

AMPAL-AMERICAN ISRAEL CORP
Form DEF 14A
September 12, 2005

**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 (Amendment No.)**

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 ss.240.14a-12

AMPAL-AMERICAN ISRAEL CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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AMPAL-AMERICAN ISRAEL CORPORATION
111 ARLOZOROV STREET
TEL AVIV, ISRAEL 62098

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON SEPTEMBER 28, 2005

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, 35th floor, New York, NY 10104, on September 28, 2005, at 10:00 a.m., local time, to consider and act upon the following matters:

1. To elect seven (7) 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, 2005; 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 September 6, 2005 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,

JACK BIGIO
President and Chief Executive
Officer

Tel Aviv, Israel
September 12, 2005

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.

AMPAL-AMERICAN ISRAEL CORPORATION

PROXY STATEMENT for ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON SEPTEMBER 28, 2005

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 September 28, 2005, and at any adjournment(s) or postponement(s) thereof (the **Annual Meeting**). The mailing address of our principal executive office is 111 Arlozorov Street, Tel Aviv, Israel 62098. 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 September 12, 2005. 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?

Election of Ampal's seven directors for one-year terms, and 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, 2005.

Q: Who is entitled to vote?

Holders of the Class A Stock as of the close of business on September 6, 2005 (the **Record Date**) are entitled to notice of, and to vote at, the Annual Meeting. As of such date, the Company had 19,986,191 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, 2004. 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>.

Q: How can I review Ampal's financial statements for the fiscal year ended December 31, 2004?

A copy of Ampal's 2004 annual report on Form 10-K containing the Company's audited financial statements for the fiscal year ended December 31, 2004 has been mailed with this Proxy Statement to all holders of Class A Stock entitled to vote at the Annual Meeting on or about September 12, 2005.

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

As of the Record Date, Y.M. Noy Investments Ltd. (Noy) was the holder of approximately 58.79% of the outstanding Class A Stock. Noy is the only holder of more than 5% of the Class A Stock known to the Company. (See page 16 for more details regarding the principal shareholders.) Noy 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, 2005.

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 Mellon Investor Services, the Company's transfer agent, will be present at the Annual Meeting. Additionally, representatives of Kesselman & Kesselman, whom the Board has nominated to be its independent registered public accounting firm for the fiscal year ending December 31, 2005, are expected to be present, 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. Since as of the Record Date 19,986,191 shares of Class A Stock were outstanding (excluding treasury shares), a quorum equals 6,662,064 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.

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.

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 entitled to vote 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, Jack Bigio, Leo Malamud, Dr. Joseph Yerushalmi, Yehuda Karni, Eitan Haber and Menahem Morag. Set forth below 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, 2005?

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, 2005 requires a plurality of the votes cast by the holders of shares entitled to vote 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, 2005.

Q: Can I abstain?

Yes, however, abstentions and broker non-votes (i.e., shares held by a broker or nominee which are represented at the meeting, but with respect to which the broker or nominee is not empowered to vote on a particular matter) will be counted for purposes of determining a quorum but will not have any effect on the election of directors or the ratification of the appointment of the Company's independent registered public accounting firm. Abstentions and broker non-votes will not be counted as votes cast for or against any other matter which may properly come before and be voted upon at the meeting.

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.

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 7. The Board recommends that the shareholders elect the seven 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.

| <u>Name</u> | <u>Age</u> | <u>Position with Ampal</u> | <u>Director Since</u> |
|-----------------------|------------|---|-----------------------|
| Yosef A. Maiman | 59 | Chairman of the Board and Director | 2002 |
| Jack Bigio | 39 | President, Chief Executive Officer and Director | 2002 |
| Leo Malamud | 53 | Director | 2002 |
| Dr. Joseph Yerushalmi | 67 | Director | 2002 |
| Yehuda Karni | 76 | Director | 2002 |
| Eitan Haber | 65 | Director | 2002 |
| Menahem Morag | 54 | Director | 2004 |

YOSEF A. MAIMAN has been the Chairman of the Board of Ampal since April 25, 2002. Mr. Maiman has been President and Chief Executive Officer of Merhav M.N.F. Ltd. (Merhav), one of the largest international project development companies based in Israel, since its founding in 1975. Mr. Maiman is also the Chairman of the Board of Directors of Channel Ten, a commercial television station in Israel, the Chairman of the Board of Eltek Ltd. (Eltek), a developer and manufacturer of printed circuit boards, a member of the Board of Directors of the Middle East Task Force of the New York Council on Foreign Relations, Honorary Consul to Israel of Peru and Special Ambassador for the Government of Turkmenistan. Mr. Maiman is also member of the Board of Trustees of 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.

