

AMPAL-AMERICAN ISRAEL CORP
Form PRE 14A
April 20, 2012

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

(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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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 29, 2012

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 May 29, 2012, at 10:00 a.m., local time, to consider and act upon the following matters:

1. To elect eight (8) 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, 2012;
3. To approve an amendment to the Company's Restated Certificate of Incorporation to effect a reverse stock split of all of the Company's Class A Stock, par value \$1.00 per share, within a range of 1:10 to 1:20; and
4. 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 May 11, 2012 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
_____ 2012

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 29, 2012: The Notice of Annual Meeting, the Proxy Statement and the 2011 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.

AMPAL-AMERICAN ISRAEL CORPORATION

PROXY STATEMENT
for
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 29, 2012

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 May 29, 2012, 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 May 16, 2012. 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 eight directors for one-year terms, 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, 2012 and the approval of an amendment to the Company's Restated Certificate of Incorporation to effect a reverse stock split of all of the Company's Class A Stock (the "Reverse Stock Split") within a range of 1:10 to 1:20. Please see the following pages for more information regarding each of these proposals: the election of directors starting on page 4, the ratification of the appointment of Kesselman and Kesselman starting on page 14, and the Reverse Stock Split starting on page 30.

Q: Who is entitled to vote?

Holders of the Class A Stock as of the close of business on May 11, 2012 (the "Record Date") are entitled to notice of, and to vote at, the Annual Meeting. As of April 30, 2012, the Company has [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 filed with the Securities and Exchange Commission (the "SEC") for the fiscal year ended December 31, 2011. 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, 2011?

A copy of Ampal's 2011 annual report on Form 10-K containing the Company's audited financial statements for the fiscal year ended December 31, 2011 has been mailed with this Proxy Statement to all holders of Class A Stock entitled to vote at the Annual Meeting on or about May 16, 2012. 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: Who are the principal shareholders of Ampal and how will they vote?

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 61.5% of the voting power of our Class A Stock (excluding shares issuable upon the exercise of outstanding options). 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, 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, 2012, and in favor of the Company's Reverse Stock Split.

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

The costs of preparing, assembling and mailing the Notice of Annual Meeting of Shareholders, this Proxy Statement and the proxy card, are 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, 2012, 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. As of April 30, 2012, a quorum of shares of Class A Stock outstanding (excluding treasury shares) 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 FOR THE RATIFICATION OF THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, AND AGAINST THE REVERSE STOCK SPLIT. 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 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, Revital Degani, Menahem Morag, Erez Meltzer, Daniel Vaknin, Irit Eluz and Sabih Saylan. 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, 2012?

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, 2012 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, 2012.

Q: How many votes are needed for the approval of the Reverse Stock Split?

The approval of the Reverse Stock Split requires a majority of the votes of the holders of shares of Class A Stock then outstanding entitled to vote, present in person or represented by proxy at the Annual Meeting. The Board of Directors of Ampal unanimously recommends the approval of the Company's Reverse Stock Split.

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. As you may know, the Dodd-Frank Wall Street Reform and Consumer Protection Act, required, among other things, that national securities exchanges revise their rules to prohibit brokers from voting shares they do not beneficially own, unless they have specific voting instructions from the beneficial owners, in connection with the election of directors (except for a vote with respect to an uncontested election of a member of a board of directors of a registered investment company), executive compensation proposals, and any other “significant matter” as determined by the SEC. As a result, the NASDAQ Stock Market recently revised its rules to prohibit brokers from voting on a discretionary basis on any of the matters set forth in the preceding sentence. Therefore, your broker will not be able to vote on your behalf with respect to the election of directors without voting instructions from you.

