| | 77,454 | 20,619 |
| Provision for Contingencies, Taxes, etc. | 12,279 | |
| Dividends | 30,000 | 7,571 |
| Transfer to General Reserve | | 7,500 |
| Miscellaneous | | |
| Profit carried forward | 35,175 | 5,548 |
| | 77,454 | 20,619 |

| LOAN CORPORATION, LTD. | PALESTINE MORTGAGE AND SAVINGS BANK, LTD. | PALESTINE WATER COMPANY, LTD. | SHARON WATER COMPANY, LTD. | PALESTINE HOUSING CORPORATION (PALHOUSE), LTD. | SAMARIA WATER COMPANY, LTD. | PALESTINE ECONOMIC CORPORATION OF NEW YORK |
|------------------------------|--|--|-------------------------------|--|--------------------------------|---|
| June 30, 1946 £P | June 30, 1946 £P | Dec. 31, 1946 £P | Dec. 31, 1946 £P | October 31, 1946 £P | Dec. 31, 1946 £P | Dec. 31, 1946 \$ |
| | | | | 16,151 | | |
| 4,108 | { 14,463 } | 14,523(g) 1,862 | 1,988(h) | 1,085 | 8,296(h) | 34,177 5,624 |
| 4,108 | 14,463 | 16,385 | 1,988 | 17,236 | 8,296 | 39,801 |
| 1,787 1,104 | 8,375 3,992 | 10,997 2,345 | { 416 } | 4,526 | { 1,482 } | 31,257 |
| 2,891 | 12,367 | 13,342 | 416 | 4,526 | 1,482 | 31,257 |
| 1,217 | 2,096 | 3,043 | 1,572 | 12,710 | 6,814 | 8,544 |
| (1,217) 1,217 | 258 2,096 | (2,500) 3,043 | 2,174 1,572 1,220 | 5,724 12,710 | 5,867 6,814 | 276 8,544 |
| | | | | | 1,092 | |
| — | 2,354 | 543 | 4,966 | 18,434 | 13,773 | 8,820 |
| 142 | | 400 | 1,620 | 2,465 4,906 | 705 5,250 | |
| (142) | 2,354 | 143 | 497 2,849 | 632 10,431 | 7,818 | 1,015 7,805 |
| — | 2,354 | 543 | 4,966 | 18,434 | 13,773 | 8,820 |

PALESTINE ECONOMIC CORPORATION

Statements of Income and Profit and Loss of Subsidiary and Related Companies—(Continued)

(Adjusted to Nearest Pound or Dollar)

| Year Ended | <div> <div>THE CENTRAL BANK OF CO-OPERATIVE INSTITUTIONS IN PALESTINE, LTD.</div> <div> BAYSIDE LAND CORPORATION, LTD. Dec. 31, 1947 £P </div> </div> | |
|--|---|---------------------|
| | Dec. 31, 1947 £P | Dec. 31, 1947 £P |
| INCOME AND PROFITS: | | |
| From Sale of Land and Houses, Lease Premiums and Rentals | 46,723 | |
| From Supervision, Management and Service Fees | 14,418 | |
| From Dividends, Interest and Miscellaneous | 12,375 | 65,643(d) |
| Total Income and Profits | 73,516 | 65,643 |
| EXPENDITURES: | | |
| General and Administrative Expenses, Taxes, etc. | 33,334 | 33,952(c) |
| Interest and Commissions | | 18,306 |
| Total Expenditures | 33,334 | 52,258 |
| PROFIT FOR THE PERIOD | 40,182 | 13,385 |
| Profit and Loss Appropriation Account (Surplus) | | |
| Balance brought forward | 35,175 | 5,548 |
| Profit for Period | 40,182 | 13,385 |
| Provisions and Reserves | | |
| | 75,357 | 18,933 |
| Provisions for Contingencies, Taxes, etc. | 5,339 | |
| Dividends | 30,000 | 6,844 |
| Transfer to General Reserve | | 7,500 |
| Prior Year Expense | | |
| Profit carried forward | 40,018 | 4,589 |
| | 75,357 | 18,933 |

| LOAN CORPORATION, LTD. | PALESTINE MORTGAGE AND SAVINGS BANK, LTD. | PALESTINE WATER COMPANY, LTD. | SHARON WATER COMPANY, LTD. | PALESTINE HOUSING CORPORATION (PALHOUSE), LTD. | SAMARIA WATER COMPANY, LTD. | PALESTINE ECONOMIC CORPORATION OF NEW YORK |
|---------------------------|--|--|-------------------------------|--|--------------------------------|---|
| June 30, 1947 £P | June 30, 1947 £P | Dec. 31, 1947 £P | Dec. 31, 1947 £P | October 31, 1947 £P | Dec. 31, 1947 £P | Dec. 31, 1947 \$ |
| | | | | 10,778 | | |
| 2,133 | { 20,690 } | 15,587(g) 1,031 | 3,145(h) | 2,226 | 10,682(h) | 28,960 4,453 |
| 2,133 | 20,690 | 16,618 | 3,145 | 13,004 | 10,682 | 33,413 |
| 1,267 1,713 | 11,647 2,323 | 13,244 2,539 | {2,118} | 3,440 | { 6,360 } | 29,720 |
| 2,980 | 13,970 | 15,783 | 2,118 | 3,440 | 6,360 | 29,720 |
| (847) (f) | 6,720 | 835 | 1,027 | 9,564 | 4,322 | 3,693 |
| (142) (847) | 2,354 6,720 | 143 835 | 2,849 1,027 | 10,431 9,564 | 7,818 4,322 650 | 7,805 3,693 |
| (989) | 9,074 | 978 | 3,876 | 19,995 | 12,790 | 11,498 |
| | | 228 | | 801 | 2,244 | |
| | 6,800 1,500 | | 1,944 | 8,987 | 5,555 | |
| (989) | 774 | 750 | 1,932 | 175 10,032 | 500 4,491 | 11,498 |
| (989) | 9,074 | 978 | 3,876 | 19,995 | 12,790 | 11,498 |