JACK BIGIO, has been the President and Chief Executive Officer of Ampal since April 25, 2002, and a director of Ampal since March 2002. From 1998 until April 2002, Mr. Bigio held various officer positions at Merhav, most recently as the Senior Vice President - Operations and Finance. Mr. Bigio is also a director of Eltek.

LEO MALAMUD has been a director of Ampal since March 2002. Since 1996, Mr. Malamud has served as the Senior Vice President of Merhav. Mr. Malamud is also a director of Eltek.

Dr. JOSEPH YERUSHALMI has been Senior Vice President - Head of Energy and Infrastructure Projects of Merhav since 1995. He has been a director of Ampal since August 16, 2002.

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

EITAN HABER was the Head of Bureau for the former Prime Minister of Israel, Yitzhak Rabin, from July 1993 until November 1995. Since 1996, Mr. Haber has been the President and Chief Executive Officer of Geopol Ltd., which represents the Korean conglomerate Samsung in Israel and the Middle East; Kavim Ltd., a production and project development company; and Adar Real Estate Ltd., a real estate company. Mr. Haber is also a member of various non-profit organizations. He has been a director of Ampal since August 16, 2002.

MENACHEM MORAG 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 the Human Resources Department at the Israeli Prime Minister's office in Tel Aviv. Since 2003, Mr. Morag has been the Head of the Council of the Pensioners Association of the Israeli Prime Minister's office in Tel Aviv.

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, which is presently neither known nor contemplated, 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. Bigio) receive \$1,500 per meeting of the Board attended. The Chairman of the Board receives \$2,000 per meeting of the Board attended. Such persons 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. The compensation of the members of the Special Committee of the Board is set forth below on page 10.

On August 16, 2002, each of Yehuda Karni and Eitan Haber, each of whom is a non-employee director of the Company, were issued 15,000 options under the 2000 Plan (as hereinafter defined) to purchase shares of Class A Stock of the Company at an exercise price of \$3.12 per share, the closing price of the Class A Stock as reported on the Nasdaq National Market (Nasdaq) on the date of issuance. On August 16, 2002, Dr. Joseph Yerushalmi and Leo Malamud, each of whom is a non-employee director of the Company, were issued 100,000 and 150,000 options, respectively, under the 2000 Plan to purchase shares of Class A Stock of the Company at an exercise price of \$3.12 per share, the closing price of the Class A Stock as reported on Nasdaq on the date of issuance. On March 24, 2004, Menachem Morag, who is a non-employee director of the Company, was issued 15,000 options under the 2000 Plan to purchase shares of Class A Stock of the Company at an exercise price of \$3.13 per share, the closing price of the Class A Stock as reported on Nasdaq on the date of issuance.

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. On October 31, 2004, Michael Arnon passed away. Prior to his death, Mr. Arnon served as a member of the Board, the Audit Committee, the Stock Option and Compensation Committee and the Special Committee of the Board. The current members, activities and functions of the various committees are set forth below.

Because Noy owns more than 50% of the voting power of the Company, the Company is deemed to be a controlled company under the rules of Nasdaq. As a result, the Company is exempt from the Nasdaq 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.

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.

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, 111 Arlozorov Street, Tel Aviv, Israel 62098. 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 Noy own more than 50% of the voting power in the Company, the Company is deemed to be a "controlled company" under the Nasdaq 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 Nasdaq 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 Nasdaq 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 (ii) the input of Noy, the Company's majority shareholder.

Audit Committee

The Audit Committee currently consists of Messrs. Karni, Haber 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 Mr. Morag is an audit committee financial expert for purposes of the rules promulgated by the SEC. The Audit Committee held seven meetings and did not act by written consent during the fiscal year ended December 31, 2004.

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 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, 2004.

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 Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, as amended, and have discussed with them their independence from the Company and management.

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, 2004.

AUDIT COMMITTEE
Yehuda Karni, Chairman
Eitan Haber
Menahem Morag

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, 2004 and December 31, 2003 and reviewing the financial statements included in the Company's quarterly reports on Form 10-Q were \$267,000 and \$223,000, respectively.

Tax Fees: Kesselman & Kesselman's tax fees for the fiscal years ended December 31, 2004 and December 31, 2003, were \$100,000 and \$103,600, respectively.