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 eight. The Board recommends that the shareholders elect the eight 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	66	Chairman of the Board, Director, President and CEO	2002
Leo Malamud	60	Director	2002
Menahem Morag	61	Director	2004
Daniel Vaknin	57	Director	2008
Erez I. Meltzer	55	Director	2008
Irit Eluz	45	Senior Vice President – Finance and Treasurer, CFO and Director	2010
Sabih Saylan	53	Director	2010
Revital Degani	56	Director	2011

YOSEF A. MAIMAN, 66, 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 and member of the Controlling Shareholder Group, since its founding in 1975. Mr. Maiman is the Chairman of the Board of Directors of Gadot (as defined below), a wholly owned subsidiary of the Company. 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”), an Israeli public company, a foreign private issuer, traded on NASDAQ. Eltek is a leading Israeli printed circuit boards (PCB) manufacturer and developer, and of East Mediterranean Gas Company S.A.E. (“EMG”), in which the Company has a 12.5% interest. Mr. Maiman is an 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. Mr. Maiman, as Chairman, President and Chief Executive Officer of the Company, has approximately six years of management and operating experience with the Company and approximately ten years of experience leading the Board as its Chairman. As a member of the Controlling Shareholder Group since 2002, Mr. Maiman’s interests are aligned with that of the other shareholders of the Company. Mr. Maiman has extensive experience with the types of international business transactions that the Company engages in and has an in-depth knowledge of the business of the Company’s operating subsidiaries. Based on his current role as President and Chief Executive Officer of the Company, his history with the Company and his experience with international business transactions, Mr. Maiman provides the Board with skillful leadership and in-depth knowledge of the Company’s business.

LEO MALAMUD, 60, 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, EMG, Channel 10, 10 News Ltd. and Nana 10 Ltd. Mr. Malamud, as Senior Vice President of Merhav, a company specializing in developing complex international projects, including in the energy sector and in developing countries. Merhav is also a member of the Controlling Shareholder Group. Mr. Malamud is also a director of Gadot, one of the Company's largest operating subsidiaries, and together with his other directorships and experience with Merhav, Mr. Malamud brings to the Board extensive experience and knowledge of the Company's business as it relates to international transactions and the energy and chemicals industry.

MENACHEM MORAG, 61, 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. From 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. From 2006 to 2010, Mr. Morag served 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. In 2010, Mr. Morag was promoted to Senior Deputy General Manager of Union Bank of Israel Ltd. Mr. Morag, through his experience as Head of Finance and Budget at the Israeli Prime Minister's office in Tel Aviv and as Deputy General Manager – Head of Resources Division of Union Bank of Israel Ltd., brings to the Board a broad-based and extensive background in finance, which strengthens the Board's ability to analyze the financial aspects of the Company's various transactions. Mr. Morag is also an independent director under the rules of the NASDAQ Stock Market, serves as a member of the Company's Audit Committee and is an "audit committee financial expert" for purposes of the rules promulgated by the SEC.

DANIEL VAKNIN, 57, has been a director of Ampal since November 5, 2008. Since 2011, Mr. Vaknin has been the Chief Executive Officer and owner of Dany Vaknin Management and Investments Ltd., a private Israeli company in the business of finance consultancy and investment banking. From August 2007 to November 2011 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. Mr. Vaknin brings to the Board extensive and in-depth experience and knowledge of finance and accounting through his prior experience as a former Senior Partner at Kesselman & Kesselman and through his various positions with finance and investment firms. Mr. Vaknin is also an independent director under the rules of the NASDAQ Stock Market, serves as a member of the Company's Audit Committee and is an "audit committee financial expert" for purposes of the rules promulgated by the SEC.

EREZ I. MELTZER, 55, 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, and since 2010, Mr. Meltzer has been the Chairman of the Board of Directors 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 serves as an external director of Gaon Industries Ltd. and as the Chairman of the Board of Directors of Ericom Software Ltd. Mr. Meltzer served as a colonel in the Israeli Defense Forces – Armored Corps (reserves). Mr. Meltzer has been the Chairman of the Lowenstein Hospital Friends Association since 1999, and the honorary chairman of the Israeli Chapter of YPO (the Young Presidents Organization). Mr. Meltzer brings to the Board strong leadership and management skills through his various chief executive positions with private and public companies and his current position as Chief Executive Officer of Gadot, one of the Company's largest operating subsidiaries. His knowledge of Gadot's business and strategy to strengthen its business is an invaluable asset to the Board.

IRIT ELUZ, 45, has been a director of Ampal since May 5, 2010. Ms. Eluz has been the Chief Financial Officer and Senior Vice President – Finance and Treasurer of Ampal since October 2004. From May 2002 until October 2004, Ms. Eluz was Chief Financial Officer and Vice President – Finance and Treasurer. Ms. Eluz serves as a director of Gadot. Since July 2006, Ms. Eluz has been an external 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.

