

# AMPAL-AMERICAN ISRAEL CORP

## FORM 8-K (Current report filing)

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of report (Date of earliest event reported) November 28, 2006

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AMPAL-AMERICAN ISRAEL CORPORATION  
(Exact Name of Registrant as Specified in Charter)

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New York  
(State or Other Jurisdiction  
of Incorporation)

0-538  
(Commission  
File Number)

13-0435685  
(IRS Employer  
Identification No.)

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111 Arlozorov Street, Tel Aviv, Israel  
(Address of Principal Executive Offices)

62098  
(Zip Code)

Registrant's telephone number, including area code 1-866-447-8636

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N/A  
(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions ( *see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 1.01 Entry into a Material Definitive Agreement.**

Acquisition of An Additional Interest in East Mediterranean Gas Co. S.A.E.

On November 28, 2006, Ampal-American Israel Corporation (the “Company”), through Merhav Ampal Energy, Ltd., a wholly-owned subsidiary of the Company, entered into an agreement (the “Stock Purchase Agreement”) with Merhav M.N.F. Ltd. (“Merhav”) to acquire from Merhav additional shares of East Mediterranean Gas Co. S.A.E., an Egyptian joint stock company (“EMG”), pursuant to an option granted to the Company by Merhav in August 2006. The transaction is expected to close within the next 10 days.

EMG is an Egyptian joint stock company which has been given the right to export natural gas from Egypt to Israel and other locations in the East Mediterranean basin via an underwater pipeline. The pipeline, which EMG expects to be completed during the first quarter of 2008, will run from El-Arish, Egypt to Ashkelon, Israel.

Under the terms of the transaction, the Company will acquire the beneficial ownership of 5.9% of the outstanding shares of EMG’s capital stock. The purchase price for the shares is approximately \$128.3 million, of which, approximately \$68.3 million will be paid in cash, \$40 million will be paid in 8,602,151 shares of the Company's Class A Stock and the balance will be paid by a promissory note in the principal amount of \$20 million (the “Convertible Promissory Note”), which, at the option of Merhav, will be paid in cash, additional shares of the Company’s Class A Stock (based on a price per share of \$4.65 per share), or a combination thereof. The Convertible Promissory Note will bear interest at 6 months LIBOR and mature in one or more partial payments on the earlier of 9 months from the closing of the transaction or upon demand by Merhav. The issuance of the shares of Class A Stock is subject to the approval of the shareholders of the Company. As a result of this transaction, the Company will beneficially own 12.5% of the total outstanding shares of EMG.

Yosef A. Maiman, the Chairman, President and CEO of the Company and the Company’s controlling shareholder, is the sole owner of Merhav. Because of the foregoing relationship, a special committee of the Board of Directors composed of the Company’s independent directors negotiated and approved the transaction. Houlihan Lokey Howard & Zukin Financial Advisors, Inc., which has been retained as financial advisor to the special committee, advised the special committee on this transaction.

The foregoing description of the Stock Purchase Agreement and the Convertible Promissory Note do not purport to be complete and are qualified in their entirety by reference to the Stock Purchase Agreement, which the Company has filed as Exhibit 10.1 hereto, and the form of Convertible Promissory Note, which the Company has filed as Exhibit 10.2 hereto.

A copy of the Company’s press release announcing the execution of the Agreement is attached hereto as Exhibit 99.1 and is incorporated in this report by reference.

## Private Investment in Public Equity

On November 28, 2006, the Company entered into a Securities Purchase Agreement with certain institutional investors in Israel (the "Investors") for the sale of 8,142,705 shares of Class A Stock of the Company (the "Shares") for an aggregate price of \$37,863,577 (based on a price per share of \$4.65) and warrants to purchase 4,071,352 shares of the Class A Stock of the Company (the "Warrants") for an exercise price of \$4.65 per share. The Warrants will expire 8 months after the date of their issuance and will not be exercisable until the issuance of the shares underlying the Warrants has been approved by the Company's shareholders. The sale is subject to customary closing conditions and a determination from the NASDAQ Stock Market LLC that shareholder approval will not be required with regards to the issuance of the Shares and Warrants contemplated by this private placement transaction. The sale of the Shares and Warrants is expected to close as soon as possible after receipt of such NASDAQ approval.

In connection with the Securities Purchase Agreement, the Company agreed to enter into a registration rights agreement with the Investors at the closing of the private placement transaction, pursuant to which, among other things, the Company will be obligated to file a registration statement prior to the earlier of (i) the 60th calendar day following the date that shareholder approval is obtained to the extent required and (ii) July 28, 2007. In the event the Company fails to satisfy such obligations, and under certain other circumstances as set forth in a registration rights agreement, it will be required to pay liquidated damages equal to 0.5% of the aggregate investment amount paid by the Investors for the Shares and Warrants, with an aggregate cap of 10% on such liquidated damage payments.

The offering of the Shares and Warrants was made solely to certain non-U.S. institutional investors in accordance with Regulation S under the U.S. Securities Act of 1933, as amended. The Shares and Warrants may not be offered or sold in the United States or to United States persons without registration unless an exemption from such registration is available. This notice does not constitute an offer to sell the shares or warrants, nor a solicitation for an offer to purchase the shares, nor shall it constitute any offer, solicitation or sale of any of the Shares or Warrants in any jurisdiction in which such offering sold would be unlawful.

A copy of the Company's press release announcing the private placement transaction is attached hereto as Exhibit 99.2 and is incorporated in this report by reference.

### **Item 2.03          Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

The information required to be disclosed hereunder with respect to the Convertible Promissory Note to be issued by the Company in connection with the EMG transaction is set forth in Item 1.01 above and is incorporated herein by reference.

**Item 3.02 Unregistered Sales of Equity Securities.**

1. The information required to be disclosed hereunder with respect to the shares of Class A Stock of the Company to be issued in the EMG transaction is set forth in Item 1.01 above and is incorporated herein by reference.
2. The information required to be disclosed hereunder with respect to the private placement transaction is set forth in Item 1.01 above and is incorporated herein by reference.

**Item 9.01 Financial Statements and Exhibits.**

(d) *Exhibits.*

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.1	Stock Purchase Agreement, dated November 28, 2006.
10.2	Form of Convertible Promissory Note.
99.1	Press release of Ampal-American Israel Corporation regarding the EMG transaction, dated November 29, 2006.
99.2	Press release of Ampal-American Israel Corporation regarding the private placement transaction, dated November 29, 2006.

**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 hereunto duly authorized.

Date: November 30, 2006

AMPAL-AMERICAN ISRAEL CORPORATION

By: /s/ Yoram Firon

Name: Yoram Firon  
Title: Vice President – Investments and  
Corporate Affairs

## **EXHIBIT INDEX**

- 10.1 Stock Purchase Agreement, dated November 28, 2006.
- 10.2 Form of Convertible Promissory Note.
- 99.1 Press release of Ampal-American Israel Corporation regarding the EMG transaction, dated November 29, 2006.
- 99.2 Press release of Ampal-American Israel Corporation regarding the private placement transaction, dated November 29, 2006.

STOCK PURCHASE AGREEMENT

between

MERHAV AMPAL ENERGY LIMITED  
as Purchaser,

and

MERHAV (M.N.F.) LIMITED  
as Seller

of normal shares

of

EAST MEDITERRANEAN GAS CO. S.A.E.

Dated as of November 28, 2006

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## STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT, dated as of November 28, 2006 (this “Agreement”), between Merhav (m.n.f.) Limited, a company organized under the laws of the State of Israel (“Seller”), and Merhav Ampal Energy Limited, a company organized under the laws of the State of Israel (“Purchaser”). Capitalized used herein but not otherwise defined herein shall have the meanings ascribed to such terms in Appendix A hereto.