PALESTINE ECONOMIC CORPORATION

Statements of Income and Profit and Loss of Subsidiary and Related Companies—(Continued)

(Adjusted to Nearest Pound or Dollar)

| | BAYSIDE LAND CORPORATION, LTD. | THE CENTRAL BANK OF CO-OPERATIVE INSTITUTIONS IN PALESTINE, LTD. |
|--|-----------------------------------|--|
| Year Ended | Dec. 31, 1948 | Dec. 31, 1948 |
| 18 Months Ended | I£ | I£ |
| INCOME AND PROFITS: | | |
| From Sale of Land and Houses, Lease Premiums and Rentals | 54,111 | |
| From Supervision, Management, and Service Fees | 14,403 | |
| From Dividends, Interest and Miscellaneous | 14,230 | 92,088(e) |
| Total Income and Profits | 82,744 | 92,088 |
| EXPENDITURES: | | |
| General and Administrative Expenses, Taxes, etc. | 39,748 | 39,587(c) |
| Interest and Commissions | | 23,876 |
| Total Expenditures | 39,748 | 63,463 |
| PROFIT FOR THE PERIOD | 42,996 | 28,625 |
| <i>Profit and Loss Appropriation Account (Surplus)</i> | | |
| Balance brought forward | 40,018 | 4,589 |
| Profit for Period | 42,996 | 28,625 |
| Profit from Sale of Assets | | |
| | 83,014 | 33,214 |
| Provisions for Contingencies, Taxes, etc. | 7,977 | |
| Dividends | 35,000 | 9,622 |
| Taxes | 1,316 | |
| Transfer to General Reserve | | 15,000 |
| Miscellaneous | | |
| Profit carried forward | 38,721 | 8,592 |
| | 83,014 | 33,214 |

(a) Includes £P 1,000 expenditure in respect of Increase in Share Capital.

(b) Includes Other Income of £P 8,236.

(c) Includes Directors' Fees of £P 600.

(d) Includes Other Income of £P 10,040.

(e) Includes Other Income of I£ 22,305.

(f) Deficit.

(g) Includes Miscellaneous Income.

(h) This is Income from Sale of Water (net) and from Miscellaneous Sources (including interest).

| LOAN CORPORATION, LTD. | PALESTINE MORTGAGE AND SAVINGS BANK, LTD. | PALESTINE WATER COMPANY, LTD. | SHARON WATER COMPANY, LTD. | PALESTINE HOUSING CORPORATION (PALHOUSE), LTD. | SAMARIA WATER COMPANY, LTD. | PALESTINE ECONOMIC CORPORATION OF NEW YORK |
|---------------------------|--|--|-------------------------------|--|--------------------------------|---|
| Dec. 31, 1948 | Dec. 31, 1948 | Dec. 31, 1948 | Dec. 31, 1948 | October 31, 1948 | Dec. 31, 1948 | Dec. 31, 1948 |
| I£ | I£ | I£ | I£ | I£ | I£ | \$ |
| | | | | 9,562 | | |
| 11,023 | { 46,012 } | 15,080(g) 3,513 | 3,485(h) | 3,114 | 7,758(h) | 66,347 11,233 |
| 11,023 | 46,012 | 18,593 | 3,485 | 12,676 | 7,758 | 77,580 |
| { 11,002 } | 26,252 6,690 | 16,367 2,189 | { 2,051 } | 3,714 | { 7,322 } | 66,848 |
| 11,002 | 32,942 | 18,556 | 2,051 | 3,714 | 7,322 | 66,848 |
| 21 | 13,070 | 37 | 1,434 | 8,962 | 436 | 10,732 |
| (989) 22 | 774 13,070 10,500 | 750 37 | 1,932 1,434 2,716 | 10,032 8,962 | 4,491 436 | 11,498 10,732 |
| (967) | 24,344 | 787 | 6,082 | 18,994 | 4,927 | 22,230 |
| | 7,060 9,600 | | 335 1,620 | 2,492 8,277 | 3,005 | |
| | 3,500 | | | | | 184 |
| (967) | 4,184 | 787 | 4,127 | 8,225 | 1,922 | 22,046 |
| (967) | 24,344 | 787 | 6,082 | 18,994 | 4,927 | 22,230 |

CERTIFICATE OF AUDITORS

We have audited for the Companies enumerated below the accompanying Balance Sheets and related Statements of Income and Profit and Loss which were made up to the following dates:

| <i>Name of Company</i> | <i>Balance Sheet Date</i> | <i>Period covered by Statements of Income and Profit and Loss</i> |
|--|---------------------------|---|
| Bayside Land Corporation, Ltd. | December 31, 1948 | Three year period ended December 31, 1948 |
| Loan Corporation, Ltd. | December 31, 1948 | Three and one-half year period ended December 31, 1948 |
| Palestine Mortgage and Savings Bank, Ltd. | December 31, 1948 | Three and one-half year period ended December 31, 1948 |
| Palestine Water Company, Ltd. | December 31, 1948 | Three year period ended December 31, 1948 |
| Sharon Water Company, Ltd. | December 31, 1948 | Three year period ended December 31, 1948 |
| Palestine Housing Corporation (Palhouse), Ltd. | October 31, 1948 | Three year period ended October 31, 1948 |
| Samaria Water Company, Ltd. | December 31, 1948 | Three year period ended December 31, 1948 |

We have examined the vouchers at the respective offices of the Companies in Israel and have obtained the information and explanations required. We hereby certify that the accompanying Balance Sheets and the related Statements of Income and Profit and Loss referring to the Companies enumerated above, are, in our opinion, properly drawn up so as to exhibit a true and correct view of the state of the Companies' affairs according to the best of our information and explanations given to us and as shown by the books of the relevant Companies.

Tel Aviv, January 9, 1949.

