

AMPAL-AMERICAN ISRAEL CORP  
Form DEF 14A  
October 19, 2009

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UNITED STATES  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**SCHEDULE 14A**

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**AMPAL-AMERICAN ISRAEL CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**AMPAL-AMERICAN ISRAEL CORPORATION**  
**555 MADISON AVENUE**  
**NEW YORK, NY 10022**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON NOVEMBER 9, 2009**

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Dear Shareholder:

You are cordially invited to attend the annual meeting (the Annual Meeting ) of the shareholders of Ampal-American Israel Corporation (the Company or Ampal ) which will be held at the offices of Bryan Cave LLP, 1290 Avenue of the Americas, 18th floor, New York, NY 10104, on November 9, 2009, at 10:00 a.m., local time, to consider and act upon the following matters:

1. To elect ten (10) directors to the Board of Directors of the Company to hold office for one year terms and until their respective successors shall be elected and qualified;
2. To ratify the appointment of Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2009; and
3. To transact such other business as may properly come before said meeting or any adjournment(s) or postponement(s) thereof.

Information regarding the matters to be acted upon at the Annual Meeting is contained in the accompanying Proxy Statement.

The Board of Directors of the Company has fixed the close of business on October 6, 2009 as the record date for determining the shareholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment(s) or postponement(s) thereof.

Please vote, date, sign and mail the enclosed Proxy in the return envelope. You will not need postage if you mail it from within the United States. A prompt response will be helpful and appreciated.

By Order of the Board of Directors,

YOSEF A. MAIMAN  
Chairman, President and Chief Executive Officer

Tel Aviv, Israel  
October 19, 2009

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON NOVEMBER 9, 2009: The Notice of Annual Meeting, the Proxy Statement and the 2008 Annual Report are available at <http://bnymellon.mobular.net/bnymellon/ampl>.**

**YOUR VOTE IS IMPORTANT. PLEASE VOTE, DATE, SIGN AND MAIL PROMPTLY THE ENCLOSED PROXY, FOR WHICH A RETURN ENVELOPE IS PROVIDED, EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.**

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**AMPAL-AMERICAN ISRAEL CORPORATION**

**PROXY STATEMENT  
for  
ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON NOVEMBER 9, 2009**

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This Proxy Statement is being furnished to the holders of Class A Stock, par value \$1.00 per share (the **Class A Stock**), of Ampal-American Israel Corporation (the **Company** or **Ampal**) in connection with the solicitation of proxies by the Board of Directors (the **Board** or **Board of Directors**) for use at the annual meeting of the shareholders of the Company to be held on November 9, 2009, and at any adjournment(s) or postponement(s) thereof (the **Annual Meeting**). The mailing address of our principal executive office is 555 Madison Avenue, New York, NY 10022. This Proxy Statement and enclosed proxy card are first being mailed to the shareholders of the Company entitled to vote at the Annual Meeting on or about October 19, 2009. If you need directions to attend the Annual Meeting and vote in person, you should contact the Company by telephone at (866) 447-8636. In an effort to present the information contained in this Proxy Statement in a clear manner, the Company has decided to use a question and answer format.

### **Q: What am I voting on?**

The election of Ampal's ten directors for one-year terms and the ratification of the appointment of Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited ( **Kesselman & Kesselman** ), as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2009.

### **Q: Who is entitled to vote?**

Holders of the Class A Stock as of the close of business on October 6, 2009 (the **Record Date**) are entitled to notice of, and to vote at, the Annual Meeting. As of the Record Date, the Company had 56,133,764 shares of Class A Stock outstanding (excluding treasury shares). Each shareholder is entitled to one vote for each share of Class A Stock held on the Record Date. The Class A Stock does not have cumulative voting rights.

### **Q: How can I get a copy of Ampal's annual report on Form 10-K?**

Upon request, the Company will provide, without charge to any shareholder entitled to vote at the Annual Meeting, a copy of Ampal's annual report on Form 10-K to the Securities and Exchange Commission (the **SEC**) for the fiscal year ended December 31, 2008. Such request should be made to the Secretary of the Company at the address shown on the accompanying Notice of Annual Meeting of Shareholders. The Company's annual report on Form 10-K, as well as its other filings with the SEC, are available via the Internet at the Company's website at <http://www.ampal.com> and at the SEC's website at <http://www.sec.gov>. In connection with the Annual Meeting, the Company's annual report on Form 10-K is also available via the Internet at <http://bnymellon.mobular.net/bnymellon/ampl>.

### **Q: How can I review Ampal's financial statements for the fiscal year ended December 31, 2008?**

A copy of Ampal's 2008 annual report on Form 10-K containing the Company's audited financial statements for the fiscal year ended December 31, 2008 has been mailed with this Proxy Statement to all holders of Class A Stock entitled to vote at the Annual Meeting on or about October 19, 2009. In connection with the Annual Meeting, the Company's annual report on Form 10-K is also available via the Internet at <http://bnymellon.mobular.net/bnymellon/ampl>.

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### **Q: Who are the principal shareholders of Ampal and how will they vote?**

As of the Record Date, a group of shareholders (the **Controlling Shareholder Group**) consisting of Yosef A. Maiman, Ohad Maiman, Noa Maiman, and Yoav Maiman, and the companies Merhav (M.N.F.) Ltd. ( **Merhav** ), De Majorca Holdings Ltd. ( **De Majorca** ) and Di-Rapallo Holdings Ltd. ( **Di-Rapallo** ) beneficially owns approximately 61.8% of the voting power of our Class A Stock. The Controlling Shareholder Group was formed in recognition of the Maiman family's strong connection with the Company and in furtherance of the group's common goals and objectives as shareholders, including the orderly management and operation of the Company. By virtue of its ownership of Ampal, the Controlling Shareholder Group is able to control our affairs and to influence the election of the members of our board of directors. (See the sections below entitled **Security Ownership of Certain Beneficial Owners** and **Security Ownership of Management** for more details regarding the principal shareholders.) The Controlling Shareholder Group has advised the Company that it will vote in favor of the Board's slate of nominees for directors and in favor of the ratification of the appointment of Kesselman & Kesselman as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2009.