### Recitals

WHEREAS, the Seller and Purchaser entered into that certain Omnibus Agreement, dated as of December 1, 2005 (the “Omnibus Agreement”), pursuant to which Purchaser purchased the beneficial interest in 1,200 normal shares (the “Initial Shares”), with nominal value of \$1,000 per share, of the capital stock (the “EMG Stock”) of East Mediterranean Gas. Co. S.A.E., a company organized under the laws of Egypt (“EMG”) representing 2% of all issued and outstanding capital stock of EMG;

WHEREAS, the Seller and Purchaser entered into that Stock Purchase Agreement, dated as of August 1, 2006 (the “August SPA”), pursuant to which Purchaser purchased the beneficial interest in 2,760 normal shares (the “August Shares”) of EMG Stock, representing 4.6% of all issued and outstanding capital stock of EMG;

WHEREAS, the August SPA also provided for an option (the “August Option”) for Purchaser to purchase up to an additional 3,540 normal shares of EMG Stock from Seller, for a purchase price equal to the purchase price per share paid by Purchaser for the August Shares, pursuant to the August SPA;

WHEREAS, the Seller and Purchaser have agreed to modify the number of shares sold hereunder to reflect the original understanding to maintain the proportion of shares of EMG Stock subject to the August Option at 5.9% of the outstanding shares of EMG Stock after taking into account an issuance of additional shares of EMG Stock to the shareholders of EMG; and

WHEREAS, Purchaser has agreed to purchase, and Seller has agreed to sell to Purchaser, an additional 5,926 shares (the “New EMG Shares”) of EMG Stock in accordance with the terms of this Agreement, resulting in the exercise of the August Option in full.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties with the intention of being legally bound hereto agree as follows:

### ARTICLE I SALE OF SHARES AND CLOSING

1.01 Sale of New EMG Shares. At Closing, Seller shall, at the option of Purchaser, either (i) sell, assign and transfer to Purchaser, and Purchaser agrees to purchase from Seller, all of the rights, title and interest of Seller in and to the New EMG Shares on the terms and subject

to the conditions set forth in this Agreement or (ii) sell, assign and transfer on to Purchaser the beneficial ownership interest in the New EMG Shares.

1.02 Purchase Price . (a) Subject to Section 1.02(b) hereof, the purchase price (the “Purchase Price”) for the New EMG Shares shall be \$128,266,000, in the aggregate (based on a per share purchase price of (\$21,644.62), payable as follows: (i) \$68,266,000 in cash (such amount herein referred to as the “Cash Consideration”), (ii) a Promissory Note in the form attached hereto as Exhibit A (the “Promissory Note”) in the original principal amount of \$20,000,000 and (iii) 8,602,151 shares of the Class A Stock, par value \$1.00 per share (the “Ampal Stock”), of Ampal-American Israel Corporation (“Ampal”) (having an aggregate value of \$40,000,000, (such shares of Ampal Stock herein referred to as the “Stock Consideration”). The Cash Consideration shall be payable in immediately available funds to the account of Seller designated (such designation to be no later than two (2) days prior to the Closing Date) in writing by Seller to Purchaser. The Promissory Note will be delivered at the Closing. Subject to the provisions of Section 9.02, the Stock Consideration shall be paid by the delivery to Seller by Purchaser of the requisite number of validly issued shares of Ampal Stock in the name of Seller or its designee, at such time that Ampal has received all Purchaser Approvals necessary, including any required approval of the shareholders of Ampal, for the delivery of the stock consideration to the Seller.

(b) In the event that from the date hereof through August 1, 2008 the Seller enters into a binding agreement for the sale, assignment or disposition, other than with respect to an Affiliate (each of said acts being referred to as a “Transfer”) of some or all of the shares EMG stock then held by the Seller (the “Merhav Shares”) to a third party and the purchase price per share (the “Third Party Per Share Purchase Price”) for such Merhav Shares is lower than the Purchase Price per share of the New EMG Shares hereunder (the “Per Share Purchase Price”), then the Per Share Purchase Price shall be reduced to the Third Party Per Share Purchase Price and upon closing of the Transfer of such Merhav Shares to such third party, the Seller shall either, at the election of Seller, (i) transfer to Purchaser an amount of EMG Stock having a value equal to the product of (x) the excess of the Per Share Purchase Price over the Third Party Per Share Purchase Price multiplied by (y) the sum of (1) New EMG Shares and (2) the August Shares; or (ii) deliver to Purchaser an amount, in cash, equal to the amount specified in (i) above. In the event the Transfer is for consideration other than cash, or is in such a structure or type which is substantially different from the transaction contemplated hereby, the Parties shall negotiate in good faith for not more than 15 days to mutually agree upon a fair and correct comparison between the Per Share Purchase Price and the Third Party Per Share Purchase Price as a result of the non-cash consideration. In the event the Parties are unable to reach such mutual agreement in such 15 day period, then the adequate value of the Third Party Per Share Price shall be determined by Houlihan Lokey Howard and Zukin, whose determination shall bind the Parties.

(c) In the event that from the date hereof through August 1, 2008 the Seller enters into Transfer of some or all of the Merhav Shares to a third party and the Third Party Per Share Purchase Price for such Merhav Shares is lower than the Purchase Price per share of the Initial Shares, then the Per Share Purchase Price shall be reduced to the Third Party Per Share Purchase Price and upon closing of the Transfer of such Merhav Shares to such third party, the Seller shall either, at the election of Seller, (i) transfer to Purchaser an amount of EMG Stock

having a value equal to the product of (x) the excess of the Per Share Purchase Price over the Third Party Per Share Purchase Price multiplied by (y) the number of Initial Shares; or (ii) deliver to Purchaser an amount, in cash, equal to the amount specified in (i) above. In the event the Transfer is for consideration other than cash, or is in such a structure or type which is substantially different from the transaction contemplated hereby, the Parties shall negotiate in good faith for not more than 15 days to mutually agree upon a fair and correct comparison between the Per Share Purchase Price and the Third Party Per Share Purchase Price as a result of the non-cash consideration. In the event the Parties are unable to reach such mutual agreement in such 15 day period, then the adequate value of the Third Party Per Share Price shall be determined by Houlihan Lokey Howard and Zukin, whose determination shall bind the Parties.

1.03 Closing. (a) Subject to satisfaction or waiver of the conditions set forth in Articles IV and V, the purchase and sale (the "Closing") of the New EMG Shares and the payment of the Purchase Price in the manner described in Section 1.02, will take place on or before December 28, 2006 (the "Deadline") at 10:00 a.m. on a business day mutually agreeable to Purchaser and Seller. The Closing shall take place at the offices of Seller, 33 Havazelet Hasharon St., Herzliya Pitvah, Herzliya 46105, Israel, or at such other place as the parties may agree (such date of Closing, the "Closing Date").

(b) Each Party, provided that it is not then in default or in breach of this Agreement, shall have the right to extend the Deadline for a period of thirty days from December 28, 2006, which extension shall be exercisable by delivery of written notice to the other Party prior to the date hereof.

1.04 Deliveries by Seller at Closing. Subject to the terms and conditions hereof, at or before the Closing, Seller shall take the following action:

(1) If Purchaser elects pursuant to clause (i) of Section 1.01 to cause the Transfer of beneficial and legal title to the New EMG Shares to be completed at Closing, deliver valid beneficial and legal title to Purchaser of the New EMG Shares, the August Shares and the Initial Shares by delivering (i) a certificate or certificates representing all of the Initial Shares, the August Shares and New EMG Shares, together with stock powers or other instruments necessary for the valid transfer of the beneficial and legal title of the Initial Shares, the August Shares and the New EMG Shares to Purchaser dated the Closing Date and duly endorsed to Purchaser (the "Transfer Instruments") and (ii) causing EMG to record such transfer of the New EMG Shares, the Initial Shares and the August Shares on its stock registry or other appropriate record of the Company;

(2) In the event Purchaser elects to receive at Closing only the beneficial interest pursuant to clause (ii) of Section 1.01, the Seller shall deliver such instruments of transfer as reasonably requested to evidence the sale, transfer and assignment of the beneficial ownership of EMG Shares to Purchaser (the "Beneficial Interest Transfer Instruments").

(3) If Purchaser elects pursuant to clause (i) of Section 1.01 to cause the Transfer of beneficial and legal title to the New EMG Shares to be completed at Closing, deliver to Purchaser copies of all required Approvals required for the consummation of the transactions contemplated hereunder, including without limitation those approvals set forth on Schedule 2.04 hereof;

(4) Deliver to Purchaser a release of the New EMG Shares, in form and substance satisfactory to Purchaser, from Bank Leumi of the floating charge over Seller's assets, (the "Release");

(5) In the event Purchaser elects to receive on the Closing Date only the beneficial interest in the New EMG Shares pursuant to clause (ii) of Section 1.01, deliver to Purchaser all documents, agreements and instruments, satisfactory to Purchaser in its sole discretion, that are necessary, or advisable for creating a valid first priority security interest on the Initial Shares, the August Shares and the New EMG Shares, for the benefit of Purchaser (the "Pledge Documents") securing the obligations of Seller under this Agreement;

(6) Deliver to Purchaser a Disclosure Letter, in form and substance satisfactory to Purchaser (the "Disclosure Letter");

(7) Deliver to Purchaser all other documents, certificates and instruments required to be delivered by Article IV hereof; and

(8) Deliver to Purchaser such documents reasonably requested by Purchaser evidencing the obligation and agreement of Y.M. Noy Investments Ltd. ("Y.M. Noy") to vote its shares of Ampal Stock in favor of the issuance of the Stock Consideration to Seller.

