

# AMPAL-AMERICAN ISRAEL CORPORATION

1177 Avenue of the Americas  
New York, New York 10036

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD SEPTEMBER 22, 1994

### To the Shareholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of the holders of the Class A Stock and Common Stock of Ampal-American Israel Corporation (the "Company" or "Ampal") will be held at the offices of Bank Hapoalim B.M., 1177 Avenue of the Americas, 14th Floor, New York, New York 10036, on Thursday, September 22, 1994, at 9:00 a.m. local time, to consider and act upon the following matters:

1. The election of a Board of Directors for the ensuing year, 4 of whom will be Class A directors, elected solely by the holders of the Class A Stock, and 9 of whom will be Common/Class A directors, elected by the holders of the Class A Stock and Common Stock, to serve until their successors shall be elected and qualified; and
2. Approval of the Company's 1993 Stock Option Plan; and
3. The transaction of such other business as may properly come before said meeting or any adjournment thereof.

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

The close of business on August 8, 1994, has been fixed as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

Please vote, date, sign and mail the enclosed Proxy in the return envelope. You will need no postage if you mail it in the United States. A prompt response will be helpful and appreciated.

By Order of the Board of Directors,

**MICHAEL K. MARKS**  
Secretary

New York, New York  
August 11, 1994

Regardless of whether you expect to be present at the Annual Meeting, please complete, date, sign and mail the enclosed proxy card for the shares held by you. An addressed envelope is enclosed for your convenience.

**AMPAL-AMERICAN ISRAEL CORPORATION**

**PROXY STATEMENT**  
for  
**ANNUAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON SEPTEMBER 22, 1994**

This Proxy Statement is furnished to the holders of Class A Stock of Ampal-American Israel Corporation (the "Company" or "Ampal") in connection with the solicitation of proxies on behalf of the Board of Directors for use at the Annual Meeting of Shareholders of the Company to be held on September 22, 1994, for the purposes set forth in the accompanying Notice of Annual Meeting. The cost of preparing, assembling and mailing the Notice of Annual Meeting, this Proxy Statement and the proxies is to be 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. The approximate mailing date of this Proxy Statement is August 11, 1994.

The accompanying proxy is being solicited by the Board of Directors of the Company and, if properly executed by a shareholder entitled to vote, the shares represented by the proxies received will be voted at the Annual Meeting. A proxy may be revoked at any time before its exercise. A shareholder may revoke his proxy by filing with the Secretary of the Company an instrument of revocation or a duly executed proxy bearing a later date, or by attendance at the annual meeting and voting in person. Attendance at the Annual Meeting will not in and of itself constitute the revocation of a proxy.

The close of business on August 8, 1994 has been fixed by the Board of Directors as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting. At such date, the Company had outstanding 20,752,020 shares of Class A Stock. Each share of Class A Stock outstanding on the record date will be entitled to one vote on all matters to come before the Meeting. As of the record date, the Company had outstanding 3,000,000 shares of Common Stock. Holders of the Common Stock of the Company will also be eligible to vote at the Meeting. Other than in the election of Class A directors, where only the holders of the Class A Stock, voting as a separate class, are entitled to vote, the holder of the Common Stock, voting as a separate class, is entitled to cast as many votes as shall equal the aggregate number of votes to which all holders of Class A Stock attending the meeting in person or by proxy shall be entitled, but in no event more than ten votes per share of Common Stock. The shares of Common Stock and Class A Stock do not have cumulative voting rights, which means that any holder of more than 50% of the Common Stock can, if such person owns at least one share of Class A Stock, elect all of the Common/Class A directors if that person chooses to do so. Accordingly, since Bank Hapoalim B.M., the Company's parent ("Hapoalim"), is the holder of 100% of the outstanding Common Stock of the Company and approximately 49.7% of the Class A Stock, it can cause the election of all of the directors of the Company other than the Class A Directors and can determine the outcome of other matters requiring a majority vote, if it chooses to do so, and will likely be able to cause the election of all of the Class A Directors. Bank Hapoalim has advised the Company that it intends to vote in favor of the nominees named herein as directors and to approve the Company's 1993 Stock Option Plan.

Under the law of New York, Ampal's state of incorporation, "votes cast" at a meeting of stockholders by the holders of shares entitled to vote are determinative of the outcome of the election of directors. Abstentions and broker non-votes will not be considered "votes cast" based on Ampal's understanding of state law requirements and Ampal's Certificate of Incorporation and By-laws.

A copy of the Annual Report to the Shareholders for the year 1993 containing financial statements of the Company has been mailed to you previously.

## NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

The Company's By-Laws provide that the entire Board shall be constituted of not less than 3 nor more than 29 persons, with the actual number serving set by the Board of Directors or the shareholders. The Board has set the number of directors at 13. Pursuant to the terms of the Company's Certificate of Incorporation, as amended, the holders of the Class A Stock have the right to elect 25% of the Board of Directors, with the remaining directors to be elected by both the holders of the Common Stock and Class A Stock. Proxies of the holders of Class A Stock, unless otherwise specified, will be voted for the election of the 4 Class A nominees named below, constituting more than 25% of the Board of Directors, and the 9 Common/Class A nominees named below, each to hold office for the term of one year and until his or her successor shall be elected and qualified. In case any nominee should become unavailable for election to the Board of Directors 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. Proxies cannot be voted for a greater number of persons than the number of nominees set forth herein.

All nominees except Mr. Abend, Mr. Hochberg and Mr. Kronish are members of the present Board of Directors of the Company. Directors of Ampal who are not employees of the Company or of its parent company receive \$500 per board meeting attended. Such persons also receive \$500 for attendance at meetings of committees of the Board of Directors, provided that such meetings are held on separate days.

The following is a description of the nominees, their ages, their principal occupations for the past five years and their tenure on the Board of Directors. An explanation of the symbols following the names of the nominees appears at the conclusion of this list.

### CLASS A DIRECTORS

HARRY B. HENSHEL, (2) 75, has been Chairman of the Board of Bulova Corporation since 1974. He also has served as Chairman of the Chief Executives Council of Omega Group since 1990 and as a Director of the Ponce Hotel Corporation for more than 20 years and the Universal Holdings Corp. since 1993. He has been a member of the advisory Board of the New York State Business Partnership for more than 5 years and a Trustee of the New York Backstretch Employees Pension Trust for more than 10 years. He served on the Board of Directors of Ampal Industries, Inc. from 1982 until 1990. He became a director of Ampal in September 1993.

HERBERT KRONISH, 68, has been a Senior Partner of Kronish, Lieb, Weiner & Hellman and its predecessor partnerships ("KLWH") since 1958. KLWH has been legal counsel to Ampal since 1982.

LEON RIEBMAN, 74\*, has been Chairman and Chief Executive Officer and a director of AEL Industries, Inc., an electronic defense system manufacturer for more than five years. He is also a director of the Bank and Trust Company of Old York Road. He became a director of Ampal in 1979.

EVELYN SOMMER, 55 (2)(3), has been President of Women's International Zionist Organization-USA, and a representative of Women's International Zionist Organization to the United Nations for more than five years, and has been Chairman, American Section of the World Jewish Congress since December 1990. She became a director of Ampal in 1982.

### COMMON/CLASS A DIRECTORS

ARIE ABEND, 57, has been a Joint Managing Director of Hapoalim since February 1994. From 1986 until February 1994, he was a Senior Deputy Managing Director of Hapoalim. From 1984 until 1985, and in 1991, he served as a director of Ampal.

MICHAEL ARNON, (1) 69, was Chairman of the Board of Directors of Ampal from November 1990 to July 1994. From July 1986 until November 1990, he was President and Chief Executive Officer of Ampal. From March 1983 until April 1990 he also served as a director of Israel Continental Bank Ltd., a partially-owned subsidiary of Hapoalim, where he had been an Alternative Chairman of the Board until 1987. He became a director of Ampal in 1986.