All Other Fees: Kesselman & Kesselman's fees for other services for the fiscal year ended December 31, 2004 and December 31, 2003, were \$42,800 and \$49,200, respectively.

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

Audit Committee Pre-Approval Policies

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 registered public accounting firm 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 registered

public accounting firm, 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 registered public accounting firm, 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.

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, 2004, the Executive Committee of the Board was composed of the following individuals: Jack Bigio, Leo Malamud, Dr. Joseph Yerushalmi and Yehuda Karni.

The Executive Committee held one meeting and did not act by written consent during the fiscal year ended December 31, 2004.

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 executive compensation. During the fiscal year ended December 31, 2004 the members of the Stock Option and Compensation Committee were Yehuda Karni, Eitan Haber and Menahem Morag. The Stock Option and Compensation Committee held one meeting and did not act by written consent during the fiscal year ended December 31, 2004.

Report of the Stock Option and Compensation Committee

The Stock Option and Compensation Committee's executive compensation policy strives to provide compensation rewards based upon both corporate and individual performance while maintaining a relatively simple compensation program in order to avoid the administrative costs which the Stock Option and Compensation Committee believes are inherent in multiple complex compensation plans and agreements.

The determination of compensation ranges for executive officers reflect a review of salaries and bonuses for executive officers holding similar positions in companies of relatively comparable size and orientation. However, in making compensation decisions, the Stock Option and Compensation Committee remains cognizant of the Board of Directors' responsibility to enhance shareholder value. The Stock Option and Compensation Committee utilizes cash bonuses, when it feels a bonus is merited, based on factors such as an executive's individual performance. The Company has available a long-term incentive for executives to both remain in the employ of the Company and to strive to maximize shareholder value through the 1998 Plan (as hereinafter defined) and 2000 Plan, which aligns the interests of executives with those of shareholders.

Determination of Jack Bigio's compensation as the Company's Chief Executive Officer for the fiscal year ended December 31, 2004 reflects a comparison with chief executive officer compensation of companies of relatively comparable size and orientation, but also reflects recognition of Mr. Bigio's ongoing contribution to the growth, success and profitability of the Company. On August 16, 2002, Mr. Bigio was granted 150,000 options pursuant to the 2000 Plan to purchase shares of Class A Stock of the Company at an exercise price of \$3.12 per share, the closing price of the Class A Stock as reported on Nasdaq on the date of issuance. These options vest in equal installments of 9,375 shares beginning on November 16, 2002 and each three month anniversary thereafter, except that a portion of the options may vest on an accelerated basis upon the achievement of certain performance criteria. On October 28, 2004, Mr. Bigio was granted 280,000 options pursuant to the 2000 Plan to purchase shares of Class A Stock of the Company at an exercise price of \$3.50 per share, the closing price of the Class A Stock as reported on Nasdaq on the date of issuance. These options vest in equal installments of 17,500 shares beginning on January 28, 2005 and each three month anniversary thereafter. In negotiating the number of shares subject to the option grant, the Stock Option and Compensation Committee took into account the past option grants made to other executive officers, Mr. Bigio's rank and responsibilities and Mr. Bigio's expected contributions to the Company. In addition, the Stock Option and Compensation Committee sought to provide a significant incentive for Mr. Bigio to enhance stockholder value.

STOCK OPTION AND COMPENSATION
COMMITTEE

Yehuda Karni, Chairman
Eitan Haber
Menahem Morag

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The current members of the Stock Option and Compensation Committee are Mr. Yehuda Karni, Mr. Eitan Haber and Mr. Menahem Morag, none of whom is an officer or employee or former officer or employee of the Company or any subsidiaries. During 2004, no executive officer of the Company served on the Stock Option and Compensation Committee, or the Board of Directors of another entity whose executive officer(s) served on the Company's Stock Option and Compensation Committee of the Board of Directors.

Special Committee of the Board

On October 28, 2004, the Board formed a Special Committee of the Board composed of Mr. Yehuda Karni, Mr. Eitan Haber, Mr. Menahem Morag and Mr. Michael Arnon (prior to his death), each of whom is an independent director.

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 controlling stockholder, that he is reviewing his alternatives with regard to his investment in the Company.

In connection with the formation of this Special Committee, the Company entered into an Indemnification and Compensation Agreement with each of Messrs. Karni, Haber and Morag. In consideration for serving as a member of the Special Committee, each of Messrs. Karni, Haber and Morag shall receive from the Company a fee of \$35,000 payable in seven equal monthly installments beginning on October 28, 2004. Each of Messrs. Karni, Haber and Morag shall also be entitled to receive from the Company a fee of \$1,500 per each meeting of the Special Committee he attends. In addition, the Company has agreed to indemnify and hold harmless each of Messrs. Karni, Haber and Morag 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.

