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Keren Hayesod, 1949-1950.



PALESTINE ECONOMIC CORPORATION



24TH

ANNUAL
REPORT
1949



PALESTINE ECONOMIC CORPORATION

400 MADISON AVENUE • NEW YORK 17, N. Y.



BOARD OF DIRECTORS

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Secretary-Treasurer, Filmtone Motion Picture Television Studios, Inc.

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Vice-President, Palestine Economic Corporation

OSCAR BERMAN
President, Crown Overall Mfg. Co.

JACOB BILLIKOPF
Social Work

MAURICE H. BLINKEN
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Chairman, Board of Directors, Reliable Stores, Inc.

BENJAMIN G. BROWDY
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President, Cherner Motor Co.

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Treasurer, H. Daroff & Sons, Inc.

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Vice-President, Industrial Rayon Corporation

LEON FALK, JR.
Chairman, Board of Directors, Falk & Company

F. JULIUS FOHS
Oil Geologist

ABRAHAM FEINBERG
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MARVIN B. GELBER
Vice-President, Gelber Bros., Ltd.

BENJAMIN GLAZER
President, Advertising Arts Corporation

SAMUEL GREENBLATT
Chairman, Board of Directors, Greenleaf Textile Corp.

IRA GULDEN
Chairman, Board of Directors, Trade Bank and Trust Company

MAURICE B. HENTER
Executive Vice President, Federation of Jewish Philanthropies

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President, Sterling Fabrics Corp.

ALBERT B. JOFFE
President, A. B. Joffe, Co., Inc.

BERNHARD KAHN
Vice Chairman, American Jewish Joint Distribution Committee, Inc.

ABRAHAM S. KAY
President, Kay Construction Company

PHILIP M. KLUTZNICK
President, America Community Builders, Inc.

MOSES A. LEAVITT
Executive Vice Chairman, American Jewish Joint Distribution Committee, Inc.

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Judge, Philadelphia Court of Common Pleas

JOSEPH LEVY
President, Crawford Clothes, Inc.

JOSEPH LUBIN
Eisner & Lubin, Accountants

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Treasurer, Hudson Pulp and Paper Corporation

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Chairman, Board of Directors, E. M. Warburg & Co., Inc.

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President, Muser Foundation, Inc.

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President, American Fund for Israel Institutions, Inc.

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President, Gregory Roth Schenker Corp.

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Vice President, Shoe Corporation of America

ALBERT SEIFFER
Secretary, Palestine Economic Corporation

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Stroock and Stroock and Lavan

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Szold & Brandwee

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I. S. Turover

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Retired Industrialist

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Chairman, American Jewish Joint Distribution Committee, Inc.

ERIC M. WARBURG
President, E. M. Warburg & Co., Inc.

MORRIS WEINBERG
Publisher, THE DAY

JULIUS WEISS
Attorney

RICHARD ZEISLER
Investment Analyst

SAMUEL ZEMURRAY
Industrialist



AUDITOR
JOSEPH KALAFI, C.P.A.

GENERAL COUNSEL
JULIUS WEISS

TRANSFER AGENT
CORPORATION TRUST CO., 120 Broadway, New York 5, N. Y.

ISRAEL SUBSIDIARIES

BAYSIDE LAND CORPORATION, LTD.: Lee Harris, General Manager

CENTRAL BANK OF COOPERATIVE INSTITUTIONS IN PALESTINE, LTD.: I. M. Rabinowitz, General Manager

LOAN CORPORATION, LTD.: Paul Singer, General Manager

PALESTINE MORTGAGE AND SAVINGS BANK, LTD.: Lee Harris, General Manager

COVER PHOTO: Model of PEC sponsored business center in Tel Aviv, now under construction





Annual Report

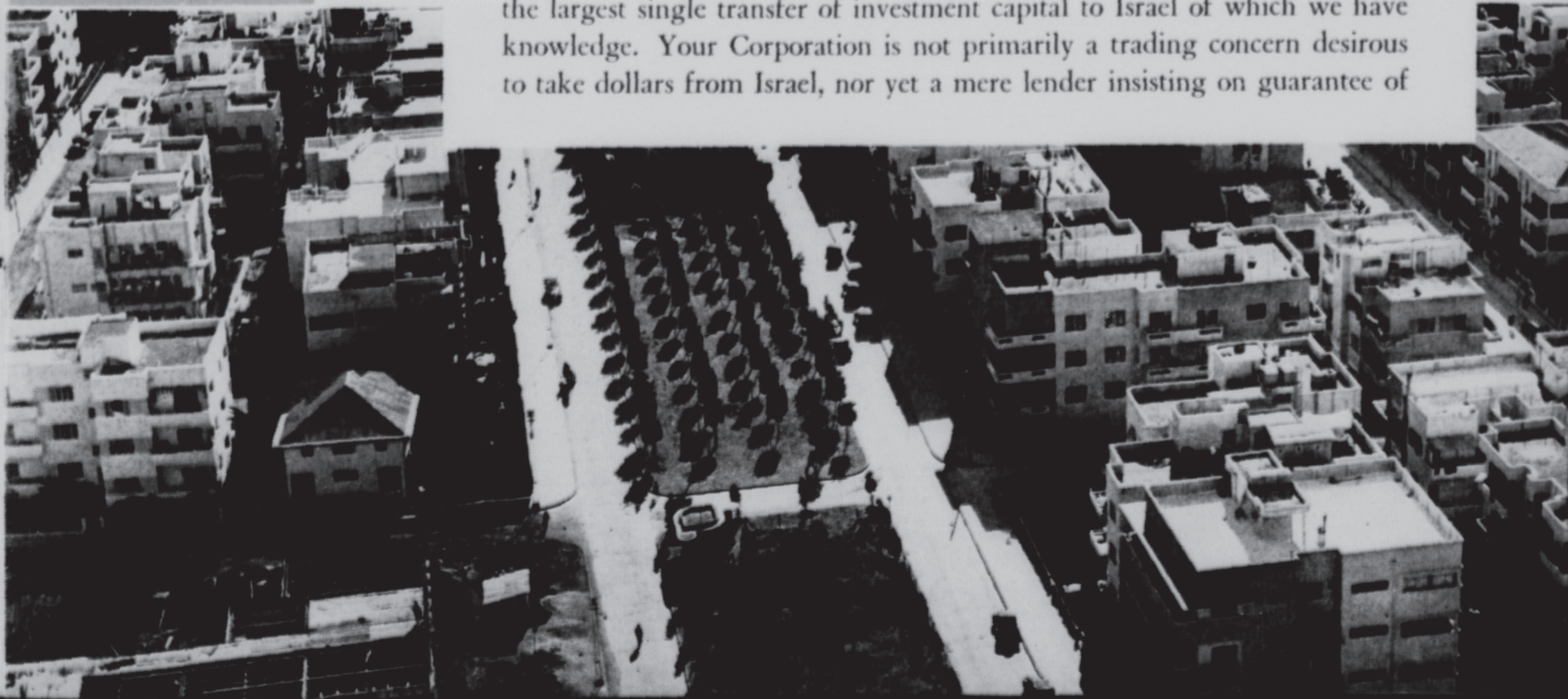
To the Stockholders:

