

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 1999

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission file number 0-538

AMPAL-AMERICAN ISRAEL CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

New York

13-0435685

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

1177 Avenue of the Americas, New York, New York

10036

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code

(212) 782-2100

Former Name, Former Address and Former Fiscal Year, if Changed Since Last
Report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

The number of shares outstanding of the issuer's Class A Stock, its only authorized common stock, is 24,115,471 (as of April 30, 1999).

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

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AMPAL-AMERICAN ISRAEL CORPORATION AND
SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31,	1999	1998
(Dollars in thousands, except per share data) (Unaudited)	(Unaudited)	
REVENUES		
Equity in earnings of affiliates	\$ 811	\$ 3,179
Manufacturing	1,844	1,901
Interest:		
Related parties	104	618
Others	221	246
Rental income	1,878	1,757
Realized and unrealized gains on investments	9,088	1,636
Other	1,755	496
	15,701	9,833
EXPENSES		
Manufacturing	2,278	1,987
Interest:		
Related parties	1,042	937
Others	1,010	1,173
Rental property operating expenses	872	854
Other	1,576	1,216
	6,778	6,167
Income before income taxes	8,923	3,666
Provision for income taxes	3,371	1,660
	\$ 5,552	\$ 2,006
	=====	=====
Basic EPS		
Earnings per Class A share	\$.23	\$.08
	=====	=====
Shares used in calculation (in thousands)	24,094	23,832
Diluted EPS		
Earnings per Class A share	\$.20	\$.07
	=====	=====
Shares used in calculation (in thousands)	27,716	27,616

The accompanying notes are an integral part of the consolidated financial statements.

**AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

31, ASSETS AS AT	March 31, 1999	December 1998

(Dollars in thousands)	(Unaudited)	
Cash and cash equivalents	\$ 11,900	\$ 12,047
Deposits, notes and loans receivable	26,166	27,816
Investments	229,879	214,421
Investment held for sale(Note 5)	23,955	25,104
Real estate rental property, less accumulated depreciation of \$6,770 and \$6,492	30,151	29,735
Property and equipment, less accumulated depreciation of \$2,767 and \$2,608	3,254	3,227
Other assets	15,415	16,896
	-----	-----
TOTAL ASSETS	\$340,720	\$329,246
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY AS AT	March 31, 1999	December 31, 1998

(Dollars in thousands)	(Unaudited)	
LIABILITIES		
Notes and loans payable:		
Related parties	\$ 56,540	\$ 57,557
Others	40,698	40,636
Debentures	27,752	32,817
Accounts and income taxes payable, accrued expenses and minority interests	47,816	37,071
	-----	-----
Total liabilities	172,806	168,081
	-----	-----
SHAREHOLDERS' EQUITY		
4% Cumulative Convertible Preferred Stock, \$5 par value; authorized 189,287 shares; issued and outstanding 170,255 and 172,238 shares	851	861
6-1/2% Cumulative Convertible Preferred Stock, \$5 par value; authorized 988,055 shares; issued and outstanding 920,186 and 925,279 shares	4,601	4,626
Class A Stock, \$1 par value; authorized 60,000,000 shares; issued 24,710,016 and 24,684,822 shares; outstanding 24,104,616 and 24,079,422 shares	24,710	24,685
Additional paid-in capital	57,839	57,829
Retained earnings	96,167	90,615
Treasury Stock, 605,400 shares of Class A Stock, at cost	(3,829)	(3,829)
Accumulated other comprehensive loss	(12,425)	(13,622)
	-----	-----
Total shareholders' equity	167,914	161,165
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 340,720	\$ 329,246
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED MARCH 31,	1999	1998
<hr style="border-top: 1px dashed black;"/>		
(Dollars in thousands)	(Unaudited)	
(Unaudited)		(Note 2)
Cash flows from operating activities:		
Net income	\$ 5,552	\$ 2,006
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in earnings of affiliates	(811)	(3,179)
Realized and unrealized gains on investments	(9,088)	(1,636)
Depreciation expense	323	333
Amortization expense	347	346
Translation gain	(137)	(152)
(Increase) decrease in other assets	(640)	3,614
Increase (decrease) in accounts and income taxes payable, accrued expenses and minority interests	3,151	(2,994)
Investments made in trading securities	(4,514)	(2,157)
Proceeds from sale of trading securities	1,235	3,447
Dividends received from affiliates	2,243	3,144
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Net cash (used in) provided by operating activities	(2,339)	2,772
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Cash flows from investing activities:		
Deposits, notes and loans receivable collected	6,107	14,809
Deposits, notes and loans receivable granted	(3,702)	(22)
Investments made in affiliates and others	(1,863)	(112,367)
Proceeds from sale of investments:		
Others	1,072	1,207
Deposit-sale of affiliate	7,581	--
Purchase of property and equipment	(28)	(47)
Real estate rental property - capital improvements	(486)	(825)
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Net cash provided by (used in) investing activities	8,681	(97,245)
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The accompanying notes are an integral part of the consolidated financial statements.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED MARCH 31,	1999	1998

(Dollars in thousands)	(Unaudited)	
(Unaudited)		(Note 2)
Cash flows from financing activities:		
Notes and loans payable received:		
Related parties	\$ --	\$ 35,710
Others	--	32,088
Notes and loans payable repaid:		
Related parties	(1,281)	(712)
Others	(48)	(609)
Debentures repaid	(5,764)	(7,936)
Contribution to partnership by minority interests	--	9,765
	-----	-----
Net cash (used in) provided by financing activities	(7,093)	68,306
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	604	(215)
	-----	-----
Net (decrease) in cash and cash equivalents	(147)	(26,382)
Cash and cash equivalents at beginning of period	12,047	45,457
	-----	-----
Cash and cash equivalents at end of period	\$ 11,900	\$ 19,075
	=====	=====
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period:		
Interest:		
Related parties	\$ 395	\$ 72
Others	577	1,100
	-----	-----
Total interest paid	\$ 972	\$ 1,172
	=====	=====
Income taxes paid (refunded), net	\$ 36	\$ (665)
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

THREE MONTHS ENDED MARCH 31,	1999	1998
(Dollars in thousands, except share amounts)	(Unaudited)	
(Unaudited)		
4% PREFERRED STOCK		
Balance, beginning of year	\$ 861	\$ 898
Conversion of 1,983 and 1,440 shares into Class A Stock	(10)	(7)
Balance, end of period	\$ 851	\$ 891
6-1/2% PREFERRED STOCK		
Balance, beginning of year	\$ 4,626	\$ 4,842
Conversion of 5,093 and 9,881 shares into Class A Stock	(25)	(50)
Balance, end of period	\$ 4,601	\$ 4,792
CLASS A STOCK		
Balance, beginning of year	\$ 24,685	\$ 24,418
Issuance of shares upon conversion of Preferred Stock	25	37
Balance, end of period	\$ 24,710	\$ 24,455
ADDITIONAL PAID-IN CAPITAL		
Balance, beginning of year	\$ 57,829	\$ 57,491
Conversion of Preferred Stock	10	20
Balance, end of period	\$ 57,839	\$ 57,511
RETAINED EARNINGS		
Balance, beginning of year	\$ 90,615	\$ 88,775
Net income	5,552	2,006
Balance, end of period	\$ 96,167	\$ 90,781
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance, beginning of year:	\$(13,622)	\$(10,085)
Cumulative translation adjustments:		
Balance, beginning of year	(18,580)	(10,085)
Foreign currency translation adjustment	1,163	(973)
Balance, end of period	(17,417)	(11,058)
Unrealized gain on marketable securities:		
Balance, beginning of year	4,958	--
Unrealized gain, net	1,745	1,441
Transfer to trading securities	(1,711)	--
Balance, end of period	4,992	1,441
Balance, end of period	\$(12,425)	\$ (9,617)

The accompanying notes are an integral part of the consolidated financial statements.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

THREE MONTHS ENDED MARCH 31,	1999	1998
<hr/>		
(Dollars in thousands)	(Unaudited)	
(Unaudited)		
Net income	\$ 5,552	\$ 2,006
	-----	-----
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	1,163	(973)
Unrealized gain on securities	1,745	1,441
	-----	-----
Other comprehensive income	2,908	468
	-----	-----
Comprehensive income	\$ 8,460	\$ 2,474
	=====	=====
Related tax (expense) benefit of other comprehensive income:		
Foreign currency translation adjustments	\$ (178)	\$ 141
Unrealized gain on securities	\$ (940)	\$ (776)

The accompanying notes are an integral part of the consolidated financial statements.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. As used in these financial statements, the term the "Company" refers to Ampal-American Israel Corporation ("Ampal") and its consolidated subsidiaries.

2. The December 31, 1998 consolidated balance sheet presented herein was derived from the audited December 31, 1998 consolidated financial statements of the Company.

Reference should be made to the Company's consolidated financial statements for the year ended December 31, 1998 for a description of the accounting policies which have been continued without change. Also, reference should be made to the notes to the Company's December 31, 1998 consolidated financial statements for additional details of the Company's consolidated financial condition, results of operations and cash flows. The details in those notes have not changed except as a result of normal transactions in the interim. Certain amounts in the 1998 consolidated statement of cash flows have been reclassified to conform with the current period's presentation. All adjustments (of a normal recurring nature) which are, in the opinion of management, necessary to a fair presentation of the results of the interim period have been included.

3. Segment information presented below results primarily from operations in Israel.

THREE MONTHS ENDED MARCH 31,	1999	1998

(Dollars in thousands)		
Revenues:		
Finance	\$ 10,919	\$ 2,739
Real estate rental	1,878	1,757
Mattress manufacturing	1,844	1,901
Leisure-time	390	404
Intercompany adjustments	(141)	
(147)		
	-----	-----
Total	\$ 14,890	\$ 6,654
	=====	=====
Pretax Operating Income (Loss):		
Finance	\$ 7,868	\$
(52)		
Real estate rental	654	593
Mattress manufacturing	(499)	
(136)		
Leisure-time	93	59
	-----	-----
Total	\$ 8,116	\$ 464
	=====	=====
Total Assets:		
Finance	\$ 276,771*	\$
263,388*		
Real estate rental	36,055	33,504
Mattress manufacturing	5,372	6,929
Leisure-time	36,436	36,953
Intercompany adjustments	(13,914)	
(9,880)		
	-----	-----
Total	\$ 340,720	\$ 330,894
	=====	=====

Corporate office expense is principally applicable to the financing operation and has been charged to that segment above. Revenues and pretax operating income above exclude equity in earnings of affiliates and minority interests.

The real estate rental segment consists of rental property owned in Israel and the United States leased to related and unrelated parties. The mattress manufacturing segment consists of Paradise Industries, Ltd., which is a leading manufacturer and distributor of mattresses and fold-out beds in Israel whose customer base consists of independent stores as well as hotel chains. The

leisure-time segment consists primarily of Moriah Hotels Ltd. (hotel chain in Israel, see Note 4 below), Coral World International Limited (marine parks located around the world) and Country Club Kfar Saba (the company's 51%-owned subsidiary located in Israel).

*Includes an investment in MIRS of \$111 million.

4. The following table summarizes securities that were outstanding as of March 31, 1999 and 1998, but not included in the calculations of diluted earnings per Class A share because such shares are antidilutive.

(Shares in thousands)	March 31,	
	1999	1998
Options and Rights	1,100	
109*		
Warrants	--	
4,500*		

* Expired on January 31, 1999.

5. On April 14, 1999, the Company sold its 46% equity interest in Moriah Hotels Ltd. ("Moriah") to Koor Tourism Enterprises Ltd. and Sheraton International Ltd. for \$29.6 million. Prior to the sale, on April 12, 1999, the Company received a dividend from Moriah in the amount of \$7.9 million. As a result of the aforementioned transaction, the Company will record a gain on sale in the amount of approximately \$13.5 million (\$8.8 million, net of income taxes) in the June 30, 1999 consolidated financial statements.

6. On May 11, 1999, the Company signed an agreement with Bank Hapoalim B.M. ("BHP") and two wholly-owned subsidiaries of BHP, which provides for the following:

(a) The Company will acquire from BHP and its subsidiary all of their holdings in Ampal - 5,874,281 shares of Class A Stock, 3,350 shares of 4% Preferred Stock and 122,536 shares of 6 1/2% Preferred Stock for \$31.3 million.

(b) The Company will sell to BHP's subsidiary seven real estate properties totaling 53,000 sq. ft., currently leased to and occupied by BHP, for \$14.7 million.

(c) Ampal's subsidiary will renew the lease agreement with BHP with respect to a 4,400 sq. ft. branch in Bnei Brak, Israel for ten years at an annual rental income of \$346,000.

Upon completion of the transaction, Ampal's outstanding shares will consist of 18,242,891 shares of Class A Stock, 166,180 shares of 4% Preferred Stock and 794,673 shares of 6 1/2% Preferred Stock, based on shares outstanding on May 10, 1999. Rebar Financial Corporation and the public will hold 11,083,712 and 7,159,179 shares of Class A Stock, representing 60.8% and 39.2% of Ampal's Class A Stock outstanding, respectively.

Ampal will record a net gain of approximately \$6 million on the sale of the aforementioned real estate properties.

The above transactions are subject to the receipt of the approval of the Related Party Transactions and Audit Committees, boards of directors and shareholder approval of Ampal, its subsidiaries, and the relevant committees of Bank Hapoalim and its subsidiaries, where applicable, as well as the approval of the appropriate regulatory agencies in Israel.

Ampal's Related Party Transactions Committee has requested a fairness opinion from Lehman Brothers concerning the aforementioned transactions. Lehman Brothers has begun its evaluation.

The transaction is expected to close after Ampal's annual meeting to be held on June 29, 1999.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Consolidated net income increased to \$5.6 million for the three-month period ended March 31, 1999, from \$2 million for the same period in 1998. The increase in net income is primarily attributable to greater unrealized gains on investments and the dividend income from MIRS Communication Company Ltd. ("MIRS") in 1999, which were partially offset by the decrease in equity in earnings of affiliates and the decrease in interest income.

Ampal-American Israel Corporation ("Ampal") and its subsidiaries (the "Company") recorded \$8.5 million of unrealized gains on investments which are classified as trading securities in the three-month period ended March 31, 1999, as compared to \$.5 million in the same period in 1998. The unrealized gains recorded in 1999 are primarily attributable to the Company's investments in the shares of Bank Leumi Le'Israel B.M. (pretax gain of \$4 million) and Fundtech Ltd. ("Fundtech") (pretax gain of \$3.6 million). The Company's investment in Fundtech, which was classified as an available-for-sale security at December 31, 1998, was classified as a trading security at March 31, 1999, since the Company commenced selling its shares in Fundtech. At March 31, 1999 and December 31, 1998, the aggregate fair value of trading securities amounted to approximately \$39.2 million and \$26.3 million, respectively.

In the quarter ended March 31, 1999, the Company recorded \$.6 million of gains on sale of investments, which are primarily attributable to its investment in Fundtech. In the quarter ended March 31, 1998, the Company recorded \$1.1 million of gains on sale of investments, which are attributable to its investments in Mercury Interactive Corporation, Shikun U'Fituach le-Israel Ltd., and Fundtech Ltd.

The increase in other income in the three months ended March 31, 1999, as compared to the same period in 1998 is attributable to the dividend of \$1.2 million (\$.9 million, net of minority interest) declared by MIRS.

The Company recorded lower interest income in the three months ended March 31, 1999, as compared to the same period in 1998, as a result of utilizing its funds for making investments in various companies.

Equity in earnings of affiliates decreased to \$.8 million for the three months ended March 31, 1999, from \$3.2 million for the same period in 1998. The decrease is primarily attributable to the decreased earnings of Ophir Holdings Ltd. ("Ophir"), the Company's 42.5%-owned affiliate, which is a holding company with interests in high technology and real estate companies. Ophir reported lower earnings in 1999 primarily due to gains realized on the sale of several commercial real estate properties and shares of Memco Software Ltd. ("Memco") in 1998, which were absent in 1999.

Granite Hacarmel Investments Ltd. ("Granite"), the Company's 20.3%-owned affiliate, which is one of the largest distributors of refined petroleum products in Israel, reported lower earnings in the first quarter of 1999 as a result of higher interest expense, which is attributable to increased bank borrowings.

Moriah Hotels Ltd. ("Moriah"), the Company's 46%-owned affiliate (See Subsequent Events), which is one of the largest hotel chains in Israel, recorded higher losses in the first quarter of 1999 primarily due to a decrease in occupancy rates as a result of the decrease in tourism to Israel.

Manufacturing revenues and expenses reflect the operations of Paradise Industries Ltd., the Company's 85.1%-owned subsidiary, which is a manufacturer and distributor of mattresses and fold-out beds in Israel. Manufacturing expenses were lower in 1998 as a result of the additional expense reimbursement by the insurance company in early 1998, for the fire that occurred in 1997.

The decrease in the effective income tax rate in 1999 as compared to 1998 is mainly attributable to the decreased deferred tax provisions of certain Israeli subsidiaries due to the utilization of available tax benefits.

Liquidity and Capital Resources

At March 31, 1999, cash and cash equivalents were \$11.9 million as compared with \$12 million at December 31, 1998. The decrease in debentures is primarily attributable to scheduled repayments. The increase in accounts payable is attributable to the deposit received from Koor Tourism Enterprises Ltd. ("Koor") and Sheraton International Ltd. ("Sheraton") with respect to the sale of Moriah.

During the first quarter of 1999, the Company made an additional investment of \$1.8 million in Granite and increased its equity interest from 19.1% to 20.3%.

OTHER DEVELOPMENTS

On March 29, 1999, Memco, in which Ophir had a 9.3% interest, merged with Platinum Technology International Inc. ("Platinum"). Pursuant to this merger, Ophir exchanged its 1,626,000 shares of Memco for 1,360,000 shares of Platinum.

On March 29, 1999, Platinum signed a merger agreement with Computer Associates International, Inc. ("CA"). The merger was approved by the Board of Directors of both companies, and is subject to approval by Platinum's shareholders. CA agreed to acquire Platinum for \$29.25 per share.

Subject to completion of the purchase of Platinum's shares by CA, Ophir is expected to receive approximately \$40 million and expects to record a net gain on sale of approximately \$22 million. As a result of the above transaction, the Company will record equity in the above gain of approximately \$9 million (\$6 million after taxes).

MARKET RISKS AND SENSITIVITY ANALYSIS

The Company is exposed to various market risks, including changes in interest rates, foreign currency rates and equity price changes. This analysis presents the hypothetical loss in earnings, cash flows and fair values of the financial instruments which are held by the Company at March 31, 1999, and are sensitive to the above market risks.

Interest Rate Risks

At March 31, 1999, the Company had financial assets totalling \$36.6 million and financial liabilities totalling \$125 million, respectively. For fixed rate financial instruments, interest rate changes affect the fair market value but do not impact earnings or cash flows. Conversely, for variable rate financial instruments, interest rate changes generally do not affect the fair market value but do impact future earnings and cash flows, assuming other factors held constant.

At March 31, 1999, the Company had fixed rate financial assets of \$25.5 million and variable rate financial assets of \$11.1 million. Holding other variables constant, a ten percent increase in interest rates would decrease the unrealized fair value of the fixed financial assets by approximately \$.4 million.

At March 31, 1999, the Company had fixed rate debt of \$34.2 million and variable rate debt of \$90.8 million. A ten percent decrease in interest rates would increase the unrealized fair value of the fixed rate debt by approximately \$.6 million.

The net decrease in earnings for the next year resulting from a ten percent interest rate increase would be approximately \$.5 million, holding other variables constant.

Exchange Rate Sensitivity Analysis

The Company's exchange rate exposure on its financial instruments results from its investments and ongoing operations in Israel. On March 31, 1999, the Company entered into a foreign exchange forward purchase contract for \$10 million to partially hedge this exposure. Holding other variables constant, if there were a ten percent adverse change in foreign currency exchange rates, the Company's earnings would decrease by \$2.4 million and cumulative translation loss (reflected in the Company's accumulated other comprehensive loss) would increase by \$.8 million.

Equity Price Risk

The Company's investments at March 31, 1999, included marketable securities which are recorded at fair value of \$39.2 million, including net unrealized gains of \$ 5.6 million. Those securities have exposure to price risk. The estimated potential loss in fair value resulting from a hypothetical 10% decrease in prices quoted by stock exchanges is approximately \$3.9 million.

Year 2000 Compliance

The Company has completed the process of identifying, evaluating and implementing changes to computer programs necessary to address the year 2000 issue which is the result of computer programs having been written using two digits instead of four to define a year. This issue affects computer systems that have date sensitive programs that may recognize a date using "00" as 1900 rather than 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail, resulting in business interruption. The Company presently expects that with modifications to existing systems and software and converting to new software, the Year 2000 issue will not pose an operational problem and does not believe the cost of converting all internal systems to be year 2000 compliant will be material to its financial condition or results of operations. Costs related to the year 2000 issue are being expensed as incurred. The Company expects to complete all of its year 2000 modifications by the end of 1999.

The year 2000 issue is expected to affect the systems of various entities with which the Company interacts. However, there can be no assurance that the systems of other companies on which the Company's systems rely will be timely converted, or that a failure by another company's systems to be year 2000 compliant would not have a material adverse effect on the Company.

Subsequent Events

On April 14, 1999, the Company sold its 46% equity interest in Moriah to Koor and Sheraton for \$29.6 million. Prior to the sale, on April 12, 1999, the Company received a dividend from Moriah in the amount of \$7.9 million. As a result of the aforementioned transaction, the Company will record a gain on sale in the amount of approximately \$13.5 million (\$8.8 million, net of income taxes) in the June 30, 1999 consolidated financial statements.

On May 11, 1999, the Company signed an agreement with Bank Hapoalim B.M. ("BHP") and two wholly-owned subsidiaries of BHP, which provides for the following:

(a) The Company will acquire from BHP and its subsidiary all of their holdings in Ampal - 5,874,281 shares of Class A Stock, 3,350 shares of 4% Preferred Stock and 122,536 shares of 6 1/2% Preferred Stock for \$31.3 million.

(b) The Company will sell to BHP's subsidiary seven real estate properties totaling 53,000 sq. ft., currently leased to and occupied by BHP, for \$14.7 million.

(c) Ampal's subsidiary will renew the lease agreement with BHP with respect to a 4,400 sq. ft. branch in Bnei Brak, Israel for ten years at an annual rental income of \$346,000.

Upon completion of the transaction, Ampal's outstanding shares will consist of 18,242,891 shares of Class A Stock, 166,180 shares of 4% Preferred Stock and 794,673 shares of 6 1/2% Preferred Stock, based on shares outstanding on May 10, 1999. Rebar Financial Corporation and the public will hold 11,083,712 and 7,159,179 shares of Class A Stock, representing 60.8% and 39.2% of Ampal's Class A Stock outstanding, respectively.

Ampal will record a net gain of approximately \$6 million on the sale of the aforementioned real estate properties.

The above transactions are subject to the receipt of the approval of the Related Party Transactions and Audit Committees, boards of directors and shareholder approval of Ampal, its subsidiaries, and the relevant committees of Bank Hapoalim and its subsidiaries, where applicable, as well as the approval of the appropriate regulatory agencies in Israel.