STANLEY I. BATKIN, (1)(3) 78, served on the Board of Directors of Ampal Industries, Inc. from 1983 until 1990, and was a member of its Executive Committee from 1986 until 1990. He became a director of Ampal in 1991. During 1993, Mr. Batkin filed, not on a timely basis, one Initial Statement of Beneficial Ownership of Securities and one Statement of Changes in Beneficial Ownership of Securities regarding one transaction.

YAACOV ELINAV, (1)(4) 49, has been a Member of the Board of Management of Hapoalim since October 1991 and a Senior Deputy Managing Director of Hapoalim since August 1992. From October 1991 to August 1992, he was a Deputy Managing Director of Hapoalim. From October 1988 to October 1991 he was head of the Corporate Division of Hapoalim. From 1983 to October 1988 he was Manager of the New York Branches of Hapoalim. He became a director of Ampal in 1992.

IRWIN HOCHBERG, 66, has been a Senior Partner and President of Bloom Hochberg & Co., P.C., CPA's, at which he provides professional and consulting services to investment banking firms, for more than five years. He also serves as a director of Transmedia Network, Inc.

LAWRENCE LEFKOWITZ, (1) 56, has been President and Chief Executive Officer of Ampal since November 1990. Until then he was Vice President-Legal and Secretary of Ampal for more than five years. In August 1990 he also became Counsel to Hapoalim in charge of the Legal Department for the United States Branches. He became a director of Ampal in 1990.

EITAN RAFF, (3) 52, has been Alternate Chairman of the Board of Maritime Bank since November 1992, where he had been Chairman of the Board from August 1988 until November 1992. He also serves as a Director of Wolfson Clore Mayer Ltd., a diversified investment company, where he had been Managing Director from July 1987 until April 1992 and as Chairman of Mirage Development Ltd., Yozma Venture Capital Ltd. and Karta Jerusalem Development Centre. He became a director of Ampal in 1987.

SHIMON RAVID, (4)\* 58, has been a Joint Managing Director of Hapoalim since February 1994. From October 1989 until February 1994, he was a Senior Deputy Managing Director of Hapoalim. From February 1988 until June 1989 he was Chief Financial and Operating Officer of Koor Industries Ltd. He became a director of Ampal in 1990.

SHLOMO RECHT, (1) 52, has been Chairman of the Board of Directors of Ampal since July 1994. From March 1994 until July 1994, he was Vice Chairman of the Board of Directors of Ampal. From April 1990 until March 1994, he was Managing Director of Poalim Capital Markets and Investments Ltd. From October 1988 until March 1990, he was Assistant Managing Director of Hapoalim. From 1988 until 1989, and since March 1994, he has served as a director of Ampal.

The symbols described below, which follow the names of some of the foregoing nominees, designate committee membership or committee attendance:

- (1) Member of the Executive Committee of the Board of Directors which meets as necessary between regularly scheduled Board of Directors meetings and, consistent with certain statutory limitations, exercises all the authority of the Board of Directors.
- (2) Member of the Audit Committee of the Board of Directors which reviews functions of the outside auditors, auditors' fees, and related matters.
- (3) Member of the Related Party Transactions Committee of the Board of Directors which reviews and passes upon the fairness of business transactions between the Company and Bank Hapoalim or other related parties.
- (4) Members of the Stock Option Committee of the Board of Directors which administers the Company's 1993 Stock Option Plan.

\* The Board of Directors met 3 times, the Executive Committee met 1 time, the Audit Committee met 2 times, the Related Party Transactions Committee met 1 time and the Stock Option Committee did not meet during 1993. An asterisk (\*) denotes that such individual attended fewer than 75% of the aggregate of (1) the total number of Board of Directors meetings held during the period in 1993 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 1993 (during the period of such service).

### **EXECUTIVE OFFICERS**

Executive officers are elected annually by the Board of Directors of Ampal and its subsidiaries. The following is a description of the executive officers who are not nominees, their ages, their positions and offices with Ampal or its subsidiaries and their principal occupations and employment during the past five years.

ALLA KANTER, 36, has been Controller of Ampal since August 1990. From January 1986 to August 1990, she served as Assistant Controller of Ampal.

MIRI LENT, 37, has been Assistant Vice President-Israel Operations of Ampal since July 1988 and has been employed by Ampal (Israel) Ltd. for more than five years.

MICHAEL K. MARKS, 30, has been Secretary of Ampal since December 1992 and has been employed by Ampal since August 1992. From January 1992 until July 1992, he was an attorney for the law firm of Weitz and Luxenberg, P.C. From August 1988 until May 1991, he attended Emory University School of Law.

MOSHE MOR, 58, has been Vice President-Israel Operations of Ampal for more than five years.

SUSAN ROSENBERG, 50, has been Assistant Treasurer of Ampal since November 1990, and has been employed by Ampal for more than five years.

ALAN L. SCHAFFER, 51, has been Vice President-Finance and Treasurer since August 1990. From December 1988 until then, he was Vice President-Accounting and Controller of Ampal. Prior thereto he was Controller of Ampal, and has been employed by Ampal for more than five years.

### **EXECUTIVE COMPENSATION**

The table below presents information regarding remuneration paid or accrued for services to Ampal and its subsidiaries by the executive officers named below during the three fiscal years ended December 31, 1993.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary(1)	Other Annual Compensation	All Other Compensation
Lawrence Lefkowitz(2) (President and Chief Executive Officer)	1993	\$193,351	\$8,141	\$22,862(3)
	1992	191,961	6,382	21,856(3)
	1991	174,851		20,652(3)
Moshe Mor (Vice President-Israel Operations)	1993	130,213		12,981(4)
	1992	92,763		11,713(4)
	1991	81,879		9,606(4)
Alan L. Schaffer (Vice President-Finance and Treasurer)	1993	130,000		13,839(3)
	1992	127,212		13,277(3)
	1991	116,000		12,000(3)

Miri Lent	1993	105,842	14,756 (4)
(Assistant Vice President-Israel	1992	84,107	11,503 (4)
Operations)	1991	59,996	5,922 (4)

(1) There were 27 pay periods in 1992 and 26 pay periods in each of 1993 and 1991.

(2) Services of Mr. Lefkowitz are shared by Ampal and Hapoalim and Hapoalim reimburses Ampal \$100,000 per year under an arrangement begun in August 1990. Mr. Lefkowitz is employed pursuant to an employment agreement expiring September 12, 1997, renewable thereafter automatically for successive one-year terms unless one year's prior notice is given, providing for the payment of salary which shall not be less than the salary paid to him in 1992 and which salary is subject to annual review.

(3) Comprised of Ampal's contribution pursuant to Ampal's Savings Plan of \$500 per year and the remainder pursuant to Ampal's Pension Plan, described below.

(4) Comprised of Ampal (Israel) Ltd.'s contribution to a pension plan on behalf of Mr. Mor and Ms. Lent.

### Other Benefits

Ampal maintains a defined contribution pension plan for its eligible employees ("Pension Plan"). Eligible employees are all full-time employees of Ampal except non-resident aliens. In 1990, the Pension Plan was amended so that Ampal's contribution was equal to 7% of each employee's basic wages plus 5.4% of the employee's basic wages for that year in excess of the Social Security taxable wage base for that year. In 1994, the Pension Plan was amended so that Ampal's contribution was equal to 7% of each employee's basic wages plus any amount permissible under law, which in 1994 was 5.7%, of the employee's basic wages for that year in excess of the Social Security taxable wage base for that year.

Employees become vested in amounts contributed by Ampal depending on the number of years of service worked, as provided in the following table:

Years of Service	Vested
Percentage: ----- -----	
less than 2 years	0%
2 but less than 3 years	20%
3 but less than 4 years	40%
4 but less than 5 years	60%
5 but less than 6 years	80%
6 or more years	100%

Benefits under the Pension Plan are usually paid either in a lump sum or as an annuity.