1.05 Deliveries by Purchaser at Closing. Subject to the terms and conditions hereof, at or before the Closing, Purchaser shall take the following action:

(1) Pay the Cash Consideration in accordance with Section 1.02;

(2) Deliver to Seller a fully and validly executed Promissory Note;

(3) Deliver to Seller copies of any required Purchaser Approvals set forth on Schedule 4.07, provided, however, that Approvals with respect to the delivery of the Stock Consideration to Seller shall not be required at Closing, but will be subject to the provisions of Section 9.02; and

(4) deliver to Seller all other documents, certificates and instruments required to be delivered by Article V hereof.

ARTICLE II  
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents, warrants and covenants to Purchaser as follows:

2.01 Existence; Authority; Enforceability . Seller is a company duly organized and validly existing under the laws of Israel. Seller has the requisite power and authority to enter into this Agreement, the Shareholders Agreement, the Pledge Documents and each other agreement entered into, or to be entered in connection with this Agreement and the transactions contemplated hereby (collectively, the “Transaction Documents”) and to perform its respective obligations hereunder and thereunder. The execution, delivery and performance by Seller of each Transaction Document to which it is or will be a party, and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized and approved by all corporate action of Seller. Seller has (or will at Closing have) duly and validly executed and delivered each Transaction Document to which it is a party, and each such Transaction Document constitutes (or at Closing will constitute) its legal, valid and binding obligation, enforceable against Seller, in accordance with its terms. EMG is a company with limited liability, duly organized, validly existing under the laws of the Arab Republic of Egypt. EMG’s principal place of business is at 26 Roushdy St., Heliopolis, Cairo, Egypt.

2.02 The New EMG Share . (a) The authorized number of shares of EMG stock is 100,447. The record holders of the shares of EMG Stock are as follows:

<u>Name</u>	<u>Number Shares</u>	<u>Percentage</u>
Mediterranean Gas Pipeline Company	65,290	65%
Egyptian General Petroleum Corporation	10,445	10%
Merhav (m.n.f.) Limited	25,112	25%

The EMG Organizational Documents provide shareholders of EMG with a priority right with respect to new issuances of EMG Stock.

(b) Seller has legal title to 25,112 shares of EMG Stock, representing 25% of the issued and outstanding capital stock or other equity interest of EMG on a fully-diluted basis of which Seller beneficially owns 18,482 normal shares of EMG stock, representing 18.4% of all of the issued and outstanding capital stock or other equity interest of EMG on a fully-diluted basis . To the best knowledge of Seller, after due inquiry, all of the issued and outstanding shares of capital stock of EMG have been duly authorized, validly issued are fully paid, nonassessable and except as set forth in the EMG Organizational Documents, free of preemptive rights (other than the preemptive right set forth in Section 2.02(a)), with no personal liability attaching to the ownership thereof. The New EMG Shares represent 6.9% of the issued and outstanding shares of capital stock of EMG and together with Initial Shares and August Shares, represent 12.5% of the issued and outstanding shares of capital stock of EMG. To the best knowledge of Seller, after due inquiry, there are no outstanding securities convertible into,

exchangeable for, or carrying the right to acquire, any capital stock of EMG, or subscriptions, warrants, options, calls, rights (pre-emptive or other) or other arrangements or commitments obligating EMG to issue or dispose of any of its capital stock or any ownership interest therein. To the best knowledge, of Seller, there are no transfer taxes or similar fees payable in connection with the transfer of the New EMG Shares, the August Shares and the Initial Shares to Purchaser or its designee. In the event there are transfer taxes or similar fees payable, then that would not be considered a breach of the representation of Seller, provided Seller shall bear and pay all such taxes and fees. EMG has no subsidiaries. The New EMG Shares have identical, rights, preferences, priorities and designations and are fully paid and non-assessable. Members of the board of directors of EMG (the “Board”) are elected by the general assembly of EMG pursuant to Article 43 of the EMG Organizational Documents. Pursuant to Article 21 of the EMG Organizational Documents, Seller is currently represented on the Board by two directors, which number is reflective of Merhav’s current holdings of EMG Stock. The current chairman of the Board is an appointee of Mediterranean Gas Pipeline Company.

(c) Seller is the record owner of and has good title to, the New EMG Shares, and except as set forth in EMG’s Organizational Documents, the Pledge Documents and the Shareholders Agreement such shares are, or will be at Closing, free and clear of any and all liens, pledges, assessments, security interests, transfer restrictions, adverse claim, levy, change, other encumbrance or interest of any Person of any kind (collectively “Liens”). Subject to the rules of the General Investment Authority as such may be from time to time, and to notification to the General Investment Authority, there are no restrictions in the EMG Organizational Documents to transfer of the New EMG Shares and all shares of EMG Stock are freely transferable, with no approvals or consents required from EMG, any Governmental Authority or any other Person. Seller (i) is not party to any, and has not granted to any other Person any, and there are no outstanding options, warrants, subscription rights, rights of first refusal or any other rights providing for the acquisition or disposition of the New EMG Shares or any other equity interest in the Company and (ii) is not a party to any voting agreement, voting trust, proxy or other agreement or understanding with respect to the voting of any of its shares of EMG Stock, other than the Nominee Agreement. Upon delivery of the Beneficial Interest Transfer Instruments, Purchaser shall have the good and valid beneficial ownership of the New EMG Shares free and clear of any Liens. Upon the delivery of the Transfer Instruments, Purchaser shall have good and valid beneficial ownership of and legal to the Initial Shares, August Shares and New EMG Shares, free and clear of any Liens.

2.03 Certain Matters Relating To EMG. (a) The corporate purpose of EMG is, inter alia, to construct and operate a natural gas pipeline from El-Arish Egypt to Ashkelen, Israel, and other points in the east Mediterranean, for delivery of natural gas from Egypt (“the Pipeline”).

(b) To the best knowledge of Seller, after due inquiry, and other than insurance policies, contracts and/or agreements related to obtaining land in Israel for the construction of EMG’s pipeline and related facilities and other agreements related to connection of its pipeline to the Israeli national grid, which are currently being negotiated, the contracts and agreements specified in Section 2.03(b) of the Disclosure Letter, are all the contracts and agreements necessary and advisable for the construction, completion, financing and operation of the Pipeline have been entered into by EMG and a reputable counterparty, and to the knowledge of Seller after due inquiry, are valid, binding and enforceable against each counterparty. To the

best knowledge of Seller, after due inquiry, EMG has obtained all the financing required for the completion of the Pipeline. Construction of the Pipeline will commence in 2007 and is currently estimated to be completed by January 1, 2008.

(c) EMG has entered into long term purchase and long term sales contracts for the purchase and sale of natural gas. EMG's gas sale contract with its first long term secured customer is a "take or pay" agreement which requires such customer to take or pay certain amounts of natural gas, whether or not it actually requested delivery of such amounts through each year of the term of the agreement. All such sales and purchase contracts and their respective terms and conditions were made available to the Ampal Advisors in the Data Room.

(d) EMG, and the construction of the Pipeline has the support of the governments of Israel and Egypt, as set forth in the Memorandum of Understanding Relating to the Purchase and Transmission of Natural Gas Through a Pipeline Between the Government of the State of Israel and the Government of the Arab Republic of Egypt. Seller is not aware of any condition or fact that which may result in the withdrawing of such governmental support for EMG or construction of the Pipeline by the government of the state of Israel or the Government of the Arab Republic of Egypt.

(e) The General Assembly of EMG has passed a resolution, pursuant to which, EMG shall distribute at least 85% of yearly Net Profit (as hereinafter defined) to the shareholders on a pro rata basis. EMG calculates its net profit ("Net Profit") by deducting from the gross income of EMG the following: (i) gas purchase costs; (ii) management and operations agreement fees and expenses; (iii) company expenses, including annual bonuses for Board members and profit; sharing, annual employees bonus and profit sharing; (iv) social taxes and Egyptian legal reserves; (v) interest and other financial expenses; (vi) depreciation of fixed assets at 10% per year; and (vii) reserve accounts within a limit of 5% of the investment cost. Seller shall not take any action to vote its shares of EMG Stock, or cause or permit any of the directors of EMG that it has designated to vote, to reduce the amount of Net Profits to be distributed below 85% of Net Profits. A 80% vote of shareholders at a General Assembly of EMG would be required to reduce the required distribution of Net Profits to be below 85% of the Net Profits.