Ampal's Related Party Transactions Committee has requested a fairness opinion from Lehman Brothers concerning the aforementioned transactions. Lehman Brothers has begun its evaluation.

The transaction is expected to close after Ampal's annual meeting to be held on June 29, 1999.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings - None.

Item 2. Changes in Securities and Use of Proceeds - None.

Item 3. Defaults upon Senior Securities - None.

Item 4. Submission of Matters to a Vote of Security Holders - None.

Item 5. Other Information - On May 11, 1999, the Company signed an agreement with Bank Hapoalim B.M. ("BHP") and two wholly-owned subsidiaries of BHP, which provides for the following: (i) the Company will acquire from BHP and its subsidiary all of their holdings in Ampal - 5,874,281 shares of Class A Stock, 3,350 shares of 4% Preferred Stock and 122,536 shares of 6 1/2% Preferred Stock for \$31.3 million; (ii) the Company will sell to BHP's subsidiary seven real estate properties totaling 53,000 sq. ft., currently leased to and occupied by BHP, for \$14.7 million; and (iii) Ampal's subsidiary will renew the lease agreement with BHP with respect to a 4,400 sq. ft. branch in Bnei Brak, Israel for ten years at an annual rental income of \$346,000.

The above transactions are subject to the receipt of the approval of the boards of directors and certain committees of each of the parties, the approval of the shareholders of Ampal and the approval of the appropriate regulatory agencies in Israel. See "Management's Discussion And Analysis of Financial Condition And Results of Operations - Subsequent Events".

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 9 - Form of Agreement, dated January 27, 1999, between Ampal Israel Ltd., Amot Investments Ltd. and Gmul Investment Co. and Koor Tourism Enterprises Ltd. and Sheraton International Ltd. (Translation).

Exhibit 10 - Form of Agreement, dated May 11, 1999, between Bank Hapoalim B.M., Atad Investment Company Ltd. and Revadim (Nechasin) Ltd. and Ampal-American Israel Corporation, Ampal Development (Israel) Ltd., Ampal Financial Services Ltd. and Ampal (Israel) Ltd. (Translation).

Exhibit 11 - Schedule Setting Forth Computation of Earnings Per Share of Class A Stock.

Exhibit 27 - Financial Data Schedule.

(b) Reports on Form 8-K. A Current Report on Form 8-K was filed by the Registrant on April 27, 1999, which described an Item 2 Event, the Disposition by Ampal (Israel) Ltd., a wholly-owned subsidiary of Ampal-American Israel Corporation, of its 46% equity interest in Moriah Hotels Ltd., to Koor Tourism Enterprises Ltd. and Sheraton International Ltd.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMPAL-AMERICAN ISRAEL CORPORATION

By: /s/ Yehoshua Gleitman

*Yehoshua Gleitman
Chief Executive Officer
(Principal Executive Officer)*

By: /s/ Shlomo Meichor

*Shlomo Meichor
Vice President - Finance
and Treasurer
(Principal Financial Officer)*

By: /s/ Alla Kanter

*Alla Kanter
Vice President - Accounting
and Controller
(Principal Accounting Officer)*

Dated: May 14, 1999

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

Exhibit Index

Exhibit No.	Description
9	Form of Agreement, dated January 27, 1999, between Ampal Israel Ltd., Amot Investments Ltd. and Gmul Investment Co. and Koor Tourism Enterprises Ltd. and Sheraton International Ltd. (Translation).....
10	Form of Agreement, dated May 11, 1999, between Bank Hapoalim B.M., Atad Investment Company Ltd. and Revadim (Nechasin) Ltd. and Ampal-American Israel Corporation, Ampal Development (Israel) Ltd., Ampal Financial Services Ltd. and Ampal (Israel) Ltd. (Translation).....
11	Schedule Setting Forth Computation of Earnings Per Share of Class A Stock.....
27	Financial Data Schedule.

APPENDIX "G"

AGREEMENT

Made this ____ day of _____ 199__

- BETWEEN:
1. AMPAL ISRAEL LTD (Public Company No. 52-002622-0)
of 111 Ariozorov St., Tel Aviv
(hereinafter referred to as "Ampal")
 2. AMOT INVESTMENTS LTD (Public Company No. 52-002668-3)
of 8 Shaul Hamelech Blvd., Tel Aviv
(hereinafter referred to as "Amot")
 3. GMUL INVESTMENT CO. (Public Company No. 52-0018136)
of 8 Shaul Hamelech Blvd., Tel Aviv
(hereinafter referred to as "Gmul")
- (hereinafter jointly referred to as "the Vendors")

part _____ of the one

AND: _____
of _____
(hereinafter referred to as "the Purchaser")

part _____ of the other

Samuel, Moshinsky & Co., Law Offices and Notary Firon, Kami, Sarov & Firon, Advocates and Notaries

WHEREAS Ampal holds 783,778 ordinary shares of NIS 1 n.v. each in Moriah Hotels Ltd (Private Company No. 51-0508160-1) (hereinafter referred to as "Ampal's shares") (hereinafter referred to as "the Company");

AND WHEREAS Amot holds 460,725 ordinary shares of NIS 1 n.v. each in the Company (hereinafter referred to as "Amot's shares");

AND WHEREAS Gmul holds 340,773 ordinary shares of NIS 1 n.v. each in the Company (hereinafter referred to as "Gmul's shares");

AND WHEREAS shares the Vendors wish to jointly sell Ampal's shares, Amot's and Gmul's shares to the Purchaser pursuant to the matters provided and set forth in this agreement below (Ampal's shares, Amot's shares and Gmul's shares are hereinafter referred to as "the sold shares");

AND WHEREAS in the Purchaser wishes to purchase the sold shares from the Vendor pursuant to the matters provided and set forth below in this agreement;

AND WHEREAS due and offer the Purchaser has, to its full satisfaction, carried out a diligence examination of the Company, its business, assets liabilities, its legal, accounting and financial position and also additional examinations which it deemed appropriate to make, and after the examinations as aforesaid it made an offer to the Vendors to enter into this agreement with them and to purchase the sold shares from them, for the consideration and upon the terms and conditions set forth below herein;

AND WHEREAS the Vendors wish to enter into this agreement with the Purchaser and to sell the offered shares to the Purchaser for the consideration and upon the terms and conditions set forth below herein;

IT HAS ACCORDINGLY BEEN WARRANTED, PROVIDED AND AGREED
BY THE PARTIES AS FOLLOWS:

1. Recitals, Appendices and Headings

1.1 The recitals and the appendices to this agreement constitute an integral part hereof.

1.2 The headings in this agreement are for convenience purposes only, and no regard shall be had thereto for the purposes of interpreting this agreement or any part hereof.

1.3 Set forth below is an itemisation of the appendices annexed hereto:

Appendix "A1" -	the Company's audited financial statements as at 30th December 1997;
Appendix "A2" -	the Company's reviewed financial statements as at 30th September 1998;
y Appendices "B1" to "B3" -	texts of share transfer deeds;
Appendix "C" -	text of minutes of a meeting of the Company's board of directors;
Appendix "D1" -	text of HVE's notice of exercising HVE's option;
Appendix "D2" -	text of HVE's share transfer deed.

2. Definitions

In this agreement the following expressions shall bear the meanings set forth alongside them.

"dollar" -	a US dollar;
"HVE's option" -	as defined in clause 9 below;
"the approvals" - herein	the approvals specified in clause 5.2 and each of them;
"the Company" -	Moriah Hotels Ltd. Private Company No. 51-050816-1;
"the last date" - the	90 days after the date of the agreement as defined below or a later date upon which parties shall agree in writing;

"the sold shares" - Ampal's shares, Amot's shares and Gmul's shares;

"the representative rate" and/or "the representative rate of the dollar" - the representative rate of The US dollar as published by the Bank of Israel; if at any time a representative rate of the US dollar shall not be published, "the representative rate of the dollar shall be the average between the lowest cash rate at which, at the relevant time at noon, Bank Hapoalim Ltd purchases US dollars from Israeli citizens without rights and special exemptions and the highest cash rate at which, at the relevant time at noon, Bank Hapoalim Ltd sells US dollars to Israeli residents without rights and special exemptions;

"the consideration" - US\$75,827,600 (seventy-five million, eight hundred twenty-seven thousand, six hundred US dollars) which is the price which the Purchaser undertakes to pay the Vendors for the sold shares as provided in clause 8 below;

"Ampal's part of the consideration" - 49.44% of the consideration as provided in clause 8.1.1 below;

"Amot's part of the consideration" - 29.06% of the consideration as provided in clause 8.1.2 below;

Gmul's part of the consideration" - 21.50% of the consideration as provided in clause 8.1.3 below;

"HVE" - HVE - Hevrat Ovdim Investments Ltd (Public Company No. 52-002847-3);

"business day" - a day on which there is trading in foreign currency by the banks in Israel; for the avoidance of doubt, Sundays are not a business day;

"the completion date" - as defined in clause 6 below;

"Ampal's shares" - 783,778 ordinary shares of NIS 1 n.v. each in the Company;

"Amot's shares" - each	460,725 ordinary shares of NIS 1 n.v. in the Company;
"Gmul's shares" - each	340,773 ordinary shares of NIS 1 n.v. in the Company;
"HVE's shares" -	as defined in clause 9 below;
"the agreement date" -	the date on which this agreement shall be executed by the Vendors;
"the interim period" -	the period between the agreement date and the completion date.

3. The Vendors' Warranties

3.1 Ampal warrants that:

- (a) It is the owner of Ampal's shares and that Ampal shares are fully paid up and are free of any charge, attachment or third party rights whatsoever and when they shall be transferred to the Purchaser pursuant to the provisions of this agreement, they shall be transferred free of any charge, attachment or third party right.
- (b) There is no impediment at law and/or agreement into its entering into this agreement.
- (c) It is duly incorporated and is entitled pursuant to its documents of incorporation to enter into this agreement and to act pursuant thereto and that all its competent organs have passed all the resolutions required to approve its contractual relationship in this agreement and to perform all its obligations pursuant hereto.

3.2 Amot warrants that:

- (a) It is the owner of Amot's shares and that Amot shares are fully paid up and are free of any charge, attachment or third party rights whatsoever and when they shall be transferred to the Purchaser pursuant to the provisions of this agreement, they shall be transferred free of any charge, attachment or third party right.

(b) There is no impediment at law and/or agreement into its entering into this agreement.

(c) It is duly incorporated and is entitled pursuant to its documents of incorporation to enter into this agreement and to act pursuant hereto and that all its competent organs have passed all the resolutions required to approve its contractual relationship in this agreement and to perform all its obligations pursuant hereto.

3.3 Gmul warrants that:

(a) It is the owner of Gmul's shares and that Gmul shares are fully paid up and are free of any charge, attachment or third party rights whatsoever and when they shall be transferred to the Purchaser pursuant to the provisions of this agreement, they shall be transferred free of any charge, attachment or third party right.

(b) There is no impediment at law and/or agreement into its entering into this agreement.

(c) It is duly incorporated and is entitled pursuant to its documents of incorporation to enter into this agreement and to act pursuant hereto and that all its competent organs have passed all the resolutions required to approve its contractual relationship in this agreement and to perform all its obligations pursuant hereto.

3.4 The Vendors warrant, that as far as they are aware, the Company's audited financial statements as at 31st December 1997 and the Company's reviewed financial statements as at 30th September 1998, annexed hereto as appendices "A1" and "A2", fairly reflect, in conformity with generally accepted accounting principles, the Company's financial position as at the respective date that each of them were drawn up.

3.5 The Vendors warrant that they requested the Company to centralise at the Company's offices and/or Ampal's offices, at 111 Ariozorov St., Tel Aviv, material documents and data in connection with the Company which did not include agreements with suppliers, customers and/or agents, and to enable the Purchaser to inspect, at its election, such documents and data and that they are unaware of any material agreement of the Company, save for agreements with suppliers, customers and/or agents, that were not made available for the Purchaser's inspection nor of any material claim against the Company the documents in connection with which were not made available for the Purchaser's inspection.

3.6 The Vendors warrant that, apart from the matters set forth in sub-clauses 3.4 and 3.5 above, they and/or any of them and/or anyone on their behalf do not expressly or impliedly make any representation whatsoever and/or assume any undertaking whatsoever with regard to the correctness, accuracy and/or completeness of the documents and/or the data that were made available for the Purchaser's inspection as in clause 3.5 above and/or that were delivered to the Purchaser by the Company and/or the Vendors and/or any of them and/or anyone on their behalf and/or which reached the Purchaser's knowledge in any manner whatsoever, whether in writing or orally, directly or indirectly, whether within the context of the tours of the Company's hotels or in any other manner.

4. The Purchaser's Warranties

The Purchaser warrants and undertakes that:

4.1 It independently and to its full satisfaction carried out a due diligence examination of the Company, its business, assets and liabilities and legal, accounting and financial position and also additional examinations which it deemed appropriate to make, that it and/or anyone on its behalf received all the information they requested to receive and that it was given the opportunity of carrying out any examination it wished to make and to receive all information, irrespective of whether it requested it, within the context of the documents and the data that were made available for its inspection as provided in clause 3.5 above, during the course of the tours of the Company's hotels and also in any other manner, and that insofar as any information was not delivered to it, whether it requested that it should be delivered to it or otherwise, it has decided to enter this agreement notwithstanding the fact that such information was not delivered to it, and while giving a full waiver of any claim and/or complaint and/or demand in such regard, and that it has found the Company and the sold shares appropriate for its objects and that it is purchasing the sold shares `as is' and with the Company being `as is', and that it fully and finally waives any claims and/or demands and/or complaints whatsoever against the Vendors and/or the Company and/or any of them and/or anyone on their behalf, including with regard to a patent and/or latent non-conformity and/or defect in respect of the sold shares and/or the Company, and that it is purchasing the sold shares without relying upon any representation and/or undertaking on behalf of the Vendors and/or the Company and/or any of them and/or anyone on their behalf, save for these expressly set forth in clause 3 above.

4.2 It waives any complaint and/or claim and/or demand against the Vendors and/or against the Company and/or any of them and/or anyone on their behalf in respect of incorrectness, inaccuracy and/or incompleteness of the documents and/or the data that were made available for its inspection as provided in clause 3.5 above and/or that were brought to its knowledge during the course of the tours of the Company's hotels and/or that were delivered to it by the Company and/or the Vendors and/or any of them and/or anyone on their behalf and/or that reached it in any other manner, directly or indirectly, whether in writing or orally.

4.3 It is aware and it agrees that the Vendors and/or the Company and/or any of them and/or anyone on their behalf are not making any representation with regard to the correctness, accuracy and/or completeness of the documents and/or the information that were delivered to it, whether in writing or orally, directly or indirectly, including, but without derogating from the generality of the foregoing, any statement, information or representation that were made or given, if made or given, by any of the employees and/or officers and/or shareholders of the Company and/or of the Vendors, and without prejudice to the generality of the foregoing, directors and/or representatives and/or consultants (legal or others) of the Vendors and/or of the Company and/or by any other person and/or entity on behalf of any of those enumerated above.

4.4 It is aware and it agrees that the Company and all its subsidiaries have confirmed to the Vendors that they do not and shall not have and they waive in advance any claim and/or complaint and/or demand against the Vendors, any of them and anyone on their behalf, including anyone who served and/or is serving as a director of the Company and/or of any of its subsidiaries, and the Purchaser hereby undertakes to indemnify the Vendors and/or any of them and/or anyone on their behalf and/or anyone who served and/or is serving as a director of the Company and/or of any of its subsidiaries in respect of any expense that shall be incurred and/or payment that shall be made in connection with any claim and/or complaint and/or demand that shall be raised against any of them by the Company and/or any of its subsidiaries on its behalf in any matter whatsoever.

4.5 That there is no impediment at law and/or agreement and/or any other impediment to its entering into this agreement and purchasing the sold shares.

4.6 That it is duly incorporated and is entitled pursuant to its documents of incorporation to enter into this agreement and to act pursuant hereto and that all its competent organs have passed all the resolutions required to approve its contractual relationship in this agreement and to perform all its obligations pursuant hereto.

5. Validity of the Agreement and Terms and Conditions for the Sale of the Sold Shares

5.1 This agreement shall come into effect immediately upon the execution hereof by the Vendors.

5.2 Notwithstanding the provisions of clause 5.1 above, the performance of the parties' obligations pursuant to clauses 7, 8 and 9 to this agreement is conditional upon obtaining all the approvals specified below by the last date:

(a) unconditional and unqualified approval of the Director of Restrictive Trade Practices pursuant to the Restrictive Trade Practices Law, 5748-1988;

(b) approval of the Investment Centre of the Ministry of Industry and Trade;

(c) approval of Bank Hapoalim Ltd as required pursuant to the debentures signed in its favour by the Company.

5.3 The parties shall cooperate insofar as required to obtain the Director of Restrictive Trade Practices' approval as provided in clause 5.2(a) above and they shall, inter alia, within 14 days from the agreement date, submit an appropriate application to the Director of Restrictive Trade Practices and thereafter shall furnish the Restrictive Trade Practices Authority with any document or information that it shall require for the purposes of granting the approval.

5.4 Within 14 days of the agreement date the Vendors shall make application to the entities mentioned in sub-clauses 5.2(b) and 5.2(c) to grant the approvals mentioned in sub-clauses 5.2 and 5.2(c) above; copies of the said applications shall be sent to the Purchaser.

The parties shall cooperate and furnish every document or information that shall be required by any of the entities mentioned in sub-clauses 5.2(b) and 5.2(c) in order to grant such approvals.

5.5 All the expenses and payments that must be effected, if any, in order to obtain the approvals shall be borne and paid by the Company.

5.6 If any of the approvals are not received by the last date (and there is no undertaking and/or representation by any of the parties hereto in connection with the possibility of receiving the approvals), this agreement shall automatically terminate at the end of 14 days from the last date, unless all the approvals have been received prior to the end of the said 14 days.

If the agreement terminates as aforesaid, each of the Vendors shall refund to the Purchaser the first instalment paid made by the Purchaser on account of its part of the consideration, as provided in clause 8.5 below, and none of the parties shall have any complaint and/or claim and/or demand against the others in connection with this agreement and/or the proceeding which led to the execution hereof and/or the failure to obtain any of the approvals and/or the termination of this agreement.

5.7 The Purchaser hereby confirms that it is aware that pursuant to various agreements between the Company and its subsidiaries and/or any of them and Israel Land Administration, Israel Land Administration's consent is required for the transfer of the sold shares from the Vendors to the Purchaser, and that the Israel Land Administration may require, as a condition for giving its said consents, consent charge payments from the Company and/or the Company's subsidiaries and/or any of them and that Israel Land Administration has not given any consent to the transfer of the offered shares to the Company. The Purchaser hereby undertakes to do every action and to make every necessary payment, including consent charges and/or capitalisation charges required in order to obtain all the necessary consents from Israel Land Administration to the transfer of the sold shares to the Purchaser. It is hereby agreed that if the Purchaser does not obtain Israel Land Administration's consent to the transfer of the sold shares to the Purchaser by completion date, the Purchaser shall be entitled to act as aforesaid in order to obtain the said consents even after the completion dates, and that in such event the Purchaser may require the Company and/or any of its subsidiaries to pay Israel Land Administration the Payments that it shall require in order to grant its consents. In any event, failure to obtain Israel Land Administration's consents shall not impair the validity of this agreement and/or constitute a cause for the annulment hereof, whether prior to the completion date or thereafter, and all the liability and damages that may be occasioned to the Purchaser and/or the Company and/or the Company's subsidiaries and/or any of them shall be borne by the Purchaser, without it having any claim and/or demand and/or complaint against the Vendors and/or any of them and/or anyone on their behalf.

6. The Completion Date and the Interim Period

6.1 After receiving all the approvals, the Vendors shall determine the date and time at which the operations set forth in clauses 7 and 8 below shall take place, which shall not be later than the end of 14 business days from the last date, and they shall give written notice thereof to the Purchaser (the said date and time as shall be determined by the Vendors are hereinafter referred to in this agreement as "the completion date").

On the completion date, the parties shall meet at the offices of Advs. Firon, Kami, Sarov & Firon, at 111 Ariozorov St., Tel Aviv and shall effect the operations enumerated in clauses 7 and 8 below:

- 6.2 (a) The Purchaser hereby confirms that it agrees that in the interim period the Company shall declare and distribute cash dividends in any amount whatsoever not exceeding the sum of all the Company's distributable profits in respect of 1998 and in respect of previous periods, as shall be determined by the Company's auditors.
- (b) The dividend amounts that shall actually be distributed by the Company to Ampal, Amot and Gmul during the interim period, in their dollar value according to the representative rate of the dollar on the date of actual payment to Ampal, Amot and Gmul, shall be deducted from the consideration which the Purchaser is liable to pay the Vendors as provided in clause 8 below and each of the Vendors' part of the consideration shall be reduced respectively.
- (c) Without prejudice to the generality of the provisions of clause 4.4 above, the Purchaser warrants and undertakes to each of the Vendors and to HVE that it is aware and it agrees that the Company has confirmed to the Vendors that it does not and shall not have and it waives in advance any claim and/or complaint and/or demand against the Vendors and/or any of them and/or anyone on their behalf, including anyone who served and/or is serving as a director of the Company and/or against HVE in respect at and in connection with the dividends that shall be declared and/or distributed by the Company in the interim period, and the Purchaser hereby undertakes to indemnify the Vendors and/or any of then and/or anyone on their behalf, including anyone who served and/or serves as a director of the Company and/or HVE, in respect of any expense that shall be incurred

claim and/or payment that shall be made in connection with any and/or complaint and/or demand that shall be raised against any of them by the Company and/or anyone on its behalf in connection with the Company's declaration and/or distribution of dividends.

6.3 Any event or occurrence that shall occur during the interim period, whether as a result of a decision of the Company and/or the Vendors or otherwise, shall not confer any right upon the Purchaser to rescind the agreement.

6.4 In the interim period, the Vendors shall inform the Purchaser of every board of directors' meeting that shall be convened in the interim period and they shall enable a representative on the Purchasers behalf to be present as an observer at such meeting.

7. Transfer of the Sold Shares

On the completion date, after all the approvals have been received and after all the payments which the Purchaser is liable to pay Ampal, Amot and Gmul as provided in clause 8 below have been effected:

- (a) Ampal shall deliver a share transfer deed to the Purchaser in the text annexed hereto as appendix "B1" in respect of Ampal's shares;
- (b) Amot shall deliver a share transfer deed to the Purchaser in the text annexed hereto as appendix "B2" in respect of Amot's shares;
- (c) Gmul shall deliver a share transfer deed to the Purchaser in the text annexed hereto as appendix "B3" in respect of Gmul's shares;
- (d) the Vendors shall deliver to the Purchaser minutes of the Company's board of directors approving the transfer of Ampal's shares, Amot's shares and Gmul's shares to the Purchaser in the text annexed hereto as appendix "C", signed by the chairman of such meeting.

By delivering the aforementioned documents, the Vendors will have fulfilled their duty to transfer and sell the sold shares to the Purchaser.