### **Q: Who is bearing the cost of preparing this Proxy Statement?**

The cost of preparing, assembling and mailing the Notice of Annual Meeting of Shareholders, this Proxy Statement and the proxy card is being borne by the Company. The Company will also reimburse brokers who are holders of record of shares of the Company for their expenses in forwarding proxies and proxy soliciting material to the beneficial owners of the shares held by them.

**Q: Besides shareholders, who else will attend the Annual Meeting?**

Some of the directors of Ampal, senior management of Ampal and representatives of BNY Mellon Shareowner Services, the Company's transfer agent, will be present at the Annual Meeting. Additionally, representatives of Kesselman & Kesselman, whom the Audit Committee has appointed to be its independent registered public accounting firm for the fiscal year ending December 31, 2009, are expected to be present and will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from shareholders.

**Q: What constitutes a quorum?**

The holders of record of one-third of the outstanding Class A Stock entitled to vote at any meeting of shareholders shall constitute a quorum for the Annual Meeting. A quorum of shares of Class A Stock outstanding (excluding treasury shares) as of the Record Date therefore equals 18,711,255 shares of Class A Stock. All votes will be tabulated by the inspector of elections appointed for the meeting. The inspector of elections will also determine whether or not a quorum is present. Votes for and against, abstentions and broker non-votes will each be counted as present for purposes of determining the presence of a quorum.

**Q: How do I vote using the proxy?**

Sign your name exactly as it appears in the proxy, and return it in the enclosed prepaid envelope. IF YOU SIGN YOUR PROXY BUT DO NOT INDICATE YOUR VOTING PREFERENCES, YOUR VOTE WILL BE COUNTED FOR ALL OF THE BOARD'S NOMINEES FOR DIRECTORS AND THE RATIFICATION OF THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM. THE PROXIES, IN THEIR DISCRETION, ARE AUTHORIZED TO VOTE UPON ANY OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE ANNUAL MEETING OR ANY ADJOURNMENT(S) OR POSTPONEMENT(S) THEREOF.

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**Q: May I revoke my proxy?**

A proxy may be revoked at any time before it is exercised at the Annual Meeting by notifying the Company's Secretary in writing or by returning a later-dated proxy. You may also revoke your proxy by voting in person at the meeting (although your attendance at the Annual Meeting will not in and of itself constitute revocation of a proxy).

**Q: How many votes are needed for the election of a director?**

The election of a nominee director requires a plurality of the votes cast by the holders of shares present in person or represented by proxy at the Annual Meeting. Proxies cannot be voted for a greater number of persons than the number of nominees listed in the Proxy Statement. The Board of Directors of Ampal unanimously recommends the election of the following persons to the Board of Directors: Yosef A. Maiman, Leo Malamud, Dr. Joseph Yerushalmi, Dr. Nimrod Novik, Yehuda Karni, Gideon Weinstein, Menahem Morag, Erez Meltzer, Daniel Vaknin and Joseph Geva. Set forth below in this Proxy Statement is information about each nominee, including biographical data for at least the last five years.

**Q: How many votes are needed for the ratification of the appointment of Kesselman & Kesselman as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2009?**

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The ratification of the appointment of Kesselman & Kesselman as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2009 requires a plurality of the votes cast by the holders of shares present in person or represented by proxy at the Annual Meeting. The Board of Directors of Ampal unanimously recommends the ratification of the appointment of Kesselman & Kesselman as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009.

**Q: How will abstentions and broker non-votes be treated with respect to the proposals to be voted upon at the Annual Meeting?**

Abstentions and broker non-votes (i.e., shares held by a broker or nominee which are represented at the Annual Meeting, but with respect to which the broker or nominee is not empowered to vote on a particular matter) will have no effect on the outcome of these proposals.

**Q: Will any other matters be brought before the Annual Meeting?**

Management does not presently know of any other matters which will be brought before the Annual Meeting. If, however, other matters requiring the vote of the shareholders, not now known or contemplated, do properly come before the meeting or any adjournment or postponement thereof, it is the intention of the persons named in the proxy to vote the proxies held by them in accordance with their judgment in such matters.

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### THE FOLLOWING QUESTIONS AND ANSWERS RELATE TO THE NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

**Q: How many directors does Ampal have?**

The Company's By-Laws provide that the entire Board shall be constituted of not less than three and not more than 29 persons, with the actual number serving set by the Board. In connection with the nomination of the persons listed below to the Board of Directors, the Board set the number of directors at ten. The Board recommends that the shareholders elect the ten persons nominated by the Board.

**Q: Who recommended the Company's slate of nominees?**

All of the nominees for directors were nominated by the Board and recommended by management.

**Q: Who are the Board's nominees for directors?**

The following is a description of each of the nominees for director setting forth their ages, their principal occupations and employment during the past five years and their tenure on the Board.

| Name                  | Age | Position with Ampal                                | Director Since |
|-----------------------|-----|--|----------------|
| Yosef A. Maiman       | 63  | Chairman of the Board, Director, President and CEO | 2002           |
| Leo Malamud           | 57  | Director   | 2002           |
| Dr. Joseph Yerushalmi | 71  | Director   | 2002           |
| Dr. Nimrod Novik      | 63  | Director   | 2006           |
| Yehuda Karni          | 80  | Director   | 2002           |

THE FOLLOWING QUESTIONS AND ANSWERS RELATE TO THE NOMINEES FOR ELECTION TO THE BOARD

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| Name             | Age | Position with Ampal | Director Since |
|------------------|-----|---------------------|----------------|
| Menahem Morag    | 58  | Director            | 2004           |
| Daniel Vaknin    | 54  | Director            | 2008           |
| Joseph Geva      | 49  | Director            | 2008           |
| Erez I. Meltzer  | 52  | Director            | 2008           |
| Gideon Weinstein | 66  | Director Nominee    | N/A            |