KESSELMAN & KESSELMAN
Certified Accountants
Auditors

Auditors' Report to Shareholders

We have audited the Balance Sheet and Profit and Loss Account of The Central Bank of Co-operative Institutions in Palestine, Limited, as above set forth, and have obtained all the information and explanations which we have required. In our opinion the above Balance Sheet and Profit and Loss Account are properly drawn up so as to show a true and correct view of the state of the Bank's affairs, according to the best of our information and the explanations given to us, and as shown by the Books of the Bank.

RUSSELL & Co.
Chartered Accountants
Auditors

Tel Aviv, 9th January, 1949.

CERTIFICATE

I have audited the books and records of Palestine Economic Corporation of New York for the year ended December 31, 1948. In my opinion, the accompanying Balance Sheet as of December 31, 1948, and the Statements of Income and Expense and Surplus for the three-year period ended December 31, 1948, properly reflect the true financial condition of Palestine Economic Corporation of New York.

Respectfully submitted,

JOSEPH KALAF
Certified Public Accountant

New York, January 11, 1949.

PALESTINE ECONOMIC CORPORATION

General Reserve (Surplus) of Subsidiary and Related Companies

| | BAYSIDE LAND CORPORATION, LTD. | THE CENTRAL BANK OF CO-OPERATIVE INSTITUTIONS IN PALESTINE, LTD. | PALESTINE MORTGAGE AND SAVINGS BANK, LTD. | SAMARIA WATER COMPANY, LTD. |
|--|-----------------------------------|--|--|--------------------------------|
| Balance as at January 1, 1946..... | £P 16,308 | £P 37,500 | | £P 2,000 |
| Balance on July 1, 1946..... | | | £P 5,000 | |
| ADD: Transferred Year Ended December 31, 1946 | | 7,500 | | 3,275 |
| Transferred Year Ended June 30, 1947 | | | 1,500 | |
| Transferred Year Ended December 31, 1947 | | 7,500 | | 2,000 |
| Transferred Year Ended June 30, 1948 | | | I £ 3,500 | |
| Transferred Year Ended December 31, 1948 | | I £ 15,000 | | |
| Balance as at December 31, 1948..... | <u>I £ 16,308</u> | <u>I £ 67,500</u> | <u>I £ 10,000</u> | <u>I £ 7,275</u> |

Copies of the Registration Statement on file with the Securities and Exchange Commission may be procured from the Commission upon payment of the legal charge therefor. Neither the fact that such Registration Statement has been filed with the Commission, nor the issuance of this Prospectus under the rules and regulations prescribed, shall be deemed a finding by the Commission that this Prospectus is true and accurate on its face or does not omit to state a material fact, or to mean that the Commission has in any way passed upon the merits of, or given approval to, such Prospectus, or the security mentioned therein.

This Prospectus omits certain of the information contained in the Registration Statement on file with the Securities and Exchange Commission. The information omitted may be obtained from the Commission's principal office at Washington, D. C., upon payment of the fee prescribed by the rules and regulations of the Commission.

PALESTINE ECONOMIC CORPORATION,

By: ROBERT SZOLD

Chairman of the Board of Directors.

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600,000 Shares

Palestine Economic Corporation

Common Stock

(Par Value \$25 Per Share)



PROSPECTUS

Date of Issue of Prospectus: May 9, 1949

COPY TO DR. ABBA HILLEL SILVER

TO: Albert Schiff

August 11, 1949

FROM: Abe Tuvim

I was sorry to hear the details about your illness when I talked with Mrs. Schiff this morning. I hope that when this reaches you, you will be well on your way toward recovery.

I have some slight hesitancy about writing to you on matters as vital as those contained in this letter, but I guess my sense of responsibility has overcome my sympathy.

I had a two hour conference with Mr. Frisch today with Mr. Browdy in attendance and the following is a factual outline of what took place. After I have presented this, I will include some opinions.

Mr. Frisch began by indicating to me the results of his conference with Dr. Silver and underscored Dr. Silver's intense interest in the ICA. Mr. Frisch said that he did not agree with political implications inherent in Dr. Silver's position with relation to the ICA. Nevertheless, he is ready to go ahead if the relationship between the ICA and the ZOA could be sufficiently clarified.

I told Mr. Frisch I was completely in accord with Dr. Silver's political diagnosis. I felt that the progressive deterioration of the gift dollar would advance the value of all investment groups. Also that I did not consider the peace established in the ZOA as something of permanent value, and that the basic concept which brought about the organization of the ICA was true today and would hold tomorrow.

I said as much as the ICA needs the effective support of ZOA leadership, the ZOA needs the ICA. It must play a dominant role in the economic field and can play this role only through the ICA.

I analyzed the potentialities of the ICA. I said that while in the beginning, my faith in its future was shaky, I had come to the conclusion that it is possible for the ICA to achieve a firm business structure within relatively few months, especially if the ZOA got behind it. I pointed out if our income kept on a level with that of March, April and May, and I expected it to exceed those months, I felt that our surplus would be more than sufficient to cover not only the running expenses of the organization, but also the initial organizational costs. I said that in that event the income from our present investment should be enough to enable us to declare our first dividend.

At this point, Mr. Browdy took issue with my evaluation. He said that he had been thinking seriously of withdrawing from the corporation - that many things have happened, especially before I came on the scene which have soured him on the whole set up. He felt that he had not been consulted sufficiently and he resented in particular the dominance of certain people who were against Frisch.

I told Mr. Browdy that on the general subject of his interest in the Corporation, I would like to remind him that we had made a great number of efforts to encourage his interest and activities but that he had held us off. I referred to our desire to have a dinner for him in Brooklyn, and his refusal. I said that I and, as a matter of fact, Mr. Schiff himself, had always held high hopes of Mr. Browdy becoming one of the leading pillars of the organization and that there was still plenty of time in which this could be accomplished. I suggested that before he takes any action which might reflect on the Corporation that he has a talk with you.