SABIH SAYLAN, 53, has been a director of Ampal since May 5, 2010. Since 2006, Mr. Saylan has been a Senior Vice President of Merhav, and a Vice President of Merhav since 1997. Mr. Saylan, through his 32 years of experience with Merhav and as a member of the Controlling Shareholder Group, brings to the Board a broad-based and in-depth knowledge of the types of international business transactions in which the Company typically engages.

REVITAL DEGANI, 56, has been a director of Ampal since May 5, 2011. Since 2003, Ms. Degani has been the Chief Executive Officer and owner of Engineering Control Ltd., a private Israeli company in the business of engineering consultancy and supervising services. Since 2007, Ms. Degani has been an External Director and a member of the audit committee of Isrotel Ltd., an Israeli public company which owns and operates a chain of hotels in Israel. From 2007 to 2010, Ms. Degani was a Director and a member of the audit committee of Euro-Globe Overseas (1986) Ltd., an Israeli public company. Since March 2012, Ms. Degani has been an external director and member of the audit committee of Euro Globe Limited, an Israeli public company. From 2000 to 2006, Ms. Degani was an independent director and a member of the audit and executive committees of Eltek. Ms. Degani holds an LLB degree from the Tel Aviv University, practices law and acts as a mediator. During her career Ms. Degani has also been an internal legal counsel, company secretary and commercial manager in several public and private Israeli companies. Ms. Degani, through her diverse experience, as a lawyer, executive positions and internal legal counsel to several public and private companies, and as an independent director and audit committee member in public companies, one of which is traded on NASDAQ, brings to the Board a broad based and extensive background in the legal, finance and management fields. Ms. Degani is also an independent director under the rules of the NASDAQ Stock Market and serves as a member of the Company's Audit Committee.

There are no family relationships between any of Ampal's directors and executive officers.

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 or her successor shall be elected and qualified.

Q: What type of compensation do directors receive?

Directors of Ampal (other than Messrs. Maiman and Meltzer and Ms. Eluz) receive \$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.

Mr. Vaknin is entitled to \$40,000 per year and Mr. Morag and Ms. Degani are entitled to \$30,000 per year, for attending Audit Committee and Special Committee meetings. Each of Messrs. Vaknin and Morag and Ms. Degani are additionally entitled to a fee of \$2,000 per Audit Committee meeting attended.

In connection with the formation of the Special Committee on October 28, 2004, the Company entered into an Indemnification and Compensation Agreement with Mr. Morag. The Company entered into the Indemnification and Compensation Agreement with Mr. Vaknin and Ms. Degani when each of them 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/her service on, and any matter or transaction considered by, the Special Committee to the fullest extent authorized or permitted by law.

On May 5, 2011, the Board of Directors approved the grant, pursuant to the Company's 2010 Incentive Plan, to Ms. Revital Degani, of an option to purchase 180,000 shares of Class A Stock at an exercise price of \$1.21 per share, vesting in sixteen equal installments beginning on August 5, 2011.

For information concerning compensation and option grants to Mr. Maiman, Ms. Eluz and Mr. Meltzer, please see "Q:How are the Company's executives compensated?" below.

Director Compensation For Fiscal Year Ended December 31, 2011

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option(1)(2) Awards (\$)	Non-equity incentive plan compensation (\$)	Nonqualified deferred compensation earnings (\$)	All other compensation	Total compensation (\$)
Yehuda Karni	25,204						25,204
Menahem Morag	44,000	--	--	--	--	--	44,000
Leo Malamud	--	--	--	--	--	--	--
Dr. Yossi Yerushalmi	6,000	--	--	--	--	--	6,000
Dr. Nimrod Novik	2,000	--	--	--	--	--	2,000
Joseph Geva	2,000	--	--	--	--	--	2,000
Daniel Vaknin	50,032	--	--	--	--	--	50,032

Erez Meltzer	--	--	--	--	--	--
G i d e o n Weinstein	6,000	--	--	--	--	6,000
Sabih Saylan	6,000	--	--	--	--	6,000
Revital Degani(3)	21,177	--	137,802	--	--	158,979

(1) Represents the grant date fair value in 2011 in accordance with ASC 718 for stock options. The grant date fair values have been determined based on the assumptions and methodologies set forth in Note 13 of our financial statements filed on Form 10-K for fiscal year 2011.