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YOSEF A. MAIMAN, 63, has been the Chairman of the Board of Ampal since April 25, 2002 and President and Chief Executive Officer of Ampal since October 1, 2006. Mr. Maiman has been President and Chief Executive Officer of Merhav, one of the largest international project development companies based in Israel, since its founding in 1975. Mr. Maiman is the Chairman of the Board of Directors of Gadot Chemical Tankers and Terminals Ltd. ( Gadot ). Mr. Maiman is also the Chairman of the Board of Directors of Channel 10 Ltd. ( Channel 10 ), a commercial television station in Israel, a director of Eltek, Ltd. ( Eltek ), a developer and manufacturer of printed circuit boards and Honorary Consul to Israel from Peru. Mr. Maiman is also a member of the Board of Trustees of the Tel Aviv University, Chairman of the Israeli Board of the Jaffee Center for Strategic Studies at Tel Aviv University, a member of the Board of Governors of Ben Gurion University, and the Chairman of the Board of Trustees of the International Policy Institute for Counter Terrorism.

LEO MALAMUD, 57, has been a director of Ampal since March 6, 2002. Since 1995 Mr. Malamud is Senior Vice President of Merhav. Mr. Malamud is also a Director of Gadot, Channel 10, 10 News Ltd. and Nana 10 Ltd.

Dr. JOSEPH YERUSHALMI, 71, has been a director of Ampal since August 16, 2002. Since 1995 Mr. Yerushalmi has been Senior Vice President Head of Energy and Infrastructure Projects of Merhav. Mr. Yerushalmi is also a Director of Gadot and Eltek.

Dr. NIMROD NOVIK, 63, has been a director of Ampal since September 19, 2006. Dr. Novik has been Senior Vice President of Merhav since 1995, responsible for Middle East projects (including the MIDOR petroleum refinery in Egypt and the current East Mediterranean Gas Co. S.A.E. ( EMG ) project for the export of Egyptian natural gas to Israel) as well as for corporate and government relations. He is a member of the board of EMG and of Channel 10 News Ltd. Dr. Novik is an advisor to the Israeli National Security Council as well as to several members of the Israeli cabinet, and a former Special Ambassador of the State of Israel as well as a former Chief Advisor on Foreign Policy to Israel's Prime Minister and Minister of Foreign Affairs.

YEHUDA KARNI, 80, has been a director of Ampal since August 16, 2002. Mr. Karni was a senior partner in the law firm of Firon Karni Sarov & Firon, from 1961 until his retirement in 2000.

MENACHEM MORAG, 58, has been a director of Ampal since January 27, 2004. From 1996 to 1999 Mr. Morag was the Head of Finance and Budget at the Israeli Prime Minister's office in Tel Aviv. From 1999 to 2001, Mr. Morag was the Controller and Ombudsman at the Israeli Prime Minister's office in Tel Aviv. From 2001 to 2003, Mr. Morag was the Head of Human Resources Department at the Israeli Prime Minister's office in Tel Aviv. Since 2003 until 2006, Mr. Morag served as the Head of the Council of the Pensioners Association of the Israeli Prime Minister's office in Tel Aviv. Mr. Morag has also served as a director in Palram Industries from 2004 until 2006, and from 2005 until 2006 he was the CEO of Keren-Shemesh Foundation for the Encouragement of Young Entrepreneurs. Since 2006 Mr. Morag serves as a Deputy General Manager Head of Resources Division of Union Bank of Israel Ltd. and as a director in several of the subsidiaries of Union Bank of Israel Ltd.

DANIEL VAKNIN, 54, has been a director of Ampal since November 5, 2008. Since August 2007 Mr. Vaknin has served as Chief Executive Officer of Israel Financial Levers Ltd. From 2005 to 2007 Mr. Vaknin served as the Chief Executive Officer of Phoenix Investments and Finance Ltd. From 2004 to 2005 Mr. Vaknin served as the Vice Chief Executive Officer of I.D.B Development Company Ltd. Prior to that Mr. Vaknin was a Senior Partner at Kesselman & Kesselman CPA, a member firm of PricewaterhouseCoopers International Limited. Mr. Vaknin also serves as a Director in Macpell Industries Ltd., and its subsidiaries, and of SLS Sails Ltd.

JOSEPH GEVA, 49, has been a director of Ampal since November 5, 2008. Since January 2001, Mr. Geva has been the Chief Executive Officer of Merhav Agro Ltd. Since 2005, Mr. Geva has served as a Director of Channel 10. Since 2007, Mr. Geva has been Co-Manager at a

THE FOLLOWING QUESTIONS AND ANSWERS RELATE TO THE NOMINEES FOR ELECTION TO THE BOARD

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new energy project in Israel for producing electricity in Pumped Storage Station at the Gilboa Mountain in Israel.

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EREZ I. MELTZER, 52, has been a director of Ampal since November 5, 2008. Since November 2008, Mr. Meltzer has served as Chief Executive Officer of Gadot, a wholly owned subsidiary of Ampal. Mr. Meltzer also serves as a Director and Executive Vice Chairman of Gadot. Since 2009, Mr. Meltzer has been a director of Eltek. From 2006 to 2007, Mr. Meltzer was the Chief Executive Officer of Africa Israel Group. From 2002 to 2006, Mr. Meltzer was the President and Chief Executive Officer of Netafim Ltd. From 1999 to 2001, Mr. Meltzer was the President and Chief Executive Officer of CreoScitex. Mr. Meltzer served as a colonel in the Israeli Defense Forces Armored Corps. (reserves). Mr. Meltzer is the Chairman of the Lowenstein Hospital Friends Association since 1999, and the honorary chairman of the Israeli Chapter of YPO (the Young Presidents Organization).