Mr. Frisch then asked that this subject be postponed, that we go into the actual points at issue. He said that he had discussed the matter of the ICA with the Inner Committee at a meeting last night and that he had presented Dr. Silver's position objectively. After this, he offered two alternatives, roughly as follows: (1) that the ZOA officially adopt the ICA and assume moral responsibility for it, thus making it an out and out project of the ZOA, providing that arrangements are made for the ZOA to have control over the ICA; (2) in the event that no method can be found for such control that the ZOA continue its present form of endorsement of the ICA but assume no responsibility for its future.

Mr. Albert Schiff
Page 2

August 11, 1949

Mr. Frisch said the consensus of opinion of the Inner Committee was for "Solution I", although one or two people present expressed the thought that it might be better for the ICA, if the second solution were adopted.

I said, of course I had no capacity for even discussing these solutions, nor any opinion to state at this time, since this is a matter for discussion with Mr. Schiff and the Board.

Mr. Frisch then asked about the special shareholders and whether or not the intention originally to permit the ZOA to name such special shareholders remained. He felt that some way should be found for each succeeding administration to be assured that the directional control of the organization was not in the hands of people who might be at variance with the ZOA.

I replied that I recalled some talk about the above method of naming the ten special shareholders but that nothing definitive had been arranged in this regard. Also that this was another matter for discussion on higher levels.

Mr. Frisch then indicated that if a solution was found, the program of the ZOA would have two specific objectives. These would be whatever program the Executive would adopt relative to the \$2,000,000 campaign, and the ICA. He stated that specific times could be allocated for drives in Zionist communities for each of the projects. He did not think that anything like \$20,000,000 could be raised but that it would be somewhere under \$10,000,000. He said he had no great faith in the political values which Dr. Silver feels would be accrued as a result of a substantial investment fund. In his opinion, Israel is headed for a socialist dictatorship in which there will be very little, if any, opportunity for the sort of individual enterprise which we might hope to support. He felt that under those circumstances, we would have to do business with the Government, and that the Government would dictate the terms, which we would accept "or else".

I told him that I considered this very farfetched, and we both agreed that history will take care of it.

At this point, the conference ended. There were a great many other matters which entered into it, which are more or less extraneous for this report. Mr. Frisch felt that the time was ripe for a conference with you as soon as your health permits.

I came away with the firm conclusion that Mr. Frisch wants very much to reach an accord with the ICA despite the fact that it will take a great deal of time to build up in him a basic faith in the Corporation. He is very clearly impelled by the unqualified position taken by Dr. Silver as well as by the fact that he really has no alternative with regard to program for the ZOA. The thing that aggravates Mr. Frisch and Mr. Browdy more than anything else is what they feel is the dominance of Dr. Neumann in the Corporation. There is a deep personal venom which is clearly indicated in the way they say things where he is concerned. This was indicated by Mr. Browdy's charge that the Corporation was a hotbed of ~~anti-Frisch~~ sentiment before the election, which charge I vehemently denied.

I would like to give my opinion for whatever it is worth with regard to naming of the ten special shareholders. I have no fear of the usage to which these men might put their power in the Corporation. I think that you and others like you would always be in a position to keep the Corporation free of political entanglements or political investments, because of your service, business acumen and devotion to the cause. The only position that I would take in the naming of these new directors would be that none of them be political hacks but that they be chosen primarily for the contribution they can make in the form of investment and activity.

Kindest regards.

AT:SW

THE ISRAEL CORPORATION OF AMERICA
BALANCE SHEET
AS AT AUGUST 31, 1949

ASSETSCurrent Assets

| | | |
|---------------------------------------|--------------|--------------|
| Cash in New York Trust Co. | \$ 97 685 87 | |
| Petty Cash | 50 00 | |
| Accrued Income From Housing Materials | 3 082 50 | |
| Revolving Fund (H. Bernfeld) | 200 00 | |
| Total Current Assets | | \$101 018 37 |

Non-Current Assets

| | | |
|---------------------------------------|--|--------|
| Deposits Receivable (Rent, Telephone) | | 983 34 |
|---------------------------------------|--|--------|

Investments

| | | |
|--|--|------------|
| Housing Materials and Supplies Account | | 250 000 00 |
|--|--|------------|

Deferred Assets

| | | |
|-----------------------|--------|--------|
| Insurance | 695 14 | |
| Sundry (Water Cooler) | 7 14 | |
| Total Deferred Assets | | 702 28 |

*Organization and Offering Expenses

| | | |
|--|-----------|-----------|
| Organization Expenses | 9 208 80 | |
| Cost of Selling Stock (including cost of obtaining Blue Sky clearance of 28 states) | 44 560 78 | |
| Total Organization and Offering Expenses | | 53 769 58 |

Fixed Assets

| | | |
|------------------------------|----------|----------|
| Furniture & Equipment - Net | 3 396 15 | |
| Leasehold Improvements - Net | 2 372 69 | |
| Total Fixed Assets - Net | | 5 768 84 |

TOTAL ASSETS

\$412 242 41LIABILITIES AND CAPITALCurrent Liabilities

| | | |
|-------------------------------------|-----------|--------------|
| Commissions Payable | \$ 232 16 | |
| Accounts Payable | 140 89 | |
| Accrued Expenses | 4 009 28 | |
| Accrued Payroll | 465 23 | |
| Taxes Payable - Payroll | 514 76 | |
| Estimated N. Y. State Franchise Tax | 190 00 | |
| Estimated Delaware Franchise Tax | 4 490 00 | |
| Total Current Liabilities | | \$ 10 042 32 |

Capital (15,722 units outstanding)

| | | |
|---|--------------|---------------------|
| Preferred-Issued | \$314 440 00 | |
| Common-Issued | 15 722 00 | |
| * Paid-In Surplus | 62 888 00 | |
| Subscriptions to Capital Shares | 393 050 00 | |
| Total Subscriptions | 284 150 00 | |
| Less: Due From Subscribers | 677 200 00 | |
| Paid Subscriptions | 208 565 69 | |
| Less: Net Operating Expenses (Sept. 21, 1948 to August 31, 1949) | 468 634 31 | |
| Net Capital | 66 434 22 | |
| TOTAL LIABILITIES AND CAPITAL | | 402 200 09 |
| | | <u>\$412 242 41</u> |

*In accordance with Prospectus, Organization Expense and Cost of Selling Stock will be charged off against Paid-In Surplus when the offering has been completed.