8. The Consideration

In consideration for the sold shares, the Purchaser shall pay the Vendors the sum of US\$75,827,600 (seventy-five million, eight hundred twenty-seven thousand, six hundred US dollars) hereinafter referred to as "the consideration") in the apportionment and instalments and at the times specified below.

8.1 The Purchaser shall pay each of the Vendors its part of the consideration in two instalments as specified below:

8.1.1 To Ampal - an amount equal to 49.44% as the consideration for Ampal's shares (hereinafter referred to as "Ampal's part of the consideration");

8.1.2 To Amot - an amount equal to 29.06% as the consideration for Amot's shares (hereinafter referred to as "Amot's part of the consideration");

8.1.3 To Gmul - an amount equal to 21.50% as the consideration for Gmul's shares (hereinafter referred to as "Gmul's part of the consideration");

8.2 The Purchaser shall pay the consideration to the Vendors in the following instalments and at the following times:

8.2.1 The first instalment - at 08:30 hours on the second business day after the agreement date, the Purchaser shall pay the Vendors 20% of the consideration as a first instalment on account of the consideration as follows:

8.2.1.1 the Purchaser shall pay Ampal 20% of Ampal's part of the consideration;

8.2.1.2 the Purchaser shall pay Amot 20% of Amot's part of the consideration;

8.2.1.3 the Purchaser shall pay Gmul 20% of Gmul's part of the consideration;

8.2.2 The Second Instalment

The Purchaser shall pay the Vendors the balance of the consideration on the completion date, that is to say 80% of the consideration as follows:

- 8.2.2.1 the Purchaser shall pay Ampal 80% of Ampal's part of the consideration;
- 8.2.2.2 the Purchaser shall pay Amot 80% of Amot's part of the consideration;
- 8.2.2.3 the Purchaser shall pay Gmul 80% of Gmul's part of the consideration;

8.2.3 A breach of any of the Purchaser's obligations pursuant to clause 8.2.1 above and/or pursuant to clause 8.2.2 above shall constitute a fundamental breach of this agreement.

8.3 The consideration and each and every instalment in respect thereof shall be paid by the Purchaser in new shekels according to the representative rate at the time of actually effecting the payment.

8.4 The consideration and each and every instalment in respect thereof shall be paid by way of bank cheques to the order of Ampal, Amot or Gmul, as the case may be, drawn on one of the five largest commercial banks in Israel.

The consideration amount and/or each and every instalment in respect thereof shall only be deemed as having been paid at the time that the bank accounts of Ampal, Amot and/or Gmul, as the case may be, are credited with the amount of the relevant bank cheque.

8.5 If this agreement is terminated as provided in clause 5.6 above, each of the Vendors, without mutual liability inter se, shall, within 21 days of the last date, refund to the Purchaser its part of the first instalment paid to it by the Purchaser on account of the consideration as provided in clause 8.2.1 above, in its dollar value and in new shekels according to the representative rate of the dollar known at the time of actually effecting the refund.

8.6 It is hereby agreed that if the Purchaser breaches its obligation to pay the Vendors on due date the full amount of the first instalment as provided in clause 8.2.1, or the full amount of the second instalment as provided in clause 8.2.2 above, the Vendors shall in each of the said events be entitled to rescind this agreement upon written notice to the Purchaser, without giving it any advance notice thereof and without giving it any opportunity to rectify the breach.

8.7 The parties hereby determine, after a cautious evaluation, that the damage that can be anticipated at the time of entering into this agreement as a reasonable consequence of a breach of the Purchaser's obligation to pay the Vendors on due date the full amount of the first instalment, as provided clause 8.2.1 above, and/or the full amount of the second instalment, as provided in clause 8.2.2 above, and of the rescission of the agreement by the Vendors as provided in clause 8.6 above, is 10% of the consideration (in dollar values).

Without prejudice to any other and/or additional right and/or relief of the Vendors, it is hereby agreed that if the Purchaser breaches its obligation to pay the Vendors the first instalment, as provided in clause 8.2.1 above, and/or the second instalment, as provided in clause 8.2.2 above, and if the Vendors rescind the agreement as provided in clause 8.6 above, the Purchaser shall pay each of the Vendors, by way of liquidated damages, and immediately upon being required to do so by the Vendors, an amount equal to 10% of the consideration (in dollar values) (hereinafter referred to as "the liquidated damages").

The liquidated damages shall be apportioned between the Vendors as follows: to Ampal - 49.44% of the liquidated damages; to Amot - 29.06% of the liquidated damages and to Gmul - 21.50% of the liquidated damages. The Purchaser hereby agrees that if this agreement is rescinded by the Vendors as provided in clause 8.6 above, each of the Vendors shall be entitled, without prejudice to any right and/or relief available to it at law and/or agreement, to set-off its part of the liquidated damages or part thereof, at its election, against any amount due from it to the Purchaser.

9. Purchase of HVE's Shares by the Purchaser

The Purchaser warrants and confirms that it is aware that HVE is the owner of 118,589 ordinary shares of NIS 1 n.v. each in the Company (hereinafter referred to as "HVE's shares"). The Purchaser hereby grants HVE an option (hereinafter referred to as "HVE's option") to sell it all HVE's shares as follows:

9.1 The exercise of HVE's option is conditional upon all the approvals being received, that the Vendors shall determine the completion date as provided in clause 6 above, and that on the completion date the Vendors shall deliver to the Purchaser the share transfer deeds and the minutes of the Company's board of directors as provided in clause 7 above.

9.2 Immediately after the completion date and the performance of the matters set forth in clause 7 above, the Purchaser and/or the Vendors shall give notice thereof to HVE.

9.3 HVE shall be entitled to exercise HVE's option within 14 days of the date on which the Purchaser's and/or the Vendors' notice is delivered to HVE as provided in clause 9.2 above by giving the Purchaser, within the 14 days, written notice of its decision to exercise HVE's option in the text annexed hereto as appendix "D1" to which shall be annexed a share transfer deed in the text annexed hereto as appendix "D2" signed by HVE (hereinafter referred to as "HVE's notice").

If HVE's notice is not delivered to the Purchaser together with a share transfer deed as aforesaid within the said 14 days, HVE's option shall expire, and HVE and/or the Purchaser shall not be granted any right whatsoever.

9.4 By twelve noon on the seventh business day after the date on which HVE's notice is delivered to the Purchaser, the Purchaser shall pay HVE, in consideration for HVE's shares (and in addition to the full amount of the consideration that it paid the Vendors as provided in clause 8 above, an amount equal to 7.48% of the consideration in new shekels according to the representative rate known on the date of actual payment.

If the Company distributes cash dividends in the interim period, the value of the dividends which HVE shall actually receive in the interim period, in their dollar value according to the representative rate of the dollar on the date of the actual payment thereof to HVE, shall be deducted from the amount that shall be paid by the Purchaser in consideration for HVE's shares as aforesaid.

The Purchaser hereby undertakes that if it directly or indirectly purchases HVE's shares within twelve months of the agreement date, whether in consequence of exercising HVE's option or in any other manner it shall deduct 1% (one percent) of the amount of the payment to HVE together with VAT and shall remit it to the Vendors as HVE's contribution to the costs of preparing this agreement. The payment shall be effected by way of a bank cheque to HVE's order drawn on one of the five large commercial banks in Israel; the payment amount shall only be deemed as having been paid at the time HVE's bank account is credited with the amount of the bank cheque as aforesaid.

9.5 If HVE exercises HVE's option, the Purchaser shall be deemed as also having given HVE all the warranties and undertakings in clause 4 above and in clause 10.2 below, mutatis mutandis, in connection with HVE's shares and HVE.

9.6 The Purchaser warrants and confirms that it is aware and it agrees that the Vendors and/or the Company and/or any of them and/or anyone on their behalf do not make any representation with regard to HVE's shares and/or the possibility of HVE's option being exercised by HVE, and it waives any complaint and/or claim and/or demand against the Vendors and/or against the Company and/or any of them and/or anyone on their behalf in connection with HVE's shares and/or HVE's option, including, but without prejudice to the generality of the foregoing, the exercise or non-exercise thereof by HVE.

9.7 The provisions of this clause 9 constitute a contract in favour of a third party - HVE; however, it is hereby expressly agreed that the Vendors and the Purchaser are entitled to amend the provisions of this clause 9 at any time, either prior to or after notice thereof is given to HVE.

10. Taxes, Expenses and Various Payments

10.1 Income tax and/or capital gains tax that shall apply, if at all, to Ampal, Amot or Gmul in connection with the sale of the sold shares pursuant to this agreement shall be borne by Ampal, Amot or Gmul, as the case may be. Any tax and/or levy and/or other official fee, including, but without prejudice to the generality of the foregoing, stamp duty, shall be borne and paid by the Purchaser.

10.2 Save for those deductions of income tax at source which the Purchaser shall be statutorily liable to deduct the Purchaser shall not deduct and shall not set-off any amount from any payment it is liable to make to the Vendors and/or to any of them and/or to HVE, and any such deduction and/or set-off, whether justified or otherwise, shall constitute a breach of the provisions of this agreement.

For the avoidance of doubt if a certificate of the income tax authorities is produced to the Purchaser exempting the payment to the Vendors and/or any of them from deduction of income tax at source, tax shall not be deducted at source from the payments to such party.

10.3 In addition, but without prejudice to the provisions of clause 5 above, it is hereby expressly agreed that any tax, official fee, levy, consent charges, capitalisation charges and/or other payment and/or other expense which the Company and/or any of its subsidiaries (hereinafter jointly and severally referred to as "the Group") paid and/or incurred and/or shall pay and/or shall incur in accordance with a determination of the Vendors in connection with the preparation of this agreement and/or in connection with the proceeding within the context whereof this agreement was executed and/or in connection with the implementation of this agreement and/or the exercise of HVE's option, and, but without prejudice to the generality of the foregoing, any payment of capitalisation charges and/or consent charges to Israel Land Administration which the Group shall pay in accordance with the Vendors' determination in connection with obtaining the approvals, shall be borne and paid by the Group, without the Group and/or the Purchaser having any complaint and/or claim and/or demand whatsoever against the Vendors and/or any of them and/or anyone on their behalf and/or against any officers of the Group, and the Purchaser hereby undertakes to indemnify the Vendors and/or any of them and/or anyone on their behalf and/or any officer of the Group in respect of any expense that shall be incurred and/or payment that shall be made in connection with any claim and/or complaint and/or demand that shall be raised against any of them by the Group and/or the Purchaser and/or anyone on their behalf.

11. Arbitration

11.1 All the disputes, contentions or differences that may arise between the parties in all matters relating to this agreement or the rescission hereof or any of the terms and conditions hereof (including the issue of the validity thereof) shall be referred to the decision of a sole arbitrator who shall agreed upon by the parties.

11.2 If the parties do not reach agreement as to the arbitrator's identity, he shall be appointed by the Tel Aviv-Jaffa District Court upon written application by any party.

11.3 The arbitrator shall be released from the laws of evidence and the rules of procedure, but he shall make his award in accordance with the substantive law, he shall give reasons for his decision and his decision shall be final and bind the parties.

12. Miscellaneous

12.1 The parties' rights and duties in connection with the subject matter of this agreement shall only be determined in accordance with the provisions hereof and any amendment or addendum thereto shall require the parties' written consent.

12.2 Without prejudice to the Purchaser's duty to make every payment pursuant to this agreement on due date, it is agreed that any payment made by the Purchaser after the date on which it was under a duty to make it pursuant to the provisions hereof shall be linked to the representative rate of the dollar and shall bear interest at the rate of 9% per annum.

12.3 This agreement annuls and replaces any agreement, consent and/or undertaking whatsoever between the Purchaser and the Vendors and/or any of them, and/or anyone on their behalf.

12.4 This agreement shall be governed by Israeli law and exclusive jurisdiction in connection herewith, subject to the provisions of clause 11 above, is hereby given to the Tel Aviv-Jaffa courts alone.

12.5 Notices

For so long as a party does not give another written notice to the other, the parties' addresses for the purpose of this agreement are as appear in the recitals and any such notice sent by any party to another shall be deemed as having been received by the party to which it was sent; if delivered or left at its address - at the time of delivery thereof; if sent by registered post - three (3) business days from the date of delivery thereof to the post office for dispatch by registered post; and if transmitted by facsimile - at the end of the first business day after the time of transmission.

For so long as any party does not give another notice to the other, the parties' addresses for the purpose of this agreement shall be as follows:

(a) Ampal Israel Ltd - 111 Ariozorov St., Tel Aviv, Fax: 03-6090827, with a copy to Adv. Zvi Firon of 111 Ariozorov St., Tel Aviv, Fax: 03-6953802;

(b) Amot Investments Ltd. 8 Shaul Hamelech Blvd, Tel Aviv, Fax: 03-6938501, with a copy to Adv. Yoram Samuel of 138 Rothschild Blvd, Tel Aviv, Fax: 03-6867533;

(c) Gmul Investments Co. Ltd. 8 Shaul Hamelech Blvd, Tel Aviv, Fax: 03-6979480, with a copy to Adv. Yoram Samuel of 138 Rothschild Blvd. Tel Aviv, Fax: 03-6867533;

(d) The Purchaser -- Sheraton Intercontinental Ltd. and Koor Tourism Ltd., Fax: For Sheraton Intercontinental Ltd: 32 2 224 3592; for Koor Tourism Ltd.:_____

12.6 Each of the Vendors (hereinafter referred to as "the selling party") is entitled to sell its shares in the Company to the other Vendors. In such event, the selling party shall assign and transfer to the other Vendors all the selling party's rights pursuant hereto, and such rights and obligations shall be apportioned between the other Vendors in a form and manner that shall be determined in a notice to be given by the other Vendors to the Purchaser.

AS WITNESS THE HANDS OF THE PARTIES:

/s/ [ILLEGIBLE]

*Ampal Israel Ltd.
Ltd.*

Gmul Investment Co., Inc.

/s/ [ILLEGIBLE]

Amot Investments

/s/ Robert F. Cotter

The Purchaser

I the undersigned, Robert L. Scott, Adv., hereby certify that on January 20, 1999 Mr. Robert Cotter signed this agreement in my presence on behalf of Sheraton Intercontinental Ltd. (hereinafter, together with Koor Tourism Ltd., referred to as "The Purchaser") and that the signatures of Mr. Robert Cotter to this agreement, together with the signature of the authorized representative of Koor Tourism Ltd., collectively on the Purchaser's behalf, binds the Purchaser for all intents and purposes.

/s/ Robert L. Scott

Robert L. Scott, Adv.

20.1.99 [ILLEGIBLE TRANSLATION OF A HEBREW PARAGRAPH]

[ILLEGIBLE - HEBREW]
[ILLEGIBLE - HEBREW]
[ILLEGIBLE - HEBREW]

/s/ [ILLEGIBLE]

[ILLEGIBLE - HEBREW]

PUT OPTION SIDE LETTER AGREEMENT

Dated: April 12, 1999

Further to an Agreement dated the 27th day of January, 1999, by and between Ampal Israel Ltd. ("Ampal"), Amot Investments Ltd. ("Amot") and Gmul Investments Company Ltd. ("Gmul"), (collectively, the "Vendors") of the one part, and Sheraton Intercontinental Ltd. ("Sheraton") and Koor Tourism Ltd. ("Koor") (jointly and severally, the "Purchasers"), of the other part (the "Main Agreement").

WHEREAS the Purchasers entered into the First Closing SLA with Gmul (attached hereto as Appendix A) and the Purchasers entered into the Second Closing SLA and the Dividend Side Letter Agreement with Ampal and Amot (attached hereto as Appendices B and C) (collectively the "Other SLAs"); and

WHEREAS the bifurcation of the Completion Date under the Main Agreement into the First Closing and the Second Closing (as specified in the Other SLAs) was made at Ampal's and Amot's request and the Purchasers have agreed thereto subject to Ampal granting the Put Option as herein defined, so that in the event that the First Closing is completed but the Second Closing is not completed, and if the Purchasers exercise the Put Option, Ampal shall purchase the Gmul's Shares and for all purposes Ampal shall be deemed to have purchased such Shares from Gmul in accordance with Section 12.6 of the Main Agreement as if the First Closing had never happened, and Ampal, Amot and the Purchasers shall have the same rights and obligations as they would have had under the Main Agreement in the event of such purchase under Section 12.6 of the Main Agreement and as if the above bifurcation had never happened.

Now therefore the Parties have agreed:

1. If, for reasons other than the acts or omissions of the Purchasers, the Second Closing is not completed as provided for in Section 2.2 of the Second Closing SLA, within fourteen days of the First Closing, Purchasers shall hold a put option against Ampal (the "Put Option") for the MHL shares purchased by the Purchasers from Gmul at the First Closing (the "Option Shares").

1.1 The Put Option shall be in effect and exercisable as of the fifteenth day following the First Closing until the one hundred and twentieth day following the First Closing (the "Option Period"). Delivery to Ampal during the Option Period of written notice from the Purchasers of the exercise of the Put Option (the "Notice") shall require Ampal to purchase the Option Shares for a consideration equal to the full consideration paid by the Purchasers

to Gmul pursuant to Sections 8.2.1.3 and 8.2.2.3 of the Main Agreement (in US dollars), i.e. \$16,302,934, less the US dollar equivalent of any dividends actually paid by MHL with respect to the Option Shares after the completion of the First Closing (the "Consideration"). The said US dollar equivalency shall be determined by the Bank of Israel representative rate in effect at the time of the payment of the said dividends by MHL.

1.2 Ampal shall be required to pay to the Purchasers the Consideration within fourteen days of delivery of the Notice (the "Payment Period") but only if the Purchasers deliver to Ampal against such payment a share transfer deed with respect to all Option Shares, in the text annexed hereto as Appendix D, and a written confirmation by the person or entity registered as shareholder with respect to the Option Shares, confirming that upon payment of the Consideration Ampal is the beneficial owner of the Option Shares and all rights attached thereto, and that the Option Shares are registered in such person or entity's name as trustees for Ampal until they are registered in Ampal's name.

2. In the event the Second Closing is not completed within forty-eight hours of the First Closing as a result of acts or omissions attributed to any third party ("Third Party"), the parties will cooperate fully in pursuing any claim against such Third Party.

3. The provisions of this agreement do not prejudice, unless expressly stated herein, in any way existing legal and/or contractual rights of the parties hereto including, but not limited to, with respect to sale and purchase of Ampal's Shares and Amot's Shares (as defined in the Main Agreement) under the Main Agreement.

4. If the Put Option is exercised, Ampal shall be deemed to have purchased from Gmul all the Gmul Shares (as defined in the Main Agreement) in accordance with Section 12.6 of the Main Agreement, together with all of Gmul's rights and obligations under the Main Agreement, as if the First Closing has never happened, so that if the purchase of the Ampal Shares (as defined in the Main Agreement) by the Purchasers and/or any of their affiliates will be completed by virtue or as a result of the Main Agreement, the Purchasers will purchase, simultaneously with the purchase of Ampal Shares (as defined in the Main Agreement), and as a condition to the purchase of the Ampal's Shares, all the Option Shares for an amount equal to the Consideration plus interest at an annual rate of LIBOR as of the date on which Ampal pays the Consideration to the Purchasers until the payment by the Purchasers to Ampal.

The above does not reflect on the question of whether or not interest should accumulate on other payments made or due under the Main Agreement.

Koor Industries Ltd.
AMPAL

/s/ [ILLEGIBLE]

/s/ [ILLEGIBLE]

SHERATON

Koor Industries Ltd.

AMPAL

/s/ [ILLEGIBLE]

/s/ [ILLEGIBLE]

SHERATON

/s/ Robert F. Cotter

Robert F. Cotter

I confirm that Robert F. Cotter, by his above signature, is authorized to represent Sheraton Intercontinental Ltd.

/s/ Robert L. Scott

*Robert L. Scott
General Counsel
Sheraton Intercontinental Ltd.*

DIVIDEND SIDE LETTER AGREEMENT

Dated: April 12, 1999

Further to an Agreement dated the 27th day of January, 1999, by and between Ampal Israel Ltd. ("Ampal"), Amot Investments Ltd. ("Amot") and Gmul Investments Company Ltd. ("Gmul"), (collectively, the "Vendors") of the one part, and Sheraton Intercontinental Ltd. ("Sheraton") and Koor Tourism Ltd. ("Koor") (jointly and severally, the "Purchasers"), of the other part (the "Main Agreement").

WHEREAS, in accordance with the Main Agreement, Ampal shall sell 783,778 shares of Moriah Hotels Ltd. ("MHL") to the Purchasers ("Ampal's Shares") for consideration in the amount of US\$37,489,165, Amot shall sell 460,725 shares of MHL to the Purchasers ("Amot's Shares") for consideration in the amount of US\$22,035,509, and Gmul shall sell 340,773 shares of MHL to the Purchasers ("Gmul's Shares") for consideration in the amount of US\$16,302,934;

WHEREAS the Purchasers paid on January 27, 1999, to each of the Vendors as required by the Main Agreement, their share of 20% of the consideration for the shares of the Vendors in MHL;

WHEREAS the Purchasers entered into the First Closing SLA with Gmul (attached hereto as Appendix A) and the Purchasers entered into the Second Closing SLA with Ampal and Amot (attached hereto as Appendix B);

WHEREAS Ampal, Amot and the Purchasers have agreed to separate the closing of the sale of Ampal's Shares and Amot's Shares (the "Second Closing" as specified in the Second Closing SLA), from the closing of the sale of Gmul's Shares to the Purchasers (the "First Closing" as specified in the First Closing SLA) so that the Second Closing will take place no earlier than 24 hours and no later than 48 hours following the First Closing;

Now therefore the Parties have agreed:

1. DIVIDEND DISTRIBUTION AFTER THE FIRST CLOSING

1.1 The board of directors of MHL shall be convened immediately following the First Closing to discuss the distribution of dividends in the amount of NIS.69,000,000 (the "Dividends"). The Board will take note of the legal opinion of Prof. J. Gross, Hodak & Co. and the expert opinion of the independent auditors of MHL and shall decide whether MHL can distribute such dividends. If so decided by the board of directors of MHL, the Dividends shall be distributed to the shareholders in accordance with their pro rata shareholding in

MHL. Thus if the Board will decide to distribute dividends in the total amount of NIS.69,000,000, such dividend will be distributed as follows:

To Ampal - 46%, namely, NIS.31,740,000

To Amot - 27.04%, namely, NIS.18,657,600

To the Purchasers and to their Affiliates, to which the Gmul Shares will be transferred at the First Closing, in the total - 20%, namely, NIS.13,800,000

To Hevrat Haovdim - 6.96%, namely, NIS.4,802,400.

1.2 Since the Second Closing SLA requires implementation of the Second Closing within forty-eight hours of the First Closing, the Dividends shall be paid by MHL to the shareholders within twenty-four hours of the First Closing, by bank transfer to the said shareholders' bank accounts.

2. REDUCTION OF CONSIDERATION

2.1 In accordance with the provisions of Section 6.2(b) of the Main Agreement the US dollar equivalent of the portion of the Dividends which shall be distributed and actually paid by MHL to Ampal shall be deducted from the remainder of Ampal's Part of the Consideration, and the US dollar equivalent of the portion of the Dividends which shall be distributed and actually paid by MHL to Amot shall be deducted from the remainder of Amot's Part of the Consideration.