During the year 1949, the State of Israel had its first anniversary. Proclaimed on May 14, 1948, the new State has found acceptance in the family of nations. Despite the opposition of neighboring Arab States, Israel exists. Its economy is expanding dynamically. Its industrial and agricultural capacity and production have increased continuously. So have its communications and other services.

The Jewish population of Israel greatly increased during 1949, from 759,000 at the beginning of the year to 1,017,727 at the end. The unparalleled immigration, together with the military requirement to maintain armed forces, has borne an accompaniment of serious economic problems. This immigration, based on most generous interpretation of the moral obligation of the new State, has not been an unmixing economic blessing.

Immigration and war bring inflation and economic dislocation. These are deterrents to the establishment of that sound economic base which is indispensable to Israel if it is to survive among the nations.

The policy of the Board of Directors of Palestine Economic Corporation is based upon a business estimate that the difficulties that confront the economy of Israel will be overcome, that the State of Israel will not only continue but will develop and grow strong, and indeed that the country is on the threshold of large and sound expansion. The activities of the Corporation have not only shown no halt, but have greatly increased. The Board has shown its confidence in Israel's future by increasing the Corporation's investments, directly in its own subsidiaries and in new industries. A single remittance by the Corporation last year amounted to \$1,200,000—the largest single transfer of investment capital to Israel of which we have knowledge. Your Corporation is not primarily a trading concern desirous to take dollars from Israel, nor yet a mere lender insisting on guarantee of



dollar repayments, but is a direct investor by way of Israel pounds in the industrial and financial structure of Israel and a deliberate participant in the risks of upbuilding the country.

The year has served to emphasize three propositions with which our stockholders are familiar:

- (a) The economy of Israel looks to American support for its future. Without hopeful prospects from that source, the outlook for the future would indeed be dim.
- (b) The huge untapped American resources can best be made available by private capital. This, to be effective, must be accompanied by American initiative and American know-how and by Israel experience and proven resourcefulness.
- (c) The approved instrument for American private capital—reliable in reputation, tested by experience, and foremost in pioneering—is Palestine Economic Corporation.

During the year 1949 the Corporation:

- (1) Acquired all the assets and business of Israel Corporation of America, and thus merged the constructive forces of the two companies;
- (2) Secured the endorsement of the Zionist Organization of America, and thus became the only Israel investment medium approved by that body;
- (3) Negotiated for acquisition of approximately 900,000 shares of Palestine Corporation, Limited, and the consequent merger in 1950 of that company's banking activities with those of Palestine Economic Corporation;

- (4) Doubled the deposits of the Central Bank of Co-operative Institutions in Palestine, Ltd;
- (5) Began construction in Tel Aviv of the Miriam Levy Finn building, which upon completion will be the most modern office building in the Near East;
- (6) Authorized issue of debentures by Mortgage and Savings Bank, Ltd., and sold IL 100,000, thereof within four months; and
- (7) Initiated jointly with the Israel Government construction of factory buildings in the Corporation's Haifa Bay industrial zone.

The net profit of the Corporation for the year 1949, as shown in the accompanying financial statement, amounted to \$307,465. The corresponding result for 1948 was \$301,291 (adjusted.)

The number of shares of common stock of \$25 par value outstanding in the hands of the public on December 31, 1949, was 179,334; as compared with 107,048 on December 31, 1948.

Dividends were paid regularly and quarterly at the rate of \$1 per annum on the \$25-par value stock. This has been the regular rate since January 1946.

On December 31, 1949, the Corporation had 4,774 stockholders, as compared with 2,622 stockholders on December 31, 1948.