September 21, 1949

Mr. Albert Schiff, President
Israel Corporation of America
425 Fourth Avenue
New York, New York

My dear Mr. Schiff:

As you know, I intended to resign from the office which I was persuaded to take with the National Council a short time ago, but I was persuaded at that time not to do so. I see no further reason for delaying my resignation which I herewith submit.

With all good wishes, I remain

Very cordially yours,

ABBA HILLEL SILVER

AHS:er

THE ISRAEL CORPORATION OF AMERICA

425 FOURTH AVENUE

NEW YORK 16, N. Y.

MURRAY HILL 6-6293

OFFICE OF THE PRESIDENT
ALBERT SCHIFF

September 26, 1949

Dr. Abba Hillel Silver
The Temple
East 105th Street at Ansel Road
Cleveland 6, Ohio

Dear Dr. Silver:

This will acknowledge receipt of your letter of September 21st tendering your resignation as Chairman of the National Council for the ICA.

You can have no idea how deeply I regret that circumstances beyond my control made it advisable that the Israel Corporation of America cease functioning in view of the situation in which we found ourselves.

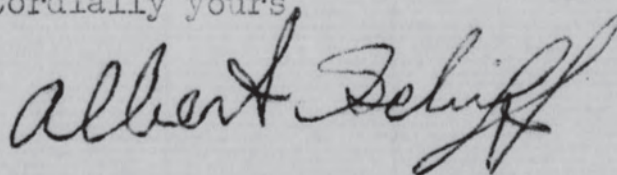
No one was more reluctant than I to come to the conclusion that a merger with the PEC, which was offered to us, was the honorable and practical solution to our problem.

I hope I need not stress how grateful I am to you for your consistent support and for the fine constructive friendship which you placed at the disposal of our organization. I consider myself personally indebted to you for this.

The National Council will of course cease to function with the consummation of the merger.

With kind personal regards and best wishes for the New Year, I remain

Cordially yours



Albert Schiff
President

AS:SW

Private Enterprise



for the Public Good

PALESTINE ECONOMIC CORPORATION
399½ MADISON AVENUE NEW YORK 17, N. Y.

HERBERT H. LEHMAN, HONORARY CHAIRMAN OF THE BOARD
ROBERT SZOLD, CHAIRMAN OF THE BOARD
ISRAEL B. BRODIE, VICE CHAIRMAN OF THE BOARD
EDWARD M. M. WARBURG, VICE PRESIDENT

JULIUS SIMON, PRESIDENT
AARON BAROWAY, VICE PRESIDENT
PAUL SINGER, VICE PRESIDENT
SIDNEY MUSER, TREASURER
ALBERT SEIFFER, SECRETARY

September 30, 1949

Dear Stockholder:

We earnestly ask your help in bringing our records up to date. You have not yet turned in your old shares (\$100 par value) for the new ones, which are due you as a result of our recent 4-to-1 split.

You will save your corporation considerable expense by acting on this request as soon as possible. We are enclosing another transmittal form, to be filled out and mailed in the enclosed envelope. The form has all the necessary instructions.

Unless the old shares are sent in there will be an unavoidable delay in mailing checks for future dividends when they are declared.

Your prompt attention to this matter will be deeply appreciated.

Sincerely yours,

Albert Seiffer
Secretary

Enclosure

THE ISRAEL CORPORATION OF AMERICA

425 FOURTH AVENUE

NEW YORK 16, N. Y.

Murray Hill 6-6293

Cable Address: TICAMERICA

ALBERT SCHIFF
President and Director
New York, N. Y.

ABRAHAM GOODMAN
Chairman of Board and Director
Miami Beach, Florida

MORTIMER MAY
Vice-President and Director
Nashville, Tenn.

WILLIAM H. SYLK
Vice-President and Director
Philadelphia, Pa.

BENJAMIN G. BROWDY
Treasurer and Director
Brooklyn, N. Y.

SAMUEL GREENBLATT
Comptroller and Director
New York, N. Y.

JACOB M. ALKOW
Secretary and Director
Los Angeles, Calif.

WILLIAM CONESCU
Director
New York, New York

BENJAMIN DOFT
Director
Long Island, N. Y.

DR. EMANUEL NEUMANN
Director
New York, N. Y.

I. S. TUROVER
Director
Washington, D. C.

HERMAN WEISMAN
Director
Scarsdale, N. Y.

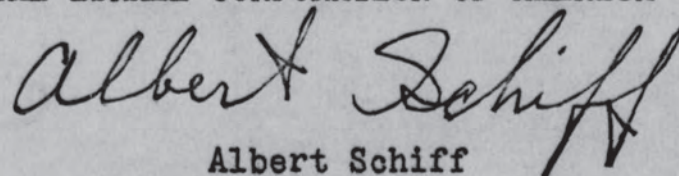
NOTICE TO SUBSCRIBERS TO THE CUMULATIVE
PREFERRED SHARES, \$.80 DIVIDEND SERIES,
AND COMMON SHARES OF THE ISRAEL CORPORATION
OF AMERICA WHO HAVE NOT PAID THE FULL AMOUNT
OF THEIR SUBSCRIPTIONS.

PLEASE TAKE NOTICE that, pursuant to the right reserved
to the Corporation to allot shares to subscribers who have paid
less than the full amount of their subscriptions, there will be
issued to you on or about October 28, 1949, Cumulative Preferred
Shares, \$.80 Dividend Series, and Common Shares of THE ISRAEL
CORPORATION OF AMERICA, at \$25 per unit of one Cumulative
Preferred Share, \$.80 Dividend Series, and one Common Share
for the amount of your subscription which you have paid up to
the date of this notice.

In the absence of written instructions to the contrary,
such shares will be issued in the name called for by your signed
subscription form.

By order of the Board of Directors.

THE ISRAEL CORPORATION OF AMERICA



Albert Schiff
President

October 18, 1949.

THE ISRAEL CORPORATION OF AMERICA

425 FOURTH AVENUE

NEW YORK 16, N. Y.

MUrray Hill 6-6293

Cable Address: TICAMERICA

ALBERT SCHIFF
President and Director
New York, N. Y.

ABRAHAM GOODMAN
Chairman of Board and Director
Miami Beach, Florida

MORTIMER MAY
Vice-President and Director
Nashville, Tenn.

WILLIAM H. SYLK
Vice-President and Director
Philadelphia, Pa.

BENJAMIN G. BROWDY
Treasurer and Director
Brooklyn, N. Y.

SAMUEL GREENBLATT
Comptroller and Director
New York, N. Y.

JACOB M. ALKOW
Secretary and Director
Los Angeles, Calif.

WILLIAM CONESCU
Director
New York, New York

BENJAMIN DOFT
Director
Long Island, N. Y.

DR. EMANUEL NEUMANN
Director
New York, N. Y.

I. S. TUROVER
Director
Washington, D. C.

HERMAN WEISMAN
Director
Scarsdale, N. Y.

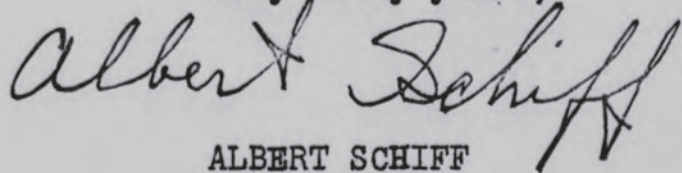
October 28, 1949.

TO THE SHAREHOLDERS OF THE ISRAEL CORPORATION OF AMERICA:

On October 18, 1949, I wrote you advising you of the program for the merger of the interests and objectives of the Corporation with those of Palestine Economic Corporation. For the reasons indicated in that letter, which I shall not repeat here, the Board of Directors believes it desirable, and earnestly recommends to you, that the program be carried out. A meeting of shareholders of the Corporation to consider and act upon this program has been called to be held at the office of the Corporation on November 16, 1949, at 11 o'clock in the morning. There is enclosed a copy of the Notice of Meeting and of a form of Proxy which, if you execute and return it to the Corporation, will permit your stock to be voted in favor of the proposed program.

Do NOT send your stock in to the Corporation at this time. Simply send in the enclosed Proxy after you have signed it. Upon approval of the program by the stockholders of the Corporation, very prompt steps will be taken so that you may exchange your shares of The Israel Corporation of America for shares of Palestine Economic Corporation.

Very truly yours,



ALBERT SCHIFF
President

IF YOU DO NOT EXPECT TO BE PRESENT AT THE MEETING PLEASE
FILL IN, SIGN AND MAIL THE ENCLOSED FORM OF PROXY IN THE
ENCLOSED RETURN ENVELOPE TO WHICH NO POSTAGE NEED BE
AFFIXED IF MAILED IN THE UNITED STATES.

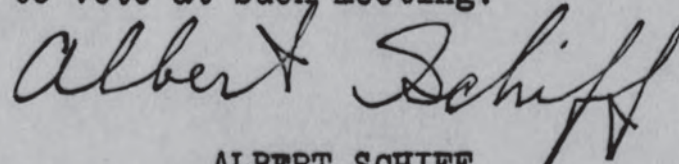
THE ISRAEL CORPORATION OF AMERICA
425 Fourth Avenue
New York 16, N.Y.

Notice of Special Meeting of Shareholders
to be Held on November 16, 1949.

NOTICE IS HEREBY GIVEN that a special meeting of the holders of Cumulative Preferred Shares, \$.80 Dividend Series, and Common Shares of The Israel Corporation of America, a Delaware corporation, will be held at the office of the Corporation, 425 Fourth Avenue, New York, N. Y., on Wednesday, November 16, 1949, at 11 o'clock A. M., for the following purposes:

1. To consider and take action with respect to a proposal to consent to the sale to Palestine Economic Corporation of all the assets of The Israel Corporation of America in accordance with the terms and conditions of a certain agreement between said Palestine Economic Corporation and The Israel Corporation of America, dated as of September 20, 1949, and to authorize the directors and officers of The Israel Corporation of America to take any and all action necessary to carry out said agreement.
2. To consider and take action with respect to a proposal to approve the action of the Board of Directors of the Corporation in exercising the right of the Corporation to allot full units of shares to subscribers to shares of the Corporation, including directors, to the extent they have paid up their subscriptions and to release such subscribers from liability to pay the balance of their subscriptions.
3. To consider and take action upon a proposal to effect the dissolution and liquidation of the Corporation after consummation of the above mentioned agreement with Palestine Economic Corporation.
4. To take any and all other action and transact such other business as may properly come before the meeting.

Shareholders of record at the close of business on October 28, 1949 are entitled to notice of and to vote at such meeting.



ALBERT SCHIFF
President

Dated: October 28, 1949.

IF YOU DO NOT EXPECT TO BE PRESENT AT THE MEETING PLEASE
FILL IN, SIGN AND MAIL THE ENCLOSED FORM OF PROXY IN THE
ENCLOSED RETURN ENVELOPE TO WHICH NO POSTAGE NEED BE
AFFIXED IF MAILED IN THE UNITED STATES.

(Form of Proxy)

THE ISRAEL CORPORATION OF AMERICA

Proxy for Special Meeting of Stockholders - November 16, 1949.