Ampal adopted a Severance Plan effective January 1, 1985 for the benefit of employees of Ampal who were employed as of December 31, 1982 and who continued to be so employed as at December 31, 1985. The purpose of the Severance Plan is to provide certain severance compensation to eligible employees which will equal the amount of severance compensation which would have been paid as of the day prior to the adoption of the Pension Plan. The severance compensation to be paid pursuant to this Severance Plan will be adjusted downward to account for any past service amount which has been allocated to such employees' Pension Plan accounts pursuant to the terms of the Pension Plan. The severance compensation will also be adjusted as of December 31 of each year by a percentage which equals the rate of return on assets in the Pension Plan. Payment of severance compensation is required to be made in a lump sum as soon after employment is terminated as practicable unless the full amount of the severance compensation has been previously allocated to such employees' Pension Plan accounts.

Ampal maintains a Savings Plan for its eligible employees pursuant to Section 401(k) of the Internal Revenue Code of 1954. Eligible employees are all employees of Ampal except non-resident aliens and night-shift employees. Participation by employees in the Savings Plan is voluntary. Participating employees may elect to defer a specific limited percentage of their annual compensation (up to 15%) and contribute the same to a self-directed 401(k) savings



account. The amount which any employee could contribute to his or her 401(k) savings account in 1993 was limited by the Tax Reform Act of 1986 to \$8,994. For each plan year Ampal matches 50% of each employee's contribution up to a maximum matching contribution of \$500 for each participant. Participating employees are 100% vested at all times in the account balances maintained in their 401(k) savings account. Benefits under the Savings Plan are required to be paid in a single, lump-sum distribution. Payment is usually made upon attainment of retirement age or termination of employment.

Ampal's 1993 Stock Option Plan, which was adopted by the Board of Directors on November 5, 1993 and amended on March 23, 1994, is subject to approval by the Company's stockholders. See "Approval of 1993 Stock Option Plan."

### **REPORT OF EXECUTIVE COMMITTEE ON EXECUTIVE COMPENSATION**

The Executive Committee of the Board of Directors, whose current members are listed below, pursuant to authority delegated by the Board of Directors to create a policy related to executive compensation, determined that the Company's policy for 1993 regarding executive compensation reflect the following:

1. The assets of the Company are almost entirely located in Israel, where economic and political factors have a greater influence on the performance of the Company than is the case of businesses in the United States. Consequently, while performance of the Company is a factor in determining compensation, it is not the principal factor in determining compensation.
2. The performance of the Company to a large degree reflects the results of investee companies not controlled by the Company and these results should also not be a determining factor regarding compensation.
3. Executives should continue to be compensated on a basis which reflects their contributions to long-term strategic planning and management, as this has the most beneficial effect upon the enhancement of shareholder value.
4. Compensation of executives should reflect factors which include: (a) changes in the cost of living; (b) the absence of a bonus or stock option plan; and (c) performance of the Company to the extent the Committee believes it is unrelated to general economic conditions in Israel and the performance of investee companies.

The compensation of Mr. Lefkowitz, the Company's President and Chief Executive Officer, for the last fiscal year, was determined based upon the terms of his employment agreement, the Executive Committee's application of the foregoing policies and subjective criteria, including its assessment of his performance and contribution in the short and long term.

Michael Arnon	Lawrence
Lefkowitz	
Stanley I. Batkin	Shlomo Recht
Yaacov Elinav	

It should be noted that this policy was adopted, and executive compensation for 1993 was determined, prior to adoption by the Board of Directors of the 1993 Stock Option Plan and that Mr. Recht was appointed to the Executive Committee in March 1994.

### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During 1993, members of the Executive Committee of the Board of Directors which functions as the compensation committee of the Company included: Mr. Arnon, then Chairman of the Board of the Company; Mr. Lefkowitz, President and Chief Executive Officer of the Company and Counsel to Hapoalim; Mr. Warren E. Abrams; Mr. Stanley I. Batkin; Mr. Yaacov Elinav, Senior Deputy Managing Director of Hapoalim; Mr. Eitan Raff; Ms. Evelyn Sommer and Mr. Alexander Yuhjtman, then Executive Vice President, Regional Manager, Western Hemisphere of Hapoalim. For a description of business transactions between the Company and Hapoalim, see "Transactions With Related Parties."

## PERFORMANCE GRAPH

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 Composite - 500 Index and a peer group index composed of American Israeli Paper Mills Limited (an Israeli industrial company), Etz Lavud Ltd. (an Israeli industrial company), Israel Land Development Co., Ltd. (an Israeli real estate development company) and PEC Israel Economic Corporation (an American holding company that acquires interests in companies located in Israel or related to Israel) for the period December 30, 1988 through June 30, 1994.\*

Ampal 429.82	100.00	119.39	103.47	238.79	342.26	732.28
S&P 500 188.71	100.00	131.59	127.49	166.16	178.81	196.74
Peer Group 464.01	100.00	142.08	186.11	319.26	544.77	605.20
6/30/94	12/30/88	12/29/89	12/31/90	12/31/91	12/31/92	12/31/93

\* Assumes that the value of the investment in Ampal's Class A Stock and each index was \$100 on December 31, 1988 and that all dividends were reinvested. Israel Land Development Co., Ltd. is included in the Peer Group for the period December 31, 1990 through June 30, 1994. Its shares began public trading in the United States in 1990. The Peer Group Index has been weighted based on market capitalization.

## PRINCIPAL SHAREHOLDERS OF THE COMPANY

The following tables set forth information as at August 8, 1994 as to the holders known to Ampal to beneficially own more than 5% of any class of voting securities of Ampal and, as to all directors and officers as a group, concerning the beneficial ownership of any class of equity 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") and 6-1/2% Cumulative Convertible Preferred Stock (the "6-1/2% Preferred") 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 at August 8, 1994, there were issued and outstanding 20,752,020 shares of Class A Stock of the Company and 3,000,000 shares of Common Stock. In addition, there were issued and outstanding 1,137,321 non-voting shares of 6-1/2% Preferred (each convertible into 3 shares of Class A Stock) and 210,870 non-voting shares of 4% Preferred (each convertible into 5 shares of Class A Stock).

### Certain Beneficial Owners

Name and Address of Beneficial Owner -----	Title of Class -----	Amount and Nature of Beneficial Ownership -----	Percent of Class (1) -----
Bank Hapoalim B.M. 50 Rothschild Blvd.  Tel Aviv, Israel	Class A Stock Common Stock	10,500,991 shs. (2) 3,000,000 shs.	49.7% (2) 100%

(1) Based upon number of shares outstanding as of August 8, 1994.

(2) As reported by Bank Hapoalim B.M. on Form 4 - Statement of Changes in Beneficial Ownership filed with the Securities and Exchange Commission on or about March 5, 1992. Assumes conversion of 122,536 shares of 6-1/2% Convertible Preferred Stock and 3,350 shares of 4% Preferred Stock.

## Security Ownership Of Management

The following table sets forth information as at August 8, 1994 as to each class of equity securities of Ampal, its parent or any of its subsidiaries beneficially owned by each director and by all directors and officers of Ampal as a group. The directors and officers of Ampal as a group do not own in excess of 1% of the equity securities of Ampal's parent or any of Ampal's subsidiaries.