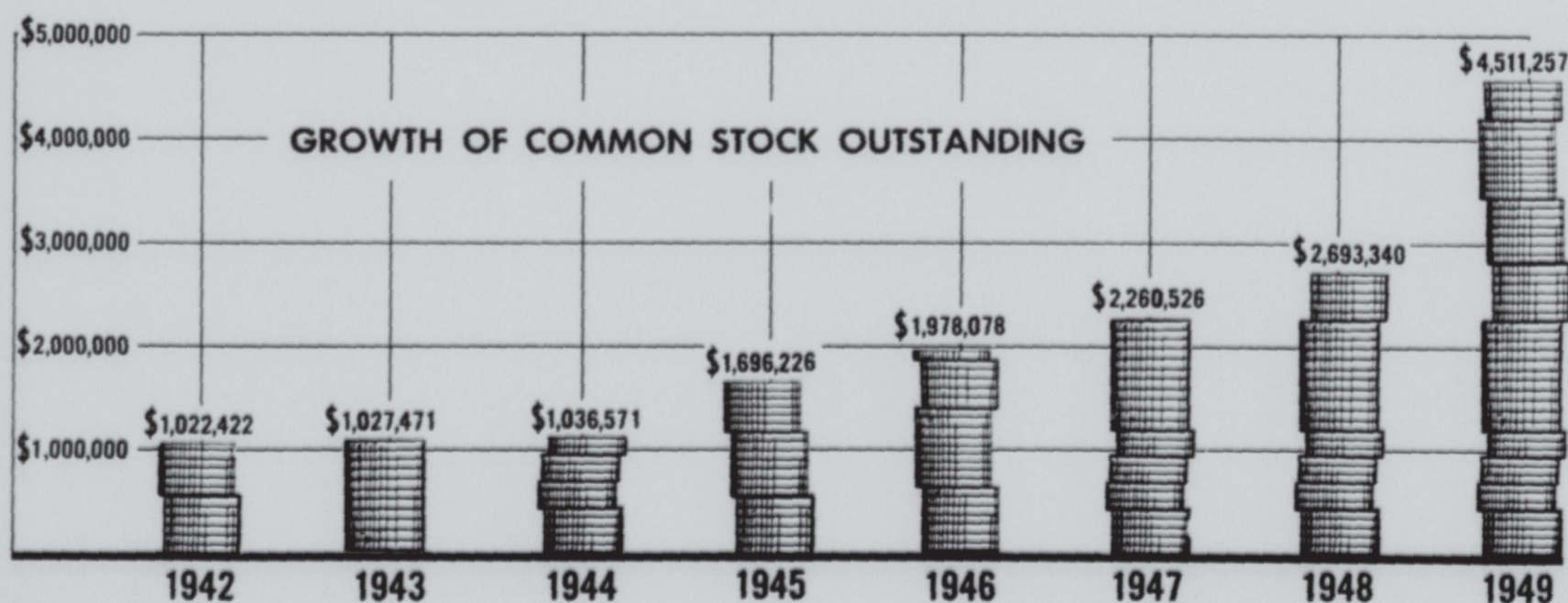
Capital, surplus and reserves aggregated \$6,846,235 on December 31, 1949, as compared with \$5,890,769 on December 31, 1948.

ROBERT SZOLD

*Chairman,
Board of Directors*

JULIUS SIMON

President



Israel Subsidiaries

BAYSIDE LAND CORPORATION, LTD.

Bayside Land Corporation, Ltd., a wholly owned subsidiary of PEC, realized a net profit during 1949 of IL 32,419 as compared with IL 35,019 in 1948. It paid a 5% dividend on its preferred stock, and a 10% dividend on its common stock.

Increase in manufacturing enterprises in Israel is indicated by the widely diversified types of industries which acquired sites from Bayside during the year under report. These include plants for motor car bodies, concrete bricks, cardboard boxes and various other packaging materials. Also established in 1949 on Bayside land sites were an automobile and metal material paint workshop, a repair shop, garages, a steam laundry, a plant for storage and reconditioning of goods and a wood-working factory.

One of the State's most critical needs is for adequate building space for the establishment of small industries. To meet this need, the Israel Government joined with Bayside in financing a compound of factory buildings. This marks the Government's first joint venture with a private enterprise. The project will occupy 86,000 square feet. Bayside is investing two-thirds of the required capital. On completion of this project, new manufacturing enterprises may be established without investment of

capital in land and buildings.

In all, during 1949, Bayside leased about 20 acres of land in the industrial zone. In the residential zone, the erection of multiple-dwelling apartment houses continued. Twenty-one acres of land in the residential zones were leased during 1949.

Bayside's present aggregate capital and surplus at the end of the year amounted to IL 438,005. This sum does not include a new investment by PEC in the amount of IL 127,056. The value of the corporation's capital assets is believed to be in excess of their book value.

Bayside is a large land owner in the Haifa Bay area. The land is located immediately north of the port of Haifa, where, in conjunction with the Jewish National Fund, Bayside bought 2,000 acres of land more than 20 years ago. Bayside is developing its portion of the property under a well-conceived plan that includes both industrial and residential zones. In the former are located a wide variety of industries: oil refineries, chemical and glass works, foundries, railway and machine shops, flour mills, canneries and others. In the latter are four residential communities, Kiriat Yam, Kiriat Motzkin, Kiriat Chaim and Kiriat Bialik.

*Apartment
House at
Kiriat Yam,
Haifa*



The CENTRAL BANK OF COOPERATIVE INSTITUTIONS in PALESTINE, LTD.

After 27 years of constructive influence in the agricultural development of Palestine, Central Bank in 1949 enjoyed the best earnings of its history. Net profits before taxes were IL 46,872 which constitutes a 16.7% return on the total capital outstanding. In 1948, the net profit was IL 29,225, a return of 12%. In 1949 the Bank paid "B" shareholders a stock dividend of IL 33,525, in addition to the usual 4% dividend on its "A" and "B" stock.

Since it was founded in 1922, the Bank has pioneered in making loans to cooperatives. Last year commercial banking activities were inaugurated, and approximately 45% of the Bank's total loans was devoted to industrial and commercial enterprises.

Aware of the young State's ever-increasing needs, Central Bank found many areas in which to be of service. Citriculture, of prime importance to Israel's economy, was hard hit by the recent Jewish War of Independence. Loans from the Bank are once again helping to revive this essential activity. One of these loans is aiding a group of eight canning factories to build a new plant to increase the production of citrus concentrates.

In its strides toward a strong economy, Israel needs hard currency. To obtain it, she must continually increase exports while reducing imports. By financing the expansion of export industries, the Bank was responsible for bringing hard currency into the country; and by making it possible for producers of food for local consumption to increase acreage and yield, the Bank helped retain foreign exchange for Israel that might otherwise have been spent for imports.

In addition to its other functions, Central Bank is acting as one of the guarantors to the Israel Government for part of the American Export-Import Bank loan to be granted to both agricultural and industrial enterprises.

The Bank continued cooperative agricultural financing to small holders and communal settlements, which included assistance to dairy and poul-



try farming, advances on crops, agricultural machinery and trucks. Total loans issued during 1949 amounted to IL 2,055,000, as compared with IL 1,104,000 in 1948. Of these loans, IL 1,535,000 or about 75% were short term, repayable within 12 months; the balance comprised intermediate and long term loans.

Deposits almost doubled during 1949, as follows:

	Dec. 31, 1948	Dec. 31, 1949
Demand Deposits	IL 434,000	IL 953,000
Time deposits repayable within 12 months	433,000	800,000
Time deposits repayable after 12 months	176,000	318,000
	<u>IL 1,043,000</u>	<u>IL 2,071,000</u>



MORTGAGE and SAVINGS BANK, LTD.

Recognizing that Israel's pressing need is for housing to accommodate the increasing numbers of immigrants as well as the settled population, MSB, a wholly-owned subsidiary of PEC, concentrated its activities toward supplying mortgages. The Bank, which has been granting first mortgages to settlers for 27 years, in 1949 increased its paid-up capital, issued debentures for the first time in its history and expanded its savings department. The immediate result of these efforts was the financing of the construction of 1,100 new rooms, largely for new arrivals. Even so, there were at least ten credit-worthy applicants for each available mortgage during the year, an indication that the Bank's activities must be further extended.

PEC, during the fiscal year ending June 30, subscribed to an increase of paid-up share capital for MSB from IL 120,000 to IL 200,000.

The Bank's first issue of 5% debentures started modestly with IL 100,000 and has been subscribed almost in its entirety. The Board of Directors has authorized a second issue. Savings accounts in the Bank increased more than 20% during the year.

Net profit before taxes during 1948 amounted to IL 10,428, an 8.7% return on capital outstanding of IL 120,000. 1949 profits were IL 20,911 on capital outstanding of IL 200,000 or a return of 10.4%.

A view of the Haifa installations of Fertilizers and Chemicals, Ltd.



North Tel Aviv residential section—first hundred houses financed by Mortgage and Savings Bank, Ltd.

LOAN CORPORATION, LTD.

Loan Corporation is a wholly-owned subsidiary of PEC and acts as the fiscal agent for PEC in Israel. By investing in young, growing industries in Israel, the corporation—and PEC—share in the establishment or expansion of a number of key enterprises. The corporation's major investments follow:

(1) *Fertilizers and Chemicals, Ltd.* Currently producing sulphuric acid and superphosphates on a commercial scale in its two factories completed during 1949, the company is engaged in expansion plans that will slice millions of dollars annually from Israel's import bills. Eventually, it is hoped, the company will supply much of Israel's demand for chemical fertilizers and, in addition, will produce a margin for export. Earnings thus far have been unsatisfactory.

INCORPORATED 1926 . . . 1949 NET PROFIT—\$307,465
CAPITAL, SURPLUS, AND RESERVES—\$6,846,235



Modern knitting mill
at Ata Textile Co., Ltd.

(2) *Enterprises of Assis and Bejarano Bros., Ltd.* These enterprises engage in a variety of activities, which continue to show progress and profit. A slight drop in the export of citrus concentrates was caused by a shortage of citrus fruits after the recent Israeli-Arab war. The Assis Canning Plant, however, increased its production of fruits and vegetables for local consumption in 1949.

As will be remembered, PEC enabled Assis to acquire a peel drying plant from America. Starting operations in March of last year, the Distilleries of Assis, Ltd., was able to process half of the press liquor available in their plant. In addition, the distillery produced alcohol from imported molasses. Quality, sales and earnings proved satisfactory during this initial period of operation. The production and sales of Bejarano cigarettes also continued to increase. Some additional machinery was bought with the assistance of dollar exchange provided by PEC toward the close of the year.

(3) *Ata Textile Company, Ltd.* This, the leading cotton-spinning, weaving, dyeing and garment manufacturing concern in Israel, increased its turnover and efficiency in 1949. Highlighting the year was the inauguration of "*Kurdaneh*," Ata's modern finishing subsidiary representing a capital investment of more than a million and a half dollars.

(4) *Goldberg Instruments, Ltd.* The United States photographic firm of Bell & Howell purchased manufacturing rights to the portable microfilm camera invented by Dr. Emanuel Goldberg of Tel Aviv, outstanding expert in optics and head of the company bearing his name. Royalties from the sale of the new camera will revert to the Israel company. The camera, about the size of a portable typewriter, will facilitate research by scientists who will be able to take it into libraries for copying on

Portion of American Citrus Peel Drying Plant at Assis



microfilms. At present the only cameras that do this work are stationary and cumbersome. Goldberg Instruments, Ltd., is currently manufacturing for export three other inventions of Dr. Goldberg—a refractometer, to be used in measuring the concentration of citrus juices, a colorimeter, used in making chemical analyses, and a pyrometer for measuring extremely high temperatures.

(5) *Serafon Resinous Chemicals Corporation, Ltd.* Developed by the cooperation between a group of New England plastics manufacturers, PEC, and the American Porcelain Tooth Company, Ltd., of Tel Aviv, Serafon represents part of PEC's program to furnish American know-how to Israel industry. Commercial operation of the plant to coat fabrics for upholstery, bookbinding and other purposes was begun in March, 1950. It is intended to develop



Laboratory worker at Goldberg Instruments, Ltd.

Outside a Palhouse Built Home



from this nucleus the production of molding powders and other raw and semi-manufactured materials for other Israel manufacturers. A substantial part of the products are to be exported.



The **PALESTINE HOUSING (Palhouse) CORPORATION, LTD.**

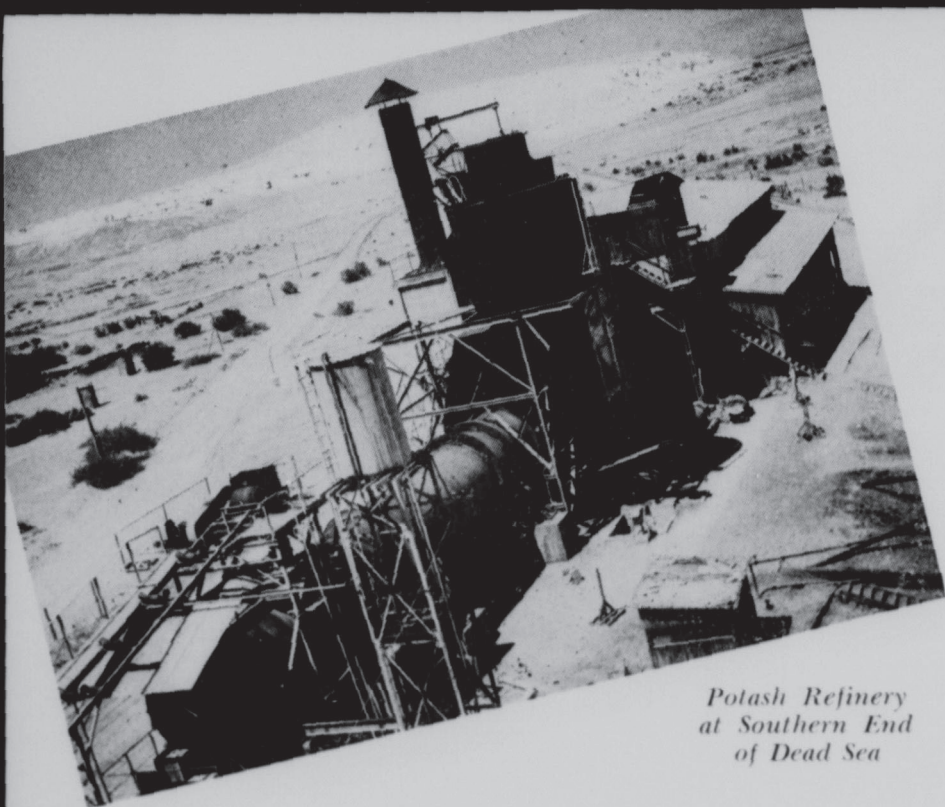
PEC and the Bayside Land Corporation own IL 105,000 shares, or 36% of Palhouse's IL 288,092 paid-up capital.

Profits of the year just past amounted to IL 21,602 as compared with IL 8,962 for the preceeding twelve months. The Corporation declared a dividend of 6%, subject to income taxes, against 3% in 1948.

All housing units and commercial buildings erected by Palhouse in previous years were successfully sold in 1949; and, in addition, construction neared completion on 56 new dwellings containing 185 rooms.

The Corporation's history has been one of constant progress in hitherto undeveloped lands. A sectional sewage disposal plant has been completed; water and electric mains are being laid, trees and gardens are being planted, and roads are under construction.

**INCORPORATED 1926 . . . 1949 NET PROFIT—\$307,465
CAPITAL, SURPLUS, AND RESERVES—\$6,846,235**



*Potash Refinery
at Southern End
of Dead Sea*

PALESTINE POTASH, LTD.

Efforts are under way to resume operations at the Southern end of the Dead Sea to enable Palestine Potash, Ltd. to produce an estimated 135,000 tons of potash per year. The company's property at the Northern end of the Sea was evacuated and was demolished during Israel's War of Independence. In consequence of the havoc caused by the war, operations have been at a standstill and the Company did not pay dividends on its preferred stock in 1948-49.

PALESTINE HOTELS, LTD.

The year 1949 saw the restoration of the King David Hotel in Jerusalem, one of the most famous hostelries in the Middle East. The hotel has been completely redecorated. A hundred and sixty beds are now available for occupancy. The company owns a site on Hadar Hacarmel, on the slopes of the City of Haifa, which awaits construction of a first-class hotel.



American Subsidiaries

ISRAEL COMMERCIAL CORPORATION

This is a comparatively new corporation, a wholly-owned subsidiary of PEC, which began operations in August of 1949. Prior to the formation of ICC, the PEC owned 50% of Palestine Purchasing Service, Inc. ICC was founded after PEC sold its 50% interest in PPS.

ICC is a purchasing agency whose purpose is to make available to Israel importers of American merchandise and machinery an experienced staff in the United States competently equipped to purchase goods for export to Israel. The agency attempts to procure for its clients the most suitable products at the best possible prices, with the quickest delivery.



AMERICAN-ISRAELI SHIPPING CO., INC.

The first merchant marine vessels to sail under the flag of Israel were launched last year by one of the world's youngest steamship companies—the Israel-America Line, Ltd. Three 10,000 ton freighters were purchased by the line and renamed the "S.S. Haifa," the "S.S. Tel Aviv" and the "S.S. Yaffo." The three ships made 29 sailings, carrying passengers and cargo. PEC owns one-half of the capital of the American-Israeli Shipping Company, Inc. which, in turn, holds a one-third interest in the Israel-America Line, Ltd. During 1949, the American-Israeli Shipping Co. acted as General Agents for the Israel-America Line, Ltd.

INCORPORATED 1926 . . . 1949 NET PROFIT—\$307,465
CAPITAL, SURPLUS, AND RESERVES—\$6,846,235

PALESTINE ECONOMIC CORPORATION

Balance Sheet as of December 31, 1949

(Adjusted to Nearest Dollar)

ASSETS:

ASSETS ABROAD:

Investments and Loans:
Wholly-owned companies
Majority-owned companies
Other companies
Notes, Debentures and Receivables

\$3,118,424
598,940
809,572
263,215

Total Assets Abroad

\$4,790,151

DOMESTIC ASSETS:

Investment and Loans to Subsidiaries
Cash
U. S. Government and Other Marketable Securities held in
New York for temporary investment (Market value
(\$1,602,418))

\$ 63,342
\$ 368,836
1,582,487

Less: Funds held for Others

\$1,951,323
334,186

Sundry Receivables
Cash and U.S.A. Treasury Bonds—Funds
for Dividends Unpaid (see contra)

1,617,137
39,534
13,982

DEFERRED ASSETS:

Prepaid Rent
Stock-selling Expenses
Less: Pro-rata write-off



1,029
\$ 411,839
74,350
\$ 340,489

Total Domestic Assets

2,075,513

Total Assets

\$6,865,664

LIABILITIES AND CAPITAL:

Miscellaneous Taxes
Dividends Payable on Common stock (see contra)

\$ 5,447
13,982

Total Liabilities

\$ 19,429

Capital Stock and Surplus:

Common stock—Issued (Authorized \$25,000,000.—
Par Value \$25)
“B” Stock—Issued (Authorized \$30,000.—
Par Value \$1.)

\$4,483,358
19,473

Total Capital Stock—Issued
Payments on subscriptions to Common Stock
Surplus and Reserves:

\$4,502,831
27,879

Contributed surplus
Reserve for contingencies
Earned Surplus

\$706,023
264,772
1,344,730

Total Surplus and Reserves

2,315,525

Total Capital, Surplus and Reserves

6,846,235

Total Liabilities and Capital

\$6,865,664

PALESTINE ECONOMIC CORPORATION

Statement of Income, Profit and Loss for the Year Ended December 31, 1949

(Adjusted to Nearest Dollar)

INCOME:

Interest:

Wholly-owned companies:

Bayside Land Corporation, Ltd.	\$ 3,676
Palestine Mortgage & Savings Bank, Ltd.	2,081
Palestine Water Company, Ltd.	2,152
Loan Corporation, Ltd.	24,934
Palestine Economic Corporation of New York	11,903
Marketable Securities	17,325
Notes and other Securities	4,830

Dividends:

Wholly-owned companies:

Bayside Land Corporation, Ltd.	85,094
Palestine Mortgage & Savings Bank, Ltd.	30,499

Other Companies:

Central Bank of Cooperative Institutions in Palestine, Ltd.	19,348
Sharon Water Company, Ltd.	1,663
Palestine Housing Corporation (Palhouse), Ltd.	13,723
Palestine Electric Corporation, Ltd.	8,377
Enterprises of Assis & Bejarano Brothers, Ltd.	6,720
Miscellaneous (4 Israel companies)	3,586
Palestine Purchasing Service, Inc. (liquidated)	20,000
Marketable Securities	5,526
Miscellaneous Income	1,902
Profit on Sales and Redemption of Securities	6,437

Non-recurring Income:

Stock-dividend—Central Bank of Cooperative Institutions in Palestine, Ltd.	86,831
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TOTAL INCOME

\$356,607

CURRENT EXPENSES:

New York General and Administrative Expenses	\$ 98,948
Israel Administrative Expenses	15,833

TOTAL CURRENT EXPENSES

\$114,781

Net Operating Income before other deductions

\$241,826

OTHER DEDUCTIONS:

Pro-rata write-off—Stock-selling Expenses	\$ 27,456
Foreign Income Taxes Deducted and Withheld	44,074

TOTAL OTHER DEDUCTIONS

71,530

\$170,296

EARNINGS OF WHOLLY-OWNED COMPANIES:

Bayside Land Corporation, Ltd.	\$202,967
Less: Dividends received	85,094
	117,873

Mortgage & Savings Banks, Ltd.	\$ 40,527
Less: Dividends received	30,499
	10,028

Palestine Water Company, Ltd.	5,183
Loan Corporation, Ltd.	6,559
Palestine Economic Corporation of New York	1,667
Israel Commercial Corporation	(4,141)

Net Profit for the Year Carried to Earned Surplus

\$307,465

Notes:

TO FINANCIAL STATEMENTS:

1. All foreign assets, except the investment in shares of Bayside Land Corporation, Ltd., a wholly-owned subsidiary, have been reflected at the devalued rate of \$2.80 to the Pound. The investment in Bayside Land Corporation, Ltd., to the extent of \$341,250 represents historic cost in terms of dollars, whereas its undistributed earnings have been devalued and converted at the \$2.80 rate. This devaluation of the foreign assets required a total write-down of \$1,220,706, of which \$955,351 was charged to Contributed Surplus and \$265,355 to Earned Surplus in accordance with resolution adopted by the Board of Directors and subsequently ratified by the holders of the Common Stock.