(f) Subject to the limitations set forth in the Memorandum of Understanding Relating to the Purchase and Transmission of Natural Gas Through a Pipeline Between the Government of the State of Israel and the Government of the Arab Republic of Egypt, EMG will be exempt from taxation in Israel on any income derived from the sale and transportation of natural gas from Egypt to Israel so long as (x) a majority of the equity of EMG are not held by, directly or indirectly, Israeli citizens and (y) the control and management of EMG is carried on outside of Israel and the management team of EMG does not consist of any Israeli citizens or residents.

2.04 Compliance With Law; Consents . Except as set forth in Section 2.04 of the Disclosure Letter, no approval or consent ("Approval") of any Person or Governmental Authority is required to be made or obtained by Seller in connection with (i) the execution, delivery or performance of this Agreement or any other Transaction Document to be entered into by Seller, or (ii) the consummation of any of the transactions contemplated by this Agreement or

any other Transaction Document. Seller, and to the best of Seller's knowledge, after due inquiry, EMG are in compliance in all respects with all applicable Laws, except where such failure would not have or could not reasonably be expected to have a Material Adverse Effect or have a material adverse effect on the Seller's ability to consummate the transactions contemplated by, and perform its obligations, under this Agreement or any other Transaction Document.

2.05 Brokers. Other than fees to be paid to Egyptian brokers with respect to registration of legal title in the New EMG Shares, the August Shares and the Initial Shares, neither Seller nor any of its Affiliates has paid or become obligated to pay any fee or commission to any broker, finder or intermediary in connection with the transactions contemplated hereby.

2.06 Disclosure and Due Diligence Procedure. (a) (i) To the best of Seller's knowledge EMG has provided to Purchaser all documents and information in EMG's or any of EMG's Affiliate's possession or control relating to EMG, the New EMG Shares and EMG's business and prospects, and (ii) Seller has provided to Purchaser all documents and information in EMG's or any of its Affiliate's possession or control relating to EMG, the New EMG Shares and EMG's business and prospects. Seller has not withheld from Purchaser, Giza Singer Even Ltd. ("GSE") (in connection with GSE's preparation of the a valuation report of EMG), Bryan Cave LLP, Houlihan Lokey Howard and Zukin, PricewaterhouseCoopers or any other advisor of Ampal designated to work on and receive information in connection with the transactions contemplated hereunder (each an "Ampal Advisor"), any information or documents in the Seller's possession or control, regarding Seller, its Affiliates, EMG or EMG's business or prospects, as the case may be, that are reasonably material in connection with a decision to purchase the EMG Shares, in determining the valuation of EMG, and analyzing EMG's business and prospects. To the best of Seller's knowledge, after due inquiry, the documents made available to the Ampal Advisors by EMG in the data room (the "Data Room") open in Cairo, Egypt from June 11, 2006 through June 13, 2006 established pursuant to the NDA Agreement represent all the material agreements, contracts, instruments and documents in connection with the organization and governance of EMG, and the design, planning, engineering, construction, financing and operation of EMG and the Pipeline. Seller has reviewed the Bryan Cave LLP Due Diligence Report, dated July 5, 2006, the report of PricewaterhouseCoopers dated June 20, 2006, the report of Houlihan, Lokey, Howard and Zukin dated July 2006, and, and any supplements thereto through the Closing Date (collectively, the "Due Diligence Reports"). Neither Seller nor any of its Affiliates are aware of any untrue statement of material fact in the draft Economic Valuation, dated November 11, 2005, prepared by GSE or any of the Due Diligence Reports. No representation or warranty by Seller contained in this Agreement or any other Transaction Document, and no information contained in any other instrument furnished or to be furnished to Purchaser or any Ampal Advisor, as the case may be, pursuant hereto or in connection with the transaction contemplated by this Agreement, any other Transaction Document or in connection with the Valuation Reports or any of the Due Diligence Reports, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained herein or therein not misleading. Seller is not aware of any facts or circumstances which would cause the representations and warranties of Seller contained in this Agreement or any other Transaction Document to be untrue or incorrect. To the knowledge of Seller, after due inquiry, there is no fact, circumstance or condition which has had or could reasonably be expected to have a material adverse effect on EMG or Seller, which has not been disclosed by Seller to Purchaser or its representatives.

2.07 No Conflicts . Except as disclosed on Section 2.07 of the Disclosure Letter hereto, and subject to obtaining any Approvals, the execution, delivery and performance by Seller of this Agreement, and any other Transaction Document to which Seller is a party, and the consummation by Seller of the transactions contemplated hereby and thereby do not (i) conflict with or result in any breach of any of the provisions of, or result in the imposition of any Lien under, the provisions of any contract, license, or permit by which Seller or any of its Affiliates, and to the best knowledge of Seller, after due inquiry, EMG or any of its Affiliates are bound, (ii) violate, conflict with or result in any breach of any of the provisions of the organizational documents of Seller or the EMG Organizational Documents, (iii) conflict with or result in, in any material respect, the violation of any Laws applicable to the Seller, EMG or EMG's business, or (iv) require the consent of any Governmental Authorities having jurisdiction over the Seller or EMG, except for such conflicts, breaches, violations, and Liens which would not, individually or in the aggregate, have a material adverse effect on the EMG Shares or the business, assets or financial condition or prospects of EMG (a "Material Adverse Effect") or the ability of Seller to consummate the transactions contemplated hereby.

2.08 EMG Documents . (a) Section 2.08 of the Disclosure Letter sets forth a complete and accurate list of all documents contracts and instruments (the "EMG Documents") relating to EMG in Seller's possession or control and/or made available by EMG, at the request of Seller to the Ampal Advisors in the Data Room, and to the best of Seller's knowledge after due inquiry, there are no other contracts, documents, organizational instruments, minutes, consents or resolutions of either the board of directors or shareholders of EMG. To best of Seller's knowledge, neither EMG or any other party is in default under any of the EMG Documents.

(b) To the best of Seller's knowledge, the copies of such contracts made available at the available at the Data Room were the true, complete and correct copies of all such contracts and agreements. Since June 13, 2006, to the best of Seller's knowledge, no amendments to such contracts have been entered into and all such contracts are in full force and effect and EMG has not entered into any other material contract.

(c) Section 2.08(c) of the Disclosure Letter sets forth all of the EMG Organizational Documents, the minutes, resolutions and consents of the board of directors and the shareholders (including minutes of all the meetings of the General Assembly of EMG), true, complete and correct copies of which have been provided or made available to Purchaser in the Data Room.

2.09 EMG Compliance . To the best of Seller's knowledge, EMG is (i) in compliance with and not in default or violation of the EMG Organizational Documents, (ii) in material compliance with and not in material default of any Law or order or by which any of its properties, rights or assets are bound or affected, except in the case of clause (ii) where any failure to comply, or any default or violation thereof, would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

2.10 Litigation . There is no (a) litigation pending on behalf of or against or, to the best knowledge of Seller, material litigation threatened in writing on behalf of or against EMG or Seller or any of their properties, rights or assets (including cease and desist letters or requests for a license) or (b) litigation which questions or challenges (i) the validity of this Agreement or any

Transaction Document or (ii) any action taken or to be taken by the Seller pursuant to this Agreement or any Transaction Document or in connection with the transactions contemplated hereby or thereby.

### ARTICLE III REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Seller as follows:

3.01 Existence; Authority; Enforceability . Purchaser is a company duly organized and validly existing under the laws of Israel. Purchaser has the requisite power and authority to enter into this Agreement, the Shareholders Agreement and each other agreement entered into or to be entered into by Purchaser in connection with this Agreement and the transactions contemplated hereby (collectively, the “Transaction Documents”) and to perform its respective obligations hereunder and thereunder. The execution, delivery and performance by Purchaser of each Transaction Document to which it is or will be a party, and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized and approved by all corporate action of Purchaser. Purchaser has (or will at Closing have) duly and validly executed and delivered each Transaction Document to which it is a party, and each such Transaction Document constitutes (or at Closing will constitute) its legal, valid and binding obligation, enforceable against Seller, in accordance with its terms.

3.02 Litigation . There are no actions, suits, proceedings or investigations, either at law or in equity, or before any commission or other administrative authority in any applicable jurisdiction, of any kind now pending or, to Purchaser’s knowledge, threatened against Purchaser, that question the validity of this Agreement or seek to delay, prohibit or restrict in any manner any action taken or to be taken by Purchaser under this Agreement.