2.1.1 Thus, it is agreed by the parties hereto that for purposes of the Second Closing SLA, the dollar figure constituting the term "Remaining Ampal Consideration" (Section 2.2 of the second Closing SLA) shall be reduced by the US Dollar equivalent of the portion of the Dividends actually paid to Ampal and the dollar figure constituting the term "Remaining Amot Consideration" (Section 2.2 of the second Closing SLA) shall be reduced by the US Dollar equivalent of the portion of the Dividends actually paid to Amot.

2.1.2 Also for the avoidance of doubt, the unconditional confirmation included in the Bank Documentation (as defined in Section 2.3 of the Second Closing SLA) shall confirm without any reservation the payment to Ampal and Amot of the Remaining Ampal Consideration and of the Remaining Amot Consideration (as defined in Section 2.2 of the Second Closing SLA), as reduced by the portion of the Dividend actually paid to Ampal and Amot respectively as provided hereunder, and the Trustees are hereby instructed accordingly.

- 2.2 For purposes of calculating the US dollar equivalent of the said portions of the Dividends, the Bank of Israel's representative rate in effect at the time of the bank transfer of the said portions of the Dividends to Ampal's and Amot's accounts shall apply.
- 3. The Purchasers undertake to convene a general meeting of the shareholders of MHL, no later than 30.6.99, for the purpose of approving the dividends to be distributed as provided above as final dividends for the periods ending 31.12.98, and to vote in favor of such approval. The Purchasers will provide Ampal and Amot with a copy of the minutes of such meeting.
- 4. In this side letter agreement each of the terms defined in the Main Agreement shall have the same meaning ascribed to it therein.

Koor Industries Ltd.
AMPAL

/s/ [ILLEGIBLE]

/s/ [ILLEGIBLE]

SHERATON
AMOT

/s/ [ILLEGIBLE]

APPENDICES

Appendix A: The First Closing SLA

Appendix B: The Second Closing SLA

2.2 For purposes of calculating the US dollar equivalent of the said portions of the Dividends, the Bank of Israel's representative rate in effect at the time of the bank transfer of the said portions of the Dividends to Ampal's and Amot's accounts shall apply.

3. The Purchasers undertake to convene a general meeting of the shareholders of MHL, no later than 30.6.99, for the purpose of approving the dividends to be distributed as provided above as final dividends for the periods ending 31.12.98, and to vote in favor of such approval. The Purchasers will provide Ampal and Amot with a copy of the minutes of such meeting.

4. In this side letter agreement each of the terms defined in the Main Agreement shall have the same meaning ascribed to it therein.

Koor Industries Ltd.
AMPAL

/s/ [ILLEGIBLE]

/s/ [ILLEGIBLE]

SHERATON
AMOT

/s/ Robert F. Cotter

/s/ [ILLEGIBLE]

I confirm that Robert F. Cotter, by his above signature, is authorized to represent Sheraton Intercontinental Ltd.

/s/ Robert L. Scott

Robert L. Scott
General Counsel,
Sheraton Intercontinental
Ltd.

APPENDICES

Appendix A: The First Closing SLA

Appendix B: The Second Closing SLA

Side Letter Agreement on the First Closing
(hereinafter, the "First Closing SLA")

Dated: April 12, 1999

Further to an Agreement dated the 27th day of January, 1999, by and between Ampal Israel Ltd. ("Ampal"), Amot Investments Ltd. ("Amot") and Gmul Investments Company Ltd. ("Gmul"), (collectively, the "Vendors") of the one part, and Sheraton Intercontinental Ltd. (hereinafter, "Sheraton") and Koor Tourism Ltd. (hereinafter, "Koor") (jointly and severally, the "Purchasers"), of the other part (hereinafter the "Main Agreement").

Whereas, in accordance with the Main Agreement, Ampal shall sell 783,778 shares of Moriah Hotels Ltd. ("MHL") to the Purchasers ("Ampal's Shares") for consideration in the amount of US\$37,489,165, Amot shall sell 460,725 shares of MHL to the Purchasers ("Amot's Shares") for consideration in the amount of US\$22,035,509, and Gmul shall sell 340,773 shares of MHL to the Purchasers ("Gmul's Shares") for consideration in the amount of US\$16,302,934;

Whereas the Purchasers paid on January 27, 1999, to each of the Vendors as required by the Main Agreement, their share of 20% of the consideration for the shares of the Vendors in MHL; and

Whereas Ampal, Amot and the Purchasers have agreed to separate the closing of the sale of Ampal's Shares and Amot's Shares (the "Second Closing"), from the closing of the sale of Gmul's Shares to the Purchasers (the "First Closing") so that the Second Closing will take place no earlier than 24 hours and no later than 48 hours following the First Closing.

NOW THEREFORE THE PARTIES AGREE:

1. Gmul and the Purchasers hereby agree that Gmul's Shares shall be sold at the First Closing.
2. For purposes of the First Closing and pursuant to Section 7(d) of the Main Agreement, Gmul shall deliver minutes of the board of directors of MHL in the form of Appendix C-1 hereto, instead of delivering minutes in the form of Appendix C of the Main Agreement.
3. The Purchasers shall have the right to execute the acts required of them, in the Main Agreement and in this First Closing SLA, through either of the Purchasers and/or any of their affiliates or together in any proportion the Purchasers deem fit. In light thereof, the share transfer deeds attached as Appendix B3 to the Main Agreement shall be delivered to the Purchasers such that

the Purchasers shall be able to fix in writing on the said deed the names of the transferees and distribution of Gmul's Shares among them in any proportion the Purchasers deem fit.

4. Gmul confirms that it is aware of the Second Closing SLA and has no objection thereto.

5. This First Closing SLA constitutes an integral part of the Main Agreement and shall be read and interpreted as an integral part thereof.

Koor Industries Ltd.
GMUL

SHERATON

/s/ [ILLEGIBLE]

/s/ [ILLEGIBLE]

APPENDICES

Appendix C-1: Resolution of the Board of Directors regarding transfer of Gmul's Shares

the Purchasers shall be able to fix in writing on the said deed the names of the transferees and distribution of Gmul's Shares among them in any proportion the Purchasers deem fit.

4. Gmul confirms that it is aware of the Second Closing SLA and has no objection thereto.

5. This First Closing SLA constitutes an integral part of the Main Agreement and shall be read and interpreted as an integral part thereof.

Koor Industries Ltd.
GMUL

SHERATON

/s/ [ILLEGIBLE]

/s/ Robert F. Cotter

/s/ [ILLEGIBLE]

I confirm that Sheraton Intercontinental Ltd. is duly represented by Robert F. Cotter, who has signed above on behalf of the Company.

/s/ Robert L. Scott

Robert L. Scott
General Counsel,
Sheraton Intercontinental Ltd.

APPENDICES

Appendix C-1: Resolution of the Board of Directors regarding transfer of Gmul's Shares

Side Letter Agreement on the Second Closing
(the "Second Closing SLA")

Dated: April 12, 1999

Further to an Agreement dated the 27th day of January, 1999, by and between Ampal Israel Ltd. ("Ampal"), Amot Investments Ltd. ("Amot") and Gmul Investments Company Ltd. ("Gmul"), (collectively, the "Vendors") of the one part, and Sheraton Intercontinental Ltd. ("Sheraton") and Koor Tourism Ltd. ("Koor") (jointly and severally, the "Purchasers"), of the other part (the "Main Agreement").

Whereas, in accordance with the Main Agreement, Ampal shall sell 783,778 shares of Moriah Hotels Ltd. ("MHL") to the Purchasers ("Ampal's Shares") for consideration in the amount of US\$37,489,165, Amot shall sell 460,725 shares of MHL to the Purchasers ("Amot's Shares") for consideration in the amount of US\$22,035,509, and Gmul shall sell 340,773 shares of MHL, to the Purchasers ("Gmul's Shares") for consideration in the amount of US\$16,302,934;

Whereas the Purchasers paid on January 27, 1999, to each of the Vendors as required by the Main Agreement, their share of 20% of the consideration for the shares of the Vendors in MHL; and

Whereas Ampal, Amot and the Purchasers have agreed to separate the closing of the sale of Ampal's Shares and Amot's Shares (the "Second Closing"), from the closing of the sale of Gmul's Shares to the Purchasers (the "First Closing", as specified in the First Closing SLA attached here as Appendix A) so that the Second Closing will take place no earlier than 24 hours and no later than 48 hours following the First Closing.

1. In this Second Closing SLA, each of the terms defined in the Main Agreement shall have the same meaning ascribed to it therein.
2. The transfer of the Sold Shares and payment of the Second Installment shall be carried out in two (2) stages as follows:

2.1 In the First Closing, the Purchaser shall pay Gmul the remainder of Gmul's Part of the Consideration (80% [eighty percent] of Gmul's Part of the Consideration) against delivery to the Purchaser of a share transfer deed in the text annexed to the Main Agreement as Appendix B3 and as stipulated in Section 3 of the First Closing SLA, and the Minutes of MHL's Board of Directors approving the transfer of the Gmul Shares in the text annexed hereto and marked "Appendix C-1".

2.2 In the Second Closing, the Purchaser shall pay to Ampal the remainder of Ampal's Part of the Consideration, namely, \$29,991,332 (hereinafter - the "Remaining Ampal Consideration") and to Amot the remainder of Amot's Part of the Consideration, namely, \$17,628,407 (hereinafter - the "Remaining Amot Consideration") against delivery to the Purchaser of the Minutes of the Company's Board of Directors approving the transfer of Ampal's Shares and Amot's Shares to the Purchaser in the text annexed hereto and marked "Appendix C-2".

2.3 Upon paying the Remaining Ampal Consideration and the Remaining Amot consideration, the Purchasers shall deliver to the Trustees (as hereinafter defined) documents signed by either Bank Hapoalim Ltd. confirming, without any reservation, the payment of the Remaining Ampal Consideration to Ampal's Account No.277002 in Bank Hapoalim Ltd. Arlozorov Branch, and of the Remaining Amot Consideration to Amot's Account No.44670 in Bank Hapoalim Ltd. Hameasfim Branch (the "Bank Documentation").

3. Upon execution of this Second Closing SLA, Ampal and Amot shall deliver to Muriel Matalon, Adv. and Zvi Firon, Adv. (the "Trustees") in trust the following documentation:

3.1 Share transfer deeds (the "Deeds") attached as Appendices B1* and B2 to the Main Agreement. The Deeds shall be delivered so that if and when such deeds of transfer are delivered to the Purchasers by the Trustees in accordance with this Section 3, the Purchasers shall be able to fix in writing on the Deeds the distribution of Ampal's Shares and Amot's Shares to either of the Purchasers and/or any of their affiliates in any proportion the Purchasers deem fit.

*the serial numbers recited for Ampal's Shares in the English language Appendix B1 are short by around 550,000 Shares of the total of 783,778 Shares to be transferred. The Hebrew version is correct.

3.2 Letters of resignation from the Board of Directors of MHL of the following directors: Daniel Steinmetz, Raz Steinmetz, Yehoshua Gleitman, Yoseph Steinman, Eli Wagner, Haim Kimche, Zamir Sofer, BenAmi Zukerman and Zvi Fichman, to become effective only upon delivery thereof, if at all, to MHL.

The parties hereby instruct the Trustees, and the Trustees hereby undertake to fulfill the following instructions:

If the Trustees have received:

(a) a written confirmation signed by Ampal and Amot confirming that they have received all the consideration due to them under the Main Agreement (the "Confirmation"); or

(b) The Bank Documentation.

Then, and only then, will the Trustees transfer the Deeds and the said letters of resignation to the Purchasers.

If the Trustees do not receive either the Confirmation or the Bank Documentation within fourteen days of the date of First Closing, the Trustees shall return the Deeds and the said letters of resignation to Ampal and Amot.

4. The Purchasers shall have the right to execute the acts required of them, in the Main Agreement and in this Second closing SLA, through either of the Purchasers and/or any of their affiliates or together in any proportion the Purchasers deem fit.

5. All the terms of the Main Agreement with respect to the Completion Date will apply with the respect to both the First Closing and the Second Closing, and whenever the term Completion Date is referred to, it shall mean the First closing and the Second Closing, or either of them, as appropriate. To avoid doubt, for the purpose of Section 9 of the Main Agreement - the Completion Date shall mean the date of the completion of the Second Closing.

6. To avoid doubt:

6.1 The acts referred to in Sections 7(c) and 8.2.2.3 of the Main Agreement shall be performed on the First Closing.

6.2 The Interim Period is the period between the date of the Main Agreement and the Second Closing.

6.3 Appendix C to the Main Agreement is hereby replaced by Appendices C-1 and C-2 annexed hereto. Appendix C-1 shall be delivered to the PURCHASER on the First Closing, and Appendix C-2 shall be delivered to the PURCHASER on the Second Closing and the provisions of Section 7(d) to the Main Agreement are amended accordingly.

7. Between the First Closing and the Second Closing, Koor, Sheraton, Ampal and Amot shall make their best effort to prevent the taking of any decisions and/or acts by MHL which are not in the ordinary course of business. The act and decisions required under the Main Agreement, the First Closing SLA, this Second Closing SLA and/or any other written agreement between the above parties shall constitute exceptions to the aforesaid prohibition.

8. All other terms and conditions of the Main Agreement remain unchanged, and the terms of this Second Closing SLA do not prejudice, unless expressly stated herein, in any way existing legal and/or contractual rights of the parties hereto.

9. This Second Closing SLA constitutes an integral part of the Main Agreement and shall be read and interpreted as an integral part thereof.

Koor Industries Ltd.
AMPAL

/s/ [ILLEGIBLE]

/s/ [ILLEGIBLE]

SHERATON
AMOT

/s/ [ILLEGIBLE]

APPENDICES

Appendix A: The First Closing SLA

Appendix C-1: Resolution of Board of Directors approving transfer of Gmul's Shares

Appendix C-2: Resolution of Board of Directors approving transfer of Ampal's Shares and Amot's Shares

We hereby agree to act in accordance with the instructions in Section 3 of this Second Closing SLA.

Muriel Matalon Zvi Firon

8. All other terms and conditions of the Main Agreement remain unchanged, and the terms of this Second Closing SLA do not prejudice, unless expressly stated herein, in any way existing legal and/or contractual rights of the parties hereto.

9. This Second Closing SLA constitutes an integral part of the Main Agreement and shall be read and interpreted as an integral part thereof.

Koor Industries Ltd.
AMPAL

/s/ [ILLEGIBLE]

/s/ [ILLEGIBLE]

SHERATON
AMOT

/s/ Robert F. Cotter

/s/ [ILLEGIBLE]

I confirm that Robert F. Cotter is authorized to sign on behalf of Sheraton Intercontinental Ltd.

Robert L. Scott General Counsel, Sheraton Intercontinental Ltd.

APPENDICES

Appendix A: The First Closing SLA

Appendix C-1: Resolution of Board of Directors approving transfer of Gmul's Shares

Appendix C-2: Resolution of Board of Directors approving transfer of Ampal's Shares and Amot's Shares

We hereby agree to act in accordance with the instructions in Section 3 of this Second Closing SLA.

Muriel Matalon
Firon

Zvi

April 12, 1999

Ampal (Israel) Ltd.

Amot Investments Ltd.

Gmul Investments Company
Ltd.

Gentlemen,

Re: Sale of Holdings in Moriah Hotels Ltd.

Further to the agreement dated 27.1.99 (hereinafter "the Agreement") for the sale of your holdings in Moriah Hotels Ltd. (hereinafter "the Company"), we hereby confirm as follows:

In all matters concerning authorizations of the Company and other companies of the Moriah group, that were given to you as set out in Sections 4.4 and 6.2(c) of the Agreement, we or the Company or another company in the Moriah group will not have any claim against you emanating from the change in identity of the purchasers of your holdings in the Company.

Sincerely yours,

Koor Industries Ltd.

/s/ [ILLEGIBLE]

/s/ [ILLEGIBLE]

Koor Industries Ltd.

Koor Tourism Ltd.

Sheraton Intercontinental

Authorization

I, the undersigned, Muriel Matalon, attorney of Koor Industries Ltd., Koor Tourism Ltd., and Sheraton International Ltd. (hereinafter "my Clients") hereby confirm that the above signatures are binding on my Clients in everything connected with this document or emanating herefrom.

Muriel Matalon, Adv.

April 12, 1999

Ampal (Israel) Ltd.

Amot Investments Ltd.

Gmul Investments Company Ltd.

Gentlemen,

Re: Sale of Holdings in Moriah Hotels Ltd.

Further to the agreement dated 27.1.99 (hereinafter "the Agreement") for the sale of your holdings in Moriah Hotels Ltd. (hereinafter "the Company"), we hereby confirm as follows:

In all matters concerning authorizations of the Company and other companies of the Moriah group, that were given to you as set out in Sections 4.4 and 6.2(c) of the Agreement, we or the Company or another company in the Moriah group will not have any claim against you emanating from the change in identity of the purchasers of your holdings in the Company.

Sincerely yours,

Koor Industries Ltd.

/s/ [ILLEGIBLE]

/s/ [ILLEGIBLE]

/s/ Robert F. Cotter

Koor Industries Ltd.
Ltd.

Koor Tourism Ltd.

Sheraton Intercontinental

Authorization

I, the undersigned, Muriel Matalon, attorney of Koor Industries Ltd., Koor Tourism Ltd., and Sheraton International Ltd. (hereinafter "my Clients") hereby confirm that the above signatures are binding on my Clients in everything connected with this document or emanating herefrom.

Muriel Matalon, Adv.

AN AGREEMENT

Made and entered into in Tel-Aviv on the day of , 1999

BY AND BETWEEN

1. BANK HAPOALIM B.M. (p.c.52-000011-8)
(hereinafter "BHP")

2. ATAD INVESTMENTS COMPANY LTD. (p.c.51-089763-0)
(hereinafter "ATAD")

(BHP and ATAD shall be hereinafter referred to jointly and severally as "the BANK")

3. REVADIM (NECHASIM) LTD. (p.c.51-073528-5) (hereinafter "the BUYER")

all of them of 63-65 Yehuda Halevi Street, Tel-Aviv of the first part;

AND

1. AMPAL-AMERICAN ISRAEL CORPORATION
(c/o Ampal Israel) of 111 Arlozorov Street, Tel-Aviv
(hereinafter "AMPAL")

2. AMPAL DEVELOPMENT (ISRAEL) LTD. (p.c.52-000238-7) of 111 Arlozorov Street, Tel-Aviv
(hereinafter "AMPAL DEVELOPMENT")

3. AMPAL FINANCIAL SERVICES LTD. (p.c.52-002104-9)
of 111 Arlozorov Street, Tel-Aviv
(hereinafter "AMPAL FINANCING")

4. AMPAL (ISRAEL) LTD. (p.c.52-002622-0) of 111 Arlozorov Street, Tel-Aviv
(hereinafter "AMPAL ISRAEL")

(AMPAL, AMPAL DEVELOPMENT, AMPAL FINANCING, and AMPAL ISRAEL shall be hereinafter referred to jointly and severally as "the PURCHASERS")

5. NIR LTD. (p.c.52-000062-2) of 111 Arlozorov Street, Tel-Aviv
(hereinafter "NIR") of the second part;

WHEREAS The BANK represents and warrants that ATAD is, and was at all times
owned at which it held the Shares (as hereinafter defined), a wholly
 subsidiary of BHP; and

WHEREAS The BANK represents and warrants that ATAD is the record owner and holder, and BHP through ATAD is the beneficial owner, of 5,874,281 Ordinary Shares, as defined in the Shares Transfer Agreement, attached hereto as ANNEX "A" (hereinafter "the "Shares Transfer Agreement"), of 3,350 4% Preferred Shares (as defined in the Shares Transfer Agreement), and of 122,536 6.5% Preferred Shares (as defined in the Shares Transfer Agreement) (the Ordinary Shares, the 4% Preferred Shares, and the 6.5% Preferred Shares are collectively referred to herein as "the Shares"), and that the Shares and ATAD's holding therein are free and clear of any Third Party Right (as hereinafter defined); and

WHEREAS BHP is interested in transferring and selling the Shares to the PURCHASERS, and the PURCHASERS are interested in purchasing the Shares on the terms and conditions and for the consideration as set out in the Shares Transfer Agreement; and

WHEREAS Each one of the PURCHASERS is an owner of rights in certain real estate (hereinafter "the Real Estate Rights") as specified in the Real Estate Agreements, copies of which are attached hereto as ANNEXES "B", "C", "D" and "E" (hereinafter "the Real Estate Agreements"); and

WHEREAS Each of the PURCHASERS is interested in selling to the BUYER, and the BUYER is interested in buying from each of the respective PURCHASERS, the Real Estate Rights owned by it, on the terms and conditions and for the consideration as set out in the relevant Real Estate Agreement; and

WHEREAS NIR has the right to be registered as the owner of the Bnei Brak Branch of BHP, as defined in the Lease Agreement, copy of which is attached hereto as ANNEX "F" (hereinafter "the Lease Agreement"), and NIR and BHP are interested in entering into the Lease Agreement;

NOW, THEREFORE, it has been declared, agreed and warranted between the parties as follows:

1. PREAMBLE, CAPTIONS, DEFINITIONS, AND ANNEXES

- 1.1 The preamble to this Agreement and the Annexes hereto, including their annexes, form an integral part hereof.
- 1.2 Captions used in this Agreement are solely for convenience of reading and shall not be used for the interpretation or determination of the validity of this Agreement or any provision hereof.
- 1.3 In this agreement the following terms shall have the meanings ascribed to them:
- 1.3.1 "This Agreement" or "the Agreement" - this Agreement and all the Annexes, amendments or additions to it, as well as any document to be furnished in accordance with the provisions hereof.

- 1.3.2 "Third Party Right" - Any lien, pledge, mortgage, suit, demand, claim, attachment and/or debt or obligation towards whatsoever third party and/or whatsoever other third party right.
- 1.3.3 "Amount of the Deposit" - As defined in the Shares Transfer Agreement.
- 1.3.4 "Dollar" - U.S. Dollar.
- 1.3.5 "The PURCHASERS' Attorney" - Any of the attorneys from the office of Firon, Karni, Sarov & Firon, Advs., of 111 Arlozorov Street, Tel-Aviv, alone and/or in any combination.
- 1.3.6 "The BANK's Attorney" - Advs. Moriah Hoftman Doron and Avraham Hirsch of 63 Yehuda Halevi Street, Tel-Aviv, alone and/or in any combination.
- 1.3.7 "The Closing Date" - As defined in Section 8. hereinafter.
- 1.3.8 "The Latest Date" - 120 days from the date of signing this Agreement or such later date to be agreed upon by the parties in writing.
- 1.4 The following Annexes are attached to this Agreement and form an integral part thereof:
 - 1.4.1 Annex "A" - The Shares Transfer Agreement
 - 1.4.2 Annex "B" - The Arlozorov A Real Estate Agreement
 - 1.4.3 Annex "C" - The Holon, Panorama and Allenby Real Estate Agreement
 - 1.4.4 Annex "D" - The Rosh Pina and Ramat Hasharon Real Estate Agreement
 - 1.4.5 Annex "E" - The Arlozorov B Real Estate Agreement
 - 1.4.6 Annex "F" - The Lease Agreement
 - 1.4.7 Annex "G" - Form of Agreement by and among the BANK, Rebar Financial Corp., Daniel Steinmetz and Raz Steinmetz

2. REPRESENTATIONS AND WARRANTIES OF THE PARTIES

2.1 Representations and Warranties of the BANK and of the BUYER

The BANK and the BUYER represent, warrant, covenant and undertake, all as relevant to each and every one of them respectively, the following
to
be true and correct on the date hereof and that the following will be
true and correct on the Closing Date, and are aware and acknowledge
that
the PURCHASERS and NIR have agreed to enter into this Agreement and the transactions contemplated therein in reliance on these representations, warranties, covenants and undertakings of the BANK:

2.1.1 ATAD is a private company duly registered in Israel; its registration number with the Registrar of Companies is 51-089763-0; it is wholly owned and controlled by BHP; and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and to fulfill all its undertakings hereunder.