### Ampal-American Israel Corporation

Title of Class	Name	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Class A Stock	Stanley I. Batkin	10,000 shs.	less than 1%
Class A Stock	Harry B. Henshel	3,000 shs.	less than 1%
Warrants to Purchase Class A Stock		14,000 wts.	less than 1%
Class A Stock	Irwin Hochberg	1,000 shs.	less than 1%
Class A Stock	Herbert Kronish (2)	1,000 shs.	less than 1%
Class A Stock	Lawrence Lefkowitz (3)	10,700 shs.	less than 1%
6-1/2% Preferred		7,225 shs.	less than 1%
Class A Stock	Michael K. Marks	500 shs.	less than 1%
Warrants to Purchase Class A Stock		500 wts.	less than 1%
Class A Stock	Leon Riebman	24,600 shs.	less than 1%
Class A Stock	All Directors and	50,800 shs.	less than 1%
6-1/2% Preferred	Officers as a Group	7,225 shs.	less than 1%
Warrants to Purchase Class A Stock		14,500 wts.	less than 1%

### Bank Hapoalim B.M.

Title of Class	Name	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Ordinary Shares	Arie Abend	187,720 shs.	less than 1%
Ordinary Shares	Michael Arnon	83,300 shs.	less than 1%
Ordinary Shares	Yaacov Elinav	183,970 shs.	less than 1%
Ordinary Shares	Shimon Ravid	190,610 shs.	less than 1%
Ordinary Shares	Shlomo Recht	128,810 shs.	less than 1%
Ordinary Shares	All Directors and Officers as a Group	774,410 shs.	less than 1%

(1) All ownerships are direct, unless otherwise noted. The table does not include directors who do not own any shares.

(2) Mr. Kronish and his wife share voting and investment power over these shares.

(3) Includes 8,700 shares of Class A Stock and 4,800 shares of 6-1/2% Preferred Stock held by a trust under an estate as to which Mr. Lefkowitz is co-personal representative.

## TRANSACTIONS WITH RELATED PARTIES

The Board of Directors of Ampal maintains a Related Party Transactions Committee comprised of independent directors to review and pass upon the fairness of any business dealings and arrangements (other than borrowings on then prevailing market terms or deposits made in the ordinary course of business) between the Company and Hapoalim or any other affiliated parties on an annual basis. If the Committee determines that such dealings are no longer in the Company's best interests or involve terms less advantageous to the Company than could be obtained from unaffiliated third parties, the Company will use its best efforts to modify or discontinue such arrangements. With certain exceptions, the Company may not enter into transactions with Hapoalim or its affiliates, or any officer, director or principal stockholder of the Company without first obtaining the approval of the Related Party Transactions Committee. The management of the Company believes that all of the following transactions were done on terms which were no less advantageous to the Company than could have been obtained from unaffiliated third parties.

The Company borrows and receives deposits from Hapoalim and its subsidiaries. During 1993 the largest amount of such indebtedness outstanding at any one time was \$51,015,000. The amount of interest expense paid by the Company to Hapoalim was \$4,819,000. Additionally, the Company makes loans to and maintains deposits with Hapoalim and its subsidiaries. The largest amount of such loans and deposits at any one time during 1993 was \$131,002,000 and interest income thereon was \$15,583,000. As of December 31, 1993, the amount of borrowings and deposits from Hapoalim and its subsidiaries was \$40,257,000 and the amount of loans to and deposits with Hapoalim and its subsidiaries was \$104,241,000. Ampal is the beneficiary of a \$10 million committed line of credit from Hapoalim which expires in October 1994. Borrowings under this line of credit bear interest at a variable rate of interest equal to LIBOR plus 1/2%. Such loans and borrowings are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unaffiliated third persons and, in the opinion of the management of the Company, do not involve more than normal risk of collectibility or present other unfavorable features.

Ampal subleases 2,825 square feet of usable office space leased by Hapoalim at 1177 Avenue of the Americas, New York City under a sublease which expires on August 30, 2009 and will pay Hapoalim base rent of approximately \$170,000 per year commencing in September 1994, subject to escalation.

Ampal has space located at 10 Rockefeller Plaza subleased until September 30, 1994 from Hapoalim for an annual rental, subject to escalation. The rental payments for 1993 amounted to approximately \$178,000. Until November, 1990 Ampal occupied the entire floor, constituting 10,710 square feet. At that time, Ampal modified the sublease to return 65% of that space to Hapoalim, which then subleased it to an unrelated party subject to Ampal's guarantee of total rent payments equivalent to the rent previously paid under Ampal's sublease in the event the third party defaults.

The Company leases office space in various locations in the United States and Israel to Hapoalim and its subsidiaries in exchange for total annual rental payments of approximately \$3,251,000. These lease transactions consist of the following:

Hapoalim leases a portion of premises owned by Ampal located at 105 Arlozoroff Street, Tel Aviv under a lease which expires March 9, 2003, with annual rental payments based upon 11% of the cost of the property. In 1993 Ampal received \$352,000 as rental payments for these premises.

Hapoalim leases premises owned by Ampal (Israel) Ltd., an Ampal subsidiary, located at 111 Arlozoroff Street, Tel Aviv under a lease which expires on September 30, 2000, with annual rental payments based upon 10% of the value of the property linked to the CPI. In 1993, Ampal (Israel) received \$220,000 as rental payments for these premises.

Hapoalim leases two premises owned by Ampal Development (Israel) Ltd., an Ampal subsidiary, located at 65 Allenby Street and 99 Ben Yehuda Street, Tel Aviv. These leases expire December 31, 1996 (with options to extend the lease term through December 31, 2002) with annual rental payments based upon 10% of the value of the property linked to the CPI. In 1993, Ampal Development (Israel) received \$326,000 as rental payments for these premises.

Hapoalim leases two premises owned by Ampal Development (Israel) Ltd. located at 39 Shenker Street, Holon and 111 Yaffe Nof Street, Haifa. These leases expire on September 30, 2000, with annual rental payments approximately equal to 10% of the cost of the property linked to the CPI. In 1993, Ampal Development (Israel) received \$705,000 as rental payments for these premises.

Hapoalim leases three premises owned by Mercazim Investments Ltd., a subsidiary of a company 42.5% owned by Ampal. These leases expire on May 30, 2000, with the annual rental payments at market rates. In 1993, Mercazim received \$662,000 as rental payments for these premises.

Hapoalim leases two premises owned by Ampal Financial Services Ltd., an Ampal subsidiary, in Ramat Hasharon and Rosh Pina. These leases expire on September 30, 2000, with the annual rental payments based upon 10% of the cost of the premises, linked to the CPI. In 1993, Ampal Financial Services received \$469,000 as rental payments for these premises.

Hapoalim leases two premises owned by Nir Ltd., an Ampal subsidiary, one in Tel Aviv and one in B'nai Brak, with the annual rental payments based upon 10% of the cost of the premises, linked to the CPI. The lease on the premises in Tel Aviv expires on September 30, 2000, and the lease on the premises in B'nai Brak expires on July 10, 1997 (on June 10, 2002, if an option is exercised). In 1993, Nir received \$377,000 as rental for these premises.

Hapoalim leases an office building owned by Ampal located at 174 North Michigan Avenue, Chicago, Illinois. This lease expires in 2007 and provides for a net rental of \$140,000 per year. At the conclusion of the term, Ampal has the option of requiring Hapoalim to purchase the building at its then fair market value. In 1993, Ampal received \$140,000 as rental payments for these premises.

Until November 1993, Ampal owned 60% of the voting shares and 49.4% of the equity interest in Ophir Holdings Ltd., and the balance was owned by a Hapoalim affiliate. In November 1993, the two shareholders' interests in Ophir were equalized. In connection with the equalization, the Company obtained a fairness opinion from an independent investment consultant. Concurrently, 15% of the shares in Ophir were issued to another Hapoalim affiliate for approximately \$10.2 million. As a result, Ophir is now 42.5% owned by Ampal and its results have not been consolidated in the Company's financial statements after September 30, 1993; they are now recorded on the equity method of accounting.

In March 1993, Ophir and another Hapoalim affiliate shareholder in the holding company that purchased 51.3% of the shares in Industrial Buildings Ltd. have together pledged their shares in the holding company and the holding company's shares in Industrial Buildings Ltd. to secure borrowings from unaffiliated lenders to finance the acquisition of an interest in Industrial Buildings. Moreover, loans from Hapoalim to an unaffiliated shareholder in this holding company are also collateralized by shares in Industrial Buildings owned by the holding company and, under cross-default provisions, a default by any of the shareholders in the holding company could cause acceleration of Ophir's obligations, and, potentially, foreclosure on the Industrial Buildings shares held by the holding company.