(2) At December 31, 2011, options to purchase the following numbers of shares of Class A Stock were outstanding and held by our directors (except for Mr. Maiman, Ms. Eluz and Mr. Meltzer): 168,750 shares for Mr. Karni, 180,000 shares for Mr. Morag, 180,000 shares for Mr. Malamud, 180,000 shares for Mr. Yerushalmi, 180,000 shares for Mr. Vaknin, 180,000 shares for Mr. Weinstein, 180,000 for Mr. Saylan and 180,000 for Ms. Degani.

(3) In fiscal year 2011, Ms. Degani was granted an option to purchase 180,000 shares of our Class A Stock, each with a grant date fair value of \$1.21.

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, 2011:

	2011
Revital Degani (1)	180,000

(1) Director since May 5, 2011.

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

Yes. Effective January 1, 2012, the Company purchased directors and officers liability policies in the aggregate amount of \$45,000,000 (\$20,000,000 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 Insurance Company Limited, Lloyds Syndicate 2003 (Catlin), Liberty Mutual Insurance Europe Limited, Axis Insurance and Starr Underwriting Agents Limited. The cost of the policies, which expire January 1, 2013, was \$316,800.

Q: Does the Board of Directors have any committees?

Yes. The Board of Directors has the following standing committees: Audit Committee, Executive Committee, Special 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 Stock Market. As a result, the Company is exempt from the NASDAQ Stock 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) the election or recommendation of director nominees for selection by the Board by a majority of the independent directors or a nominating committee composed solely of independent directors. The Company has an Audit Committee of the Board consisting of three independent directors as defined under the rules of the NASDAQ Stock Market and the rules promulgated by the SEC. Other than the members of the Audit Committee, Messrs. Vaknin and Morag and Ms. Revital Degani, 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.

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 Stock 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 Stock 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 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 Stock 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.

Audit Committee

The Audit Committee currently consists of Messrs. Vaknin and Morag and Ms. Degani, each of whom is an independent director as defined under the rules of the NASDAQ Stock Market and the rules promulgated by the SEC. The Board has determined that Messrs. Vaknin and Morag and Ms. Degani are “audit committee financial experts” for purposes of the rules promulgated by the SEC. The Audit Committee held nine meetings during the fiscal year ended December 31, 2011.

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 uses 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 2004 and is also available on the Company’s website at 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, 2011.

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.

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, 2011.

AUDIT COMMITTEE

Daniel Vaknin, Chairman
Menahem Morag
Revital Degani

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, 2011, the Executive Committee of the Board was composed of the following individuals: Yosef A. Maiman, Leo Malamud, Dr. Joseph Yerushalmi and Menahem Morag.

The Executive Committee held no meetings and acted once by written consent during the fiscal year ended December 31, 2011.

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, 2011, the members of the Stock Option and Compensation Committee were Daniel Vaknin, Menahem Morag and Revital Degani, each of whom is an independent director as defined under the rules of the NASDAQ Stock Market and the SEC. The Stock Option and Compensation Committee held two meetings and did not act by written consent during the fiscal year ended December 31, 2011.

In light of the fact that the Company is a "controlled company" under the rules of the NASDAQ Stock Market and the fact that Mr. Yosef A. Maiman is the Chief Executive Officer of Ampal, the Board decided, as follows: The Stock Option and Compensation Committee will 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 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.

Special Committee of the Board

On October 28, 2004, the Board formed a Special Committee of the Board which is now composed of Messrs. Daniel Vaknin and Menahem Morag and Ms. Revital Degani, each of whom is an independent director. The Special Committee held one meeting and acted once by written consent during the fiscal year ended December 31, 2011.

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, with respect to his reviewing 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 2011?

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, 2011 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, 2011 (during the period of such service). In total, the Board held 6 regularly scheduled meetings during the fiscal year ended December 31, 2011 and acted 3 times by written consent during the fiscal year ended December 31, 2011.

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 2011 annual meeting of shareholders.