Q: Did all directors attend all of the Board and Committee meetings in 2004?

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, 2004 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, 2004 (during the period of such service). In total, the Board held three regularly scheduled meetings during the fiscal year ended December 31, 2004 and acted six times by written consent during the fiscal year ended December 31, 2004.

Although the Company has no formal policy requiring director attendance at the Company's Annual Meeting, the Chief Executive Officer, who is currently a member of the Board of Directors, and the Chairman of the Board, are both encouraged to attend the Annual Meeting. The other members of the Board of Directors are welcome to attend the Annual Meeting. Last year, one director attended the Company's 2004 annual meeting of shareholders.

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 Mr. Bigio, Chief Executive Officer and President of Ampal, can be found above with the descriptions of the nominees for the Board. The following is a

description of the executive officers, other than Messrs. Maiman and Bigio, their ages, their positions and offices with Ampal or its subsidiaries and their principal occupations and employment during the past five years.

IRIT ELUZ, 38, has been the Chief Financial Officer and Senior Vice President - Finance and Treasurer since October 2004. From May 2002 through October 2004 Ms. Eluz was Chief Financial Officer and Vice President - Finance and Treasurer. From January 2000 through April 2002, Ms. Eluz was the Associate Chief Financial Officer of Merhav. From June 1995 through December 1999, Ms. Eluz was the Chief Financial Officer of Kamor Group.

SHLOMO SHALEV, 43, has been Senior Vice President - Investments since May 2002. From August 1997 through April 2002, Mr. Shalev was Vice President in Ampal Industries (Israel) Ltd, a wholly owned subsidiary of the Company. From August 1994 through July 1997, Mr. Shalev was the Israeli Consul for Economic Affairs in the northwest region of the United States.

YORAM FIRON, 36, has been Secretary and Vice President - Investments and Corporate Affairs since May 2002. During the preceding five years, Mr. Firon was a Vice President of Merhav and a partner in the law firm of Firon Karni Sarov & Firon.

AMIT MANTSUR, 35, has been Vice President - Investments since March 2003. From September 2000 through December 2002, Mr. Mantsur served at Alrov Group as Strategy & Business Development Manager. From February 1997 through September 2000, Mr. Mantsur was a projects manager at the Financial Advisory Services of KPMG Somekh Chaikin.

GIORA BAR-NIR, 48, has been Vice-President - Accounting and Controller since October 2004. From March 2002 through October 2004, Mr. Bar Nir served as the Controller of the Company. During the preceding five years, Mr. Bar-Nir was the Controller of the Israeli subsidiaries of Ampal.

Q: How are the Company's executives compensated?

The table below presents information regarding remuneration paid for services to Ampal and its subsidiaries by the executive officers named below during the three fiscal years ended December 31, 2004, 2003 and 2002.

| Name and Principal Position | Year | Annual Compensation | | | Long-Term Compensation Number of Securities Underlying Options ⁽¹⁰⁾ | All Other Compensation ⁽¹¹⁾ |
|--|------|---------------------|-------------|--|---|--|
| | | Salaries \$ | Bonus \$ | Other Annual Compensation ⁽⁹⁾ \$ | | |
| Yosef A. Maiman ⁽¹⁾⁽¹²⁾ Chairman of the Board | 2004 | 606,409 | 364,604 | 6,091 | | 2,143 |
| | 2003 | 506,849 | 155,953 | 25,570 | | 2,002 |
| | 2002 | 324,376 | | 15,765 | 250,000 | 410 |
| Jack Bigio ⁽²⁾⁽¹²⁾ President and CEO | 2004 | 420,064 | 252,564 | 54,943 | 280,000 | 102,131 |
| | 2003 | 257,547 | 106,189 | 71,777 | | 88,389 |
| | 2002 | 280,130 | | 43,498 | 150,000 | 40,740 |
| Irit Eluz ⁽³⁾⁽¹²⁾ CFO SVP Finance & Treasurer | 2004 | 219,980 | 132,332 | 32,732 | 280,000 | 49,349 |
| | 2003 | 183,959 | 55,698 | 39,631 | | 42,000 |
| | 2002 | 100,993 | | 21,959 | 78,500 | 21,735 |
| Shlomo Shalev ⁽⁶⁾ Senior Vice President -Investment | 2004 | 188,105 | 61,145 | 24,617 | 30,000 | 46,803 |
| | 2003 | 167,093 | 34,254 | 33,048 | | 41,712 |
| | 2002 | 149,225 | 63,240 | 27,815 | 90,000 | 37,279 |
| Yoram Firon ⁽⁸⁾⁽¹²⁾ Secretary, Vice President & Corporate Affairs | 2004 | 159,500 | 48,674 | 26,491 | 190,000 | 35,086 |
| | 2003 | 133,138 | 14,063 | 30,261 | | 29,756 |
| | 2002 | 85,524 | | 21,444 | 68,500 | 17,339 |
| Dafna Sharir ⁽⁴⁾ Senior Vice President Investments | 2004 | 224,770 | 152,184 | 49,007 | | 600,156 ⁽⁵⁾ |
| | 2003 | 211,557 | 64,052 | 45,031 | | 48,041 |
| | 2002 | 116,192 | | 25,726 | 90,000 ⁽⁷⁾ | 25,069 |