Ophir, which has no employees, pays to another Hapoalim affiliate a management fee of approximately \$50,000 per year for administrative services. Moreover, under a recent agreement among Ophir's three shareholders, Ophir has agreed to pay annually to each of Ampal and a Hapoalim affiliate shareholder of Ophir an additional management fee of approximately \$85,300 in NIS linked to the dollar. In 1993, Ophir paid \$78,000 to Ampal and \$132,000 to the Hapoalim affiliate for management fees.

Under agreements initially made in 1984 and extended in 1989, Ophir separately leases a hotel and parking area in Herzelia, Israel from an unrelated party. Ophir subleases these properties to Hapoalim on terms identical to those it pays. In 1993, Ophir received \$250,000 as rental payments for these premises.

In connection with Ampal's purchases in 1992 and 1993 of 5.2% of DSP Group, Inc., the Company granted a Hapoalim subsidiary, an option to purchase, and the Hapoalim subsidiary granted Ampal an option to sell, 50% of Ampal's interest in the DSP Group for \$1.1 million, the same purchase price the Company paid, plus interest. In October 1993, the Hapoalim subsidiary exercised its option to purchase this interest.

In 1991, the Company agreed that its third lien on certain assets of Pri Ha'emek (Canned and Frozen Food) 88 Ltd., an Ampal subsidiary, would rank behind the lien of Hapoalim on those assets.

The services of Mr. Lefkowitz are shared by Ampal and Hapoalim pursuant to an arrangement renewable semi-annually whereby Hapoalim reimburses Ampal for a portion of his compensation. In 1993, Hapoalim reimbursed Ampal \$100,000 for the services of Mr. Lefkowitz under the arrangement.

Ampal owns \$2 million of 7% preferred shares of Bank Hapoalim (Cayman)Ltd. In 1994, an equivalent amount of 7% preferred shares in Bank Hapoalim (Cayman) Ltd. was issued to Hapoalim for \$2 million.

### **APPROVAL OF 1993 STOCK OPTION PLAN**

The Company's 1993 Stock Option Plan which was adopted by the Board of Directors on November 5, 1993 and amended on March 23, 1994 (the "1993 Plan"), is subject to approval by the Company's shareholders. The full text of the 1993 Plan is set forth as Exhibit A to this Proxy Statement. The purpose of the 1993 Plan is to increase the incentive to the Company's employees and directors to exert their utmost efforts to contribute to the future success and prosperity of the Company. Subject to adjustment upon certain changes in the Company's capitalization, a total of 200,000 shares of Class A Stock will be available for options granted under the 1993 Plan.

The 1993 Plan authorizes the Board to issue incentive stock options ("ISOs"), as defined in Section 422(b) of the Internal Revenue Code of 1986 (the "Code"), and stock options that do not conform to the requirements of that Code section ("Non-qualified Options"). Officers and directors who are not also employees of the Company or any subsidiary thereof may only be granted Non-qualified Options.

The 1993 Plan will be administered by the Board of Directors of the Company (the "Board") or a committee of at least two "disinterested" directors of the Board. The Board or the Committee will have the authority, subject to the terms of the 1993 Plan, to interpret the 1993 Plan; prescribe, amend and rescind rules and regulations relating to the 1993 Plan; and make all other determinations and take all other actions necessary or advisable for the administration of the 1993 Plan. Determinations of the Board or the Committee under the 1993 Plan will be conclusive.

The exercise price of each ISO granted under the 1993 Plan may not be less than 100% of the fair market value of the Class A Stock at the time of grant. In the case of a grant to an employee who owns (within the meaning of Code Section 422(b)(6)) 10% or more of the outstanding capital stock of the Company, however, the exercise price may not be less than 110% of such fair market value. For purposes of the 1993 Plan, the fair market value of shares of Class A Stock on a given date is the mean of the highest and lowest trading prices per share of Class A Stock on the American Stock Exchange on such date. The exercise price of each Non-Qualified Option is determined by the Board at the time of grant of such option.

The dates on which each option may be exercised and the conditions precedent to such exercise, if any, will be fixed by the Board at the time such option is granted. Generally, the 1993 Plan prohibits the exercise of an option prior to the second anniversary of the date on which it is granted. However, options granted to directors of Ampal who are not also employees of Ampal are exercisable immediately upon grant. The expiration of each option shall be fixed by the Board at the time such option is granted, provided that no option may be exercisable on and after the fifth anniversary of its grant.

Payment of the exercise price by optionees upon exercise of an option may be (as determined by the Board or the Committee) in cash, by certified check, by delivering shares of Class A Stock having a fair market value equal to the exercise price, by cancelling an appropriate portion of the option or pursuant to a broker-assisted "cashless exercise program", if established by the Company.

No option granted under the 1993 Plan is transferable by the optionee other than by will or the laws of descent and distribution, and each option is exercisable during the lifetime of the optionee only by such optionee.

## New Plan Benefits

Pursuant to the 1993 Plan (and subject to its approval by shareholders), on January 25, 1994, the Company granted to certain directors and employees of the Company and its subsidiaries, Non-qualified Options to purchase a total of 134,900 shares of Class A Stock at an exercise price per share of \$10.91, as follows:

Name and Position	Number of Non-qualified Options
Lawrence Lefkowitz (President, Chief Executive Officer and Director)	16,000
Moshe Mor (Vice President-Israel Operations)	15,150
Alan L. Schaffer (Vice President-Finance and Treasurer)	13,000
Miri Lent (Assistant Vice President-Israel Operations)	11,500
Michael Arnon (Director)	7,500
Stanley I. Batkin (Director)	5,000
Harry B. Henshel (Director)	5,000
Eitan Raff (Director)	5,000
Leon Riebman (Director)	5,000
Evelyn Sommer (Director)	5,000
All Current Executive Officers As A Group	70,150
All Current Directors Who Are Not Executive Officers As A Group	32,500
All Employees, Including Current Officers Who Are Not Executive Officers, As A Group	32,250

On August 8, 1994, the closing price of the Class A Stock was \$10.25.

**Federal Income Tax Consequences.** No taxable income will be recognized by the optionee, and no deduction will be allowed to the Company, upon the grant of any option under the 1993 Plan.

Upon the exercise of a Non-qualified Option, an optionee will recognize income in the year in which the option is exercised in an amount equal to the difference between the fair market value of the Class A Stock purchased on the date of exercise and the exercise price of such shares; the amount so recognized as income will be deductible by the Company (provided the Company appropriately withholds taxes from the optionee).

Upon any sale of shares of Class A Stock purchased upon exercise of a Non-qualified Option, the optionee's basis in the shares for determining gain or loss will be the sum of the exercise price and any gain recognized upon exercise. If the shares purchased upon such exercise constitute capital assets in the hands of the optionee, any gain or loss recognized by the optionee upon the sale or other disposition of any of these shares will be characterized as capital gain or loss, either long-term or short-term, depending upon the holding period of the shares.

No taxable income will be recognized by the optionee upon the exercise of ISO. However, the difference between the fair market value of the Class A Stock on the date of exercise and the exercise price will generally be included in the ISO holder's alternative minimum taxable income for the year in which the ISO is exercised. If the shares so purchased are held for a period of at least two years from the date of the grant of the ISO and one year from the date the ISO is exercised, any gain recognized on any subsequent sale will constitute long-term capital gain rather than ordinary income and the Company will not be entitled to any deduction. However, if shares acquired pursuant to an ISO are disposed of by the optionee within one year from the date of exercise or two years from the date of the grant of the ISO (a "disqualifying disposition"), the ISO holder will recognize ordinary income in the year of such sale equal to the lesser of

- (a) the excess (per share sold) of the fair market value of the Class A Stock on the date of exercise over the exercise price and
- (b) the excess (if any) of the amount realized on the sale over the exercise price. Any gain upon such disposition in excess of the amount treated as ordinary income will generally be treated as capital gain. The Company will be entitled to a deduction equal to the amount of ordinary income recognized by the optionee by virtue of a disqualifying disposition.