Board Leadership Structure and Risk Oversight

The Board of Directors believes that combining the Chairman of the Board of Directors and Chief Executive Officer positions is the appropriate board leadership structure for the Company. The Board of Directors believes that the Chief Executive Officer is most knowledgeable about the Company's business and corporate strategy and is in the best position to lead the Board of Directors. Mr. Maiman, the Chairman and Chief Executive Officer, is also a member of the Controlling Shareholder Group. Because the Company is a "controlled company" under the rules of the NASDAQ Stock Market, it does not have a majority of independent directors, and it also does not have a lead director.

The Board of Directors as a whole is responsible for risk oversight for the Company. The Board of Directors risk oversight process builds upon management assessment of the Company's risks and processes for managing and mitigating such risks. The Company does not consider diversity when making a determination on nominations for director. At meetings of our Board of Directors, the executive officers of the Company address and discuss with our Board of Directors risks of the Company and the manner in which the Company manages or mitigates its risks. While our Board of Directors has the ultimate responsibility for risk oversight for the Company, our Board of Directors works in conjunction with its committees on certain aspects of its risk oversight responsibilities. In particular, the Audit Committee focuses on financial reporting risks and related controls and procedures. The Special Committee and/or the Audit Committee have oversight of and assess risks associated with related party transactions. The Stock Option and Compensation Committee and Mr. Maiman strive to create compensation practices that do not encourage excessive levels of risk taking that would be inconsistent with the Company's strategy and objectives.

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, 2012. 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 in relation to the Company and its subsidiaries?

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, 2011 and December 31, 2010 and reviewing the financial statements included in the Company's quarterly reports on Form 10-Q were \$787,395 and \$780,310, respectively.

AUDIT-RELATED FEES. Kesselman & Kesselman's fees for audit related services for the fiscal years ended December 31, 2011 and December 31, 2010 were \$93,381 and \$107,879, respectively.

TAX FEES. Kesselman & Kesselman's tax fees for the fiscal years ended December 31, 2011 and December 31, 2010, were \$283,052 and \$236,954, respectively.

ALL OTHER FEES. Kesselman & Kesselman's fees for other services for the fiscal years ended December 31, 2011 and December 31, 2010, were \$365,040 and \$108,812, respectively.

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 & Kesselman is compatible with maintaining the auditor's independence.

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 details 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, Ms. Irit Eluz, Senior Vice President and Chief Financial Officer 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, Ms. Eluz 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.

YORAM FIRON, 43, 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, 42, has been Vice President – Investments since March 2003. Since 2011, Mr. Mantsur has served as a director of 10 News Ltd. Since 2009, Mr. Mantsur has served as a director of Eltek. From 2006 to 2010, Mr. Mantsur was an external director of Valor Computerized Systems Ltd. From September 2000 until December 2002, Mr. Mantsur served as Strategy & Business Development Manager at Alrov Group.

NIR BERNSTEIN, 46, joined Ampal on October 4, 2010, and on March 20, 2012, was appointed as Ampal's Controller. From August 1997 until September 2010, Mr. Bernstein was employed by the accounting firm of PWC – Kesselman & Kesselman and had served as a senior manager at said firm since July 2004.

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 officer of the Company, and the other two most highly compensated executive officers of the Company. These individuals are referred to as the "Named Executive Officers" in this Report.

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 (except for Mr. Meltzer – see also "Compensatory Arrangement with Certain Officer" below).

Although the Company reviews salaries paid by other similarly situated companies in the United States and Israel to assess the current market, it does not use benchmarks or peer group rankings or apply targeted parameters.

Responsibilities

The Compensation Committee is composed of independent directors as defined under the rules of the NASDAQ Stock Market 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 director 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.

Compensation Decisions for 2011

Base Salary and Cash Bonus

For the year ended December 31, 2011, Mr. Maiman, in his sole discretion, determined the base salary for Ms. Irit Eluz. The compensation of Mr. Erez Meltzer is determined in accordance with his employment agreement, which is described under the heading "Compensatory Arrangement of Certain Officer."

In December 2010, Mr. Maiman set the base salary for Ms. Eluz for 2011 and took into account her leadership roles in supervising other members of management in general and with regard to various key business transactions of the Company during 2010 and Ms. Eluz's expected performance during 2011, her continued service as CFO of the Company since 2002 and the overall performance of her duties with the Company. In spite of Ms. Eluz's achievements and successful performance during 2011 and due to the Company's current financial status, Ms. Eluz did not receive a cash bonus for 2011.