(1) Mr. Maiman has been employed by Ampal since April 25, 2002 as Chairman of the Board.

(2) Mr. Bigio has been employed by Ampal since April 25, 2002 as President and CEO.

(3) Ms. Eluz has been employed by Ampal since April 25, 2002.

(4) Ms. Sharir served as Senior Vice President Investments from April 25, 2002 until November 30, 2004.

(5) On November 30, 2004, the Company entered into an agreement with Ms. Sharir, with respect to the termination of her employment with the Company. Pursuant to the terms of the agreement, Ms. Sharir's employment with the Company terminated as of November 30, 2004, and Ms. Sharir will receive from the Company all unpaid salary and a performance bonus through the date of termination, as well as a lump sum amount equivalent to seven months of her salary and other benefits. In addition, Ms. Sharir also agreed to immediately terminate all of her options to purchase shares of Class A Stock of the Company pursuant to an option cancellation agreement entered into by the Company and Ms. Sharir.

- (6) Mr. Shalev was appointed Senior Vice President of Investment on May 21, 2002.

- (7) On November 30, 2004, Ms. Sharir agreed to immediately terminate all of her options to purchase shares of Class A Stock of the Company pursuant to an option cancellation agreement entered into by the Company and Ms. Sharir.
- (8) Mr. Firon has been employed by Ampal since April 25, 2002.
- (9) Consists of amounts reimbursed for the payment of taxes.
- (10) Represents the number of shares of Class A Stock underlying options granted to the named executive officers.
- (11) Comprised of Ampal (Israel s) contribution pursuant to: (1) Ampal (Israel s) Pension Plan, (ii) Ampal (Israel s) education fund, (iii) use of car, (iv) use of mobile and (v) final account settlement.
- (12) Eligible to receive an additional payment of up to six months salary (i) in the event of a change of control of the Company and (ii) such executive officer's employment is terminated within six months from the date of the change of control of the Company.

Q: How many options do the executive officers own?

Fiscal Year-End Option Values

| | <u>Number of Securities Underlying Unexercised Options at Fiscal Year End 2004</u> | | <u>Unrealized Value of In-the-Money Options</u> | |
|-----------------|--|----------------------|---|----------------------|
| | <u>Exercisable</u> | <u>Unexercisable</u> | <u>Exercisable</u> | <u>Unexercisable</u> |
| Yosef A. Maiman | 140,625 | 109,375 | \$ 438,750 | \$ 341,250 |
| Jack Bigio | 84,375 | 345,625 | \$ 263,250 | \$ 1,184,750 |
| Irit Eluz | 44,156 | 314,344 | \$ 137,768 | \$ 1,087,153 |
| Shlomo Shalev | 50,625 | 69,375 | \$ 157,950 | \$ 227,850 |
| Yoram Firon | 38,531 | 219,969 | \$ 120,218 | \$ 758,503 |

Option Grants In Last Fiscal Year

The following table sets forth certain information regarding stock options granted to purchase our Class A Stock to our named executive officers during fiscal year 2004:

| <u>Name</u> | <u>Option Plan</u> | <u>Number of Securities Underlying Option Granted</u> | <u>% of Total Options Granted to Employees in Fiscal Year</u> | <u>Exercise Price Per Share</u> | <u>Expiration Date</u> | <u>Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term</u> | |
|---------------|--------------------|---|---|---------------------------------|------------------------|---|--------------|
| | | | | | | <u>5%</u> | <u>10%</u> |
| Jack Bigio | 2000 | 280,000 | 14% | \$ 3.50 | 10/27/2014 | \$ 616,317 | \$ 1,561,868 |
| Irit Eluz | 2000 | 280,000 | 14% | \$ 3.50 | 10/27/2014 | \$ 616,317 | \$ 1,561,868 |
| Shlomo Shalev | 2000 | 30,000 | 1% | \$ 3.50 | 10/27/2014 | \$ 66,034 | \$ 167,343 |
| Yoram Firon | 2000 | 190,000 | 9% | \$ 3.50 | 10/27/2014 | \$ 418,215 | \$ 1,059,839 |

Q: What other benefits does the Company provide for its employees?