3.03 No Conflicts . Subject to Purchaser obtaining Purchaser Approvals, the execution, delivery and performance by Purchaser of this Agreement and the other documents and agreements contemplated by this Agreement to which Purchaser is a party, and the consummation by Purchaser of the transactions contemplated hereby and thereby do not (i) conflict with or result in any breach of any of the provisions of, or result in the imposition of any lien under, the provisions of any contract, license, or permit by which Purchaser is bound, (ii) violate, conflict with or result in any breach of any of the provisions of the certificate of incorporation or by-laws of Purchaser, (iii) conflict with or result in, in any material respect, the violation of any laws applicable to Purchaser, or (iv) require the consent of any governmental authorities having jurisdiction over Purchaser.

3.04 Compliance With Law: Consents . Except as set forth in Section 2.04, no approval or consent (a “Purchaser Approval”) of any Person or Governmental Authority is required to be made or obtained by Purchaser in connection with (i) the execution, delivery or performance of the this Agreement or any other Transaction Document to be entered into by Purchaser, or (ii) the consummation of any of the transactions contemplated by this Agreement or any other Transaction Document. Purchaser, and to the best of Purchaser’s knowledge, after due inquiry, EMG are in compliance in all respects with all applicable Laws, except where such failure would not have or could not reasonably be expected to have a Material Adverse Effect or have a

material adverse effect on the Purchaser's ability to consummate the transactions contemplated by, and perform its obligations, under this Agreement or any other Transaction Document.

3.05 Brokers . Neither Purchaser nor any of its Affiliates has paid or become obligated to pay any fee or commission to any broker, finder or intermediary in connection with the transactions contemplated hereby.

3.06 Ampal Stock . The shares of Ampal Stock constituting the Stock Consideration, when issued and delivered to Seller hereunder, shall be duly authorized, validly issued, fully paid and nonassessable and not subject to or issued in violation of preemptive rights.

3.07 Due Diligence . In the Data Room, Purchaser and the Ampal Advisors were provided with the opportunity to conduct due diligence, including having certain meetings with EMG's management and other representatives of EMG. For the avoidance of any doubt, nothing in this section 3.07 shall diminish or otherwise limit the representations and warranties provided by Seller under this Agreement.

3.08 Investment Intent . The Seller is acquiring the Stock Consideration as principal for its own account for investment purposes only and not with a view to or for distributing or reselling the Stock Consideration or any part thereof, without prejudice, however, to the Seller's right at all times to sell or otherwise dispose of all or any part of the Stock Consideration in compliance with applicable federal and state securities laws. Subject to the immediately preceding sentence, nothing contained herein shall be deemed a representation or warranty by the Seller to hold the Stock Consideration for any period of time. The Seller is acquiring the Stock Consideration hereunder in the ordinary course of its business. The Seller does not have any agreement or understanding, directly or indirectly, with any Person to distribute any of the Stock Consideration.

3.09 Investor Status . At the time the Seller was offered the Stock Consideration, the Seller was, and at the date hereof it is , an "accredited investor" as defined in Rule 501(a) under the Securities Act. The Seller is not a registered broker-dealer under Section 15 of the Exchange Act.

3.10 No General Solicitation . The Seller acknowledges that the Stock Consideration were not offered to the Seller by means of any form of general or public solicitation or general advertising, or publicly disseminated advertisements or sales literature, including (i) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio, or (ii) any seminar or meeting to which the Seller was invited by any of the foregoing means of communications.

3.11 Access to Information . The Seller acknowledges that it has reviewed Ampal's filing with the Securities and Exchange Commission and has been afforded (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Purchaser and Ampal concerning the terms and conditions of the offering of the Stock Consideration and the merits and risks of investing in the Stock Consideration; (ii) access to information about Ampal and the Subsidiaries and their respective financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its

investment; and (iii) the opportunity to obtain such additional information that the Purchaser or Ampal possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment.

3.12 General. The Seller understands that the Stock Consideration is being offered and sold in reliance on a transactional exemption from the registration requirements of federal and state securities laws and the Company is relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgments and understandings of the Seller set forth herein in order to determine the applicability of such exemptions and the suitability of the Seller to acquire the Stock Consideration. The Seller understands that no United States federal or state agency or any government or governmental agency has passed upon or made any recommendation or endorsement of the Stock Consideration.

#### ARTICLE IV CONDITIONS TO OBLIGATIONS OF PURCHASER

The obligations of Purchaser hereunder to purchase the New EMG Shares are subject to the fulfillment, at or before the Closing, of each of the following conditions (all or any of which may be waived in whole or in part by Purchaser in its sole discretion):

4.01 Representations and Warranties. Each of the representations and warranties made by Seller in this Agreement or any other Transaction Document (other than those made as of a specified date earlier than the Closing Date) shall be true and correct in all respects on and as of the Closing Date as though such representation or warranty was made on and as of the Closing Date, and any representation or warranty made as of a specified date earlier than the Closing Date shall have been true and correct on and as of such earlier date.

4.02 Performance. Seller shall have performed and complied with, each agreement and obligation required by this Agreement to be so performed or complied with by such Seller at or before the Closing.

4.03 Material Adverse Effect. From June 1, 2006 through the Closing Date, there shall not have occurred any event or occurrence that has resulted in or could reasonably be expected to result in a Material Adverse Effect.

4.04 Certificates. Seller shall have delivered to Purchaser a certificate, dated as of the Closing Date, certifying as to the fulfillment by Seller of the condition set forth in Section 4.01 through 4.03.

4.05 Authority Documents. Seller shall have delivered to Purchaser a certificate of the sole member of Seller's board of directors certifying as to (i) incumbency and authority of persons executing, the Transaction Documents on behalf of Seller, (ii) the resolutions or minutes of the board of directors or other governing body of Seller authorizing the execution, delivery and performance of this Agreement and each other Transaction Document, and (iii) certificate of incorporation, by-laws or other similar organizational document of Seller.

4.06 EMG Notification . In the event Purchaser elects to cause the transfer of legal title of the New EMG Shares to Purchaser to be completed at Closing pursuant to clause (i) of Section 1.01, Seller shall have delivered to Purchaser evidence that all notifications and other actions required under the laws of Egypt and the EMG Organizational Documents to validly reflect the transfer of the New EMG Shares, the August Shares and the Initial Shares to Purchaser or its designee, have been given or taken.

4.07 Approvals . Seller shall have obtained all Approvals, and delivered evidence, satisfactory to Purchaser, of such Approvals.

4.08 Orders and Laws . There shall not be in effect on the Closing Date any order or law, or any action or proceeding pending which would have the effect of restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Agreement or which could reasonably be expected to otherwise result in a diminution of the benefits of the transactions contemplated by this Agreement to Purchaser.

4.09 Other Documents . Seller shall have delivered to Purchaser any other document or certificate reasonably requested by Purchaser.

#### ARTICLE V CONDITIONS TO OBLIGATIONS OF SELLER

The obligations of Seller hereunder to sell the EMG Shares are subject to the fulfillment, at or before the Closing, of each of the following conditions (all or any of which may be waived in whole or in part by such Seller in his sole discretion):

5.01 Representations and Warranties . Each of the representations and warranties made by Purchaser in this Agreement or any other Transaction Document (other than those made as of a specified date earlier than the Closing Date) shall be true and correct in all material respects on and as of the Closing Date as though such representation or warranty was made on and as of the Closing Date, and any representation or warranty made as of a specified date earlier than the Closing Date shall have been true and correct in all material respects on and as of such earlier date.

5.02 Performance . Purchaser shall have performed and complied with each agreement and obligation required by this Agreement to be so performed or complied with by Purchaser at or before the Closing.

5.03 Certificates . Purchaser shall have delivered to Seller a certificate, dated as of the Closing Date, certifying as to the fulfillment by Purchaser of the conditions set forth in Section 5.01 and 5.02.

5.04 Authority Documents . Purchaser shall have delivered to Seller a certificate of the Secretary of Purchaser certifying as to (i) incumbency and authority of persons executing, the Transaction Documents on behalf of Purchaser, (ii) the resolutions or minutes of the board of directors of Purchaser authorizing the execution, delivery and performance of this Agreement and each other Transaction Document, and (iii) certificate of incorporation and by-laws of Purchaser.

5.05 Payment of Purchase Price. Purchaser shall have paid to Seller the Purchase Price, as provided in Section 1.02 hereof.

5.06 Orders and Laws. There shall not be in effect on the Closing Date any order or law that became effective after the date of this Agreement restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Agreement.

5.07 Other Documents. Purchaser shall have delivered to Seller any other document reasonably requested by Purchaser.

ARTICLE VI  
SURVIVAL OF REPRESENTATIONS AND WARRANTIES;  
INDEMNIFICATION

6.01 Survival of Representations and Warranties. The representations and warranties contained in this Agreement shall survive the Closing until the third anniversary of the Closing.