2. In May, 1949, the par value of the Common Stock was reduced from \$100 per share to \$25 per share. The new stock is offered at \$28 per share. The premium of \$3 per share is transferred to Capital Surplus. As of December 31, 1949, the Capital Surplus totalled \$163,211, and was credited to Stock-selling Expenses.

3. In the event of liquidation or dissolution, the holders of Common Stock are entitled to receive \$31 1/4 per share and then "B" stockholders receive \$125 per share. Thereafter the assets remaining are to be distributed ratably among the Common stockholders. As of December 31, 1949, there would be available to the Common stockholders \$31 1/4 per share and to the "B" stockholders \$62 1/4 per share.

4. The Earned Surplus included \$861,328 of undistributed earnings of wholly-owned foreign and domestic companies and \$178,968 of stock-dividends received from a majority-owned foreign company in 1945 and 1949.

5. The Corporation is contingently liable in the amount of \$595,555.

CERTIFICATE OF AUDITOR

I have audited the books and records of the PALESTINE ECONOMIC CORPORATION for the year ended December 31, 1949. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of accounting records and other auditing procedures as I considered necessary in the circumstances.

I have accepted, after review, the financial statements of the wholly-owned Israel companies, as certified by independent Israel auditors, for the purpose of including such subsidiaries current and undistributed earnings in the accompanying statements. The earnings for the year 1949 have been reflected at the rate of \$2.80 to the Israel pound.

All foreign assets, except the investment in shares of Bayside Land Corporation, Ltd., a wholly-owned company, have been reflected at the devalued rate of \$2.80 to the Pound. The investment in Bayside Land Corporation, Ltd., to the extent of \$341,250, represents historic cost in terms of dollars, whereas its undistributed earnings have been devalued and converted at the \$2.80 rate.

The aggregate write-down of the foreign assets amounted to \$1,220,706, of which \$955,351 was charged to Contributed Surplus and \$264,355 to Earned Surplus.

In my opinion, the accompanying BALANCE SHEET as of December 31, 1949, and the STATEMENT OF INCOME PROFIT AND LOSS for the year ended December 31, 1949 present fairly the financial condition and operations of PALESTINE ECONOMIC CORPORATION, in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding years.

Respectfully submitted

JOSEPH KALAFI
Certified Public Accountant

New York, N. Y. May 1, 1950

PALESTINE ECONOMIC CORPORATION

Stockholdings and Investments

	Shares Issued	Shares Owned by PEC	Per- centage Owned by PEC	Total Invest- ments & Loans (x)
Israel Subsidiaries:				
WHOLLY-OWNED ISRAEL COMPANIES:				
Bayside Land Corporation, Ltd.				\$1,527,386
Voting Ordinary Shares of LPI Par Value	250,000	250,000	100%	
5% Redeemable Cumulative Preference Shares of LPI Par Value	100,000			600,669
Mortgage and Savings Bank, Ltd.				
Voting Ordinary Shares of £1. Par Value	200,000	200,000	100%	61,250
Palestine Water Company, Ltd.				
Voting Ordinary Shares of LPI. Par Value	20	20	100%	929,119
Loan Corporation, Ltd.				
Voting Ordinary Shares of £1. Par Value	20	20	100%	
				<u>\$3,118,424</u>
MAJORITY-OWNED ISRAEL COMPANIES:				
Central Bank of Cooperative Institutions in Palestine, Ltd.				\$ 543,500
Voting Ordinary Shares of LPI. Par Value	101	76	75%	
Non-Voting "A" Shares of LPI. Par Value	112,875	38,974	35%	
Non-Voting "B" Shares of LPI. Par Value	167,630	155,057 (a)	93%	55,440
Sharon Water Company, Ltd.				
Voting Ordinary Shares of LPI. Par Value	32,393	19,800	61%	
				<u>\$ 598,940</u>
Other Israel Investments:				
Palestine Potash, Ltd.				\$ 216,381
Voting Ordinary Shares of £1. Par Value	258,205	52,824	20%	
Non-Voting "A" Ordinary Shares of £1. Par Value	351,795	3,845	1%	
6% Cumulative Preference Shares of £1. Par Value	390,000	20,610	5%	228,724
Palestine Housing Corporation (Palhouse), Ltd.				
Voting Ordinary Shares of LPI and IL1. Par Value	288,093	81,687 (b)	28%	92,142
Palestine Electric Corporation, Ltd.				
Voting Ordinary Shares of £1. Par Value	937,625	30,518	3%	
Non-Voting "A" Ordinary Shares of £1. Par Value	800,000	2,390	0%	
4 1/2% Redeemable Cumulative Preference Shares of £1. Par Value	386,941	—	—	
4 1/2% Second Redeemable Cumulative Preference Shares of £1. Par Value	500,000	—	—	
Agricultural Mortgage Company of Palestine, Ltd.				70,000
Voting Ordinary Shares of LPI. Par Value	335,000	25,000	7%	112,000
Enterprises of Assis and Bejarano Brothers, Ltd.				
Voting Ordinary Shares of LPI. Par Value	250,000	—	—	
5 1/2% Cumulative Preference Shares	49,999	39,999 (c)	80%	
Special Share	1	1	100%	23,946
Palestine Hotels, Ltd.				
Voting Ordinary Shares of £1. Par Value	325,000	8,552	3%	48,440
A.P.B. Investment Company, Ltd.				
Voting "A" Ordinary Shares of IL1. Par Value	100,000	—	—	
Non-Voting "B" Ordinary Shares of IL1. Par Value	70,000	—	—	
4 1/2% Cumulative "A" Preference Shares of IL10. Par Value	30,000	1,730	1%	9,128
Ata Textile Company, Ltd.				
Voting "A" Ordinary Shares of IL1. Par Value	220,000	—	—	
Voting "B" Ordinary Shares of IL1. Par Value	234,500	20 (d)	0%	
4% "B" Preference Shares of IL1. Par Value	100,000	—	—	
4% "C" Preference Shares of IL1. Par Value	225,899	3,060 (e)	1%	
Sundry Investments (5 companies)			(f)	8,811
				<u>\$ 809,572</u>
American Subsidiaries:				
Palestine Economic Corporation of New York				\$ 37,483
Voting Capital Stock of No-Par Value	170	170	100%	20,859
Israel Commercial Corporation				
Voting Capital Stock of \$100. Par Value	10	10	100%	5,000
American-Israeli Shipping Co., Inc.				
Voting Common Stock of \$100. Par Value	100	50	50%	
				<u>\$ 63,342</u>

In addition to the above, the following are held by Wholly-Owned Subsidiaries

Shares	Held By
(a) 5	Mortgage and Savings Bank, Ltd.
5	Loan Corporation, Ltd.
(b) 23,313	Bayside Land Corporation, Ltd.
(c) 1,200	Loan Corporation, Ltd.
(d) 95	Loan Corporation, Ltd.
(e) 14,300	Loan Corporation, Ltd.

(f) 90 Palestine Corporation, Ltd. shares are held by Loan Corporation, Ltd.

(x) The amount for loans included above, is as follows:

Bayside Land Corporation, Ltd.	\$364,000
Palestine Water Company, Ltd.	53,807
Loan Corporation, Ltd.	921,361
Palestine Economic Corporation of New York	1,701
Israel Commercial Corporation	24,000

PALESTINE ECONOMIC CORPORATION

CAPITAL AND SURPLUS \$6,846,235 NET PROFIT IN 1949 \$307,465

ISRAEL SUBSIDIARIES

BAYSIDE LAND CORPORATION, LTD.



DEVELOPS LAND, BUILDS HOMES AND
FACORIES

THE CENTRAL BANK OF CO-OPERATIVE INSTITUTIONS IN PALESTINE, LTD.



SUPPLIES BANKING SERVICES
FOR COOPERATIVE INSTITUTIONS

MORTGAGE AND SAVINGS BANK, LTD.



GRANTS MORTGAGES AND MANAGES
REAL ESTATE

LOAN CORPORATION, LTD.



INVESTS IN DIVERSIFIED INDUSTRIES

OTHER ISRAEL INVESTMENTS

PALESTINE POTASH, LTD.



PRODUCES POTASH FROM THE DEAD SEA

PALESTINE HOUSING CORPORATION (PALHOUSE) LTD.



CONSTRUCTS HOMES AND FACTORIES

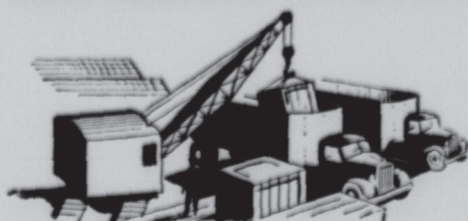
PALESTINE HOTELS, LTD.



OPERATES KING DAVID HOTEL

AMERICAN SUBSIDIARIES

ISRAEL COMMERCIAL CORPORATION



PURCHASES IN U.S. FOR ISRAEL

AMERICAN-ISRAELI SHIPPING CO., INC.



PART OWNER ISRAEL-AMERICA LINE, LTD.;
OPERATES ITS SHIPS

HIGHLIGHTS OF

1949

WRHS



INCREASED capital, surplus and reserves to \$6,846,235

EARNED net profits of \$307,465

PAID \$1 per share dividend

ACQUIRED assets and business of
Israel Corporation of America

STARTED construction on Tel Aviv business center

JOINED with Israel Government in factory
building project

SUBSIDIARY Central Bank for Cooperatives
doubled deposits over 1948

KEREN HAYESOD

PALESTINE FOUNDATION FUND, Inc. • • • קרן היסוד

President

CHARLES RESS

Chairman, Board of Directors

HERMAN L. WEISMAN

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LEON GELLMAN
ISRAEL GOLDSTEIN
MRS. EDWARD JACOBS
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ISAAC NAIDITCH
EMANUEL NEUMANN
BERNARD A. ROSENBLATT
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JACOB LUKASHOK
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RUDOLF G. SONNEBORN
JACQUES TORCZYNER
RALPH WECHSLER
MORRIS WEINBERG

Executive Director

SARAH BEHRMAN

January 10, 1950

Dr. Abba Hillel Silver
The Temple
Cleveland, Ohio

Dear Dr. Silver:

It is my privilege to advise you that at the Annual Meeting held on January 3, you were unanimously designated as one of the Honorary Chairmen of the Keren Hayesod (Palestine Foundation Fund, Inc.).

It is my hope to have the benefit of your cooperation and advice in the important task that lies ahead of us. We are all concerned in wishing to strengthen the Keren Hayesod, which must play such an important part in the work of upbuilding Israel.

Sincerely yours,

B. G. Browdy
Benjamin G. Browdy
President

BGB/h