Ampal previously maintained a money purchase pension plan (Pension Plan) and a savings plan ("Savings plan") for all full-time employees of Ampal except non-resident aliens. In connection with the closing of Ampal's offices in New York on March 31, 2004, the Pension Plan and the Savings Plan were terminated effective December 31, 2004.

Q: Does Ampal have an active stock option plan?

In March 1998, the Board approved a Long-Term Incentive Plan ("1998 Plan") permitting the granting of options to all employees, officers, directors and consultants of the Company and its subsidiaries to purchase up to an aggregate of 400,000 shares of Class A Stock. The 1998 Plan was approved by a majority of the Company's shareholders at the June 19, 1998 annual meeting of shareholders. The plan remains in effect for a period of ten years. As of December 31, 2004, 70,000 options of the 1998 Plan are outstanding.

On February 15, 2000, the Stock Option Committee, a predecessor committee to the Stock Option and Compensation Committee, approved a new Incentive Plan ("2000 Plan"), under which the Company has reserved 4 million shares of Class A Stock, permitting the granting of options to all employees, officers and directors. The 2000 Plan was approved by the Board of Directors at a meeting held on March 27, 2000 and was approved by a majority of the Company's shareholders at the June 29, 2000 annual meeting of shareholders. The plan remains in effect for a period of ten years. As of December 31, 2004, 2,064,500 options of the 2000 Plan are outstanding.

The options granted under the 1998 Plan and the 2000 Plan (collectively, the "Plans") may be either incentive stock options, at an exercise price to be determined by the Stock Option and Compensation Committee but not less than 100% of the fair market value of the underlying options on the date of grant, or non-incentive stock options, at an exercise price to be determined by the Stock Option and Compensation Committee. The Stock Option and Compensation Committee may also grant, at its discretion, "restricted stock," "dividend equivalent awards," which entitle the recipient to receive dividends in the form of Class A Stock, cash or a combination of the aforementioned and "stock appreciation rights," which permit the recipient to receive an amount in the form of Class A Stock, cash or a combination of both, equal to the number of shares of Class A Stock with respect to which the rights are exercised multiplied by the excess of the fair market value of the Class A Stock on the exercise date over the exercise price. The options granted under the Plans were granted either at market value or above.

Under each of the Plans, all granted but unvested options become immediately exercisable upon the occurrence of a change in control of the Company. On February 26, 2002, the controlling shareholder of the Company, Rebar Financial Corp., agreed to sell all of its stock in the Company to Noy. Accordingly, all options granted but unvested under the Plans were immediately exercisable.

**THE FOLLOWING QUESTIONS AND ANSWERS RELATE TO THE COMPANY'S
CLASS A STOCK**

Q: How has the Company's stock performed over the past five years?

The following graph compares the percentage change in cumulative total return (change in the stock price plus reinvested dividends) of Ampal Class A Stock, the S&P 500 Stock Index and a peer group index composed of Koor Industries (an Israeli holding company) and First Israeli Fund (an American closed-end fund that acquires equity interests in companies located in Israel) for the period December 31, 1999 through December 31, 2004. The stock price performances shown on the graph are not intended to forecast or be indicative of future price performance.

PERFORMANCE GRAPH

Q: Who are Ampal's principal shareholders?

The following table sets forth information as of September 6, 2005, as to the holders known to Ampal who beneficially own more than 5% of the Class A Stock, the only outstanding series of voting securities of Ampal. For purposes of computation of the percentage ownership of Class A Stock set forth in the table, conversion of any 4% Cumulative Convertible Preferred Stock (the "4% Preferred Stock")

and 6 1/2% Cumulative Convertible Preferred Stock (the "6 1/2% Preferred Stock") owned by such beneficial owner has been assumed, without increasing the number of shares of Class A Stock outstanding by amounts arising from possible conversions of convertible securities held by shareholders other than such beneficial owner. As of September 6, 2005, there were 19,986,191 (not including treasury shares) shares of Class A Stock of Ampal outstanding. In addition, as of September 6, 2005, there were 519,119 (not including treasury shares) non-voting shares of 6 1/2% Preferred Stock outstanding (each convertible into 3 shares of Class A Stock) outstanding and 112,502 (not including treasury shares) non-voting shares of 4% Preferred Stock outstanding (each convertible into 5 shares of Class A Stock).