6.02 Indemnification by Seller. The Seller shall indemnify Purchaser, its Affiliates and each of their respective officers, directors, employees, stockholders, agents and representatives (collectively, the “Purchaser Indemnitees”) Indemnitees against and hold them harmless from any Loss suffered or incurred by any such indemnified party arising from, in connection with, relating to or otherwise in respect of (i) any breach of, or any inaccuracy in, any representation or warranty made by Seller in Article II of this Agreement, any other Transaction Document or in any certificate delivered by Seller pursuant hereto, in each case disregarding all qualifications and exceptions contained therein relating to materiality or material adverse effect or like words, solely for the purpose of determining the Loss suffered by the relevant Purchaser Indemnity, or; (ii) any breach of any covenant of Seller in this Agreement or any other Transaction Document.

6.03 Indemnification by Purchaser. Purchaser shall indemnify the Seller against and hold it harmless from any Loss suffered or incurred by any Seller arising from, in connection with, relating to or otherwise in respect of (i) any breach of, or any inaccuracy of, of any representation or warranty made by Purchaser in Article III of this Agreement, any other Transaction Document or in any certificate delivered by Purchaser pursuant hereto, disregarding all qualifications and exceptions contained therein relating to materiality or material adverse effect or like words, solely for the purpose of determining the Loss suffered by Seller; and (ii) any breach of any covenant of Purchaser in this Agreement.

6.04 Procedures Relating to Indemnification. (a) In order for any indemnified party (“Indemnified Party”) specified in Section 6.02 to make a claim for any indemnification as provided for under Section 6.02 in respect of, arising out of or involving a claim or demand made by any person against the Indemnified Party (a “Third-Party Claim”), such Indemnified Party must notify the indemnifying party (the “Indemnifying Party”) in writing, and in reasonable detail, of the Third-Party Claim within twenty Business Days after receipt by such Indemnified Party of written notice of the Third-Party Claim; provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent the Indemnifying Party shall have been prejudiced as a result of such failure. Thereafter,

the Indemnified Party shall deliver to the Indemnifying Party, within five Business Days after the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third-Party Claim; provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent the Indemnifying Party shall have been prejudiced as a result of such failure.

(b) If a Third-Party Claim is made against an Indemnified Party, the Indemnifying Party shall be entitled to participate in the defense thereof and, if it so chooses and acknowledges its obligation to indemnify the Indemnified Party therefor, to assume the defense thereof with counsel selected by the Indemnifying Party; provided that such counsel is not objected to by the Indemnified Party in its reasonable discretion. Should the Indemnifying Party so elect to assume the defense of a Third-Party Claim, the Indemnifying Party shall not be liable to the Indemnified Party for legal expenses subsequently incurred by the Indemnified Party in connection with the defense thereof (except in the case of a conflict of interest, as described below). If the Indemnifying Party assumes such defense, the Indemnified Party shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnifying Party, it being understood that the Indemnifying Party shall control such defense (except that if, in the reasonable judgment of the Indemnifying Party's counsel, a conflict of interest exists between the Indemnifying Party and the Indemnified Party, the Indemnified Party may employ its own counsel, separate from the counsel employed by the Indemnifying Party, and may control its defense to the extent deemed necessary by the Indemnified Party). The Indemnifying Party shall be liable for the fees and expenses of counsel employed by the Indemnified Party for any period during which the Indemnifying Party is not assuming the defense thereof or during a conflict of interest (as described above).

(c) If the Indemnifying Party so elects to assume the defense of any Third-Party Claim, all of the Indemnified Parties shall cooperate with the Indemnifying Party in the defense or prosecution thereof. In any event, the Indemnified Party and its counsel shall cooperate with the Indemnifying Party and its counsel and shall not assert any position in any proceeding inconsistent with that asserted by the Indemnifying Party; provided, however, that the foregoing shall not prevent the Indemnified Party from taking the position that it is entitled to indemnification hereunder. All reasonable out-of-pocket costs and expenses incurred in connection with an Indemnified Party's cooperation shall be borne by the Indemnifying Party. Such cooperation shall include the retention and (upon the Indemnifying Party's request) the provision to the Indemnifying Party of records and information which are relevant to such Third-Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the Indemnifying Party shall have assumed the defense of a Third-Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, such Third-Party Claim without the Indemnifying Party's prior written consent. If the Indemnifying Party shall have assumed the defense of a Third-Party Claim, the Indemnified Party shall agree to any settlement, compromise or discharge of a Third-Party Claim which the Indemnifying Party may recommend and which by its terms releases the Indemnifying Party completely in connection with such Third-Party Claim and which would not impose on the Indemnified Party and obligation to pay any amount or otherwise adversely affect the Indemnified Party or require any relief other than monetary damages (provided, however, that the Indemnified Party shall not be

required to consent to any settlement, compromise or discharge which would require payments by the Indemnified Party in connection with such Third Party Claim).

(d) Notwithstanding the foregoing, the Indemnifying Party shall not be entitled to assume the defense of any Third-Party Claim (and shall be liable for the fees and expenses of counsel incurred by the Indemnified Party in defending such Third-Party Claim) if the Third-Party Claim seeks an order, injunction or other equitable relief or relief for other than money damages against the Indemnified Party. The indemnification required by Section 6.02 shall be made only after final judgment which can not be further appealed. All claims under Section 6.02 other than Third-Party Claims shall be governed by Section 6.04.

(e) The indemnification provisions of this Article VI (i) shall apply without regard to, and shall not be subject to, any limitation by reason of set-off, limitation or otherwise and (ii) are intended to be comprehensive and not to be limited by any requirements of law concerning prominence of language or waiver of any legal right under any law (including, without limitation, rights under any workers compensation statute or similar statute conferring immunity from suit).

6.05 Other Claims. In the event any Indemnified Party should have a claim against any Indemnifying Party under Section 6.02 that does not involve a Third-Party Claim being asserted against or sought to be collected from such Indemnified Party, the Indemnified Party shall deliver notice of such claim to the Indemnifying Party with reasonable promptness. The failure by any Indemnified Party so to notify the Indemnifying Party shall not relieve the Indemnifying Party from any liability which it may have to such Indemnified Party under Section 6.02, except to the extent that the Indemnifying Party has been prejudiced as a result of such failure. If the Indemnifying Party does not notify the Indemnified Party within 20 Business Days following its receipt of such notice that the Indemnifying Party disputes its liability to the Indemnified Party under Section 6.02, such claim specified by the Indemnified Party in such notice shall be conclusively deemed a liability of the Indemnifying Party under Section 6.02 and the Indemnifying Party shall pay the amount of such liability to the Indemnified Party on demand or, in the case of any notice in which the amount of the Loss (or any portion thereof) is estimated, on such later date when the amount of such Loss (or such portion thereof) becomes finally determined. If the Indemnifying Party has timely disputed its liability with respect to such claim, as provided above, the Indemnifying Party and the Indemnified Party shall resolve such dispute as follows: (i) first, the parties shall negotiate in good faith for a period of up to 15 Business Days to resolve such dispute, then (ii) if the Indemnifying Party and the Indemnified Party are unable to reach an agreement, they shall resolve such dispute in accordance with Section 11.06.

6.06 Indemnification Limitations. (a) Notwithstanding anything to the contrary herein, the indemnification undertakings of Purchaser in this Article VI shall be subject to the following limitations: (i) Seller shall not be required to make any indemnification payment hereunder until such time as the Loss suffered by the Purchaser Indemnitees exceeds \$1,000,000 in the aggregate, in which case the Purchaser Indemnitees shall be entitled to indemnification for the full amount of such Losses, including those up to the \$1,000,000 threshold and (ii) in any event, Seller shall not be under the obligation to make any indemnification payment hereunder in excess, in the aggregate, of the Purchase Price.

(b) Notwithstanding anything to the contrary herein, the indemnification undertakings of Seller in this Article VI shall be subject to the following limitations: (i) Purchaser shall not be required to make any indemnification payment hereunder until such time as the Loss suffered by Seller exceeds \$1,000,000 in the aggregate, in which case Seller shall be entitled to indemnification for the full amount of such Losses, including those up to the \$1,000,000 threshold and (ii) in any event, Purchaser shall not be under the obligation to make any indemnification payment hereunder in excess, in the aggregate, of the Purchase Price.