GIDEON WEINSTEIN, 66. Since 1989, Mr. Weinstein has been a Senior Vice President of Merhav. Mr. Weinstein has also served as a director of Gadot since February 2008.

**Q: What happens if a nominee becomes unavailable for election?**

In case any nominee should become unavailable for election to the Board for any reason, the persons named in the proxy will have discretionary authority in that instance to vote the proxies for a substitute.

**Q: How long will each director serve?**

Each director will serve for a term of one year and until his successor shall be elected and qualified.

**Q: What type of compensation do directors receive?**

Directors of Ampal (other than Mr. Maiman) received \$2,000 per Board meeting attended. Directors of Ampal also receive the same amount for attendance at meetings of committees of the Board, provided that such committee meetings are on separate days and on a day other than the day of a regularly scheduled Board meeting.

For attending Special Committee, Audit Committee and Executive Committee meetings Mr. Karni, the Chairman of the Special and the Audit Committee, is entitled to \$40,000 per year. Each of Mr. Vaknin and Mr. Morag are entitled to \$30,000 per year, for attending Special Committee and Audit Committee meetings.

In connection with the formation of the Special Committee on October 28, 2004, the Company entered into an Indemnification and Compensation Agreement with each of Messrs. Karni and Morag. The Company entered into the Indemnification and Compensation Agreement with Mr. Vaknin when he became a member of the Special Committee. In consideration for serving as a member of the Special Committee, the Company has agreed pursuant to the terms of the Indemnification and Compensation Agreement, among other things, to indemnify and hold harmless each Director with respect to his service on, and any matter or transaction considered by, the Special Committee to the fullest extent authorized or permitted by law.

On December 8, 2008, Stock Option and Compensation Committee of the Board and the Board of Directors approved the grant, pursuant to the Company's 2000 Incentive Plan, to each of Erez I. Meltzer, Daniel Vaknin and Joseph Geva, of an option to purchase 180,000 shares of Class A Stock at an exercise price of \$1.17 per share, vesting in sixteen equal quarterly installments.

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**Director Compensation  
For Fiscal Year Ended December 31, 2008**

| Name | Fees Paid<br>in Cash (\$) | Option <sup>(1)</sup><br>Award (\$) | Total (\$) |
|------|---------------------------|-------------------------------------|------------|
|------|---------------------------|-------------------------------------|------------|

THE FOLLOWING QUESTIONS AND ANSWERS RELATE TO THE NOMINEES FOR ELECTION TO THE BOARD



|                              |        |         |         |
|------------------------------|--------|---------|---------|
| Yehuda Karni                 | 56,498 | 87,820  | 144,318 |
| Jack Bigio                   | 6,000  | -       | 6,000   |
| Menahem Morag                | 42,000 | 89,816  | 131,816 |
| Eitan Haber                  | 39,000 | 87,820  | 126,820 |
| Leo Malamud                  | 10,000 | 17,748  | 27,748  |
| Dr. Yossi Yerushalmi         | 12,000 | 47,329  | 59,329  |
| Dr. Nimrod Novik             | 12,000 | 106,490 | 118,490 |
| Joseph Geva <sup>(2)</sup>   | 4,000  | 1,790   | 5,790   |
| Daniel Vaknin <sup>(2)</sup> | 7,000  | 1,790   | 8,790   |

(1) Represents the compensation cost in 2008 in accordance with SFAS 123(R) for stock options.

(2) In fiscal year 2008, Messrs. Meltzer, Vaknin and Geva were each granted an option to purchase 180,000 shares of our Class A Stock, each with a grant date fair value of \$1.17.

The following table sets forth certain information regarding stock options granted to purchase our Class A Stock to our directors during the fiscal year ended December 31, 2008.

|                                | 2008    |
|--------------------------------|---------|
| Joseph Geva <sup>(1)</sup>     | 180,000 |
| Erez I. Meltzer <sup>(1)</sup> | 180,000 |
| Daniel Vaknin <sup>(1)</sup>   | 180,000 |

(1) Director since November 5, 2008.

**Q: Does the Company have directors and officer liability insurance?**

Yes. Effective January 29, 2009, the Company purchased directors and officers liability policies in the aggregate amount of \$35,000,000 (\$10,000,000 of which is for the sole benefit of directors and officers in the event that indemnification by the Company is unavailable to such individuals) issued by XL Specialty Insurance Company. The cost of the policies, which expire January 29, 2010, was \$530,000.

**Q: Does the Board of Directors have any committees?**

Yes. The Board of Directors has the following standing committees: Audit Committee, Executive Committee and Stock Option and Compensation Committee. The Board will elect new members to the committees following the Annual Meeting. The current members, activities and functions of the various committees are set forth below.

**Director Independence**

Because the Controlling Shareholder Group owns more than 50% of the voting power of the Company, the Company is deemed to be a controlled company under the rules of the NASDAQ Global Market. As a result, the Company is exempt from the NASDAQ Global Market rules that require listed companies to have (i) a majority of independent directors on the Board, (ii) a compensation committee and nominating committee composed solely of independent directors, (iii) the compensation of executive officers determined by a majority of independent directors or a compensation committee composed solely of independent directors and (iv) a majority of the independent directors or a nominating committee composed solely of independent directors elect or recommend director nominees for selection by the Board. The Company has an Audit Committee of the Board consisting of three independent directors as defined under the rules of the National Association of Securities Dealers, Inc. and the rules promulgated by the Securities and Exchange Commission. Other than the members of the Audit

Committee, Messrs. Vaknin, Morag and Karni, there are no other independent directors that serve on the Board.

### **Code of Business Conduct and Ethics**

The Company has adopted a (i) Code of Ethics for the Company's Senior Financial Officers and (ii) Code of Conduct applicable to all of the Company's employees and directors. These codes are designed to both insure that the Company's business is conducted in a consistently legal and ethical manner, and address specific areas of professional conduct, including conflicts of interest, fair dealing and the strict adherence to all laws and regulations applicable to the conduct of the Company's business. Copies of the Company's Code of Ethics for Senior Financial Officers and Code of Conduct are available on the Company's website at [www.ampal.com](http://www.ampal.com).

### **Communications Between Shareholders and the Board of Directors**

Shareholders and other interested persons seeking to communicate with the Board should submit any communications in writing to the Company's Secretary at the following address: Ampal-American Israel Corporation, 555 Madison Avenue, New York, NY 10022. Any such communication must state the number of shares beneficially owned by the shareholder making the communication. The Company's Secretary will forward such communication to the Board or to any individual director or directors to whom the communication is directed.

### **Policy Governing Director Nominations**

As stated above, because the Controlling Shareholder Group owns more than 50% of the voting power in the Company, the Company is deemed to be a controlled company under the NASDAQ Global Market rules. Because the Company is a controlled company, the Board has decided not to establish a separate nominating committee or implement formal rules that would govern director nominations from shareholders, and each member of the Board participates in the consideration of director nominees. In the event of any vacancy on the Board, or in the event that the Board is to be expanded, the Board will determine at such time the appropriate procedures for filling the vacancy or additional position. The Board may decide at such time to authorize a committee of the Board of Directors to conduct the search for a director and to recommend nominations to the full Board of Directors.

*Minimum Qualifications.* The Company does not set specific criteria for directors except to the extent required to meet applicable legal, regulatory and stock exchange requirements, including, but not limited to, the independence requirements of the NASDAQ Global Market and the SEC, as applicable. Nominees for director will be selected on the basis of outstanding achievement in such person's career; board experience; wisdom; integrity; ability to make independent, analytical inquiries; understanding of the business environment; and willingness to devote adequate time to the Board duties. While the selection of qualified directors is a complex and subjective process that requires consideration of many intangible factors, the Board believes that each director should have a basic understanding of (i) principal operational and financial objectives as well as plans and strategies of the Company, (ii) results of operations and financial condition of the Company and of any significant subsidiaries and investee companies, and (iii) the relative standing of the Company, its business segments and investee companies in relation to its competitors.

The Board also may consider (i) whether a candidate would be deemed to be independent under the applicable laws, rules and regulations of the NASDAQ Global Market and the SEC, as applicable, (ii) whether the candidate's existing business commitments would interfere with the candidate's ability to devote sufficient time to discharge his or her duties as a director and (iii) the input of the Controlling Shareholder Group.

*Director Nominees Recommended to Stand for Election at the Annual Meeting.* Mr. Weinstein, the sole director nominee who is not a current executive officer of the Company or a director standing for re-election, was recommended to the Board to be a director nominee by Yosef A. Maiman, the Chairman of Board, President and Chief Executive Officer of the Company, and by other members of the Company's management.

### **Audit Committee**

The Audit Committee currently consists of Messrs. Karni, Vaknin and Morag, each of whom is an independent director as defined under the rules of the National Association of Securities Dealers and the rules promulgated by the SEC. The Board has determined that Messrs. Morag and Vaknin are audit committee financial experts for purposes of the rules promulgated by the SEC. The Audit Committee held five meetings and did not act by written consent during the fiscal year ended December 31, 2008.

The Audit Committee assists the Board in fulfilling its responsibility to oversee management's conduct of the Company's financial reporting process, including the review of the financial reports and other financial information provided by the Company to any governmental or regulatory body, the public or other users thereof, the Company's systems of internal accounting and financial controls, and the annual

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independent audit of the Company's financial statements. The Audit Committee also has the duty and responsibility of approving all transactions between the Company, on the one hand, and any officer, director, or affiliate thereof, on the other hand, or any transaction in which any officer, director or affiliate has a material interest. A full description of the Audit Committee's primary responsibilities is contained in the Audit Committee's written charter, a copy of which was filed as Appendix A to the Company's proxy statement for its annual meeting of shareholders in 2005 and is also available on the Company's website at <http://www.ampal.com>.

### Report of the Audit Committee

To the Board of Directors of Ampal-American Israel Corporation:

We have reviewed and discussed with management the Company's audited financial statements as of and for the year ended December 31, 2008.

We have discussed with Kesselman & Kesselman the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended.

We have received the written disclosures and the letter from Kesselman & Kesselman required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and have discussed with them their independence from the Company and management.

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Based on the reviews and discussions referred to above, we recommended to the Board of Directors that the audited financial statements referred to above be included in the Company's annual report on Form 10-K for the year ended December 31, 2008.

#### AUDIT COMMITTEE

Yehuda Karni, Chairman  
Eitan Haber  
Menahem Morag

### Executive Committee

The Executive Committee meets as necessary between regularly scheduled meetings of the Board and, consistent with certain statutory limitations, exercises all authority of the Board. During the fiscal year ended December 31, 2008, the Executive Committee of the Board was composed of the following individuals: Yosef A. Maiman, Leo Malamud, Dr. Joseph Yerushalmi and Yehuda Karni.

The Executive Committee held no meetings and did not act by written consent during the fiscal year ended December 31, 2008.

### Stock Option and Compensation Committee

The Stock Option and Compensation Committee administers the Company's stock option plans and other option grants and determines the Company's policies regarding certain compensation of Yosef A. Maiman. During the fiscal year ended December 31, 2008 the members of the Stock Option and Compensation Committee were Yehuda Karni, Daniel Vaknin and Menahem Morag, each of whom is an independent director as defined under the rules of the NASDAQ Global Market and the SEC. The Stock Option and Compensation Committee held one meeting and acted once by written consent during the fiscal year ended December 31, 2008.

Prior to September 19, 2006, the Stock Option and Compensation Committee of the Board was responsible for determining all facets of executive compensation including annual base salary and bonuses for executive officers, administration of the Company's 1998 Long Term Incentive Plan and the Company's 2000 Incentive Plan (collectively, the "Option Plans"), and director compensation. The Stock Option and Compensation Committee does not operate pursuant to a written charter.

On September 19, 2006, the members of the Board engaged in discussions regarding the appropriate scope of the responsibilities of the Stock Option and Compensation Committee in light of the Company's controlled company status under the rules of NASDAQ and the fact that Mr. Yosef A. Maiman was appointed as the Chief Executive Officer of Ampal. During these discussions, the Board decided to re-allocate certain

of the responsibilities with regard to executive compensation to Yosef A. Maiman, the Chairman, President and Chief Executive Officer.

Effective as of September 19, 2006, the Board determined that the Stock Option and Compensation Committee will continue to be responsible for (i) administering the Option Plans and determining the officers and key employees who are to be granted options under the Option Plans and the number of shares subject to such options and (ii) determining the annual base salary and non-equity based annual bonus for Mr. Maiman in his capacity as Chairman, President and Chief Executive Officer.

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Effective as of September 19, 2006, the Board also determined that Mr. Maiman will be responsible for (i) determining the annual base salary and non-equity based annual bonuses for all executive officers (other than the Chief Executive Officer) and for (ii) recommending to the Board director compensation and benefit programs. Mr. Maiman also may attend and participate in meetings of the Stock Option and Compensation Committee.

No outside compensation consultant is engaged by the Company at this time, although the Company may elect to do so in the future.

### **Compensation Committee Report**

The Stock Option and Compensation Committee and Yosef A. Maiman have reviewed and discussed the Compensation Discussion and Analysis required by Regulation S-K, Item 402(b) with management. Based on the review and discussions referred to in the preceding sentence, the Stock Option and Compensation Committee and Yosef A. Maiman recommended to the board of directors that the Compensation Discussion and Analysis be included in this Proxy Statement on Schedule 14A.

#### STOCK OPTION AND COMPENSATION COMMITTEE

Yehuda Karni, Chairman  
Daniel Vaknin  
Menahem Morag  
Yosef A. Maiman (not a member of the committee)

### **Compensation Committee Interlocks and Insider Participation**

The current members of the Stock Option and Compensation Committee are Mr. Yehuda Karni, Mr. Daniel Vaknin and Mr. Menahem Morag, none of whom is an officer or employee or former officer or employee of the Company. During 2008, no executive officer of the Company served on the compensation committee or the Board of Directors of another entity whose executive officer(s) served on the Company's Stock Option and Compensation Committee or the Board of Directors.

Effective as of September 19, 2006, the Board determined that Mr. Yosef A. Maiman, our President and CEO, shall be responsible for (i) determining the annual base salary and non-equity based annual bonuses for all executive officers (other than the Chief Executive Officer) and for (ii) recommending to the Board director compensation and benefit programs. The Stock Option and Compensation Committee shall continue to be responsible for (i) administering the Option Plans and determining the officers and key employees who are to be granted options under the Option Plans and the number of shares subject to such options and (ii) determining the annual base salary and non-equity based annual bonus for Mr. Maiman in his capacity as Chairman, President and Chief Executive Officer. Mr. Maiman also may attend and participate in meetings of the Stock Option and Compensation Committee.

### **Special Committee of the Board**

On October 28, 2004, the Board formed a Special Committee of the Board which is now composed of Mr. Yehuda Karni, Mr. Daniel Vaknin and Mr. Menahem Morag, each of whom is an independent director.

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The Board appointed the Special Committee of independent directors to consider alternatives available to the Company to maximize shareholder value. The Special Committee was formed in response to a suggestion from Mr. Yosef A. Maiman, Chairman of the Board and

member of the Controlling Shareholder Group, that he is reviewing his alternatives with regard to his investment in the Company. The Special Committee reviews and approves transactions with any related party.

**Q: Did all directors attend all of the Board and Committee meetings in 2008?**

All directors attended more than 75% of the aggregate of (1) the total number of meetings of the Board held during the fiscal year ended December 31, 2008 for which such individual was a director and (2) the total number of meetings held by all committees of the Board on which such individual served in the fiscal year ended December 31, 2008 (during the period of such service). In total, the Board held 5 regularly scheduled meetings during the fiscal year ended December 31, 2008 and acted 9 times by written consent during the fiscal year ended December 31, 2008.

Although the Company has no formal policy requiring director attendance at the Company's Annual Meeting, the Chief Executive Officer, who is currently the Chairman of the Board of Directors is encouraged to attend the Annual Meeting. The other members of the Board of Directors are welcome to attend the Annual Meeting. Last year, 9 directors attended the Company's 2008 annual meeting of shareholders.

**THE FOLLOWING QUESTIONS AND ANSWERS RELATE TO  
THE RATIFICATION OF THE APPOINTMENT OF THE  
COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors seeks shareholder ratification of the Audit Committee's appointment of Kesselman & Kesselman as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2009. The Board has not determined what action, if any, would be taken should the appointment of Kesselman & Kesselman not be ratified at the Annual Meeting.

**Q: What were the aggregate fees billed for each of the last two fiscal years for professional services rendered by the Company's independent registered public accounting firm?**

**AUDIT FEES.** The fees of Kesselman & Kesselman for professional services rendered for the audit of the Company's annual financial statements for the fiscal years ended December 31, 2008 and December 31, 2007 and reviewing the financial statements included in the Company's quarterly reports on Form 10-Q were \$707,750 and \$477,000, respectively.

**AUDIT-RELATED FEES.** Kesselman & Kesselman's fees for audit related services for the fiscal years ended December 31, 2008 and December 31, 2007 were \$331,353 and \$44,000, respectively.

**TAX FEES.** Kesselman & Kesselman's tax fees for the fiscal years ended December 31, 2008 and December 31, 2007, were \$232,889 and \$53,665, respectively.

**ALL OTHER FEES** No fees for other services were paid to Kesselman & Kesselman for the fiscal year ended December 31, 2008. Kesselman & Kesselman's fees for other services for the fiscal year ended December 31, 2007 were \$309,142.

All of the services provided to Ampal by our principal accounting firm described above under the captions "Audit Fees", "Tax Fees" and "All Other Fees" were approved by Ampal's Audit Committee. The Audit Committee has determined that the rendering of professional services described above by Kesselman is compatible with maintaining the auditor's independence.

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**Q: What are the Audit Committee pre-approval policies and procedures?**

The Company's Audit Committee Charter provides that the Audit Committee shall approve in advance all audit services and all non-audit services provided by the independent auditors based on policies and procedures developed by the Audit Committee from time to time. The Audit Committee will not approve any non-audit services prohibited by applicable SEC regulations or any services in connection with a transaction initially recommended by the independent auditor, the purpose of which may be tax avoidance and the tax treatment of which may not be supported by the Internal Revenue Code and related regulations.

Our Audit Committee requires that our independent auditor, in conjunction with our Chief Financial Officer, be responsible for seeking pre-approval for providing services to us and that any request for pre-approval must inform the Audit Committee about each service to be provided and must provide detail as to the particular service to be provided.

**THE FOLLOWING QUESTIONS AND ANSWERS RELATE TO  
THE COMPANY'S EXECUTIVE OFFICERS**

**Q: Who are the Company's executive officers?**

Executive officers are elected annually by the Board of Directors. The persons appointed by the Board of Directors to serve as executive officers are described below. The descriptions of Mr. Maiman, Chairman of the Board of Directors of Ampal and the Chief Executive Officer and President of Ampal, and Mr. Meltzer, Vice Chairman and CEO of Gadot, can be found above with the descriptions of the nominees for the Board. The following are descriptions of the executive officers, other than Mr. Maiman and Mr. Meltzer, their ages, their positions and offices with Ampal or its subsidiaries and their principal occupations and employment during the past five years.

IRIT ELUZ, 42, has been the Chief Financial Officer and Senior Vice President – Finance and Treasurer since October 2004. From May 2002 until October 2004, Ms. Eluz was Chief Financial Officer and Vice President – Finance and Treasurer. Ms. Eluz is a Director of Gadot. Since July 2006 Ms. Eluz has been a Director of Kamor Ltd. From January 2000 until April 2002, Ms. Eluz was the Associate Chief Financial Officer of Merhav. From June 1995 until December 1999, Ms. Eluz was the Chief Financial Officer of Kamor Group.

YORAM FIRON, 40, has been Secretary and Vice President – Investments and Corporate Affairs since May 2002. From 1998 until 2002, Mr. Firon was a Vice President of Merhav and before that a partner in the law firm of M. Firon & Co..

AMIT MANTSUR, 39, has been Vice President – Investments since March 2003. Since August 2006 Mr. Mantsur has been a Director of Valor Computerized Systems Ltd. From September 2000 until December 2002, Mr. Mantsur served as Strategy & Business Development Manager at Alrov Group. From February 1997 until September 2000, Mr. Mantsur was a projects manager at the Financial Advisory Services of KPMG Somekh Chaikin. Since 2009, Mr. Mantsur is also a director of Eltek.

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ZAHY BEN-ATAV, 35, joined Ampal on April 1, 2008, and on May 15, 2008, was appointed as Ampal's Vice President – Accounting and Controller. From November 2005 until March 2008, Mr. Ben-Atav served as a controller at Celltick Technologies Ltd. (a software developer of content marketing on mobile devices). From November 2003 until November 2005, Mr. Ben-Atav was a controller at ClearForest Ltd. (a software developer of text analytics solutions). From January 2000 until November 2003, Mr. Ben-Atav was working as a senior manager at the accounting firm of PWC – Keselman & Keselman.

**Q: How are the Company's executives compensated?**

**Objectives of Compensation Program**

This section contains a discussion of the material elements of compensation awarded to, earned by or paid to the principal executive and principal financial officers of the Company, and the other three most highly compensated executive officers of the Company. These individuals are referred to as the Named Executive Officers in this Proxy Statement.

The objectives of our compensation program are (i) to attract and retain qualified personnel in the Israeli marketplace, (ii) to provide incentives and rewards for their contributions to the Company, and (iii) to align their interests with the long-term interests of the Company's shareholders.

Our Named Executive Officers compensation has three primary components: salary, an annual cash incentive bonus and stock option awards. In addition, we provide our Named Executive Officers with benefits that are generally available to our salaried employees.

We determine the appropriate level for each compensation component based in part, but not exclusively, on competitive benchmarking consistent with a broad spectrum of companies in Israel and in the United States.

Due to the small size of our executive team and the need to tailor each Named Executive Officer's compensation package for retention and recruitment purposes, we have not adopted any formal policies or guidelines for allocating compensation between long term and currently payable compensation, between cash and non cash compensation or among different forms of compensation.

### **Responsibilities**

The Compensation Committee is composed of independent directors as defined under the rules of NASDAQ and the SEC. The Compensation Committee does not operate pursuant to a written charter.

The Compensation Committee is responsible for (i) administering the Option Plans and determining the officers and key employees who are to be granted options under the Option Plans and the number of shares subject to such options and (ii) determining the annual base salary and non-equity based annual bonus for Mr. Maiman in his capacity as Chairman, President and Chief Executive Officer.

Mr. Maiman is responsible for (i) determining the annual base salary and non-equity based annual bonuses for all executive officers (other than the Chief Executive Officer) and for (ii) recommending to the Board directors compensation and benefit programs. Mr. Maiman also may attend and participate in meetings of the Compensation Committee.

No outside compensation consultant is engaged by the Company at this time, although the Company may elect to do so in the future.

### **Elements of Compensation**

The material elements of the Company's executive compensation program for Named Executive Officers includes three primary components: salary, an annual cash incentive bonus and stock option awards. In addition, we provide our Named Executive Officers with benefits that are generally available to our salaried employees.

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#### *Base Salary*

We set our salaries for our Named Executive Officers generally based on what we believe enables us to hire and retain individuals in the competitive environment in Israel and rewards individual performance and the contribution to our overall business goals. We also take into account the base salaries paid by similarly situated companies in Israel and in the United States with which we believe we generally compete for talent. There are no formal guidelines or formulas used by us to determine annual base salary for our Named Executive Officers, as annual salary determinations are made on a case by case basis from year to year to react to compensation market trends in Israel and to take into account the Named Executive Officer's performance. Additionally, stock price performance has not been a factor in determining annual compensation because the price of the Company's common stock is subject to a variety of factors outside our control. Our approach to annual base salary is designed to retain our Named Executive Officers so that they will continue to operate at high levels in the best interests of the Company.

Determinations for annual base salary for the fiscal year ended December 31, 2008, were made by the Compensation Committee regarding Mr. Maiman and by Mr. Maiman regarding other executive officers.

#### *Annual Cash Incentive Bonus Compensation*

The non-equity based annual bonus compensation is based on each Named Executive Officer's individual performance for the Company over the fiscal year, which is measured in terms of overall effort, performance and contribution to the Company. In 2008, we considered the performance of our Named Executive Officers with respect to certain material transactions and the amount of funds raised during the year and allocated an amount among the Named Executive Officers who were involved in those special efforts. We take into account the amount of annual base salary paid to each Named Executive Officers in determining such Named Executive Officers' non-equity based annual bonus compensation. Determinations for non-equity based annual bonus compensation for the fiscal year ended December 31, 2008 were made by Mr. Maiman.

#### *Long-Term Equity Incentive Compensation*

At this time, we do not award long-term equity incentive compensation to our Named Executive Officers on an annual basis, however we may elect to award this form of compensation in the future. Following the April 2002 acquisition by Y.M. Noy Investments Ltd. of a controlling interest in the Company, we awarded long-term equity incentive compensation in April 2002 to provide the new management team with incentives aligned with shareholder interests and in December 2004, in recognition of the Named Executive Officers' assistance to a Special

Committee of the Board of Directors that had been appointed to consider alternatives available to the Company to maximize shareholder value. In December 2006, the Stock Option Committee granted Mr. Maiman an option to acquire 250,000 shares of our Class A Stock for his service as Chairman of the Board. The amount of this award was consistent with the amount of the option grant previously awarded to Mr. Maiman in August 2002, which became fully vested in August 2006.

On December 8, 2008, the Compensation Committee and the Board of Directors approved the repricing of outstanding options to purchase, in the aggregate, 2,270,000 shares of Ampal's Class A Stock, which were previously granted to ten of the Company's current employees, executive officers and directors pursuant to the 2000 Plan, including the Named Executive Officers (except for Mr. Gilboa who held no options). See "Stock Option Plans" below.

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While our current policy is to award option grants to our executive officers and directors, the awards granted under the Option Plans may be in the form of options, restricted stock, dividend equivalent awards and/or stock appreciation rights. There are no formal guidelines or formulas used by us to determine equity compensation awards for our Named Executive Officers.

As stated above, the Compensation Committee is responsible for determining long-term equity incentive compensation in accordance with the Option Plans. Such determinations are made in consultation with Mr. Maiman and other executive officers from time to time.

#### *Perquisites*

As is customary in Israel, we provide each Named Executive Officer with the use of a car, mobile phone, one meal per day, telephone expenses, economic newspapers, and stipends for traveling out of the country from time to time. The value of the specific car an employee receives varies according to his or her pay grade within the Company.

Additionally, consistent with practice in the Israeli marketplace, the Company reimburses the Named Executive Officers for a portion of the taxes associated with the use of the car and mobile phone.

#### *Severance and Change of Control Benefits*

Israeli labor laws and agreements require payment of severance pay upon dismissal of an employee or upon termination of employment in certain other circumstances, including retirement. The Company's severance pay is calculated based upon length of service and the latest monthly base salary (one month's salary for each year worked). Severance pay is paid from a fund into which the Company contributes up to 8 1/3% of the employee's base salary each month, in accordance with Israeli law and the customary practice in Israel. The Company's liability for severance pay pursuant to Israeli law is partly offset by insurance policies, where the Named Executive Officers are the beneficiaries of such insurance policies.

In addition to the above the Named Executive Officers are eligible to participate in a Pension Plan in which both the employee and the Company contribute up to 5% of the employee's base salary each month. The Named Executive Officers are eligible to receive the fund upon termination of employment, including retirement.

In addition to the above benefits, each of the employment agreements of certain executive officers provide that such executive officer shall receive an additional payment of six months' salary (together with all related benefits for the six month period including social benefits, use of a vehicle, mobile telephone and any other rights accompanying the executive officer's employment by the Company) in the event (i) of a change of control of Ampal and (ii) such executive officer's employment is terminated within six months from the date of the change of control of Ampal. These arrangements were designed to provide these key employees with an additional benefit consistent with Israeli practice for employees in comparable positions.

Pursuant to the terms of the employment agreements of each of the certain executive officers, following the termination of employment, such executive officers shall not be involved, directly or indirectly, with any business or entity that is in the field of the Company's activities and/or is in direct competition in the field of the Company's activities for a period of six months following the termination of employment. Furthermore, during the term of employment at the Company and for a period of twenty four months following the termination of employment, each of these executive officers shall abstain from providing services in any manner whatsoever, including consulting services, either paid or not paid, to any business or occupation in which the Company was involved.

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*Education Fund*

The Named Executive Officers are eligible to participate in an education fund in which both the employee and the Company contribute up to 2.5% and 7.5% respectively of the employee's base salary each month. The Named Executive Officers are eligible to receive the fund upon termination of employment, including retirement. The education fund contribution, which is customary in Israel, can be used by the Named Executive Officers at any time for professional education and every 6 years for any other purpose. As is cus