The foregoing summary does not purport to be a complete summary of the effect of federal income tax of 1993 Plan transactions upon participants and the Company. Furthermore, it does not discuss the tax consequences of an optionee's death or the provisions of the income tax laws of any municipality, state or foreign country in which an optionee may reside.

The affirmative vote of a majority of all outstanding shares entitled to vote at the shareholders meeting is required for approval of the 1993 Plan.

The Board of Directors recommends a vote FOR this proposal.

### **SHAREHOLDERS' PROPOSALS**

Any holder of Class A Stock or Common 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 April 11, 1995, and comply with such rules as may be prescribed from time to time by the Securities and Exchange Commission regarding proposals of security holders.

### **OTHER MATTERS**

Representatives of Arthur Andersen & Co., whom Ampal has selected to be its independent public accountants, will be present at the Annual Meeting, 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.

The 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 thereof, it is the intention of the persons named to vote the proxies held by them in accordance with their judgment in such matters.

Effective January 29, 1994 the Company purchased a Directors and Officers Liability policy in the amount of \$5,000,000 issued by the Reliance Insurance Company of New York. The cost of the policy, which expires January 29, 1995, was \$231,000. On January 29, 1994, the Company purchased an excess Directors and Officers Liability policy in the amount of \$3,000,000 issued by Lexington Insurance Co. The cost of the policy, which expires January 29, 1995, was \$83,200. On January 29, 1994, the Company purchased an additional excess Directors and Officers Liability policy in the amount of \$2,000,000 issued by the Reliance Insurance Company of New York. The cost of the policy, which expires January 29, 1995, was \$45,000. Each policy provides coverage to all of the officers and directors of the Company and those subsidiaries of which the Company owns more than 50% of the outstanding stock.

By Order of the Board of Directors,

**MICHAEL K. MARKS**

**Secretary**

August 11, 1994

UPON REQUEST, THE COMPANY WILL PROVIDE WITHOUT CHARGE TO ANY SHAREHOLDER ENTITLED TO VOTE AT THE MEETING A COPY OF ITS ANNUAL REPORT TO THE SECURITIES AND EXCHANGE COMMISSION ON FORM 10-K FOR ITS MOST RECENT FISCAL YEAR. SUCH REQUEST SHOULD BE MADE TO THE SECRETARY OF THE COMPANY AT THE ADDRESS SHOWN ON THE ACCOMPANYING NOTICE OF ANNUAL MEETING.

## EXHIBIT A

### AMPAL-AMERICAN ISRAEL CORPORATION 1993 STOCK OPTION PLAN

#### 1. Purposes.

The 1993 Option Plan (the "Plan") is intended to attract and retain the best available personnel for Ampal- American Israel Corporation ("Ampal") or any of its subsidiary corporations (collectively, the "Company"), and to provide additional incentive to such employees, officers and directors to exert their maximum efforts toward the success of the Company. The above aims will be effectuated through the granting of certain stock options. Under the Plan, options may be granted which are intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986 (the "Code") (such options granted hereunder are referred to as "ISOs") or which are not intended to qualify as incentive stock options thereunder (such options granted hereunder are referred to as "Non-ISOs"). The term "subsidiary corporation" shall, for purposes of the Plan, be defined in the same manner as such term is defined in Section 424(f) of the Code and shall include a subsidiary of any subsidiary.

#### 2. Administration of the Plan.

(a) The Plan shall be administered by the Board of Directors of Ampal (the "Board of Directors"), as the Board of Directors may be composed from time to time, except as provided in subparagraph (b) of this Paragraph 2. The determinations of the Board of Directors under the Plan, including without limitation as to the matters referred to in this Paragraph 2, shall be conclusive. Within the limits of the express provisions of the Plan, the Board of Directors shall have the authority, in its discretion, to take the following actions under the Plan:

- (i) to determine the individuals to whom, and the time or times at which, ISOs to purchase Ampal's shares of Class A Stock, par value \$1.00 per share ("Class A Stock"), shall be granted, and the number of shares of Class A Stock to be subject to each ISO,
- (ii) to determine the individuals to whom, and the time or times at which, Non-ISOs to purchase shares of Ampal's Class A Stock, shall be granted, and the number of shares of Class A Stock to be subject to each Non-ISO,
- (iii) to determine the terms and provisions of the respective stock option agreements granting ISOs and Non-ISOs (which need not be identical),
- (iv) to interpret the Plan,
- (v) to prescribe, amend and rescind rules and regulations relating to the Plan, and
- (vi) to make all other determinations and take all other actions necessary or advisable for the administration of the Plan. In making such determinations, the Board of Directors

may take into account the nature of the services rendered by such individuals, their present and potential contributions to the Company's success and such other factors as the Board of Directors, in its discretion, shall deem relevant. An individual to whom an option has been granted under the Plan is referred to herein as an "Optionee."

(b) Notwithstanding anything to the contrary contained herein, the Board of Directors may at any time, or from time to time, appoint a committee (the "Committee") of at least two members of the Board of Directors, and delegate to the Committee the authority of the Board of Directors to administer the Plan. Upon such appointment and delegation, the Committee shall have all the powers, privileges and duties of the Board of Directors, and shall be substituted for the Board of Directors, in the administration of the Plan, except that the power to appoint members of the Committee and to terminate, modify or amend the Plan shall be retained by the Board of Directors. In the event that any member of the Board of Directors is at any time not a "disinterested person," as defined in Rule 16b-3(c)(2)(i) promulgated pursuant to the Securities Exchange Act of 1934, the Plan shall not be administered by the Board of Directors, and may only be administered by a Committee, all the members of which are disinterested persons, as so defined. The Board of Directors may from time to time appoint members of the Committee in substitution for or in addition to members previously appointed, may fill Committee shall constitute a quorum and all determinations shall be made by a majority of its members. Members of the Committee shall not be eligible to participate in this Plan.

### 3. Shares Subject to the Plan.

The total number of shares of Class A Stock which shall be subject to ISOs and Non-ISOs granted under the Plan (collectively, "Options") shall be 200,000 in the aggregate, subject to adjustment as provided in Paragraph 8. The shares of Class A Stock to be issued upon exercise of Options shall in whole or in part be authorized and unissued or reacquired shares of Class A Stock. The unexercised portion of any expired, terminated or canceled Option shall again be available for the grant of Options under the Plan.

### 4. Eligibility.

(a) Options may be granted to employees, officers or directors of the Company, as determined by the Board of Directors.

(b) An ISO may be granted, consistent with the other terms of the Plan, to an employee who owns (within the meaning of Sections 422(b)(6) and 424(d) of the Code), more than ten (10%) percent of the total combined voting power or value of all classes of stock of Ampal or a subsidiary corporation (any such

person, a "Principal Shareholder") only if, at the time such ISO is granted, the purchase price of the shares of Class A Stock subject to the ISO is an amount which equals or exceeds one hundred ten percent (110%) of the fair market value of such shares.

(c) A director or an officer of the Company who is not also an employee of the Company shall be eligible to receive Non-ISOs but shall not be eligible to receive ISOs.

(d) Nothing contained in the Plan shall be construed to limit the right of Ampal to grant options otherwise than under the Plan for proper corporate purposes.

(e) Nothing contained in the Plan shall be construed to limit the right of the Board of Directors to grant an ISO and a Non-ISO concurrently under a single stock option agreement so long as each Option is clearly identified as to its status. Furthermore, if an Option has been granted under the Plan, additional Options may be granted from time to time to the Optionee holding such Options, and Options may be granted from time to time to one or more employees, officers or directors who have not previously been granted Options.