ARTICLE VII  
[INTENTIONALLY OMITTED]

ARTICLE VIII  
[INTENTIONALLY OMITTED]

ARTICLE IX  
CERTAIN COVENANTS

9.01 Covenants of Seller. (a) Seller hereby covenants and agrees with Purchaser that from and after the date hereof until the Closing Date, it will not vote in favor will affirmatively vote against (whether as shareholder in EMG's general assembly or by the directors currently residing on its behalf in the Board) of any action which will cause EMG to carry on its business other than in the ordinary course consistent with past practice and, except as may be permitted or required pursuant to this Agreement, shall not vote in favor of and will affirmatively vote against (whether as shareholder in EMG's general assembly or by the directors currently residing on its behalf in the Board) any action which will cause EMG to engage in any transactions outside the ordinary course of business, including, without limitation:

- (i) the payment of any dividend or distribution by EMG;
- (ii) a sale or refinancing of the pipeline project;
- (iii) the payment of a fee, a bonus, a stipend, or other special compensation to any party;
- (iv) amending or modifying the EMG Organizational Documents;
- (v) the sale of substantially all of the assets of EMG;
- (vi) the merger of EMG with and into another Person; or
- (vii) the winding-up or liquidation of EMG.

(b) Seller shall at all times maintain such number of shares of EMG Stock that Seller would have a sufficient number of shares of EMG Stock necessary to transfer to Purchaser pursuant to 1.02(b).

(c) Seller shall comply with the provisions of the Shareholders Agreements and carry out its obligations thereunder.

(d) If, at any time after the Closing Date, any further Approvals are required to be obtained, Seller shall have thirty days to obtain such Approval. The failure by the Seller to procure or receive a Approval in accordance with this Section 9.01(d) shall constitute a breach of this Agreement.

9.02 Covenants of Each Party .

(a) The parties hereto shall use their reasonable efforts to satisfy or cause to be satisfied all of the conditions precedent that are set forth in Article IV and V, as applicable to each of them, and to cause the transactions contemplated by this Agreement to be consummated. Each party hereto, at the reasonable request of another party hereto, shall execute and deliver such other instruments and do and perform such other acts and things as may be necessary for effecting completely the consummation of this Agreement, the Transaction Documents and the transactions contemplated hereby and thereby.

(b) Upon the terms and subject to the conditions set forth in this Agreement, each party hereto shall use its reasonable efforts to take, or cause to be taken, all actions, and do, or cause to be done, and to assist and cooperate with the other party or parties in doing, all things necessary to consummate and make effective the transactions contemplated hereby, and by the Transaction Documents. None of the parties hereto will take any action which results in any of the representations or warranties made by such party pursuant to Articles II or III, as the case may be, becoming untrue or inaccurate in any material respect.

(c) If, at any time after the Closing Date, any further action is necessary or desirable to carry out the purposes of this Agreement or to transfer to Purchaser on the register of EMG, in accordance with the EMG Organizational Documents and Egyptian Law, the full valid legal title to the New EMG Shares, free and clear of any Liens, the officers and directors of Seller and Purchaser are fully authorized in the name of their respective companies or otherwise to take all such lawful and necessary action and shall cooperate with each other in taking such action.

9.03 Covenants of Purchaser . Purchaser hereby agrees that upon the execution of this Agreement, it will promptly seek to obtain approval of the shareholders of Ampal for the issuance of Stock Consideration to Seller. Purchaser undertakes to cause Ampal to timely call a meeting to obtain such shareholder approval. Upon such shareholder approval, Purchaser shall promptly and in no event later than ten Business Days after obtaining such shareholder approval, cause the transfer to Seller of the Stock Consideration, free and clear of all Liens attributable to Purchaser. In the event the above-mentioned shareholder approval is not obtained within 18 months as of the Closing Date, then Purchaser shall promptly transfer to Seller 50% of the New EMG Shares, whether by transferring legal title and beneficial ownership thereto (in the event legal title and beneficial ownership in the New EMG Shares had transferred to Purchaser at such time) or by transferring beneficial ownership thereto (in the event legal title in the New EMG Shares had not transferred at such time). In any event such transfer shall be made in the same manner in which the title and beneficial ownership or only beneficial ownership (as applicable) in the New EMG Shares was transferred to Purchaser.

9.04 Notification of Certain Matters; Certain Consents . (a) The Seller shall give prompt notice to Purchaser, and Purchaser shall give prompt notice to the Seller, of the occurrence or non-occurrence of any event which results in any representation or warranty contained in this Agreement or any other Transaction Document being untrue or inaccurate in any material respect (or, in the case of any representation or warranty qualified by its terms by materiality, then untrue or inaccurate in any respect) and any failure of the Seller or Purchaser, as the case may be, to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 9.03 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

(b) The Seller shall give prompt notice to Purchaser and Purchaser shall give prompt notice to the Seller of (i) any notice or other communication from any Person alleging that the approval or consent of such Person or Governmental Authority is or may be required in connection with this Agreement or any other Transaction Document or the transactions contemplated hereby and thereby, (ii) any notice or other communication from any Governmental Authority in connection with this Agreement or the transactions contemplated hereby, (iii) any litigation, relating to or involving or otherwise affecting such party that relates to this Agreement, any other Transaction Document or EMG or EMG's business, or (iv) any fact, event, change, development, circumstance, condition or effect that is likely to delay or impede the ability of such party to consummate the transactions contemplated by this Agreement or the Transaction Documents.

(c) The Seller shall give prompt notice to Purchaser of any event that may result in a material adverse effect on EMG, of its business or prospects, any fact, event, change, development, circumstance, condition or effect that could reasonably be expected to have a material adverse effect on the EMG.

(d) All undertakings of Seller and Purchaser under Sections 9.03(a) – (c) above are limited to events, facts, circumstances, etc. which are known to them and which are not generally known as part of the public domain.

(e) The Seller shall use its best efforts to obtain all of the Approvals required to consummate the transactions contemplated by this Agreement, including, without limitation, those listed on Section 2.04 of the Disclosure Letter.

9.05 [Intentionally Omitted]

9.06 Public Announcements . Following the execution of this Agreement and prior to the Closing, the Seller and Purchaser shall mutually agree on the form and timing of an initial joint press release to be issued regarding this Agreement. Purchaser and the Seller shall consult with and obtain the approval of the other party before issuing any press release or other public announcement with respect to this Agreement and the transactions contemplated hereby and shall not issue any such press release prior to such consultation and approval, except as may be required by Law or the regulations of any national securities exchange or national automated quotation system, in which case the party proposing to issue such press release or make such public announcement shall use its best efforts to consult in good faith with the other party before

issuing any such press release or making any such public announcement. Following the Closing, Purchaser may make public statements or disclosures as it shall determine in its sole discretion.

## ARTICLE X TERMINATION

10.01 Termination. This Agreement may be terminated at any time prior to the Closing:

- (a) by the mutual written consent of Purchaser, on the one hand, and Seller, on the other hand;
- (b) by either Purchaser, on the one hand, and Seller, on the other hand, without liability on the part of the terminating party for terminating this Agreement (provided that the terminating party is not otherwise in default or in breach of this Agreement), if the Closing has not occurred on or before January 28, 2007 for any reason, including the failure to obtain the Approvals;
- (c) by either Purchaser, on the one hand, and Seller, on the other hand, without liability on the part of the terminating party for terminating this Agreement (provided that the terminating party is not otherwise in default or in breach of this Agreement), if Seller or Purchaser, as the case may be, shall (i) fail to perform in any material respect its agreements contained herein required to be performed prior to the Closing Date or (ii) materially breach any of its representations or warranties or covenants contained herein, and such failure or breach is not cured within 20 days of delivery of written notice thereof.

10.02 Effect of Termination. Termination of this Agreement pursuant to this Article X shall terminate all obligations of the parties hereunder, except for the obligations under Section 11.03; provided that termination pursuant to Section 10.1(b) or (c) shall not relieve the defaulting or breaching party from any liability to the other party hereto.

## ARTICLE XI MISCELLANEOUS

11.01 Notices. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given (i) upon receipt if delivered personally or by Federal Express or other overnight courier service or (ii) five days after mailing, first class, postage prepaid, return receipt requested, to the parties as follows: (a) if to Purchaser, to Merhav Ampal Energy Limited, c/o Ampal-American Israel Corporation, 111 Arlozorov Street, Tel Aviv 62098 Israel, Attention: Yoram Firon, Facsimile:+972-3-6080101; (b) if to Seller, to Merhav (m.n.f) Ltd., 33 Havatzelet Hasharon Street, Herzlia, Israel, Attention: Mr. Yossef Maiman and Mr. Leo Malamud, Facsimile:+972-9-9501733; with copy to: M. Firon & Co., 16 Abba Hillel St., Ramat Gan Israel, Attention: Adv. Eldad Firon and Adv. Nimrod Bashan, facsimile: +972-3-7540011 or, in any case to such other address as a party may determine by delivery of notice pursuant to this Section 11.01.