2.1.2 The BUYER is a private company duly registered in Israel; its registration number with the Registrar of Companies is 51-073528-5, it is wholly owned and controlled by BHP;

and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and to fulfill all its undertakings hereunder.

2.1.3 BHP is a public company duly registered as a bank in Israel; its registration number with the Registrar of Companies is 52-000011-8, and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and to fulfill all its undertakings hereunder.

2.1.4 Save as set out in Section 7.1 hereunder, each of BHP and ATAD and the BUYER have completed all such corporate acts and proceedings required under their incorporation documents and under law for entering into this Agreement and the fulfillment of its undertakings hereunder.

2.1.5 ATAD is the record owner and holder of the Shares; the Shares and ATAD's rights therein are free and clear of any Third Party Right, and there is nothing to prevent the sale and transfer of the Shares to the PURCHASERS as set out hereinafter in this Agreement and the Shares Transfer Agreement.

2.1.6 On October 30, 1985, and at all times thereafter until the Closing Date, BHP was, is, and will be the "Beneficial Owner" (as the term is defined in Section 912 of the New York Business Corporation Law), directly or through ATAD (which is and always was a wholly owned subsidiary of BHP), of not less than 20% of the outstanding voting stock of AMPAL.

2.1.7 On October 30, 1985, and at all times thereafter until the day of transfer of the Shares to the PURCHASERS, BHP was, is, and will be an "Interested Shareholder" for the purposes stated in Section 912 of the New York Business Corporation Law.

2.1.8 On the Closing Date, BHP will be the sole record and Beneficial Owner and holder of the Shares and will transfer the Shares to the PURCHASERS free and clear of any Third Party Right.

2.2 Representations and Warranties of the PURCHASERS

Each of the PURCHASERS and NIR hereby represent, warrant, covenant and undertake, all as relevant to each and every one of them respectively, the following to be true and correct on the date hereof and that the following will be true and correct on the Closing Date, and is aware and acknowledges that the BANK and the BUYER have agreed to enter into this Agreement and the transactions contemplated therein in reliance on these representations, warranties, covenants and undertakings of the PURCHASERS:

2.2.1 AMPAL is a corporation duly organized in the State of New York, U.S.A., whose Ordinary Shares are traded on the AMEX; it is an active company lawfully conducting its business, and has all the powers and authorities to enter into this Agreement and to fulfill all its undertakings hereunder.

2.2.2 AMPAL DEVELOPMENT is a public company duly registered in Israel; its registration number with the Registrar of Companies is 52-000238-7; and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and to fulfill all its undertakings hereunder.

- 2.2.3 AMPAL FINANCING is a public company duly registered in Israel; its registration number with the Registrar of Companies is 52-002104-9; and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and to fulfill all its undertakings hereunder.
- 2.2.4 AMPAL ISRAEL is a public company duly registered in Israel; its registration number with the Registrar of Companies is 52-002622-0; and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and to fulfill all its undertakings hereunder.
- 2.2.5 NIR is a public company duly registered in Israel; its registration number with the Registrar of Companies is 52-000062-2; and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and to fulfill all its undertakings hereunder.
- 2.2.6 Save as set out in Section 7.1 hereinafter, each of the PURCHASERS and NIR has completed all such corporate acts and proceedings required under its incorporation documents and any law for entering into this Agreement and the fulfillment of all its undertakings hereunder.
- 2.2.7 The PURCHASERS are aware of AMPAL's condition, rights and obligations, and the rights attached to the Shares under AMPAL's Certificate of Incorporation and Bylaws and they purchase the Shares by virtue of this Agreement and the Shares Transfer Agreement based on AMPAL's condition, rights and obligations, and the said rights as they are, without any reliance on any representations and/or warranties of the BANK regarding AMPAL's condition, rights and obligations, and the said rights.

3. THE SHARES TRANSFER AGREEMENT

- 3.1 Simultaneously with the signing of this Agreement, the BANK and the PURCHASERS are signing the Shares Transfer Agreement under which BHP undertakes to sell and transfer the Shares to the PURCHASERS on the Closing Date in the apportionment set out therein, all on the terms and for the consideration as set out in the Shares Transfer Agreement.
- 3.2 ATAD undertakes to do everything required in order to enable BHP to fulfill its undertakings under Section 3.1 above and under the Shares Transfer Agreement. Without derogating from the generality of the aforesaid, ATAD and BHP undertake that ATAD will transfer the Shares to BHP and complete the transfer prior to the Closing Date, in order to enable their transfer by BHP to the PURCHASERS in accordance with the provisions of the Shares Transfer Agreement.
- 3.3 The Shares will be sold and transferred to the PURCHASERS in the portions and for the consideration as follows:
- 3.3.1 To AMPAL - 3,517,683 Ordinary Shares, 3,350 4% Preferred Shares, and 122,536 6.5% Preferred Shares in consideration for:
- 3.3.1.1 The transfer of the Amount of the Deposit; and
- 3.3.1.2 \$3,420,000 (plus interest in the rate of LIBOR + 0.75% per annum from April 12, 1999 until the date of actual payment); and

3.3.1.3 \$3,210,208

All as set out and detailed in Sections 3.3.1 and 4 of the Shares Transfer Agreement.

3.3.2 To AMPAL DEVELOPMENT - 1,560,450 Ordinary Shares in consideration of \$7,802,248, all as set out and detailed in Sections 3.3.2 and 5 of the Shares Transfer Agreement.

3.3.3 To AMPAL FINANCING - 660,803 Ordinary Shares in consideration of \$3,304,013, as set out and detailed in Sections 3.3.4 and 6 of the Shares Transfer Agreement.

3.3.4 To AMPAL ISRAEL - 135,345 Ordinary Shares in consideration of \$76,726, all as set out and detailed in Sections 3.3.4 and 7 of the Shares Transfer Agreement.

4. THE REAL ESTATE AGREEMENTS Simultaneously with signing this Agreement and the Shares Transfer Agreement, the BUYER and each of the PURCHASERS, respectively, are signing the following Real Estate Agreements:

4.1 The Real Estate Agreement ANNEX "B" hereto between AMPAL and the BUYER regarding the sale of the "Arlozorov A Property", as defined therein, to the BUYER.

4.2 The Real Estate Agreement ANNEX "C" hereto between AMPAL DEVELOPMENT and the BUYER regarding the sale of the "Holon Property", "Panorama Property" and "Allenby Property", all as defined therein, to the BUYER.

4.3 The Real Estate Agreement ANNEX "D" hereto between AMPAL FINANCING and the BUYER regarding the sale of the "Rosh Pina Property" and "Ramat Hasharon Property", all as defined therein, to the BUYER.

4.4 The Real Estate Agreement ANNEX "E" hereto between AMPAL ISRAEL and the BUYER regarding the sale of the "Arlozorov B Property", as defined therein, to the BUYER.

4.5 The PURCHASERS undertake to support and assist the BUYER in all necessary acts required to register the rights in the various Properties that are subject of the Real Estate Agreements ANNEXES "B", "C", "D" and "E" hereto in the name of the BUYER in the Land Registry Offices, after the Determining Date, as defined in each Real Estate Agreement, including, subject to the provisions of each relevant Real Estate Agreement, by signing any necessary document and submitting any necessary document which is in the relevant PURCHASER's possession; provided however, but without derogating from the respective provisions of the respective Real Estate Agreement, that all the expenses and/or any financial obligations incurred due to any such support and assistance will be borne and paid solely by the BUYER.

5. THE LEASE AGREEMENT Simultaneously with the signing of this Agreement, NIR and BHP will sign the Lease Agreement ANNEX "F" hereto.

6. Simultaneously with the signing of this Agreement the BANK, Rebar Financial Corp., Daniel Steinmetz and Raz Steinmetz are signing an agreement in the form of Annex "G" hereto, in connection with the agreement among them of May 12, 1996, and in connection with the transfer of the Shares according to the Shares Transfer Agreement.

7. CONDITIONS PRECEDENT

- 7.1 The sale and transfer of the Shares and the payment of the consideration therefor under the Shares Transfer Agreement, the sale of the Real Estate Rights under the Real Estate Agreements and the payment of the consideration therefor, and the start of the lease under the Lease Agreement are subject to the fulfillment of all the following conditions precedent (hereinafter "the Conditions Precedent"):
- 7.1.1 The receipt of unconditional and unreserved approval of the Director of Restrictive Trade Practices (hereinafter "the Director") under the Restrictive Trade Practices Law, 5748-1988) for the transfer of the Shares.
- 7.1.2 The approval of this Agreement by AMPAL's Related Parties Transactions Committee.
- 7.1.3 The approval of the transactions which are the subject of this Agreement and the Annexes thereto and the execution thereof, by AMPAL's Board of Directors.
- 7.1.4 The approval of the transactions which are the subject of this Agreement and the Annexes thereto and the execution thereof, by a majority of AMPAL's Shareholders participating in the voting thereon at a shareholders meeting.
- 7.1.5 The approval of this Agreement, its Annexes and the transactions contemplated thereunder by the Audit Committee of AMPAL DEVELOPMENT and by the boards of directors and the general shareholders meetings of each one of AMPAL DEVELOPMENT, AMPAL FINANCING, AMPAL ISRAEL, and NIR.
- 7.1.6 The approval of this Agreement, its Annexes and the transactions contemplated thereunder by BHP's Audit Committee and Related Parties Transactions Committee, and BHP's Board of Directors, and by the Board of Directors and the general shareholders meetings of each of ATAD and the BUYER.
- 7.1.7 All representations and warranties are true and correct and all covenants and undertakings have been performed as of the Closing Date.
- 7.1.8 Officers' Certificates will be submitted to the effect that all representations and warranties are true and correct, all covenants and undertakings have been performed and all necessary approvals have been obtained as of the Closing Date.
- 7.2 The parties will cooperate as required for the purpose of obtaining the approval of the Director as aforesaid in Section 7.1.1 above, and inter alia, will file within 14 days from the date of signing the Agreement a proper application to the Director, and thereafter will furnish the Restrictive Trade Practices Authority any document or information required by it for the purpose of giving the said approval.
- 7.3 Each party will bear all of its expenses incurred with respect to the fulfillment of the Conditions Precedent.

7.4 If any of the Conditions Precedent is not fulfilled by the Latest Date this Agreement, including, to avoid any doubt, all its Annexes, will terminate, automatically, at the end of 14 days from the Latest Date, unless all the Conditions Precedent have been fulfilled prior to the

end

of the said period of 14 days. In the event of such termination none of the parties hereto will have any claim of whatsoever sort against any other party hereto in connection with this Agreement and/or any of its Annexes and/or the process that led to the execution thereof and/or the failure to fulfill the Conditions Precedent and/or the termination of this Agreement and its Annexes, except for any amount due under Section 7.3 above and 14.1 hereunder; and except that each of the parties will have a claim against any other party if such other party does not

pursue

in good faith the fulfillment of the Conditions Precedent.

7.5 The parties recognize that the PURCHASERS will request a Fairness Opinion from Lehman Brothers or any other investment banker selected by AMPAL, and that the PURCHASERS' various committees, boards of directors and shareholders' meetings will rely on such Fairness Opinion in deciding whether or not to approve the transactions which are the subject of this Agreement and of the Annexes thereto, and the execution thereof.

8. THE CLOSING DATE After the fulfillment of all Conditions Precedent, BHP and AMPAL shall determine the date (the "Closing Date") which will not be later than 14 days from the date on which all the Conditions Precedent are fulfilled and which will be the "Determining Date" for the purpose of the Shares Transfer Agreement, each of the Real Estate Agreements and the Lease Agreement.

To remove doubt, it is declared and clarified that the Closings of the Shares Transfer Agreement, each one of the Real Estate Agreements, and the Lease Agreement will be held simultaneously, and no such closing will be considered complete unless all the said closings are completed in accordance with each relevant agreement. On the Closing Date, authorized representatives of all parties will convene at the place(s) to be determined by AMPAL and BHP, and all actions that are required under this Agreement and/or any of its Annexes to be done on the Closing Date and/or Determining Date and/or at the Closing will be done simultaneously.

9. If, prior to the Closing Date any shareholder of AMPAL (other than Rebar Financial Corp. (hereinafter "Rebar") and any of Rebar's shareholders, directors and office holders) makes a written demand or claim, against AMPAL and/or any of its directors and/or office holders and/or other shareholders, with respect to this Agreement and/or any of the transactions contemplated thereunder, and if AMPAL provides the legal opinion of its US Attorneys, under which such claim and/or demand is reasonably likely to result in a judgment imposing payment on the parties hereto or any of them in an amount exceeding \$5,000,000 or may delay the Closing Date by six months or more, then AMPAL shall have the right to terminate this Agreement and all of its Annexes by giving written notice of such termination to the other parties hereto. In the event of such termination, none of the parties hereto will have any claim of whatsoever sort against any other party hereto in connection with this Agreement and/or any of its Annexes and/or the process that led to the execution thereof and/or their termination and/or the failure to fulfill the Conditions Precedent, except for any amount due under Section 14.1 hereunder.

10. INDEMNIFICATION

10.1 The Bank agrees to indemnify and hold harmless the PURCHASERS and their officers, directors, employees, agents and attorneys (each, an "Indemnitee") from and against 22.7% of any and all liabilities, losses, damages, penalties, actions, judgments, suits, claims, costs and expenses (including but not limited to attorneys' fees, disbursements and expenses) of any kind whatsoever (collectively, "Losses") arising out of, based upon or relating to this Agreement and/or any of its annexes or any of the transactions contemplated thereby, suffered or incurred by any of them in connection with any (i) suit, action proceedings, claim and/or demand (including, without limitation, class action and derivative claims by the holders of any securities issued by any of the Purchasers, (ii) any suit, action proceedings, claim, investigation or demand by the United States Securities and Exchange Commission or the Israeli Securities Authority or any other United States or Israeli governmental or regulatory agency or authority, but always after deducting from the Losses all sums received by the relevant Indemnitee from its insurance company or any other third party which is not an Indemnitee, as indemnification of such Losses, and provided however that in no event shall the Bank be liable to pay the Indemnitee, under this Section 10.1, more than \$1,000,000. However, the Bank shall not indemnify an Indemnitee for any amount to be borne by said Indemnitee in satisfaction of that Indemnitee's deductible ("hishtatfut atsmit") under the said Indemnitee's Insurance Policies.

10.2 Promptly after receipt by any Indemnitee of notice of any claim, suit action or proceeding (any of the foregoing, an "Action") from any Person who is not a party to this Agreement or to its respective Annex, which Action may give rise to a claim for indemnification hereunder, the Indemnitee shall give reasonable written notice thereof to the Bank; but the failure to give such notice in a timely fashion shall not relieve the Bank from any liability hereunder except to the extent, if any, that the Bank is materially prejudiced by such delay. In case any Action is brought against any Indemnitee, the Bank shall be entitled to participate in such defense after giving a written notice to the Indemnitee, stating its desire to do so, within fourteen days after the Bank was given notice of the Action. In the event that the Bank does not give the Indemnitee such timely notice of its desire to participate in any defense of any such Action, the Indemnitee shall be free to conduct the defense as it deems fit without the participation of the Bank. In any event, the defense of any such Action shall be controlled by the Indemnitee. The Bank shall not have any power or authority to settle such Action without the written consent of the affected Indemnitees. The affected Indemnitees in any Action shall have the right and power to settle such Action but the Bank will be exempt from its indemnification obligations under Sections 10.1 and 10.2 above, if such settlement is not coordinated with the Bank in advance.

10.3 To remove doubt it is declared and clarified that the provisions of Sections 10.1 and 10.2 above shall in no way prejudice any party's right to full and prompt compensation and indemnification for 100% of its Losses which result from a breach by any of the other parties of any of its representations, warranties or obligations under this Agreement and/or any of its annexes and/or any applicable law.

11. SETTLEMENT OF DISPUTES Any disagreement, dispute, or difference of opinion arising among the parties concerning this Agreement and/or any of its Annexes or any of their terms (including a question of their validity), the signing, implementation, interpretation and/or application thereof, will be

brought for determination by a single arbitrator to be agreed upon by the parties within 14 days of the date on which any of the parties requests such arbitration. In the absence of agreement among the parties on the identity of the arbitrator, the arbitrator's identity shall be determined, at the written request of any of the parties, by the Chairman of the Board of Management of BHP and the Chairman of the Board of Directors of AMPAL within 7 days of such request, and failing such determination, by the District Court of Tel-Aviv at the request of any of the parties hereto, provided that such party notifies the other parties to this Agreement or its relevant Annex in writing of its intention to do so at least ten (10) days in advance.

The arbitrator will not be bound by the rules of evidence and procedure, however he shall be obliged to make his award according to the provisions of the substantive law and the provisions of this Agreement and/or its relevant Annex, to substantiate his award as well as any decision, and his decision will be final and binding upon all the respective parties.

The arbitration will take place in Israel.

12. NO WAIVER OF RIGHTS No waiver, extension, reduction, or abstention from acting by any of the parties is to be considered a waiver of its rights under this Agreement or its relevant Annex or under any law and shall not prevent any claim whatsoever.

13. WITHHOLDING TAX

To remove doubt, it is declared and agreed that each payment under any of the Real Estate Agreements and under the Shares Transfer Agreement is subject to withholding tax, as such duty exists under any applicable law, and unless a proper exemption authorization is submitted prior to such payment, the proper tax will be withheld from any such payment.

14. STAMP DUTY, ATTORNEY'S FEES AND EXPENSES

14.1 Stamp duty with respect to this Agreement, the Shares Transfer Agreement, and the Lease Agreement, if any, will be borne by the parties in equal portions, i.e., half by the BANK and half by the PURCHASERS.

14.2 Subject to the provisions of Section 14.1 above, each party shall bear its own expenses and attorney's fees in connection with this Agreement and its implementation.

15. MISCELLANEOUS

15.1 Without derogating from their undertakings under this Agreement and/or any of its Annexes, each of the parties undertakes and agrees to perform such further and additional acts and sign or furnish such further and additional documents as shall be necessary or required for the implementation of this Agreement and its Annexes.

15.2 The provisions of this Agreement and its relevant annexes shall supersede and replace all previous representations, agreements, undertakings, and understandings made between the parties in anything concerning the sale and purchase of the Shares and/or the Real Estate Rights. It is clarified, to avoid doubt, that all agreements regarding credit facilities and other banking services between BHP and any of the other parties and the rights attributed to the Shares held by BHP in AMPAL ISRAEL in accordance with the Articles of Association of AMPAL ISRAEL are not affected by this Agreement.

15.3 This Agreement (including its Annexes) constitutes the entire agreement between the parties in the matters set out therein, and no amendment or modification therein will be valid unless in writing signed by the relevant parties.

15.4 Subject to the provisions of Section 11 above, each of the parties hereto irrevocably submits to the exclusive jurisdiction of the competent courts of the District of Tel-Aviv-Yafo in all matters connected with this Agreement and all its Annexes or arising therefrom.

15.5 Subject to Section 11 of the Shares Transfer Agreement, the rights and obligations of the parties under this Agreement or pursuant thereto will be governed by and construed in accordance with the laws of the State of Israel, including, to avoid doubt, such rules applying foreign laws, if and to the extent such rules are applicable.

15.6 Any amount due by one party to another under ANNEXES "A", "B", "C", "D", or "E", which is denominated in such Annex in U.S. Dollars, is to be paid in U.S. Dollars.

15.7 The addresses of the parties for the purpose of this Agreement are as set out in the preamble hereto. Any notice, direction or other instrument required or permitted to be given by a party hereunder shall be made in writing and may be given by mailing the same registered mail, postage pre-paid, or by delivering the same addressed to such other party at their address aforesaid. Any notice, direction or other instrument if delivered shall be deemed to have been given or made on the date on which it was actually delivered; or if mailed shall be deemed to have been given or made on the seventh business day following the day on which it was mailed.

The parties hereto may change their address for service hereunder from time to time by notice given in accordance with the foregoing.

IN WITNESS WHEREOF the parties have executed this Agreement:

BANK HAPOALIM B.M.

ATAD INVESTMENTS COMPANY LTD.

REVADIM (NECHASIM) LTD.

AMPAL-AMERICAN ISRAEL CORPORATION

AMPAL DEVELOPMENT (ISRAEL) LTD.

AMPAL FINANCIAL SERVICES LTD.

NIR LTD.

AMPAL (ISRAEL) LTD.

ANNEX "A"

SHARES TRANSFER AGREEMENT

Made and entered into in Tel-Aviv on the day of , 1999

BY AND BETWEEN

1. BANK HAPOALIM B.M. (p.c.52-000011-8)
(hereinafter "BHP")

2. ATAD INVESTMENTS COMPANY LTD. (p.c.51-089763-0)
(hereinafter "ATAD")

both of 63-65 Yehuda Halevi Street, Tel-Aviv (BHP and ATAD shall be hereinafter referred to jointly and severally as "the BANK")
of the first part;

AND

1. AMPAL-AMERICAN ISRAEL CORPORATION
(c/o Ampal Israel) of 111 Arlozorov Street, Tel-Aviv
(hereinafter "AMPAL")

2. AMPAL DEVELOPMENT (ISRAEL) LTD. (p.c.52-000238-7) of 111 Arlozorov Street, Tel-Aviv
(hereinafter "AMPAL DEVELOPMENT")

3. AMPAL FINANCIAL SERVICES LTD. (p.c.52-002104-9)
of 111 Arlozorov Street, Tel-Aviv
(hereinafter "AMPAL FINANCING")

4. AMPAL (ISRAEL) LTD. (p.c.52-002622-0) of 111 Arlozorov Street, Tel-Aviv
(hereinafter "AMPAL ISRAEL")

(AMPAL, AMPAL DEVELOPMENT, AMPAL FINANCING, and AMPAL ISRAEL shall be hereinafter referred to jointly and severally as
"the PURCHASERS")
of the second part;

WHEREAS The BANK represents and warrants that ATAD is, and was at all times at which it held the Shares (as hereinafter defined), a wholly owned subsidiary of BHP; and

WHEREAS The BANK represents and warrants that ATAD is the record owner and holder, and BHP through ATAD is the beneficial owner, of 5,874,281 Ordinary Shares (as hereinafter defined), of 3,350 4% Preferred Shares (as hereinafter defined), and of 122,536 6.5% Preferred Shares (as hereinafter defined)) (the Ordinary Shares, the 4% Preferred Shares, and the 6.5% Preferred Shares are collectively referred

to herein as "the Shares"), and that the Shares and ATAD's holding therein are free and clear of any Third Party Right (as hereinafter defined); and

WHEREAS BHP is interested in transferring and selling the Shares to the PURCHASERS, and the PURCHASERS are interested in purchasing the Shares, all on the terms and conditions and for the consideration as set out hereinafter in this Agreement; and

WHEREAS Simultaneously with signing this Agreement the BANK, the PURCHASERS and others are also signing the agreement (hereinafter the "Main Agreement") to which this Agreement is attached as Annex "A" and other agreements which are attached to the Main Agreement as Annexes "B", "C", "D", "E", "F" and "G" thereto (hereinafter the "Other Agreements").

NOW, THEREFORE, it has been declared, agreed and warranted between the parties as follows:

1. PREAMBLE, CAPTIONS, DEFINITIONS, AND ANNEXES

- 1.1 The preamble to this Agreement and the Annexes hereto form an integral part hereof.
- 1.2 Captions used in this Agreement are solely for convenience of reading and shall not be used for the interpretation or determination of the validity of this Agreement or any provision hereof.
- 1.3 In this Agreement the following terms shall have the meanings ascribed to them:.
- 1.3.1 "This Agreement" or "the Agreement" - this Agreement and all the Annexes, amendments or additions to it, as well as any document to be furnished in accordance with the provisions hereof.
- 1.3.2 "Ordinary Shares" - Class A Stock of \$1 (one dollar) par value each in AMPAL.
- 1.3.3 "4% Preferred Shares" - 4% Cumulative Convertible Preferred Stock of \$5 par value each in AMPAL.
- 1.3.4 "6.5% Preferred Shares" - 6.5% Cumulative Convertible Preferred Stock of \$5 par value each in AMPAL.
- 1.3.5 The "Shares" - As defined in the preamble to this Agreement.
- 1.3.6 "Third Party Right" - Any lien, pledge, mortgage, suit, demand, claim, attachment and/or debt or obligation towards whatsoever third party and/or whatsoever other third party right.
- 1.3.7 "Amount of the Deposit" - A sum of 12,880,000 dollars deposited by AMPAL on April 13, 1999 as a dollar deposit in Account No.370959 in the name of AMPAL at the BHP Branch (No. 608) at 111 Arlozorov Street, together with interest thereon which was actually accrued in said deposit from the day of deposit until the time of its transfer to BHP according to the provisions of this Agreement.

- 1.3.8 "Dollar" - U.S. Dollar.
- 1.3.9 "The PURCHASERS' Attorney" - Any of the attorneys from the office of Firon, Karni, Sarov & Firon, Advs., of 111 Arlozorov Street, Tel-Aviv, alone and/or in any combination.
- 1.3.10 "The BANK's Attorney" - Advs. Moriah Hoftman Doron and Avraham Hirsch of 63 Yehuda Halevi Street, Tel-Aviv, alone and/or in any combination.
- 1.3.11 "The Determining Date" - The date which BHP and AMPAL will determine as the Closing Date in accordance with the provisions of Section 8 of the Main Agreement.

2. REPRESENTATIONS AND WARRANTIES OF THE PARTIES

2.1 Representations and Warranties of the BANK

The BANK represents, warrants, covenants and undertakes the following to be true and correct as of the date hereof and that the following will be true and correct on the Determining Date and is aware and acknowledges that the PURCHASERS have agreed to enter into this Agreement and the transactions contemplated herein in reliance on these representations, warranties, covenants and undertakings of the BANK:

2.1.1 ATAD is a private company duly registered in Israel; its registration number with the Registrar of Companies is 51-089763-0; it is wholly owned and controlled by BHP; and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and to fulfill all its undertakings hereunder.

2.1.2 BHP is a public company duly registered as a bank in Israel; its registration number with the Registrar of Companies is 52-000011-8, and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and to fulfill all its undertakings hereunder.

2.1.3 Save as set out in Section 7.1 of the Main Agreement each of BHP and ATAD have completed all such corporate acts and proceedings required under their incorporation documents and under law for entering into this Agreement and the fulfillment of their undertakings hereunder.

2.1.4 ATAD is the record owner and holder of the Shares; the Shares and ATAD's rights therein are free and clear of any Third Party Right, and there is nothing to prevent the sale and transfer of the Shares to the PURCHASERS as set out hereinafter in this Agreement.

2.1.5 On October 30, 1985, and at all times thereafter until the Determining Date, BHP was, is, and will be the "Beneficial Owner" (as the term is defined in Section 912 of the New York Business Corporation Law), directly or through ATAD (which is and always was a wholly owned subsidiary of BHP), of not less than 20% of the outstanding voting stock of AMPAL.

2.1.6 On October 30, 1985, and at all times thereafter until the day of transfer of the Shares to the PURCHASERS, BHP was, is, and will be an "Interested Shareholder" for the purposes stated in Section 912 of the New York Business Corporation Law.

2.1.7 On the Determining Date, BHP will be the sole record and Beneficial Owner and holder of the Shares and will transfer the Shares to the PURCHASERS free and clear of any Third Party Right.

2.2 Representations and Warranties of the PURCHASERS

Each of the PURCHASERS hereby represents, warrants, covenants and undertakes, all as relevant to each and every one of them respectively,

the following to be true and correct on the date hereof and that the following will be true and correct on the Determining Date, and is aware and acknowledges that the BANK has agreed to enter into this Agreement and the transactions contemplated therein in reliance on these representations, warranties, covenants and undertakings of the PURCHASERS:

2.2.1 AMPAL is a corporation duly organized in the State of New York, U.S.A., whose Ordinary Shares are traded on the AMEX; it is an active company lawfully conducting its business, and has all the powers and authorities to enter into this Agreement and to fulfill all its undertakings hereunder.

2.2.2 AMPAL DEVELOPMENT is a public company duly registered in Israel; its registration number with the Registrar of Companies is 52-000238-7; and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and to fulfill all its undertakings hereunder.

2.2.3 AMPAL FINANCING is a public company duly registered in Israel; its registration number with the Registrar of Companies is 52-002104-9; and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and to fulfill all its undertakings hereunder.

2.2.4 AMPAL ISRAEL is a public company duly registered in Israel; its registration number with the Registrar of Companies is 52-002622-0; and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and to fulfill all its undertakings hereunder.

2.2.5 Save as set out in Section 7.1 of the Main Agreement, each of the PURCHASERS has completed all such corporate acts and proceedings required under its incorporation documents and any law for entering into this Agreement and the fulfillment of all its undertakings hereunder.

2.2.6 The PURCHASERS are fully aware of AMPAL's condition, rights and obligations, and of the rights attached to the Shares under AMPAL's Certificate of Incorporation and Bylaws and they purchase the Shares by virtue of this Agreement based on AMPAL's condition, rights and obligations, and the said rights as they are, without any reliance on any representations and/or warranties of the BANK regarding AMPAL's condition, rights and obligations, and the said rights.

3. THE TRANSACTION - GENERAL

3.1 BHP hereby undertakes, for the Consideration as set out hereinafter, to sell and transfer on the Determining Date the Shares to the PURCHASERS in the apportionment set out hereinafter, and that at the time of transferring the Shares to the PURCHASERS as provided hereunder, the Shares and the rights of BHP therein will be free and clear of any Third Party Right whatsoever.

- 3.2 ATAD hereby undertakes to do everything required in order to enable BHP to fulfill its undertakings under Section 3.1 above. Without derogating from the generality of the aforesaid, ATAD and BHP undertake that BHP will be the record owner and holder of the Shares and ATAD's rights thereunder and that ATAD will transfer the Shares to BHP, the Shares and ATAD's rights therein being free and clear of any Third Party Right whatsoever and complete the transfer prior to the Determining Date, in order to enable their transfer by BHP to the PURCHASERS as provided hereunder.
- 3.3 The Shares will be sold and transferred to the PURCHASERS in the portions and for the consideration as follows:
- 3.3.1 To AMPAL - 3,517,683 Ordinary Shares, 3,350 4% Preferred Shares, and 122,536 6.5% Preferred Shares (hereinafter "the AMPAL Shares") in consideration of:
- 3.3.1.1 The transfer of the Amount of the Deposit; and
- 3.3.1.2 \$3,420,000 plus interest in the rate of LIBOR plus 0.75% per annum from April 12, 1999 until the date of actual payment (herein the "Interest"); and
- 3.3.1.3 \$3,210,208;
- All as set out in Section 4 hereinafter.
- 3.3.2 To AMPAL DEVELOPMENT - 1,560,450 Ordinary Shares (hereinafter "the AMPAL DEVELOPMENT Shares") in consideration of \$7,802,248, as set out in Section 5 hereinafter.
- 3.3.3 To AMPAL FINANCING - 660,803 Ordinary Shares (hereinafter "the AMPAL FINANCING Shares") in consideration of \$3,304,013, as set out in Section 6 hereinafter.
- 3.3.4 To AMPAL ISRAEL - 135,345 Ordinary Shares (hereinafter "the AMPAL ISRAEL Shares") in consideration of \$676,726, as set out in Section 7 hereinafter.
- 3.4 To avoid doubt, the completion of the transfer and sale of the Shares to the PURCHASERS and the payment of the consideration therefor ("the Closing") will take place simultaneously so that none of the Shares will be transferred and sold to any of the PURCHASERS and no part of the consideration therefor will be paid by the PURCHASERS unless all the Shares are transferred and sold to the PURCHASERS and all the consideration therefor is paid by the PURCHASERS as provided hereunder.
- 3.5 All documents required to be signed and delivered on the Determining Date (the "Closing") will be completed as required to effect the transfer of the Shares to the PURCHASERS.

4. THE SALE AND TRANSFER TO AMPAL

4.1 On the Determining Date BHP will sell and transfer the AMPAL Shares to AMPAL, and for that purpose BHP will sign and deliver to AMPAL the following documents: (1) Original Stock Certificates Issued to BHP for 3,517,683 Ordinary Shares, 3,350 4% Preferred Shares

and 122,536 6.5% Preferred Shares of AMPAL, and (2) The BANK's Representation Letter, and (3) BHP's Stock Power, bearing a medallion signature guaranteed by a bank or a brokerage firm, and (4) BHP's Secretary's Certificate, and

(5) AMPAL's Opinion of Counsel, all in the forms attached as ANNEXES 4.1.1-4.1.5 hereto in respect of the AMPAL Shares.

4.2 On the Determining Date and against delivery of all signed documents required to be delivered by BHP to the PURCHASERS:

4.2.1 AMPAL will transfer to BHP the Amount of the Deposit by signing the irrevocable instruction attached hereto AS ANNEX 4.2.1 and delivering it to BHP.

4.2.2 AMPAL will pay BHP the sum of \$3,420,000 plus the Interest, plus \$3,210,208 by bank check or bank transfer.

5. THE SALE AND TRANSFER TO AMPAL DEVELOPMENT

5.1 On the Determining Date BHP will sell and transfer the AMPAL DEVELOPMENT Shares to AMPAL DEVELOPMENT, and for that purpose BHP will sign and deliver to AMPAL DEVELOPMENT the following documents: (1) Original Stock Certificate issued to BHP for 1,560,450 Ordinary Shares of AMPAL, and (2) The BANK's Representation Letter, and (3) BHP's Stock Power bearing a medallion signature guaranteed by a bank or a brokerage firm, and (4) BHP's Secretary's Certificate, and (5) AMPAL's Opinion of Counsel, all in the forms attached as ANNEXES 5.1.1-5.1.5 hereto in respect of the AMPAL DEVELOPMENT Shares and AMPAL DEVELOPMENT will furnish the AMPAL DEVELOPMENT's Representation Letter ANNEX 5.1.6 hereto.

5.2 On the Determining Date and against delivery of all signed documents required to be delivered by BHP to the PURCHASERS, AMPAL DEVELOPMENT will pay BHP a sum of \$7,802,248 by bank check or bank transfer.

6. THE SALE AND TRANSFER TO AMPAL FINANCING

6.1 On the Determining Date BHP will sell and transfer the AMPAL FINANCING Shares to AMPAL FINANCING, and for that purpose BHP will sign and deliver to AMPAL FINANCING the following documents: (1) Original Stock Certificate issued to BHP for 660,803 Ordinary Shares of AMPAL, and (2) The BANK's Representation Letter, and (3) BHP's Stock Power bearing a medallion signature guaranteed by a bank or a brokerage firm, and (4) BHP's Secretary's Certificate, and (5) AMPAL's Opinion of Counsel, all in the forms attached as ANNEXES 6.1.1-6.1.5 hereto in respect of AMPAL FINANCING Shares and AMPAL FINANCING will furnish the AMPAL FINANCING Representation Letter, ANNEX 6.1.6 hereto.

6.2 On the Determining Date and against delivery of all signed documents required to be delivered by BHP to the PURCHASERS, AMPAL FINANCING will pay BHP a sum of \$3,304,013 by a bank check or by a bank transfer.

7. THE SALE AND TRANSFER TO AMPAL ISRAEL

7.1 On the Determining Date BHP will sell and transfer the AMPAL ISRAEL Shares to AMPAL ISRAEL, and for that purpose BHP will sign and deliver to AMPAL ISRAEL the following documents: (1) Original Stock Certificate issued to BHP for 135,345 Ordinary Shares of AMPAL, and (2) The BANK's Representation Letter, and (3) BHP's Stock Power bearing a medallion signature guaranteed by a bank or brokerage firm, and (4) BHP's Secretary's Certificate, and (5) AMPAL's Opinion of Counsel, all in the forms attached as

ANNEXES 7.1.1-7.1.5 hereto in respect of the AMPAL ISRAEL Shares and AMPAL ISRAEL will furnish the AMPAL ISRAEL's Representation Letter ANNEX 7.1.6 hereto.

7.2 On the Determining Date and against delivery of all signed documents required to be delivered by BHP to the PURCHASERS, AMPAL ISRAEL will pay BHP a sum of \$676,726 by bank check or bank transfer.

8. RESIGNATION OF DIRECTORS

At the Determining Date, and against the payment by the PURCHASERS to BHP of the consideration for the Shares as provided in Sections 4, 5, 6, and 7 above, BHP shall deliver to AMPAL notices of resignation from AMPAL's Board of Directors signed by Messrs. Yaakov Elinav and Shimon Ravid, to become effective immediately upon delivery to AMPAL. The notices will be in the form attached as ANNEX 8 to this Agreement.

9. This Agreement is subject to the fulfillment of all the Conditions Precedent as defined and provided for in Section 7 of the Main Agreement.

10. TAXES AND OTHER COMPULSORY PAYMENTS

Capital Gains Tax and/or Income Tax and New York Stamp and Transfer Taxes (if applicable) on the sale of the Shares to the PURCHASERS will be borne and paid by the BANK.

11. REGISTRATION OF SHARES

After the Determining Date, if requested by the PURCHASERS, BHP will sign any document and take whatever action that is necessary in order to complete the registration of the Shares in the name of each relevant PURCHASER.

12. MISCELLANEOUS

To remove any doubt, it is declared and agreed that all the provisions of Sections 7, 8, 9, 10, 11, 12, 13, 14 and 15 of the Main Agreement shall apply herein mutatis mutandis. However, it is specifically declared and agreed that this Agreement and the rights and obligations of the parties hereunder or pursuant hereto shall be governed by and construed in accordance with the laws of the State of New York, U.S.A., including, to avoid doubt, such rules applying foreign laws, if and to the extent such rules are applicable.

IN WITNESS WHEREOF the parties have signed:

BANK HAPOALIM B.M.
LTD.

ATAD INVESTMENTS COMPANY

AMPAL-AMERICAN ISRAEL CORPORATION
LTD.

AMPAL DEVELOPMENT (ISRAEL)

AMPAL FINANCIAL SERVICES LTD. AMPAL (ISRAEL) LTD.

ANNEX "B"

REAL ESTATE AGREEMENT

Made and entered into in Tel-Aviv on the day of , 1999

BY AND BETWEEN

REVADIM (NECHASIM) LTD. (p.c. 51-073528-5) of 63-65 Yehuda Halevi Street, Tel-Aviv
(hereinafter "the BUYER")
of the first part;

AND

AMPAL-AMERICAN ISRAEL CORPORATION
(c/o Ampal (Israel) Ltd.)

of 111 Arlozorov Street, Tel-Aviv
(hereinafter "AMPAL")

of the second

part;

WHEREAS AMPAL is an owner of rights in the Arlozorov A Property, as specified hereinafter in this agreement; and

WHEREAS AMPAL is interested in selling to the BUYER and the BUYER is interested in buying from AMPAL its rights in the Arlozorov A Property as defined hereinafter, all on the terms and conditions and
for the consideration specified herein; and

WHEREAS Simultaneously with signing this Agreement, the BUYER, AMPAL and others are signing also the Agreement (hereinafter the "Main Agreement") to which this Agreement is attached as ANNEX "B" and other agreements which are attached to the Main Agreement as

ANNEXES "A", "C", "D", "E", "F" and "G" thereto (hereinafter the "Other Agreements");

NOW, THEREFORE, it has been declared, agreed and warranted between the parties as follows:

1. PREAMBLE, CAPTIONS, DEFINITIONS, AND ANNEXES

- 1.1 The preamble to this agreement and the annexes hereto form an integral part hereof.
- 1.2 Captions used in this Agreement are solely for convenience of reading and shall not be used for the interpretation or determination of the validity of this Agreement or any provision hereof.
- 1.3 In this agreement the following terms shall have the meanings ascribed to them:.
- 1.3.1 "This Agreement" or "the Agreement" - this agreement and all the annexes, amendments or additions to it, as well as any document to be furnished in accordance with the provisions hereof.
- 1.3.2 "Third Party Right" - Any lien, pledge, mortgage, suit, demand, claim, attachment and/or debt or obligation towards whatsoever third party and/or whatsoever other third party right.
- 1.3.3 "Arlozorov A Property" or the "Real Estate"- The real estate property known as Block 6213 Parcel 661/5 at 105 Arlozorov Street, Tel-Aviv, of which AMPAL is entitled to be registered as owner and of which today
BHP is registered as owner in its entirety, as specified in the extract, copy of which is attached hereto as ANNEX 1.3.3.
- 1.3.4 "Dollar" - U.S. Dollar.
- 1.3.5 "AMPAL's Attorney" - Any of the attorneys from the office of Firon, Karni, Sarov & Firon, Advs., of 111 Arlozorov Street, Tel-Aviv, alone and/or in any combination.
- 1.3.6 "The BUYER's Attorney" - Advs. Moriah Hoftman Doron and Avraham Hirschhof
63 Yehuda Halevi Street, Tel-Aviv, alone and/or in any combination.
- 1.3.7 "The Determining Date" - The date which BHP and AMPAL will determine as the Closing Date in accordance with the provisions of Section 8 to the Main Agreement.

1.3.8 "BHP" - Bank Hapoalim B.M.

2. REPRESENTATIONS AND WARRANTIES OF THE PARTIES

- 2.1 Representations and Warranties of the BUYER The BUYER represents, warrants, covenants, and undertakes the following to be true and correct on the date hereof and that the following will be true and correct on the Determining Date, and is aware and acknowledges that AMPAL has agreed to enter into this Agreement and the transactions contemplated therein in reliance on these representations, warranties, covenants, and undertakings of the BUYER:
- 2.1.1 The BUYER is a private company duly registered in Israel; its registration number with the Registrar of Companies is 51-073528-5; it is wholly owned and controlled by BHP; and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and to fulfil all its undertakings hereunder.
- 2.1.2 BHP is a public company duly registered as a bank in Israel; its registration number with the Registrar of Companies is 52-000011-8, and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and to fulfil all its undertakings hereunder.
- 2.1.3 Save as set out in Section 7.1 of the Main Agreement, the BUYER has completed all corporate acts and proceedings required under its incorporation documents and under law for the entering into this Agreement and the fulfillment of its undertakings hereunder.
- 2.1.4 BHP is the lessee and actual holder, for many years, of the Real Estate according to a lease agreement between BHP and AMPAL.
- 2.1.5 The BUYER has examined independently, to its full satisfaction, and knows well the Real Estate and AMPAL's rights in it from all aspects, physical, planning, factual, and legal, the BUYER was given every opportunity to make any examination, and the BUYER has found the Real Estate suited to its purposes and is acquiring the rights therein "as is", being fully aware of its condition and age, and it waives absolutely and

finally any demand and/or claim against AMPAL, including in the matter of any unsuitability and/or defect in respect of the Real Estate, whether disclosed or concealed, existing or future.

2.2 REPRESENTATIONS AND WARRANTIES OF AMPAL

AMPAL hereby represents, warrants, covenants and undertakes the following to be true and correct on the date hereof, and the following will be true and correct on the Determining Date, and is aware and acknowledges that the BUYER has agreed to enter into this Agreement and the transactions contemplated therein in reliance on these representations, warranties, covenants and undertakings of AMPAL:

2.2.1 AMPAL is a corporation duly organized in the State of New York, U.S.A., it is an active company lawfully conducting its business, and has all the powers and authorities to enter into this Agreement and to fulfil all its undertakings hereunder.

2.2.2 Save as set out in Section 7.1 of the Main Agreement, AMPAL has completed all such corporate acts and proceedings required under its incorporation documents and any law for entering into this Agreement and
the fulfillment of all its undertakings hereunder.

2.2.3 AMPAL is entitled to be registered as the owner of the Arlozorov A Property, and its rights therein are free and clear of any Third Party Right whatsoever, as set out in Annex 1.3.3, and they can be sold and transferred to the BUYER.

3. THE TRANSACTION - GENERAL AMPAL hereby undertakes to sell and transfer to the BUYER on the Determining Date, the Real Estate and all of AMPAL's rights therein, the Real Estate and AMPAL's rights therein being free and clear of any Third Party Right whatsoever, for the consideration in the sum of \$2,919,208 plus V.A.T. (hereinafter the "Consideration"), to be paid to it by the BUYER as set out hereinafter.

4. THE SALE AND TRANSFER

4.1 On the Determining Date ("the Closing") the BUYER will pay AMPAL the Consideration by bank check or bank transfer.

4.2 Against receipt of the Consideration in full, AMPAL will sign and submit to the BUYER an irrevocable power of attorney in the form attached hereto as ANNEX "4.2" which will enable the BUYER to do any act in connection with transferring AMPAL's rights in the Arlozorov A Property to the BUYER, including, inter alia, registering the transfer of these rights at the Land Registry Office, signing any document for the purpose of transferring the said rights and/or obtaining whatsoever approval which is required for the transfer of the said rights as aforesaid, as well as to appear before any competent authority in connection with the abovementioned activities.