(f) To the extent that the grant of an Option results in the aggregate fair market value (determined at the time of grant) of the shares of Class A Stock (or other capital stock of the Company or any subsidiary) with respect to which Incentive Stock Options are exercisable for the first time by an Optionee during any calendar year (under all plans of the Company and subsidiary corporations) exceeding \$100,000, such Option shall be treated as a Non-ISO. The provisions of this subparagraph (f) of Paragraph 4 shall be construed and applied in accordance with Section 422(d) of the Code and the regulations, if any, promulgated thereunder.

## 5. Terms of Options.

The terms of each Option granted under the Plan shall be determined by the Board of Directors consistent with the provisions of the Plan, including the following:

(a) The purchase price of shares of Class A Stock subject to each ISO shall not be less than the fair market value (or in the case of the grant of an ISO to a Principal Shareholder, not less than 110% of fair market value) of such shares at the time such ISO is granted. Such fair market value shall be determined by the Board of Directors and, if shares of Class A Stock are listed on a national securities exchange or traded on the over-the-counter market, the fair market value shall be the mean of the highest and lowest trading prices or of the high bid and low asked prices of shares of Class A Stock on such exchange, or on the over-the-counter market as reported by the NASDAQ system or the National Quotation Bureau, Inc., as the case may be, on the day on which the ISO is granted or, if there is no trading or bid or asked price on that day, the mean of the highest and lowest trading or high bid and low asked prices on

the most recent day preceding the day on which the ISO is granted for which such prices are available.

(b) The purchase price of shares of Class A Stock subject to each Non-ISO shall be fixed by the Board of Directors, in its discretion, at the time such Non-ISO is granted.

(c) The dates on which each Option (or portion thereof) shall be exercisable and the conditions precedent to such exercise, if any, shall be fixed by the Board of Directors, in its discretion, at the time such Option is granted; provided, however, Options granted to directors of Ampal who are not also employees of Ampal shall be exercisable immediately upon grant; and provided, further, no Option, except to a person described in the immediately preceding proviso, shall be exercisable prior to the second anniversary of the date on which it is granted.

(d) The expiration of each Option shall be fixed by the Board of Directors, in its discretion, at the time such Option is granted; provided, however, no Option shall be exercisable after the expiration of five (5) years from the date of grant. Each Option shall be subject to earlier termination as expressly provided in Paragraph 6 hereof or as determined by the Board of Directors, in its discretion, at the date such Option is granted.

(e) Options shall be exercised by the delivery by the Optionee thereof to the Company at its principal office, or at such other address as may be established by the Board of Directors, of written notice of the number of shares of Class A Stock with respect to which the Option is being exercised accompanied by payment in full of the purchase price of such shares. Payment for such shares of Class A Stock may be made (as determined by the Board of Directors) (i) in cash, (ii) by certified check or bank cashier's check payable to the order of the Company in the amount of such purchase price, (iii) by delivery of capital stock to the Company having a fair market value (determined on the date of exercise in accordance with the provisions of subparagraph (a) of this Paragraph 5) equal to said purchase price, (iv) pursuant to a broker-assisted "cashless exercise" program, if established by the Company, or (v) by any combination of the methods of payment described in (i) through (iv) above.

(f) An Optionee shall not have any of the rights of a shareholder with respect to the shares of Class A Stock subject to his Option until such shares are issued to him upon the exercise of his Option as provided herein.

(g) No Option shall be transferable, except by will or the laws of descent and distribution, and any Option may be exercised during the lifetime of the Optionee only by him. No Option granted under the Plan shall be subject to execution, attachment or other process.

## 6. Death or Termination of Employment.

(a) If the employment or other relationship of an Optionee with the Company shall be terminated voluntarily by the employee and without the consent of the Company or for "Cause" (as hereinafter defined), and immediately after such termination such Optionee shall not then be employed by the Company, any Options granted to such Optionee to the extent not theretofore exercised shall expire forthwith. For purposes of the Plan, "Cause" shall mean "Cause" as defined in any employment agreement ("Employment Agreement") between Optionee and the Company, and, in the absence of an Employment Agreement or in the absence of a definition of "Cause" in such Employment Agreement, "Cause" shall mean (i) any continued failure by the Optionee to obey the reasonable instructions of the President or the Board of Directors, (ii) continued neglect by the Optionee of his duties and obligations as an employee of the Company, or a failure to perform such duties and obligations to the reasonable satisfaction of the President or the Board of Directors, (iii) willful misconduct of the Optionee or other actions in bad faith by the Optionee which are to the detriment of the Company including without limitation conviction of a felony, embezzlement or misappropriation of funds and conviction of any act of fraud or (iv) a breach of any material provision of any Employment Agreement not cured within 10 days after written notice thereof.

(b) If such employment or other relationship shall terminate other than (i) by reason of death, (ii) voluntarily by the employee and without the consent of the Company, or (iii) for Cause, and immediately after such termination such Optionee shall not then be employed by the Company, any Options granted to such Optionee may be exercised at any time within three months after such termination, subject to the provisions of subparagraph (e) of this Paragraph 6 and subparagraph (c) of Paragraph 5. Any unexercised Option subject to this subparagraph (b) shall expire on the day three months after the termination of the Optionee's employment or other relationship with the Company. For the purposes of the Plan, the retirement of an Optionee either pursuant to a pension or retirement plan adopted by the Company or on the normal retirement date prescribed from time to time by the Company, and the termination of employment as a result of a disability (as defined in Section 22(e)(3) of the Code) shall be deemed to be a termination of such Optionee's employment other than voluntarily by the Optionee or for Cause.

(c) Notwithstanding the provisions of subparagraph (a) and (b) of this Paragraph 6, if the Optionee, other than an Optionee who was an employee of Ampal at the time of the Option grant, ceases to be a director of Ampal, and immediately thereafter, such Optionee is not then employed by the Company, any Options grant to such Optionee may be exercisable at any time within one year after such Optionee ceases to be a director of Ampal, subject to the provisions of subparagraph (e) of this Paragraph 6.

(d) If an Optionee dies (i) while employed by, or engaged in such other relationship with, the Company or (ii) within three months after the termination of his employment or other relationship other than voluntarily by the Optionee and without the consent of the Company or for Cause, any Options granted to such Optionee may be exercised at any time within six months after such Optionee's death, subject to the provisions of subparagraph (e) of this Paragraph 6 and subparagraph (c) of Paragraph 5. Any unexercised Option subject to this subparagraph (d) shall expire on the date six months after the Optionee's death.

(e) An Option may not be exercised pursuant to this Paragraph 6 except to the extent that the Optionee was entitled to exercise the Option at the time of termination of employment or such other relationship, or death, and in any event may not be exercised after the expiration of five (5) years from the date the Option was granted.

#### 7. Leave of Absence.

For purposes of the Plan, an individual who is on military or sick leave or other bona fide leave of absence (such as temporary employment by the United States or any state government) shall be considered as remaining in the employ of the Company for 90 days or such longer period as shall be determined by the Board of Directors.

#### 8. Adjustment upon Changes in Capitalization.

(a) In the event that the outstanding shares of Class A Stock are hereafter changed by reason of reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, combination or exchange of shares and the like, or dividends payable in shares of Class A Stock, an appropriate adjustment shall be made by the Board of Directors in the aggregate number of shares available under the Plan and in the number of shares and price per share subject to outstanding Options. If Ampal shall be reorganized, consolidated, or merged with another corporation, or if all or substantially all of the assets of Ampal shall be sold or exchanged, an Optionee shall at the time of issuance of the stock under such a corporate event, be entitled to receive upon the exercise of his Option the same number and kind of shares of stock or the same amount of property, cash or securities as he would have been entitled to receive upon the occurrence of any such corporate event as if he had been, immediately prior to such event, the holder of the number of shares covered by his Option; provided, however, that if any of such events occur, the Board of Directors shall have the discretionary power to take any action necessary or appropriate to prevent ISOs granted hereunder from being disqualified as Incentive Stock Options or to accelerate their vesting date.