11.02 Entire Agreement. This Agreement (together with the Disclosure Letter and the other Transaction Documents) supersedes all prior discussions and agreements between the

parties with respect to the subject matter hereof, and contains the sole and entire agreement between the parties hereto with respect to the subject matter hereof.

11.03 Expenses. Except as otherwise expressly provided in this Agreement, whether or not the transactions contemplated hereby are consummated, each party will pay its own costs and expenses, incurred in connection with the negotiation, execution and closing of this Agreement and the transactions contemplated hereby. Any transfer taxes on the sale and purchase of the EMG Shares shall be borne by Seller.

11.04 Waiver. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not alternative.

11.05 Amendment. This Agreement may be amended, supplemented or modified only by a written instrument duly executed by or on behalf of each party hereto.

11.06 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Israel, without giving effect to the conflicts of laws principles thereof. Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of Israel, in each case located in the Tel Aviv – Jaffa district, for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in such courts). Each of the parties hereto hereby irrevocably and unconditionally waives any objection to the laying of venue of any litigation arising out of this Agreement or the transactions contemplated hereby in the courts of the State of Israel, in each case located in the Tel Aviv – Jaffa district, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such litigation brought in any such court has been brought in an inconvenient forum.

11.07 Rights Under This Agreement; Non-assignability. This Agreement shall bind and inure to the benefit of the parties to this Agreement and their respective heirs, legal representatives, successors and permitted assigns, but shall not be assignable by any party without the prior written consent of the other parties, provided, however, that each Party may assign this Agreement to an Affiliate. Nothing contained in this Agreement is intended to confer upon any Person, other than the parties to this Agreement and their respective successors and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

11.08 Headings; References to Sections. The headings of the Sections, paragraphs and subparagraphs of this Agreement are solely for convenience of reference and shall not limit or otherwise affect the meaning of any of the terms or provisions of this Agreement. The references in this Agreement to Sections, unless otherwise indicated, are references to sections of this Agreement.

11.09 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the parties hereto as of the date first above written.

MERHAV (M.N.F.) LIMITED

By: /s/ Yosef A. Maiman  
Name: Yosef A. Maiman  
Title: Director

MERHAV AMPAL ENERGY LIMITED

By: /s/ Irit Eluz  
Name: Irit Eluz  
Title: Director

By: /s/ Yoram Firon  
Name: Yoram Firon  
Title: Director

DEFINITIONS

“ Affiliate ” means (a) with respect to any Person (other than an individual), a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such person, where “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person, whether through the ownership of voting securities, by contract, as trustee or executor, or otherwise and (b) with respect to any individual, any relative or spouse of such Person, or any relative of such spouse, who has the same home as such Person..

“ Ampal ” shall have the meaning set forth in Section 1.02(a).

“ Ampal Advisor ” shall have the meaning set forth in Section 2.05.

“ Ampal Stock ” shall have the meaning set forth in Section 1.02(a).

“ Approvals ” shall have the meaning set forth in Section 2.04.

“ August Option ” shall have the meaning set forth in the Recitals.

“ August Shares ” shall have the meaning set forth in the Recitals.

“ August SPA ” shall have the meaning set forth in the Recitals.

“ Beneficial Interest Transfer Instruments ” shall have the meaning set forth in Section 1.04.

“ Board ” shall have the meaning set forth in Section 2.02(b).

“ Business Day ” shall mean any day that is not a Saturday, Sunday or other day on which banks are required or authorized by Law to be closed in New York City or Israel.

“ Cash Consideration ” shall have the meaning set forth in Section 1.02(a).

“ Closing Date ” shall have the meaning set forth in Section 1.03(a).

“ Closing ” shall have the meaning set forth in Section 1.03(a).

“ Data Room ” shall have the meaning set forth in Section 2.06.

“ Deadline ” shall have the meaning set forth in Section 1.03(a).

“ Disclosure Letter ” shall have the meaning set forth in Section 1.04.

“ Due Diligence Reports ” shall have the meaning set forth in Section 2.06.

“ EMG ” shall have the meaning set forth in the Recitals.

“ EMG Organizational Documents ” means (i) the Decree of the General Authority for Investment and Free Zones No. 1020 of 2000 Regarding Authorization for the Establishment of East

Mediterranean Gas Company an Egyptian Joint Stock Company According to the Special Free Zones System, as amended from time to time, (ii) the Statutes of East Mediterranean Gas Company an Egyptian Joint Stock Company According to the Special Free Zones System, as amended from time to time and (iii) any other document or instrument relating to the formation or governance of EMG.

“ EMG Stock ” shall have the meaning set forth in the Recitals.

“ Financing ” shall mean any transaction, action, public and/or private offering and/or issuance of debentures of any kind, in which funds are raised other than from an entity’s shareholders.

“ General Investment Authority ” means the Egyptian General Authority for Investment and Free Zones.

“ Governmental Authority ” means any governmental agency or authority of the United States, Israel, Egypt or any other country having jurisdiction over Purchaser, Seller or EMG, or any political subdivision or agency thereof, and includes any authority having governmental or quasi-governmental powers, including any administrative agency or commission.

“ GSE ” shall have the meaning set forth in Section 2.05.

“ Indemnified Party ” shall have the meaning set forth in 6.03.

“ Initial Shares ” shall have the meaning set forth in the Recitals.

“ Law ” means all laws, statutes, ordinances, directives, regulations and similar mandates of any Governmental Authority, including all orders of courts having the effect of law in each jurisdiction.

“ Liens ” shall have the meaning set forth in Section 2.02(b).

“ Material Adverse Effect ” shall have the meaning set forth in Section 2.06.

“ Merhav Shares ” shall have the meaning set forth in Section 1.02(b).

“ NDA Agreement ” means the letter agreement, between Seller and EMG, dated June 12, 2006.

“ Net Profit ” shall have the meaning set forth in Section 2.03(b).

“ New EMG Shares ” shall have the meaning set forth in the Recitals.

“ Nominee Agreement ” means the Nominee Agreement, dated as of December 1, 2005, between Seller and Purchaser.

“ Omnibus Agreement ” shall have the meaning set forth in the Recitals.

“ Option Purchase Price ” shall have the meaning set forth in Section 7.01.

“ Option Purchase Price ” shall have the meaning set forth in Section 7.01.

“ Per Share Purchase Price ” shall have the meaning set forth in Section 1.02.(b).

“ Person ” means any individual, corporation, partnership, association, trust, unincorporated organization, limited liability company, other entity or group.

“ Promissory Note ” shall have the meaning set forth in the Recitals.

“ Pledge Documents ” shall have the meaning set forth in Section 1.04.

“ Purchase Price ” shall have the meaning set forth in Section 1.02.

“ Purchaser Approval ” shall have the meaning set forth in Section 3.03.

“ Purchaser Indemnitees ” shall have the meaning set forth in 6.02(a).

“ Shareholders Agreement ” shall have the meaning set forth in the August SPA.

“ Stock Consideration ” shall have the meaning set forth in Section 1.02.

“ Third Party Per Share Purchase Price ” shall have the meaning set forth in Section 1.02.(b).

“ Transaction Documents ” shall have the meaning set forth in Section 2.01.

“ Transfer ” shall have the meaning set forth in Section 1.02(b).

“ Transfer Instruments ” shall have the meaning set forth in Section 1.05.

“ Valuation Date ” shall have the meaning set forth in Section 1.02.

“ Valuation Reports ” shall have the meaning set forth in Section 2.05.

“ Y.M. Noy ” shall have the meaning set forth in Section 1.04.

NEITHER THIS NOTE NOR THE SECURITIES ISSUABLE UPON CONVERSION HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAWS, AND MAY NOT BE RESOLD OR TRANSFERRED, IN WHOLE OR IN PART, UNLESS REGISTERED OR EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ALL APPLICABLE STATE SECURITIES LAWS.

**CONVERTIBLE PROMISSORY NOTE**

November \_\_, 2006  
New York, New York

\$20,000,000

FOR VALUE RECEIVED, Ampal-American Israel Corporation, a New York corporation (the “Company”), having an address at 111 Arlozorov Street, Tel Aviv 62098 Israel, DOES HEREBY PROMISE TO PAY to Merhav (m.n.f.) Ltd, (the “Holder”), at 33 Havatzelet Hasharon Street, Herzlia, