May 20, 1926

My dear Mr. Rutenberg:

My cable and letter of May 18th have advised you in brief of the action of the Executive Committee of the Palestine Economic Corporation, touching participation in the construction of the Hydro station on the Jordan and the completion of the Hydro Electric project. I am very glad, I repeat, at the favorable action taken by the Committee and I hope that you may soon be able to make it possible to consummate the final arrangements.

It will be in the interest of clarity - and lessen any possibility of misunderstanding - if I state briefly the basis of the action taken by the Committee.

1. Speaking generally, the action of the Committee rests upon, and is an approval of, the action covered by the Memorandum of April 16, 1926, dictated by Major Nathan and myself, copies of which were delivered to you and to James de Rothschild, Esq. It is realized that once the funds are assured as provided in the Memorandum, a further conference at some convenient place will have to be held - in order to whip into shape the many details which could not be definitely formulated at the time of our last conference in London. In our opinion, this final conference should not take place until the necessary funds are assured, so that as the result of such meeting, it will be possible to proceed with the actual work.

2. Without narrowing in any way the general character of the Memorandum of April 16, 1926, I wish to bring to your attention certain aspects of the situation which the Executive Committee regarded as of the utmost importance and which are of the essence of participation on our part.

(a) The Corporation will participate to the extent of £150,000 in which amount there is included the former amounts heretofore offered by the Joint Distribution Committee and the Palestine Development Council - and will subscribe for ordinary shares upon satisfying itself
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that bona fide subscriptions are in your hands for an additional £150,000: it being understood, of course, that the necessary arrangements have been consummated for providing £300,000 under the Trades Facilities Act of the British Government.

(b) The entire sum referred to in the preceding sub-paragraph (a), to wit, £600,000, which you estimated would substantially complete the project, is to be used as a fund for constructing the Hydro station on the Jordan, as provided in Paragraph 4 and in the manner suggested in Paragraph 5 of the Memorandum. Under such arrangements, the amount of our participation, to wit, £150,000, would be paid in by us over a period of eighteen months or two years, one-half, or £75,000 would be paid in the first twelve months period, and the remaining half, or £75,000 in the second period of six or twelve months, as the case may be.

(c) Inasmuch as your status - as covered by Paragraph 12 of the Memorandum - is undetermined, in our view, this situation would have to be definitely cleared. This being so, we hope that you will give earnest consideration to this phase of the matter and advise us at your early convenience, what in your mind is the amount of compensation you would consider reasonable for past services, the form this compensation should take, that is to say, whether cash, or shares of stock or both, and also your relation to the Company - after the necessary financing is assured. I beg to point out to you again the importance of your resolving this matter.

In conclusion, I wish only to add that we are sincerely anxious to be helpful in forwarding the completion of this important undertaking, and we shall look forward to a reply from you, because as I stated to you in London, without assurance from you on the points above outlined as to one, your personal claim, and two, the availability of the entire £600,000, we cannot put our funds into the venture which might thus not be completed; with such assurances however, we are ready to go forward. It must therefore, be clearly apparent to all concerned that the whole matter awaits your reply. I am sending this letter to your London office with a copy to your Tel-Aviv office, and I am sending copies to James deRothschild, Esq., and Major Nathan at London.
I am attaching to the letter, a copy of the Memorandum of April 26, 1926.

Very truly yours,

President

Pinhas Rutenberg, Esq.,
c/o Palestine Electric Corporation,
3, Bedford Square,

encl.
BF-rc