For Mr. Maiman, the Stock Option and Compensation Committee determined his base salary for 2011 by taking into account Mr. Maiman's overall performance as the leader of the Company and his roles in consummating the various key business transactions entered into by the Company during 2010 and 2011. Mr. Maiman's base salary for 2011 was determined in reference to his performance during 2010 and 2011. In spite of Mr. Maiman's achievements and successful performance during 2011 and due to the Company's current financial status, the Stock Option and Compensation Committee was not convened in order to determine Mr. Maiman's cash bonus for 2011 and he did not receive such cash bonus.

Both Mr. Maiman and the Stock Option and Compensation Committee determined that their respective decisions regarding base salaries and cash bonuses paid to the Named Executive Officers were appropriate in light of the general compensation levels paid by other similarly situated companies in the United States and Israel, although no benchmarks, specific comparables or targeted parameters were used.

Although Mr. Maiman and the Stock Option and Compensation Committee took into account the foregoing factors in determining the base salaries and cash bonuses of the Named Executive Officers, there are no formulas or metrics to tie these factors to the actual amounts of the Named Executive Officers' respective base salaries and cash bonuses, which are determined in the sole discretion of Mr. Maiman or the Stock Option and Compensation Committee, as applicable. For the actual amounts of base salaries and cash bonuses paid to the Named Executive Officers, see the Summary Compensation Table below.

Long-Term Equity Grants

On May 5, 2011, the Board of Directors approved the grant of stock options to Ms. Revital Degani, as described in “Elements of Compensation—Long-Term Equity Incentive Compensation” above.

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 Incentive Plan, including the Named Executive Officers. The Compensation Committee and the Board of Directors believed that, as a result of the outstanding options having exercise prices well above the then recent trading price of Class A Stock, the outstanding options were no longer achieving the purposes for which they were intended and that it was in the best interest of the Company to reprice the outstanding options in order to provide adequate incentives to the option holders. See “Stock Option Plans” below.

On March 8, 2010, the Stock Option and Compensation Committee approved the grant to the following executive officers of options to purchase, in the aggregate, 730,000 shares of Class A Stock, pursuant to the Company’s 2000 Incentive Plan: (i) to Yosef A. Maiman, options to purchase 340,000 shares of Class A Stock; (ii) to Irit Eluz, options to purchase 205,000 shares of Class A Stock; and (iii) to Amit Mantsur, options to purchase 185,000 shares of Class A Stock. The options have a ten year term beginning on the date of grant and vest in sixteen equal quarterly installments. The exercise price of the options is \$2.95 per share.

On October 5, 2010, the Board of Directors approved the Ampal-American Israel Corporation 2010 Incentive Plan (the “2010 Incentive Plan”), which was ratified by the Company’s stockholders at the Annual Meeting on May 5, 2011, to assist the Company in attracting and retaining selected individuals to serve as directors, employees, consultants and/or advisors of the Company. The Board of Directors believed that since the 2000 Incentive Plan was no longer valid, it was in the best interest of the Company to approve a new incentive plan in order to attract and retain directors, employees, consultants and/or advisors of the Company. See “Stock Option Plans” below.

On May 5, 2011, the Board of Directors approved the grant to Revital Degani options to purchase 180,000 shares of Class A Stock, at exercise prices equal to the most recent per share closing price on NASDAQ of the Class A Stock, vesting in sixteen equal installments beginning on August 5, 2011.

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.

Compensatory Arrangement of Certain Officer

On November 1, 2008, Erez I. Meltzer was appointed Chief Executive Officer of Gadot Chemical Tankers and Terminals Ltd. (“Gadot”), a wholly-owned subsidiary of Ampal. On April 13, 2009, Mr. Meltzer entered into an employment agreement with Gadot, dated as of April 13, 2009 (the “Agreement”). Pursuant to the Agreement, Mr. Meltzer is entitled to a monthly salary of NIS 157,625 (approximately \$37,782) (the “Base Salary”) and an annual bonus equal to 2% of the pre-tax annual operating profit for Gadot, as determined under International Financial Reporting Standards rules.

Pursuant to the Agreement, Gadot granted Mr. Meltzer options to purchase 3,565,228 shares of capital stock of Gadot (the “Options”), representing approximately 5% of Gadot’s outstanding shares, which shall vest as follows: options for 376,336 shares were immediately vested and, options for 227,778 shares shall vest at the end of each calendar quarter. The Options shall expire on the date (the “Option Expiration Date”) which is earlier of (x) April 12, 2014 or (y) 90 days after the termination of Mr. Meltzer’s employment. Mr. Meltzer may exercise such Options only upon the occurrence of: (i) the public issuance of shares of capital stock of Gadot; (ii) a merger between Gadot and another company, provided that such company did not control Gadot prior to the merger; (iii) a change of control of Gadot; or (iv) the cessation of Gadot’s commercial activities (each an “Entitling Transaction”). The exercise price of the Options shall be a price per share equal to NIS 488,179,254 (approximately \$117,013,244) divided by the number of shares of Gadot outstanding as of the date of the Agreement (the “Exercise Price”).

At any time prior to the Option Expiration Date, Mr. Meltzer shall have the option (the “Put Option”) to sell to Gadot the vested Options for an amount equal to the Current Price per share less the Exercise Price. “Current Price” is based on a valuation of Gadot using a fixed multiple of EBITDA less the net sum of certain financial obligations (as more specifically set forth in the Agreement).

If an Entitling Transaction occurs before October 30, 2012, the Put Option price per share will be the higher of the Current Price or the share price as valued in the Entitling Transaction. Beginning on the date of the initial exercise of a Put Option through the second anniversary of the Option Expiration Date, if and when Gadot generally pays a dividend, Gadot shall pay Mr. Meltzer an amount equal to the dividends that would have been paid on the number of shares covered by the Options sold to Gadot pursuant to the exercise of his Put Option as if Mr. Meltzer still owned such shares. If no Entitling Transaction has occurred by the Option Expiration Date, then Gadot shall be entitled to purchase from Mr. Meltzer all of the vested Options that have not been sold pursuant to the Put Option for an amount equal to the Current Price less the Exercise Price.

Under the Agreement, Mr. Meltzer is entitled to sick leave and a certain number of paid vacation days, as well as the use of a car, mobile phone, telephone expenses, and stipends for traveling out of the country from time to time, each to be paid for by Gadot. In addition, Mr. Meltzer is entitled to certain severance, retirement and other benefits that are customary in Israel for employees in comparable positions and which shall be provided for in part by contributions made by Gadot and in part by contributions made by Mr. Meltzer.

Perquisites

As is customary in Israel, we provide each Named Executive Officer with the use of a car, mobile phone, 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 provides 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.

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 customary in Israel, the Company also reimburses the Named Executive Officers for taxes associated with Company contributions to this fund beyond the maximum contributed amount allowed according to Israeli tax law.

Vacation Provision and Recreation Pay

The Named Executive Officers are eligible to take one month vacation per year. Additionally, pursuant to Israeli employment laws, each Named Executive Officer is entitled to a certain amount of recreation pay to be used for any other purpose. Each Named Executive Officer is entitled to receive 13 days of recreation pay, which amounts to approximately \$1,690 on an annual basis.

Stock Ownership and Retention Guidelines

The Company does not have any stock ownership or retention guidelines or policies.

Summary Compensation Table For Fiscal Year Ended December 31, 2011

The following table sets forth all of the compensation awards to our Named Executive Officers for the year ended December 31, 2011.

Name and Principal Position	Year	Salary(6) \$	Bonus(6) \$	Stock awards \$	Option Awards (6)(7) \$	Nonequity incentive plan compensa-tion \$	Nonqualified deferred compensation earnings \$	All Other Compensation (5) \$	Total(5) \$
Yosef A. Maiman (1) Chairman of the Board, President and CEO	2011	1,209,671	--	--	--	--	--	610,795(7)	1,820,466
	2010	1,088,525	1,267,963	--	447,255	--	--	629,530(8)	3,433,273
Irit Eluz (2) (4) CFO – SVP Finance & Treasurer	2011	518,413	--	--	--	--	--	581,740(9)	1,100,153
	2010	440,450	380,389	--	269,668	--	--	--	--