(b) Any adjustment under this Paragraph 8 in the number of shares of Class A Stock subject to Options shall apply proportionately to only the unexercised portion of any Option granted hereunder. If fractions of a share would result from any such adjustment, the adjustment shall be revised to the next lower whole number of shares.

#### 9. Further Conditions of Exercise.

(a) Unless prior to the exercise of an Option the shares of Class A Stock issuable upon such exercise are the subject of a registration statement filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and there is then in effect a prospectus filed as part of such registration statement meeting the requirements of Section 10(a)(3) of the Securities Act, the notice of exercise with respect to such Option shall be accompanied by a representation or agreement of the Optionee to Ampal to the effect that such shares are being acquired for investment only and not with a view to the resale or distribution thereof, or such other documentation as may be required by Ampal, unless, in the opinion of counsel to Ampal, such representation, agreement or documentation is not necessary to comply with the Securities Act.

(b) Anything in the Plan to the contrary notwithstanding, Ampal shall not be obligated to issue or sell any shares of Class A Stock until they have been listed on each securities exchange on which the shares of Class A Stock may then be listed and until and unless, in the opinion of counsel to Ampal, Ampal may issue such shares pursuant to a qualification or an effective registration statement, or an exemption from registration, under such state and federal laws, rules or regulations as such counsel may deem applicable. Ampal shall use reasonable efforts to effect such listing, qualification and registration, as the case may be.

#### 10. Termination, Modification and Amendment.

(a) The Plan (but not Options previously granted under the Plan) shall terminate ten (10) years from the earlier of the date of its adoption by the Board of Directors or the date on which the Plan is approved by the affirmative vote of the holders of a majority of the outstanding shares of capital stock of Ampal entitled to vote thereon, and no Option shall be granted after termination of the Plan.

(b) The Plan may from time to time be terminated, modified or amended by the affirmative vote of the holders of a majority of the outstanding shares of the capital stock of Ampal entitled to vote thereon.

(c) The Board of Directors may at any time terminate the Plan or from time to time make such modifications or amendments of the Plan as it may deem advisable; provided, however, that the Board of Directors shall not (i) modify or

amend the Plan in any way that would disqualify any ISO issued pursuant to the Plan as an incentive stock option within the meaning of Section 422 of the Code or (ii) without approval by the affirmative vote of the holders of a majority of the outstanding shares of the capital stock of Ampal entitled to vote thereon, increase (except as provided by Paragraph 8) the maximum number of shares of Class A Stock as to which Options may be granted under the Plan or change the class of persons eligible to receive Options under the Plan.

(d) No termination, modification or amendment of the Plan may adversely affect the rights conferred by any Options without the consent of the Optionee thereof.

#### 11. Effectiveness of the Plan.

The Plan shall become effective upon adoption by the Board of Directors. The Plan shall be submitted for the approval of the shareholders of Ampal at a meeting constituting a quorum within one year following the adoption of the Plan by the Board of Directors, and all Options granted prior to such approval shall be subject thereto. The Plan shall be approved by the affirmative vote of the holders of a majority of the shares of the capital stock of Ampal entitled to vote at such meeting. The Plan is also subject to the adoption by the Board of Directors and the approval by the holders of a majority of the outstanding shares of capital stock of Ampal entitled to vote at a meeting constituting a quorum of an amendment of Ampal's Certificate of Incorporation to increase the number of authorized shares of Class A Stock to an amount sufficient to allow Ampal to reserve the 200,000 shares of Class A Stock which may be subject to Options granted under the Plan. In the event such adoption or approvals are withheld, the Plan and all Options which may have been granted thereunder shall become null and void.

#### 12. Not a Contract of Employment.

Nothing contained in the Plan or in any stock option agreement executed pursuant hereto shall be deemed to confer upon any individual to whom an Option is or may be granted hereunder any right to remain in the employ of, or retain the relationship with, the Company.

**AMENDMENT DATED AS OF MARCH 23, 1994 TO  
AMPAL-AMERICAN ISRAEL CORPORATION  
1993 STOCK OPTION PLAN**

1. Subparagraph (e) of Paragraph 5 is amended and restated in its entirety as follows:

"(e) Options shall be exercised by the delivery by the Optionee thereof to the Company at its principal office, or at such other address as may be established by the Board of Directors, of written notice of the number of shares of Class A Stock with respect to which the Option is being exercised accompanied by payment in full of the purchase price of such shares. Payment for such shares of Class A Stock may be made (as determined by the Board of Directors) (i) in cash, (ii) by certified check or bank cashier's check payable to the order of the Company in the amount of such purchase price, (iii) by delivery of capital stock to the Company (including, by way of irrevocable direction to the Company, shares of Class A Stock to be received upon exercise of the Option) having a fair market value (determined on the date of exercise in accordance with the provisions of subparagraph (a) of this Paragraph 5) equal to said purchase price, (iv) pursuant to a broker-assisted "cashless exercise" program, if established by the Company, or (v) by any combination of the methods of payment described in (i) through (iv) above."

2. The following new subparagraph (h) shall be added to the end of Paragraph 5:

"(h) The Company's obligation to deliver shares of Class A Stock upon the exercise of an Option shall be subject to the payment by the Optionee thereof of any applicable federal, state and local withholding tax. The Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Optionee any federal, state or local taxes required to be withheld with respect to such payment. Subject to the right of the Board of Directors to disapprove any such election and require the withholding tax in cash, an Optionee shall have the right to elect to pay the withholding tax with shares of Class A Stock to be received upon exercise of an Option or which are otherwise owned by the Optionee. Any election to pay withholding taxes with stock shall be irrevocable once made."

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## **AMPAL-AMERICAN ISRAEL CORPORATION PROXY**

This proxy is solicited on behalf of the Board of Directors and will be voted FOR the nominees listed in the accompanying proxy statement and FOR the approval of the Company's 1993 Stock Option Plan, if no instructions to the contrary are indicated.

The undersigned hereby constitutes and appoints SHLOMO RECHT, LAWRENCE LEFKOWITZ and ALAN L. SCHAFFER, and each of them, as proxies with full power of substitution in each, to represent the undersigned and vote all shares of Class A Stock of the undersigned at the Annual Meeting of Shareholders of Ampal- American Israel Corporation to be held at the offices of Bank Hapoalim B.M., 1177 Avenue of the Americas, 14th Floor, New York, New York, on Thursday, September 22, 1994, at 9:00 A.M., and at any adjournments thereof as follows:

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

/X/ Please mark your vote as this

**CLASS A**

The Board of Directors recommends a vote FOR Proposals 1 and 2.

FOR all nominees below  
AUTHORITY  
(except as marked to  
the contrary below)  
below

WITHHOLD  
to vote for  
all nominees

**1. THE ELECTION OF DIRECTORS**

CLASS A NOMINEES: H. Henshel, H. Kronish, L. Riebman, E Sommer. COMMON/CLASS A NOMINEES: A. Abend, M. Arnon, S. Batkin, Y. Elinav, I. Hochberg, L. Lefkowitz, E. Raff, S. Ravid, S. Recht.

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

ABSTAIN	FOR	AGAINST
2. Approval of the Company's 1993 Stock Option Plan	/ /	/ / / /

3. In their discretion, upon such other matters as may properly come before the meeting.

This proxy must be signed exactly as name appears hereon. Executors, administrators, trustees, etc., should give full title as such. If stock is held in name of joint holders, each should sign. If signer is a corporation, please sign full corporate name by authorized officer.

**Signature(s) Dated..... ,1994**

Please complete, sign, date and mail this card promptly in the postage prepaid return envelope provided.

# End of Filing