The undersigned hereby appoints ALBERT SCHIFF, ABRAHAM GOODMAN and BENJAMIN G. BROWDY, and each of them, as proxies to represent the undersigned at the Special Meeting of Stockholders of THE ISRAEL CORPORATION OF AMERICA, to be held at the office of the Corporation, on the 20th floor at No. 425 Fourth Avenue, New York, New York, on November 16, 1949, at 11 o'clock in the morning, and at any adjournment thereof, and to vote all the Cumulative Preferred Shares, \$.80 Dividend Series and Common Shares of the Corporation the undersigned would be entitled to vote, with all the powers the undersigned would possess if then and there personally present, in favor of all matters set forth in the Notice of Special Meeting, the receipt of a copy of which is hereby acknowledged.

The undersigned agrees that a majority of said proxies who shall be present and act at the meeting (or if only one shall be present and act, then that one) shall have and may exercise all the powers hereby conferred.

Dated _____

(Stockholder should sign here)

When signing as attorney, executor, trustee, guardian, etc., give full title as such. In the case of joint owners, each joint owner must sign.

IN ORDER TO INSURE A QUORUM AT THE SPECIAL MEETING AND TO AVOID EXPENSE AND DELAY IN CARRYING OUT THE PROGRAM, TO BE PRESENTED TO THE STOCKHOLDERS, PLEASE SIGN AND DATE THE PROXY AND MAIL IT PROMPTLY WHETHER YOU OWN ONE SHARE OR MANY. THE PROXY MAY BE REVOKED BY YOU AT ANY TIME AT OR BEFORE THE MEETING. IF YOU ATTEND THE MEETING YOU MAY, IF YOU WISH, REVOKE YOUR PROXY BY VOTING IN PERSON.

[1949]

THE ISRAEL CORPORATION OF AMERICA

425 FOURTH AVENUE

NEW YORK 16, N. Y.

Murray Hill 6-6293

Cable Address: TICAMERICA

ALBERT SCHIFF
President and Director
New York, N. Y.

ABRAHAM GOODMAN
Chairman of Board and Director
Miami Beach, Florida

MORTIMER MAY
Vice-President and Director
Nashville, Tenn.

WILLIAM H. SYLK
Vice-President and Director
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BENJAMIN G. BROWDY
Treasurer and Director
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SAMUEL GREENBLATT
Comptroller and Director
New York, N. Y.

JACOB M. ALKOW
Secretary and Director
Los Angeles, Calif.

WILLIAM CONESCU
Director
New York, New York

BENJAMIN DOFT
Director
Long Island, N. Y.

DR. EMANUEL NEUMANN
Director
New York, N. Y.

I. S. TUROVER
Director
Washington, D. C.

HERMAN WEISMAN
Director
Scarsdale, N. Y.

Dear Subscriber:

Recently we entered into a series of discussions with the Jewish Agency for Palestine concerning our Agreement dated October 15, 1948 with the Agency which contemplated that we, in partnership with the Agency, would set up a housing corporation for the construction and operation of a special housing development in Israel.

Since the execution of that Agreement, there have been significant changes in the housing situation in Israel caused by the continued large-scale influx of immigrants into the country and by the substantial increase in costs in the field of housing and construction. As a result the Agency has joined with the Government of Israel and The J.N.F. in establishing a new corporation, Amidar National Housing Company, through which the Agency's activities in this field are henceforth to be concentrated.

Under these circumstances the carrying out of the October 15, 1948 Agreement has become impractical and we have entered into an amendatory Agreement, dated May 11, 1949, with the Agency, the details of which are summarized in the enclosed Supplement to our prospectus. Essentially, the Agreement contemplates that we shall invest \$250,000 in housing for immigrants, either through Amidar or otherwise. As set forth in the Supplement, we ultimately expect to invest approximately a half million dollars in housing for immigrants. Of course, we do not intend to overlook the other areas of investment - such as the financing of imports - which are so important to the welfare of the people of Israel and which appear to offer opportunities for a reasonable return to our Corporation.

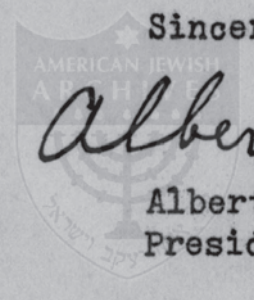

As is demonstrated by our enclosed pamphlet "Israel and You", we firmly believe that there is no practical limit on the opportunities for reasonably profitable investment in Israel. We also believe that the Israeli people - justly proud, unyieldingly resolute, unbelievably skillful - lack only the tools that can be provided by capital investment to achieve swiftly their economic goals.

We are appreciative of your subscription. You can help us materially in carrying out our program by sending us a check to complete payment of your subscription. Israel's needs - and therefore, our needs - are pressing.

We shall also welcome the opportunity to advise your friends and associates of the investment potentialities available to them through The Israel Corporation of America. For that reason, please send us the names and addresses of anyone who you believe might be interested in our program.

We are well aware of your interest in this Corporation, whose affairs, we know, are so dear to your heart. We intend, from time to time, to report to you on our progress, and the successful accomplishments made possible by your participation in our common objective.

Sincerely yours,

*Albert Schiff*

Albert Schiff
President

AS:hs

[1949]

THE ISRAEL CORPORATION OF AMERICA

425 FOURTH AVENUE

NEW YORK 16, N. Y.

MUrray Hill 6-6293

Cable Address: TICAMERICA

ALBERT SCHIFF
President and Director
New York, N. Y.

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To the Holders of and Subscribers to the Shares of The Israel Corporation of America:

You are one of those who either has purchased units of the Cumulative Preferred Shares, \$.80 Dividend Series, and Common Shares of The Israel Corporation of America (ICA) or who has subscribed for such shares and made partial payment on his subscription. These units were offered by the official prospectus of the Corporation under the Securities Act of 1933, dated November 9, 1948, as part of a total issue of 250,000 units which it was hoped would eventually bring to the Corporation a fund of \$6,250,000 (less the cost of organization, registration and marketing) available for investment. Attached is a balance sheet of the Corporation as at August 31, 1949.