4.3 Immediately upon completion of full payment of the Consideration to AMPAL, the validity of the lease agreement between AMPAL and BHP in connection with the Arlozorov A Property will expire without any of the parties thereto having any demand and/or claim whatsoever towards the other, except in connection with rental fees and other payments due to AMPAL, or prepaid by BHP, in connection with the period up to the Determining Date, exclusive possession in the Arlozorov A Property will pass to the BUYER, and the BUYER will be permitted to register a caveat in connection with acquisition of AMPAL's rights in the Arlozorov A Property.

4.4 After the full payment of the Consideration to AMPAL, AMPAL will act to furnish the BUYER an authorization of Mas Shevach (Land Betterment Tax) for the registration of the rights in the Arlozorov A Property in the name of the BUYER at the Land Registry Office. It is agreed that the BUYER will be responsible for the performance of all acts required for the purpose of registering the rights in the Arlozorov A Property in its name according to this Agreement, and will bear all payments involved therewith. AMPAL, on its part, undertakes to cooperate with the BUYER and/or the BUYER's Attorney and use its best effort to assist the BUYER and/or the BUYER's attorney in this

matter and sign the documents and authorizations required for the purpose of completing the registration of the said rights in the BUYER's name at the Land Registry Office as aforesaid.

If the authorization of Mas Shevach (Land Betterment Tax) is not furnished to the BUYER within 180 (one hundred eighty) days of the date on which the parties shall file the Land Betterment Tax forms and affidavits as provided in Section 6.5 hereunder, then as soon as the Mas Shevach Authorities determine the Mas Shevach with respect to this transaction, AMPAL will either pay and/or provide the Mas Shevach Authorities with guarantees covering, together, the entire Mas Shevach determined by the Mas Shevach Authorities with respect to this transaction, so that the Mas Shevach Authorization is furnished. It is agreed that should AMPAL decide to contest and/or appeal the Mas Shevach Authorities' determinations, the BUYER will not have to join such contest and/or appeal, but will support and assist AMPAL's contest and/or appeal.

5. This Agreement is subject to the fulfillment of all Conditions Precedent as defined and provided for in Section 7 of the Main Agreement.

6. TAXES AND OTHER COMPULSORY PAYMENTS

6.1 Value Added Tax in respect of the transfers of AMPAL's rights in the Real Estate as aforesaid in Section 4 above, will be borne and paid by the BUYER. The BUYER will transfer the V.A.T. to the V.A.T. Authorities directly and will issue a "Cheshbonit Mas Azmit" (Self Tax Invoice), as provided by law.

6.2 Subject to the provisions of Sections 6.3 and 6.4 hereunder, all the taxes, levies and fees, governmental and municipal, of any kind and type, except for improvement levies, in respect of the period up to the Determining Date, will be borne and paid by AMPAL or by BHP - in accordance with the provisions of the lease agreement between AMPAL and BHP in connection with the Real Estate, and in respect of the period from the Determining Date - will be borne and paid by the BUYER alone. In addition, any betterment levies, if any, which have not yet actually been paid in

respect of the Real Estate, will be borne and paid by the BUYER.

6.3 Land Betterment Tax or Capital Gains Tax or Income Tax on the transfer of AMPAL's rights in the Real Estate to the BUYER will be borne and paid by AMPAL.

6.4 Acquisition Tax (Purchase Tax) on the transfer of AMPAL's rights in the Real Estate to the BUYER will be borne and paid by the BUYER.

6.5 The BUYER and AMPAL will sign and file at the times set by law, Land Betterment Tax forms and affidavits in connection with the transfer and sale of AMPAL's rights in the Real Estate.

7. MISCELLANEOUS To remove any doubt, it is declared and agreed that all the provisions of Sections 7, 8, 9, 10, 11, 12, 13, 14 and 15 of the Main Agreement shall apply herein mutatis mutandis. However, it is specifically declared and agreed that this Agreement and the rights and obligations of the parties and BHP hereunder or pursuant hereto shall be governed by and construed in accordance with the laws of the State of Israel.

IN WITNESS WHEREOF the parties have signed:

AMPAL-AMERICAN ISRAEL CORPORATION THE BUYER

We, Bank Hapoalim B.M., hereby irrevocably agree to all the abovementioned provisions regarding ourselves and/or having any bearing on us. We also hereby irrevocably guarantee the full and prompt fulfillment of all the BUYER's undertakings under the above Agreement. We hereby waive any demand of prior request from the BUYER under Section 8 of the Guarantee Law, 5727-1967. This guarantee shall remain in full force in spite of any stay, postponement, waiver, or change in a guaranteed obligation of the BUYER.

Bank Hapoalim B.M.

ANNEX "C"

REAL ESTATE AGREEMENT

Made and entered into in Tel-Aviv on the day of , 1999

BY AND BETWEEN

REVADIM (NECHASIM) LTD. (p.c. 51-073528-5)
(hereinafter the "BUYER")
of 63-65 Yehuda Halevi Street, Tel-Aviv

of the first part;

AND

AMPAL DEVELOPMENT (ISRAEL) LTD. (p.c. 52-000238-7)

of 111 Arlozorov Street, Tel-Aviv
(hereinafter "AMPAL")

of the second

part;

WHEREAS AMPAL is an owner of rights in the Real Estate defined herein as "Holon Property", "Panorama Property" and "Allenby Property", as specified hereinafter in this agreement; and

WHEREAS AMPAL is interested in selling to the BUYER and the BUYER is interested in buying from AMPAL its rights in the Real Estate as defined hereinafter, all on the terms and conditions and for the consideration specified herein; and

WHEREAS Simultaneously with signing this Agreement, the BUYER, AMPAL and others are signing also the Agreement (hereinafter the "Main Agreement") to which this Agreement is attached as

ANNEX "C" and other agreements which are attached to the Main Agreement as ANNEXES "A", "B", "D", "E", "F" and "G" thereto (hereinafter the "Other Agreements");

NOW, THEREFORE, it has been declared, agreed and warranted between the parties as follows:

1. PREAMBLE, CAPTIONS, DEFINITIONS, AND ANNEXES

1.1 The preamble to this agreement and the annexes hereto form an integral part hereof.

1.2 Captions used in this Agreement are solely for convenience of reading and shall not be used for the interpretation or determination of the validity of this Agreement or any provision hereof.

1.3 In this agreement the following terms shall have the meanings ascribed to them:

- 1.3.1 "This Agreement" or "the Agreement" - this agreement and all the annexes, amendments or additions to it, as well as any document to be furnished in accordance with the provisions hereof.
- 1.3.2 "Third Party Right" - Any lien, pledge, mortgage, suit, demand, claim, attachment and/or debt or obligation towards whatsoever third party and/or whatsoever other third party right.
- 1.3.3 "Holon Property" - The real estate property known as Block 7168 in Parcel 159/2 at 39 Shenkar Street, Holon, in the ownership of AMPAL DEVELOPMENT as specified in the extract, copy of which is attached hereto as ANNEX 1.3.3.
- 1.3.4 "Panorama Property" - The real estate property known as part of
Parcels 97 and 132 in Block 10812 at Panorama Center, 105 Hanassi Boulevard, Haifa, of which AMPAL DEVELOPMENT is entitled to be registered as the owner/perpetual lessee, and in respect of which two caveats are recorded in favor of AMPAL DEVELOPMENT [under its former name - Bank Lecharoshet B.M.] as specified in the extract, copy of which is attached hereto as ANNEX 1.3.4.
- 1.3.5 "Allenby Property" - The real estate property known as Block 6933 Parcel 116 with all its sub-parcels, at 65 Allenby Street, Tel-Aviv, in the ownership of AMPAL DEVELOPMENT as specified in the extract, copy of which is attached hereto as ANNEX 1.3.5.
- 1.3.6 "The Real Estate" - The Holon Property, Panorama Property and Allenby Property, jointly or severally, as the case may be.
- 1.3.7 "Dollar" - U.S. Dollar.
- 1.3.8 "AMPAL's Attorney" - Any of the attorneys from the office of Firon, Karni, Sarov & Firon, Advs., of 111 Arlozorov Street, Tel-Aviv, alone and/or in any combination.
- 1.3.9 "The BUYER's Attorney" - Advs. Moriah Hoftman Doron and Avraham Hirsch of 63 Yehuda Halevi Street, Tel-Aviv, alone and/or in any combination.
- 1.3.10 "The Determining Date" - The date which BHP and AMPAL will determine as the Closing Date in accordance with the provisions of Section 7 to the Main Agreement.
- 1.3.11 "BHP" - Bank Hapoalim B.M.

2. REPRESENTATIONS AND WARRANTIES OF THE PARTIES

2.1 Representations and Warranties of the BUYER

The BUYER represents, warrants, covenants, and undertakes the following to be true and correct on the date hereof and that the following will be true and correct on the Determining Date, and is aware and acknowledges that AMPAL has agreed to enter into this Agreement and the transactions contemplated therein in reliance on these representations, warranties, covenants, and undertakings of the BUYER:

2.1.1 The BUYER is a private company duly registered in Israel; its registration number with the Registrar of Companies is 51-073528-5; it is wholly owned and controlled by BHP; and it is an active company lawfully conducting its business and it has all

all the powers and authorities to enter into this Agreement and fulfill its undertakings hereunder.

2.1.2 BHP is a public company duly registered as a bank in Israel; its registration number with the Registrar of Companies is 52-000011-8, and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and fulfill all its undertakings hereunder.

2.1.3 Save as set out in Section 7.1 of the Main Agreement, the BUYER has completed all corporate acts and proceedings required under its incorporation documents and under law for the entering into this Agreement and for the fulfillment of its undertakings hereunder.

2.1.4 BHP is the lessee and actual holder, for many years, of all the Real Estate according to lease agreements between BHP and AMPAL.


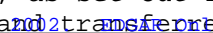
2.1.5 The BUYER has examined independently to its full satisfaction and knows well all of the Real Estate and AMPAL's' rights in it from all aspects, physical, planning, factual, and legal, the BUYER was given every opportunity to make any examination, and the BUYER has found the Real Estate suited to its purposes and is acquiring the rights therein "as is", being fully aware of its condition and age, and it waives absolutely and finally any demand and/or suit and/or claim against AMPAL, including in the matter of any unsuitability and/or defect in respect of the Real Estate, whether disclosed or concealed, existing or future.

2.2 Representations and Warranties of AMPAL

AMPAL hereby represents, warrants, covenants and undertakes the following to be true and correct on the date hereof, and the following will be true and correct on the Determining Date, and is aware and acknowledges that the BUYER has agreed to enter into this Agreement and the transactions contemplated therein in reliance on these representations, warranties, covenants and undertakings of AMPAL:

2.2.1 AMPAL is a public company duly registered in Israel; its registration number with the Registrar of Companies is 52-000238-7; and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and fulfill all its undertakings hereunder.

2.2.2 Save as set out in Section 7.1 of the Main Agreement, AMPAL has received from its organs so empowered under its incorporation documents and any law, all the resolutions required in order to be authorized to duly enter into this Agreement and fulfill all its undertakings hereunder.

2.2.3 AMPAL is the registered owner of the Holon Property and the Allenby Property, is entitled to be registered as the owner of the Panorama Property, and its rights in these Properties are free and clear of any Third Party Right whatsoever, as set out in ANNEXES 1.3.3, 1.3.4, and 1.3.5, and the  and  transferred to the BUYER.

3. THE TRANSACTION - GENERAL AMPAL hereby undertakes to sell and transfer to the BUYER on the Determining Date, the Real Estate and all of AMPAL's rights

therein being free and clear of any Third Party Right whatsoever, for the following consideration:

In consideration for AMPAL's rights in the Holon Property - \$1,273,836 plus v.a.t.

In consideration for AMPAL's rights in the Panorama Property - \$3,078,438 plus v.a.t.

In consideration for AMPAL's rights in the Allenby Property - \$3,449,974 plus v.a.t.

Total consideration - \$7,802,248 plus v.a.t. (hereinafter the "Consideration") to be paid to it by the BUYER as set out hereinafter.

4. THE SALE AND TRANSFER

4.1 On the Determining Date the BUYER will pay AMPAL the Consideration by bank check or bank transfer.

4.2 Against receipt of the Consideration in full, AMPAL will sign and submit to the BUYER an irrevocable power of attorney in the form attached hereto as ANNEX "4.2" which will enable the BUYER to do any act in connection with transferring AMPAL's rights in the Real Estate, including, inter alia, registering the transfer of these rights at the Land Registry Offices, signing any document for the purpose of transferring the said rights and/or obtaining whatsoever approval which is required for the transfer of the said rights as aforesaid, as well as to appear before any competent authority in connection with the above mentioned activities.

4.3 Immediately upon completion of full payment of the Consideration to AMPAL, the validity of the lease agreements between AMPAL and BHP in connection with all the Real Estate will expire without any of the parties having any demand and/or claim whatsoever towards the other, except in connection with rental fees and other payments due to AMPAL or prepaid by BHP in connection with the period up to the Determining Date, exclusive possession in the Real Estate will pass to the BUYER, and the BUYER will be permitted to register a caveat in connection with acquisition of AMPAL's rights in the Real Estate.

4.4 After the full payment of the Consideration to AMPAL, AMPAL will act to furnish the BUYER authorizations of Mas Shevach (Land Betterment Tax) for the registration of the rights in all the Real Estate in the name of the BUYER at the Land Registry Offices, and certificates or authenticated copies of certificates from the Registrar of Companies in Israel or affidavits or any other documents required by the relevant Land Registry Office, for the purpose of verifying the various changes in AMPAL's name from its former names to its present name. It is agreed that the BUYER will be responsible for the performance of all acts required for the purpose of registering the rights in all the Real Estate in its name according to this Agreement, and will bear all payments involved therewith. AMPAL, on its part, undertakes to cooperate with the BUYER and/or the BUYER's Attorney and use its best effort to assist the BUYER and/or the BUYER's attorney in this matter and sign the documents and authorizations required for the purpose of completing the registration of the said rights in the BUYER's name at the Land Registry Offices as aforesaid.

If the authorizations of Mas Shevach (Land Betterment Tax) are not furnished to the BUYER within 180 (one hundred eighty) days of the date on which the parties shall file the Land Betterment Tax forms and affidavits as provided in Section 6.5 hereunder, then as soon as the Mas Shevach Authorities determine the Mas Shevach

with respect to these transactions, AMPAL will either pay and/or provide the Mas Shevach Authorities with guarantees covering, together, the entire Mas Shevach determined by the Mas Shevach Authorities with respect to these transactions, so that the Mas Shevach Authorizations are furnished. It is agreed that should AMPAL decide to contest and/or appeal the Mas Shevach Authorities' determinations, the BUYER will not have to join such contest and/or appeal, but will support and assist AMPAL's contest and/or appeal.

5. This Agreement is subject to the fulfillment of all Conditions Precedent as defined and provided for in Section 7 of the Main Agreement.

6. TAXES AND OTHER COMPULSORY PAYMENTS

6.1 The Value Added Tax will be paid by the BUYER to AMPAL as part of the Consideration. As AMPAL is a "MOSAD CASPI" ("Financial Institution"), AMPAL will pay the V.A.T. to the V.A.T. authorities and will file a Teudat Iskat Akrai in accordance with Section 15A of the Value Added Tax (Registration) Regulations (1976-5736), and will provide the BUYER with said Teudat Iskat Akrai immediately after its filing as aforesaid.

6.2 Subject to the provisions of Sections 6.3 and 6.4 hereunder, all the taxes, levies and fees, governmental and municipal, of any kind and type, except for improvement levies, in respect of the period up to the Determining Date, will be borne and paid by AMPAL or by BHP - in accordance with the provisions of the lease agreement between AMPAL and BHP in connection with the Real Estate, and in respect of the period from the Determining Date - will be borne and paid by the BUYER alone. In addition, any improvement levies, if any, which have not yet actually been paid in respect of the Real Estate, will be borne and paid by the BUYER.

6.3 Land Betterment Tax or Capital Gains Tax or Income Tax on the transfer of AMPAL's rights in the Real Estate to the BUYER will be borne and paid by AMPAL.

6.4 Acquisition Tax on the transfer of AMPAL's rights in the Real Estate to the BUYER will be borne and paid by the BUYER.

6.5 The BUYER and AMPAL will sign and file at the times set by law, Land Betterment Tax forms and affidavits in connection with the transfer and sale of AMPAL's rights in the Real Estate.

7. MISCELLANEOUS

To remove any doubt, it is declared and agreed that all the provisions of Sections 7, 8, 9, 10, 11, 12, 13, 14 and 15 of the Main Agreement shall apply herein mutatis mutandis. However, it is specifically declared and agreed that this Agreement and the rights and obligations of the parties and BHP hereunder or pursuant hereto shall be governed by and construed in accordance with the laws of the State of Israel.

IN WITNESS WHEREOF the parties have signed:

AMPAL DEVELOPMENT (ISRAEL) LTD. THE BUYER

We, Bank Hapoalim B.M., hereby irrevocably agree to all the abovementioned provisions regarding ourselves and/or having any bearing on us. We also hereby irrevocably guarantee the full and prompt fulfillment of all the BUYER's undertakings under the above Agreement. We hereby waive any demand of prior request from the BUYER under Section 8 of the Guarantee Law, 5727-1967. This guarantee shall remain in full force in spite of any stay, postponement, waiver, or change in a guaranteed obligation of the BUYER.

Bank Hapoalim B.M.

ANNEX "D"

REAL ESTATE AGREEMENT

Made and entered into in Tel-Aviv on the day of , 1999

BY AND BETWEEN

REVADIM (NECHASIM) LTD. (p.c. 51-073528-5) of 63-65 Yehuda Halevi Street, Tel-Aviv
(hereinafter the "BUYER")
of the first part;

AND

AMPAL FINANCIAL SERVICES LTD. (p.c.52-002104-9)
of 111 Arlozorov Street, Tel-Aviv
(hereinafter "AMPAL")
of the second part;

WHEREAS AMPAL is an owner of rights in the Real Estate defined herein as Rosh Pina Property and Ramat Hasharon Property, as specified hereinafter in this agreement; and

WHEREAS AMPAL is interested in selling to the BUYER and the BUYER is interested in buying from AMPAL its rights in the Real Estate as defined hereinafter, all on the terms and conditions and for the consideration specified herein; and

WHEREAS Simultaneously with signing this Agreement, the BUYER, AMPAL and others are signing also the Main Agreement (hereinafter the "Main Agreement") to which this Agreement is attached as ANNEX "D" and other agreements which are attached to the Frame Agreement as ANNEXES "A", "B", "C", "E", "F" and "G" thereto (hereinafter the "Other Agreements");

NOW, THEREFORE, it has been declared, agreed and warranted between the parties as follows:

1. PREAMBLE, CAPTIONS, DEFINITIONS, AND ANNEXES

- 1.1 The preamble to this agreement and the annexes hereto form an integral part hereof.
- 1.2 Captions used in this Agreement are solely for convenience of reading and shall not be used for the interpretation or determination of the validity of this Agreement or any provision hereof.
- 1.3 In this agreement the following terms shall have the meanings ascribed to them:
 - 1.3.1 "This Agreement" or "the Agreement" - this agreement and all the annexes, amendments or additions to it, as well as any document to be furnished in accordance with the provisions hereof.

- 1.3.2 "Third Party Right" - Any lien, pledge, mortgage, suit, demand, claim, attachment and/or debt or obligation towards whatsoever third party and/or whatsoever other third party right.
- 1.3.3 "Rosh Pina Property" - The real estate property known as Block 13940 Parcel 39/6 at Hachalutzim Street, Rosh Pina, in the ownership of AMPAL

[(under its former name - Bank Ampal Lepituach Hataasiya Be-Israel B.M.) as specified in the extract, copy of which is attached hereto as ANNEX 1.3.3.

- 1.3.4 "Ramat Hasharon Property" - The real estate property known as part of Parcel 83 in Block 6415 at 90 Sokolov Street, Ramat Hasharon, of which AMPAL is entitled to be registered as owner, and in respect of which a caveat is recorded in favor of AMPAL [(under its former name - - Bank Ampal Lepituach Hataasiya Be-Israel B.M.) as specified in the extract, copy of which is attached hereto as ANNEX 1.3.4.
- 1.3.5 "The Real Estate" - The Rosh Pina Property and Ramat Hasharon Property, jointly or severally, as the case may be.
- 1.3.6 "Dollar" - U.S. Dollar.
- 1.3.7 "AMPAL's Attorney" - Any of the attorneys from the office of Firon, Karni, Sarov & Firon, Advs., of 111 Arlozorov Street, Tel-Aviv, alone and/or in any combination.
- 1.3.8 "The BUYER's Attorney" - Advs. Moriah Hoftman Doron and Avraham Hirsch of 63 Yehuda Halevi Street, Tel-Aviv, alone and/or in any combination.
- 1.3.9 "The Determining Date" - The date which BHP and AMPAL will determine as the Closing Date in accordance with the provisions of Section 7 to the Main Agreement.
- 1.3.10 "BHP" - Bank Hapoalim B.M.

2. REPRESENTATIONS AND WARRANTIES OF THE PARTIES

2.1 Representations and Warranties of the BUYER

The BUYER represents, warrants, covenants, and undertakes the following to be true and correct on the date hereof and that the following will be true and correct on the Determining Date, and is aware and acknowledges that AMPAL has agreed to enter into this Agreement and the transactions contemplated therein in reliance on these representations, warranties, covenants, and undertakings of the BUYER:

2.1.1 The BUYER is a private company duly registered in Israel; its registration number with the Registrar of Companies is 51-073528-5; it is wholly owned and controlled by BHP; and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and fulfill all its undertakings hereunder.

2.1.2 BHP is a public company duly registered as a bank in Israel; its registration number with the Registrar of Companies is 52-000011-8, and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and fulfill all its undertakings hereunder.

2.1.3 Save as set out in Section 7.1 of the Main Agreement, the BUYER has completed all corporate acts and proceedings required under its incorporation documents and

under law for the entering into this Agreement and for the fulfillment of its undertakings hereunder.

2.1.4 BHP is the lessee and actual holder, for many years, of all the Real Estate according to lease agreements between BHP and AMPAL.

2.1.5 The BUYER has examined independently to its full satisfaction and knows well all of the Real Estate and AMPAL's rights in it from all aspects, physical, planning, factual, and legal, the BUYER was given every opportunity to make any examination, and the BUYER has found the Real Estate suited to its purposes and is acquiring the rights therein "as is", being fully aware of its condition and age, and it waives absolutely and finally any demand and/or suit and/or claim against AMPAL, including in the matter of any unsuitability and/or defect in respect of the Real Estate, whether disclosed or concealed, existing or future.

2.2 Representations and Warranties of AMPAL

AMPAL hereby represents, warrants, covenants and undertakes the following to be true and correct on the date hereof, and the following will be true and correct on the Determining Date, and is aware and acknowledges that the BUYER has agreed to enter into this Agreement

and the transactions contemplated therein in reliance on these representations, warranties, covenants and undertakings of AMPAL:

2.2.1 AMPAL is a public company duly registered in Israel; its registration number with the Registrar of Companies is 52-002104-9; and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and fulfill all its undertakings hereunder.