Security Ownership of Certain Beneficial Owners

| <u>Name and Address of Beneficial Owner</u> | <u>Title of Class</u> | <u>Amount of Shares and Nature of Beneficial Ownership</u> | <u>Percent of Outstanding Shares of Class A Stock</u> |
|---|------------------------------|---|--|
| Y.M Noy Investments Ltd., of 33 Havazelet Hasharon st., Herzliya, Israel | Class A Stock | 11,750,132 shares ⁽¹⁾ | 58.79% |
| Yosef A. Maiman Y.M Noy Investments Ltd., of 33 Havazelet Hasharon st., Herzliya, Israel | Class A Stock | 11,937,632 shares ⁽¹⁾⁽²⁾ | 59.17% |
| Ohad Maiman Y.M Noy Investments Ltd., of 33 Havazelet Hasharon st., Herzliya, Israel | Class A Stock | 11,750,132 shares ⁽¹⁾ | 58.79% |
| Noa Maiman Y.M Noy Investments Ltd., of 33 Havazelet Hasharon st., Herzliya, Israel | Class A Stock | 11,750,132 shares ⁽¹⁾ | 58.79% |

(1) Consists of 11,750,132 shares of Class A Stock held directly by Noy. Yosef A. Maiman owns 100% of the economic shares and one-third of the voting shares of Noy. In addition, Mr. Maiman holds an option to acquire the remaining two-thirds of the voting shares of Noy (which are currently owned by Ohad Maiman and Noa Maiman, the son and daughter, respectively, of Mr. Maiman).

(2) Includes 187,500 shares of Class A Stock underlying options which are presently exercisable as of September 6, 2005 or exercisable within 60 days of such date by Mr. Maiman.

Q: What percentage of Class A Stock do the directors and officers own?

The following table sets forth information as of September 6, 2005 as to each class of equity securities of Ampal or any of its subsidiaries beneficially owned by each director and named executive officer of Ampal listed in the Summary Compensation Table and by all directors and named executive officers of Ampal as a group. All ownership is direct unless

otherwise noted. The table does not include directors or named executive officers who do not own any such shares:

| <u>Name</u> | <u>Amount of Shares and Nature of Beneficial Ownership of Class A Stock</u> | <u>Percent of Outstanding Shares of Class A Stock</u> |
|---|---|---|
| Yosef Maiman | 11,937,632 ⁽¹⁾ | 59.17% |
| Jack Bigio | 182,500 ⁽²⁾ | * |
| Shlomo Shalev | 75,000 ⁽²⁾ | * |
| Irit Eluz | 128,875 ⁽²⁾ | * |
| Yoram Firon | 98,875 ⁽²⁾ | * |
| Leo Malamud | 112,500 ⁽²⁾ | * |
| Dr. Josef Yerushalmi | 75,000 ⁽²⁾ | * |
| Eitan Haber | 11,250 ⁽²⁾ | * |
| Yehuda Karni | 11,250 ⁽²⁾ | * |
| Menahem Morag | 5,625 ⁽²⁾ | * |
| All Directors and Executive Officers as a Group | 12,638,507 | 60.54% |

* Represents less than 1% of the class of securities.

- (1) Attributable to 11,750,132 shares of Class A Stock held directly by Noy. See "Security Ownership of Certain Beneficial Owners." In addition, this represents 187,500 shares underlying options for Yosef Maiman which are presently exercisable as of September 6, 2005 or exercisable within 60 days of such date by Mr. Maiman.
- (2) Represents shares underlying options which are presently exercisable as of September 6, 2005 or exercisable within 60 days of such date.

MISCELLANEOUS INFORMATION

Q: Have the Company's officers, directors and shareholders filed all appropriate beneficial ownership reports with the SEC?

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires Ampal's executive officers and directors, and persons who own more than 10% of a registered class of Ampal's equity securities, to file with the Securities and Exchange Commission initial statements of beneficial ownership (Form 3), and statements of changes in beneficial ownership (Forms 4 and 5), of Class A Stock of Ampal. To the Company's knowledge, based solely on its review of the copies of such forms received by it, or written representations from certain reporting persons that no additional forms were required, all filing requirements applicable to its executive officers, directors, and greater than 10% shareholders have been met.