The expenses of setting up a public issue corporation authorized to sell its securities on a nation-wide basis, and of establishing a staff to sell its securities and conduct its business are necessarily substantial. We believe that the initial job of establishing ICA and of complying with the Federal and State laws with respect to the sale of its securities (we are authorized to sell our securities in twenty-eight States) was done well and efficiently and that the expenses of the Corporation in doing its job have been kept to a minimum. That this is so may well be attributable largely to the fact that the officers and directors of the Corporation, who worked diligently on its behalf, have been serving without compensation.

However, now that unity within the Zionist Organization of America has been achieved, the Board of Directors of ICA has concluded that it would be in the best interests of ICA's shareholders and the economy of the State of Israel and that capital for investment in Israel can be obtained on a more efficient basis and with less expense through a merger of interests and objectives with Palestine Economic Corporation (PEC), which is pursuing the same objectives as is ICA.

The merger of corporate activities has been a conventional American method of achieving economic objectives which were too large for a single group of investors. United States Steel and various railroads, etc., are examples of this.

PEC has been an active investor in Palestine for more than 23 years. We enclose a copy of PEC's official prospectus

under the Securities Act of 1933, setting forth the pertinent facts regarding PEC as well as its latest published financial statements.

After a study of the problem, we concluded that the best way that a merger of objectives could be accomplished would be through the sale of all of ICA's assets to PEC for a purchase price payable in shares of PEC Common Stock. After consummation of the sale, ICA would be dissolved and the PEC Common Stock distributed to ICA stockholders, who would thereupon become stockholders in PEC. PEC proposes to elect a number of the ICA directors to the PEC Board.

ICA and PEC have now signed an agreement designed to bring about this result. All the assets of ICA will be sold to PEC at a premium sufficiently great to absorb almost one-half of ICA's expenses from the date of organization. PEC will pay this purchase price in shares of its own Common Stock at the rate of one share of PEC Common Stock for each \$28 of purchase price since the PEC Common Stock is being offered and sold at \$28 per share. PEC will take over all ICA's assets, including its name, good will, furniture and fixtures, etc. The balance of ICA's expenses will be absorbed by individual directors of ICA who have agreed to accept a distribution of PEC Common Stock on a reduced basis. This will permit the public stockholders of ICA - i. e., all stockholders of ICA other than the members of its Board of Directors - to receive one dollar of PEC Common Stock (taken at the PEC subscription price) for each dollar of ICA stock (taken at the ICA subscription price) paid for by such public stockholders. What this means is that individual directors of ICA will personally absorb slightly more than one-half of ICA's expenses from the date of organization. Since the PEC Common Stock is being offered and sold at \$28 per share and since the ICA stock was offered at \$25 per unit (each unit consisting of one Preferred Share and one Common Share) this means that each ICA public stockholder will receive 25/28ths of a share of PEC Common Stock for each unit of ICA stock purchased by him. PEC has had substantial earnings in recent years and has substantial surplus accumulations. Dividends were paid on the PEC Common Stock for several years before the War, were suspended during the War, were resumed in May 1946, and are now being paid at the rate of \$1.00 per share annually.

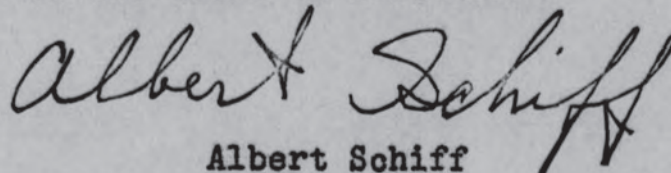
The carrying out of the proposed sale will require the consent of the holders of two-thirds of the ICA stock and it is proposed to seek such consent at an early stockholders' meeting. However, before this meeting can be called, it will be necessary to take steps to clarify the status of partially paid subscriptions.

You will recall that ICA has reserved under its subscription agreements the right to allot full units of its shares to a subscriber to the extent that he has paid up his subscription, releasing the subscriber from any further obligation to pay the balance of his subscription. Subject to the approval of the shareholders, the directors have determined to exercise this right which requires a ten-day notice, a copy of which notice is enclosed. This means that if you are a subscriber who has only partially paid up his subscription, you will shortly receive the shares called for by the payments you have so far made and, subject to the approval of the shareholders, will be released of any further obligation to pay the balance of your subscription. Many of the subscribers to ICA shares, including several of its directors, are in this position. In general, payments on subscriptions aggregate 50% or more of the signed subscriptions.

Shortly after the expiration of the ten-day period referred to in the enclosed notice, you will receive formal notice of a shareholders' meeting to authorize the various steps necessary to carry out the agreement with PEC and to approve the action of the Board in having released subscribers. You will also receive a form of proxy to be executed by you and returned to ICA so as to authorize three of the directors to vote your shares in favor of various proposals at the meeting in the event that you are not personally able to attend.

Your Board of Directors believes that the action which it has taken is in the best interests of all of the shareholders and subscribers and that it preserves to them an opportunity of financial participation in the development of the State of Israel through a sound investment medium. The Board, therefore, heartily recommends the shareholders' approval of the proposal. Should you desire any further or more detailed information, we will be glad to supply it.

By order of the Board of Directors.


Albert Schiff
President

October 18, 1949.

September 1, 1950

Palestine Economic Corporation
400 Madison Avenue
New York 17, New York

Gentlemen:

Enclosed herewith are two certificates, No. P0810 and C0816, of the Israel Corporation of America, for each shares each made out in the name of Abba Hillel Silver.

On December 22, 1949, Dr. Silver received certificate No. D4342, 71 shares, and certificate D5082, 2 shares, from the Palestine Economic Corporation. Are these certificates in lieu of the enclosed?

Sincerely yours,

Secretary to Dr. Silver

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