2.2.2 Save as set out in Section 7.1 of the Main Agreement, AMPAL has received from its organs so empowered under its incorporation documents and any law, all the resolutions required in order to be authorized to duly enter into this Agreement and fulfill all its undertakings hereunder.

2.2.3 AMPAL is the registered owner of the Rosh Pina Property, is entitled to be registered as the owner of the Ramat Hasharon Property, and its rights in these Properties are free and clear of any Third Party Right whatsoever, as set out in Annexes 1.3.3 and 1.3.4, and they can be sold and transferred to the BUYER.

3. THE TRANSACTION - GENERAL AMPAL hereby undertakes to sell and transfer to the BUYER on the Determining Date, the Real Estate and all of AMPAL's rights therein, the Real Estate and AMPAL's rights therein being free and clear of any Third Party Right whatsoever, for the following consideration:

In consideration for AMPAL's rights in the Rosh Pina Property -	\$484,323 plus V.A.T.
In consideration for AMPAL's rights in the Ramat Hasharon Property -	\$2,819,690 plus V.A.T.
Total consideration -	\$3,304,013 plus V.A.T.
"Consideration")	(hereinafter the

to be paid to it by the BUYER as set out hereinafter.

4. THE SALE AND TRANSFER

4.1 On the Determining Date the BUYER will pay AMPAL the Consideration by bank check or bank transfer.

4.2 Against receipt of the Consideration in full, AMPAL will sign and submit to the BUYER an irrevocable power of attorney in the form attached hereto as ANNEX "4.2" which will enable the BUYER to do any act in connection with transferring AMPAL's rights in the Real Estate, including, inter alia, registering the transfer of these rights at the Land Registry Offices, signing any document for the purpose of transferring the said rights and/or obtaining whatsoever approval which is required for the transfer of the said rights as aforesaid, as well as to appear before any competent authority in connection with the abovementioned activities.

4.3 Immediately upon completion of full payment of the Consideration to AMPAL, the validity of the lease agreements between AMPAL and BHP in connection with all of the Real Estate will expire without any of the parties having any demand and/or claim whatsoever towards the other, except in connection with rental fees and other payments due to AMPAL or prepaid by BHP in connection with the period up to the Determining Date, exclusive possession in the Real Estate will pass to the BUYER, and the BUYER will be permitted to register a caveat in connection with acquisition of AMPAL's rights in the Real Estate.

4.4 After the full payment of the Consideration to AMPAL, AMPAL will act to furnish the BUYER authorizations of Mas Shevach (Land Betterment Tax) for the registration of the rights in all the Real Estate in the name of the BUYER at the Land Registry Offices, and certificates or authenticated copies of certificates from the Registrar of Companies in Israel or affidavits or any other documents required by the relevant Land Registry Office, for the purpose of verifying the various changes in AMPAL's name from its former names to its present name. It is agreed that the BUYER will be responsible for the performance of all acts required for the purpose of registering the rights in all the Real Estate in its name according to this Agreement, and will bear all payments involved therewith. AMPAL, on its part, undertakes to cooperate with the BUYER and/or the BUYER's Attorney and to use its best effort to assist the BUYER and/or the BUYER's Attorney in this matter and sign the documents and authorizations required for the purpose of completing the registration of the said rights in the BUYER's name at the Land Registry Offices as aforesaid.

If the authorizations of Mas Shevach (Land Betterment Tax) are not furnished to the BUYER within 180 (one hundred eighty) days of the date on which the parties shall file the Land Betterment Tax forms and affidavits as provided in Section 6.5 hereunder, then as soon as the Mas Shevach Authorities determine the Mas Shevach with respect to these transactions, AMPAL will either pay and/or provide the Mas Shevach Authorities with guarantees covering, together, the entire Mas Shevach determined by the Mas Shevach Authorities with respect to these transactions, so that the Mas Shevach Authorizations are furnished. It is agreed that should AMPAL decide to contest and/or appeal the Mas Shevach Authorities' determinations, the BUYER will not have to join such contest and/or appeal, but will support and assist AMPAL's contest and/or appeal.

5. This Agreement is subject to the fulfillment of all Conditions Precedent as defined and provided for in Section 7 of the Main Agreement.

6. TAXES AND OTHER COMPULSORY PAYMENTS

6.1 The Value Added Tax will be paid by the BUYER to AMPAL as part of the Consideration. As AMPAL is a "Mosad Caspi" ("Financial Institution"), AMPAL will pay the V.A.T. to the V.A.T. authorities and will file a Teudat Iskat Akrai in accordance with Section 15A of the Value Added Tax (Registration) Regulations (1976-5736), and will provide the BUYER with said Teudat Iskat Akrai immediately after its filing as aforesaid.

6.2 Subject to the provisions of Sections 6.3 and 6.4 hereunder all the taxes, levies and fees, governmental and municipal, of any kind and type, except for improvement levies, in respect of the period up to the Determining Date, will be borne and paid by AMPAL or by BHP - in accordance with the provisions of the lease agreement between AMPAL and BHP in connection with the Real Estate, and in respect of the period from the Determining Date - will be borne and paid by the BUYER alone. In addition, any improvement levies, if any, which have not yet actually been paid in respect of the Real Estate, will be borne and paid by the BUYER.

6.3 Land Betterment Tax or Capital Gains Tax or Income Tax on the transfer of AMPAL's rights in the Real Estate to the BUYER will be borne and paid by AMPAL.

6.4 Acquisition Tax on the transfer of AMPAL's rights in the Real Estate to the BUYER will be borne and paid by the BUYER.

6.5 The BUYER and AMPAL will sign and file at the times set by law, Land Betterment Tax, forms and affidavits in connection with the transfer and sale of AMPAL's rights in the Real Estate.

7. MISCELLANEOUS

To remove any doubt, it is declared and agreed that all the provisions of Sections 7, 8, 9, 10, 11, 12, 13, 14 and 15 of the Main Agreement shall apply herein mutatis mutandis. . However, it is specifically declared and agreed that this Agreement and the rights and obligations of the parties and BHP hereunder or pursuant hereto shall be governed by and construed in accordance with the laws of the State of Israel.

IN WITNESS WHEREOF the parties have signed:

AMPAL FINANCIAL SERVICES LTD. the BUYER

We, Bank Hapoalim B.M., hereby irrevocably agree to all the abovementioned provisions regarding ourselves and/or having any bearing on us. We also hereby irrevocably guarantee the full and prompt fulfillment of all the BUYER's undertakings under the above Agreement. We hereby waive any demand of prior request from the BUYER under Section 8 of the Guarantee Law, 5727-1967. This guarantee shall remain in full force in spite of any stay, postponement, waiver, or change in a guaranteed obligation of the BUYER.

Bank Hapoalim B.M.

ANNEX "E"

REAL ESTATE AGREEMENT

Made and entered into in Tel-Aviv on the day of , 1999

BY AND BETWEEN

REVADIM (NECHASIM) LTD. (p.c. 51-073528-5) of 63-65 Yehuda Halevi Street, Tel-Aviv
(hereinafter the "BUYER")
of the first part;

AND

AMPAL (ISRAEL) LTD. (p.c. 52-002622-0)
of 111 Arlozorov Street, Tel-Aviv
(hereinafter "AMPAL")

of the second

part;

WHEREAS AMPAL is an owner of rights in the Real Estate, as specified hereinafter in this agreement; and

WHEREAS AMPAL is interested in selling to the BUYER and the BUYER is interested in buying from AMPAL its rights in the Real Estate as defined hereinafter, all on the terms and conditions and for the consideration specified herein; and

WHEREAS Simultaneously with signing this Agreement, the BUYER, AMPAL and others are signing also the Main Agreement (hereinafter the "Main Agreement") to which this Agreement is attached as ANNEX "E" and other agreements which are attached to the Main Agreement as ANNEXES "A", "B", "C", "D", "F" and "G" thereto (hereinafter the "Other Agreements");

NOW, THEREFORE, it has been declared, agreed and warranted between the parties as follows:

1. PREAMBLE, CAPTIONS, DEFINITIONS, AND ANNEXES

- 1.1 The preamble to this agreement and the annexes hereto form an integral part hereof.
- 1.2 Captions used in this Agreement are solely for convenience of reading and shall not be used for the interpretation or determination of the validity of this Agreement or any provision hereof.
- 1.3 In this agreement the following terms shall have the meanings ascribed to them:
 - 1.3.1 "This Agreement" or "the Agreement" - this agreement and all the annexes, amendments or additions to it, as well as any document to be furnished in accordance with the provisions hereof.

- 1.3.2 "Third Party Right" - Any lien, pledge, mortgage, suit, demand, claim, attachment and/or debt or obligation towards whatsoever third party and/or whatsoever other third party right.
- 1.3.3 "Arlozorov B Property" or the "Real Estate"- The real estate property known as Block 6213 Parcels 661/4 and 661/3, of which AMPAL is registered as owner, as specified in the extracts, copies of which are attached hereto as ANNEXES 1.3.3A and 1.3.3B.
- 1.3.4 "Dollar" - U.S. Dollar.
- 1.3.5 "AMPAL's Attorney" - Any of the attorneys from the office of Firon, Karni, Sarov & Firon, Advs., of 111 Arlozorov Street, Tel-Aviv, alone and/or in any combination.
- 1.3.6 "The BUYER's Attorney" - Advs. Advs. Moriah Hoftman Doron and Avraham Hirsch of 63 Yehuda Halevi Street, Tel-Aviv, alone and/or in any combination.
- 1.3.7 "The Determining Date" - The date which BHP and AMPAL will determine as the Closing Date in accordance with the provisions of Section 7 to the Main Agreement.
- 1.3.8 "BHP" - Bank Hapoalim B.M.

2. REPRESENTATIONS AND WARRANTIES OF THE PARTIES

2.1 Representations and Warranties of the BUYER

The BUYER represents, warrants, covenants, and undertakes the following to be true and correct on the date hereof and that the following will be true and correct on the Determining Date, and is aware and acknowledges that AMPAL has agreed to enter into this Agreement and the transactions contemplated therein in reliance on these representations, warranties, covenants, and undertakings of

the

BUYER:

2.1.1 The BUYER is a private company duly registered in Israel; its registration number with the Registrar of Companies is 51-073528-5; it is wholly owned and controlled by BHP; and it is an active

company

lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and fulfill all its undertakings hereunder.

2.1.2 BHP is a public company duly registered as a bank in Israel; its registration number with the Registrar of Companies is 52-000011-8, and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and fulfill all its undertakings hereunder.

2.1.3 Save as set out in Section 7.1 of the Main Agreement, the BUYER has completed all corporate acts and proceedings required under its incorporation documents and under law for the entering into this Agreement and for the fulfillment of its undertakings hereunder.

2.1.4 BHP is the lessee and actual holder, for many years, of the Real Estate according to a lease agreement between BHP and AMPAL.

2.1.5 The BUYER has examined independently to its full satisfaction and knows well the Real Estate and AMPAL's rights in it from all

aspects,

physical, planning, factual, and legal, the BUYER was given every opportunity to make any examination, and the BUYER has found the

Real

Estate suited to its purposes and is acquiring the

rights therein "as is", being fully aware of its condition and age, and it waives absolutely and finally any demand and/or suit and/or claim against AMPAL, including in the matter of any unsuitability and/or defect in respect of the Real Estate, whether disclosed or concealed, existing or future.

2.2 Representations and Warranties of AMPAL

AMPAL hereby represents, warrants, covenants and undertakes the following to be true and correct on the date hereof, and the following will be true and correct on the Determining Date, and is aware and acknowledges that the BUYER has agreed to enter into this Agreement and the transactions contemplated therein in reliance on these representations, warranties, covenants and undertakings of AMPAL:

- 2.2.1 AMPAL is a public company duly registered in Israel; its registration number with the Registrar of Companies is 52-002622-0; and it is an active company lawfully conducting its business and it has all the powers and authorities to enter into this Agreement and fulfill all its undertakings hereunder.
- 2.2.2 Save as set out in Section 7.1 of the Main Agreement, AMPAL has received from its organs so empowered under its incorporation documents and any law, all the resolutions required in order to be authorized to duly enter into this Agreement and fulfill all its undertakings hereunder.
- 2.2.3 AMPAL is the registered owner of the Arlozorov B Property, its rights in these Properties are free and clear of any Third Party Right whatsoever, as set out in Annexes 1.3.3A and 1.3.3B, and they can be sold and transferred to the BUYER.

3. THE TRANSACTION - GENERAL

AMPAL hereby undertakes to sell and transfer to the BUYER on the Determining Date, the Real Estate and all of AMPAL's rights therein, the Real Estate and AMPAL's rights therein being free and clear of any Third Party Right whatsoever, for the consideration in the sum of \$676,726 (plus V.A.T. (hereinafter the "Consideration")), to be paid to it by the BUYER as set out hereinafter.

4. THE SALE AND TRANSFER

- 4.1 On the Determining Date the BUYER will pay AMPAL the Consideration by bank check or bank transfer.
- 4.2 Against receipt of the Consideration in full, AMPAL will sign and submit to the BUYER an irrevocable power of attorney in the form attached hereto as ANNEX "4.2" which will enable the BUYER to do any act in connection with transferring AMPAL's rights in the Real Estate, including, inter alia, registering the transfer of these rights at the Land Registry Office, signing any document for the purpose of transferring the said rights and/or obtaining whatsoever approval which is required for the transfer of the said rights as aforesaid, as well as to appear before any competent authority in connection with the abovementioned activities.
- 4.3 Immediately upon completion of full payment of the Consideration to AMPAL, the validity of the lease agreements between AMPAL and BHP in connection with the Real Estate will expire without any of the parties having any demand and/or claim whatsoever towards the other, except in connection with rental fees and other payments due to AMPAL or prepaid by BHP in connection with the period up to the Determining Date, the provisions set out in Annex 4.3 regarding six parking spaces shall come into force, exclusive possession in the Real Estate will pass to the BUYER, and the BUYER

will be permitted to register a caveat in connection with acquisition of AMPAL's rights in the Real Estate.

4.4 After the full payment of the Consideration to AMPAL, AMPAL will act to furnish the BUYER an authorization of Mas Shevach (Land Betterment Tax) for the registration of the rights in all the Real Estate in the

name of the BUYER at the Land Registry Offices, and certificates or authenticated copies of certificates from the Registrar of Companies in Israel or affidavits or any other documents required by the relevant Land Registry Office, for the purpose of verifying the various changes in AMPAL's name from its former names to its present name. It is agreed that the BUYER will be responsible for the performance of all acts required for the purpose of registering the rights in all the Real Estate in its name according to this Agreement, and will bear all payments involved therewith. AMPAL, on its part, undertakes to cooperate with the BUYER and/or the BUYER's Attorney and use its best efforts to assist the BUYER and/or the BUYER's Attorney in this matter and sign the documents and authorizations required for the purpose of completing the registration of the said rights in the BUYER's name at the Land Registry Offices as aforesaid. If the authorization of Mas Shevach (Land Betterment Tax) is not furnished to the BUYER within 180 (one hundred eighty) days of the date on which the parties shall file the Land Betterment Tax forms and affidavits as provided in Section 6.5 hereunder, then as soon as the Mas Shevach Authorities determine the Mas Shevach with respect to this transaction, AMPAL will either pay and/or provide the Mas Shevach Authorities with guarantees covering, together, the entire Mas Shevach determined by the Mas Shevach Authorities with respect to this transaction, so that the Mas

Shevach

Authorization is furnished.

It is agreed that should AMPAL decide to contest and/or appeal the Mas Shevach Authorities' determinations, the BUYER will not have to join such contest and/or appeal, but will support and assist AMPAL's contest and/or appeal.

5. This Agreement is subject to the fulfillment of all Conditions Precedent as defined and provided for in Section 7 of the Main Agreement.

6. TAXES AND OTHER COMPULSORY PAYMENTS

- 6.1 The Value Added Tax will be paid by the BUYER to AMPAL as part of the Consideration. As AMPAL is a "Mosad Caspi" ("Financial Institution"), AMPAL will pay the V.A.T. to the V.A.T. authorities and will file a Teudat Iskat Akrai in accordance with Section 15A of the Value Added Tax (Registration) Regulations (1976-5736), and will provide the BUYER with said Teudat Iskat Akrai immediately after its filing as aforesaid.
- 6.2 Subject to the provisions of Sections 6.3 and 6.4 hereunder, all the taxes, levies and fees, governmental and municipal, of any kind and type, except for improvement levies, in respect of the period up to the Determining Date, will be borne and paid by AMPAL or by BHP - in accordance with the provisions of the lease agreement between AMPAL and BHP in connection with the Real Estate, and in respect of the period from the Determining Date - will be borne and paid by the BUYER alone. In addition, any improvement levies, if any, which have not yet actually been paid in respect of the Real Estate, will be borne and paid by the BUYER.
- 6.3 Land Betterment Tax or Capital Gains Tax or Income Tax on the transfer of AMPAL's rights in the Real Estate to the BUYER will be borne and paid by AMPAL.

6.4 Acquisition Tax on the transfer of AMPAL's rights in the Real
Estate to the BUYER will be borne and paid by the BUYER.

6.5 The BUYER and AMPAL will sign and file at the times set by law,
Land Betterment Tax forms and affidavits in connection with the transfer
and sale of AMPAL's rights in the Real Estate.

7. MISCELLANEOUS

To remove any doubt, it is declared and agreed that all the provisions of Sections 7, 8, 9, 10, 11, 12, 13, 14 and 15 of the Main Agreement shall apply herein mutatis mutandis. However, it is specifically declared and agreed that this Agreement and the rights and obligations of the parties and BHP hereunder or pursuant hereto shall be governed by and construed in accordance with the laws of the State of Israel.

IN WITNESS WHEREOF the parties have signed:

AMPAL (ISRAEL) LTD. THE BUYER

We, Bank Hapoalim B.M., hereby irrevocably agree to all the abovementioned provisions regarding ourselves and/or having any bearing on us. We also hereby irrevocably guarantee the full and prompt fulfillment of all the BUYER's undertakings under the above Agreement.

We hereby waive any demand of prior request from the BUYER under Section 8 of the Guarantee Law, 5727-1967. This guarantee shall remain in full force in spite of any stay, postponement, waiver, or change in a guaranteed obligation of the BUYER.

Bank Hapoalim B.M.

**SHARES TRANSFER AGREEMENT
ANNEX "A"**

LIST OF ANNEXES

- Annex 4.1.1 Form of Original Stock Certificates Issued to BHP for
122,536 3,517,683 Ordinary Shares, 3,350 4% Preferred Shares and
 6.5% Preferred Shares of AMPAL
- Annex 4.1.2 Form of the BANK's Representation Letter in respect of the
AMPAL Shares
- Annex 4.1.3 Form of BHP's Stock Power in respect of the AMPAL Shares
- Annex 4.1.4 Form of BHP's Secretary's Certificate in respect of the AMPAL
Shares
- Annex 4.1.5 Form of AMPAL's Opinion of Counsel in respect of the AMPAL
Shares.
- Annex 4.2.1 Form of AMPAL's irrevocable instruction to BHP regarding
the Amount of the Deposit.
- Annex 5.1.1 Form of Original Stock Certificate issued to BHP for
1,560,450 Ordinary Shares of AMPAL in respect of the AMPAL
DEVELOPMENT Shares.
- Annex 5.1.2 Form of the BANK's Representation Letter in respect of the
AMPAL DEVELOPMENT Shares
- Annex 5.1.3 Form of BHP's Stock Power in respect of the AMPAL DEVELOPMENT
Shares
- Annex 5.1.4 Form of BHP's Secretary's Certificate in respect of the AMPAL
DEVELOPMENT Shares
- Annex 5.1.5 Form of AMPAL's Opinion of Counsel in respect of the AMPAL
DEVELOPMENT Shares
- Annex 5.1.6 Form of the AMPAL DEVELOPMENT's Representation Letter.
- Annex 6.1.1 Form of Original Stock Certificate issued to BHP for
660,803 Ordinary Shares of AMPAL in respect of AMPAL FINANCING
Shares
- Annex 6.1.2 Form of The BANK's Representation Letter in respect of AMPAL
FINANCING Shares
- Annex 6.1.3 Form of BHP's Stock Power in respect of AMPAL FINANCING Shares
- Annex 6.1.4 Form of BHP's Secretary's Certificate in respect of AMPAL
FINANCING Shares
- Annex 6.1.5 Form of AMPAL's Opinion of Counsel in respect of AMPAL
FINANCING Shares
- Annex 6.1.6 Form of the AMPAL FINANCING Representation Letter
- Annex 7.1.1 Form of Original Stock Certificate issued to BHP for
135,345 Ordinary Shares of AMPAL in respect of the AMPAL ISRAEL
Shares

- Annex 7.1.2 Form of the BANK's Representation Letter in respect of the AMPAL ISRAEL Shares
- Annex 7.1.3 Form of BHP's Stock Power in respect of the AMPAL ISRAEL Shares
- Annex 7.1.4 Form of BHP's Secretary's Certificate in respect of the AMPAL ISRAEL Shares
- Annex 7.1.5 Form of AMPAL's Opinion of Counsel in respect of the AMPAL ISRAEL Shares
- Annex 7.1.6 AMPAL ISRAEL's Representation Letter
- Annex 8 Form of notices of resignation from AMPAL's Board of Directors to be signed by Messrs. Yaakov Elinav and Shimon Ravid

Exhibit 11

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

SCHEDULE SETTING FORTH COMPUTATION OF EARNINGS PER SHARE OF CLASS A STOCK

THREE MONTHS ENDED MARCH 31,	1999	1998

(Amounts in thousands, except (Unaudited) per share data)	(Unaudited)	
Weighted average number of shares outstanding:		
4% Preferred	172	179
6-1/2% Preferred	921	963
Class A	24,094	23,832
	=====	=====
 BASIC EPS		
Net Income	\$ 5,552	\$ 2,006
	=====	=====
 Earnings per Class A share	\$.23	\$.08
	=====	=====
 Weighted average number of Class A shares outstanding	24,094	23,832
 DILUTED EPS		
Net Income	\$ 5,552	\$
1,915(1)	=====	=====
 Earnings per Class A share	\$.20	\$.07
	=====	=====
 Weighted average number of Class A shares outstanding assuming conversion of preferred stock into Class A shares	27,716	27,616

(1) Includes decrease in net income of \$91 due to dilution in equity in earnings of affiliate.

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD START	JAN 01 1999
PERIOD END	MAR 31 1999
CASH	11,900
SECURITIES	253,834
RECEIVABLES	26,166
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	15,415
PP&E	42,942
DEPRECIATION	9,537
TOTAL ASSETS	340,720
CURRENT LIABILITIES	47,816
BONDS	124,990
PREFERRED MANDATORY	0
PREFERRED	5,452
COMMON	24,710
OTHER SE	137,752
TOTAL LIABILITY ANDEQUITY	340,720
SALES	1,844
TOTAL REVENUES	15,701
CGS	0
TOTAL COSTS	2,278
OTHER EXPENSES	2,448
LOSS PROVISION	0
INTEREST EXPENSE	2,052
INCOME PRETAX	8,923
INCOME TAX	3,371
INCOME CONTINUING	5,552
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	5,552
EPS PRIMARY	.23
EPS DILUTED	.20

End of Filing