Q: Does the Company enter into transactions with affiliated parties?

The Audit Committee of Ampal has the duty and responsibility of approving all transactions between Ampal, on the one hand, and any officer, director, or affiliate thereof, on the other hand, or in which any officer, director or affiliate has a material interest. The Audit Committee reviews and passes upon the fairness of any business dealings and arrangements between Ampal and any such affiliated party. The Audit Committee shall review and approve all transactions or courses of dealing with parties related to the Company.

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

Effective January 29, 2005, the Company purchased directors and officers liability policies in the aggregate amount of \$25,000,000 issued by XL Specialty Insurance Company. The cost of the policies, which expire January 29, 2006, was \$160,000.

Q: When are shareholder proposals for the 2005 meeting due?

Any holder of Class A Stock who wishes to submit a proposal to be presented at the next annual meeting of shareholders must forward such proposal to the Secretary of the Company at the address in the Notice of Annual Meeting so that it is received by the Company no later than May 15, 2006. Such a proposal must comply with such rules as may be prescribed from time to time by the SEC regarding proposals of security holders.

By Order of the Board of
Directors,

JACK BIGIO
President and Chief Executive
Officer

September 12, 2005

Please
Mark Here
for Address
Change or
Comments
SEE REVERSE SIDE

Please mark your
votes as
indicated in this
example **X**

**THE BOARD OF DIRECTORS
RECOMMENDS A VOTE FOR
PROPOSALS 1 and 2.**

1. ELECTION OF DIRECTORS

Nominees
01 Y. Maiman 02 J. Bigio
03 L. Malamud 04 J. Yerushalmi
05 Y. Karni 06 E. Haber
07 M. Morag

FOR
all nominees
listed to the left
(except as
marked to
the contrary)

**WITHHOLD
AUTHORITY**
to vote for all
nominees
listed to the left

2. RATIFICATION OF 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, 2005.

FOR AGAINST ABSTAIN

3. IN THEIR DISCRETION, UPON ANY OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE ANNUAL MEETING OR ANY ADJOURNMENT(S) OR POSTPONEMENT(S) THEREOF.

WITHHELD FOR: (INSTRUCTION: To withhold authority to vote for any individual nominee(s), print the name of such nominee(s) below.)

Dated: _____,
2005

Signature

Signature

Please sign exactly as name appears. In the case of joint tenancies, coexecutors or co-trustees, both should sign. If acting as attorney, executor, administrator, trustee, officer of a corporation, or in other representative capacity, please give full title under signature.

Ù FOLD AND DETACH HERE Ù



PROXY

AMPAL-AMERICAN ISRAEL CORPORATION

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Jack Bigio and Yoram Firon, and each of them, as proxy for the undersigned, with full power of substitution, to vote and otherwise represent all of the shares of Class A Stock of Ampal-American Israel Corporation held of record by the undersigned on September 6, 2005, at the Annual Meeting of Shareholders to be held on September 28, 2005, and any adjournment(s) or postponement(s) thereof, with the same effect as if the undersigned were present and voting such shares, on all matters as further described in the accompanying Proxy Statement. By executing this Proxy, the undersigned hereby revokes any proxy previously given with respect to such shares. The undersigned acknowledges receipt of the Notice of Annual Meeting of Shareholders and the accompanying Proxy Statement and Annual Report.

THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED IN ACCORDANCE WITH THE SPECIFICATIONS MADE. IF THIS PROXY IS EXECUTED BUT NO SPECIFICATION IS MADE, THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED FOR EACH OF THE BOARD OF DIRECTORS NOMINEES AND FOR PROPOSAL 2. 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.

(Continued, and to be signed and dated on reverse side.)

Address Change/Comments (Mark the corresponding box on the reverse side)

Ù FOLD AND DETACH HERE Ù

You can now access your Ampal-American Israel Corporation account online.

Access your Ampal-American Israel Corporation shareholder account online via Investor ServiceDirect® (ISD).

Mellon Investor Services LLC, Transfer Agent for Ampal-American Israel Corporation, now makes it easy and convenient to get current information on your shareholder account.

- View account status
- View certificate history
- Make address changes
- Establish/change your PIN

Visit us on the web at <http://www.melloninvestor.com>

***For Technical Assistance Call 1-877-978-7778 between 9am-7pm
Monday-Friday Eastern Time***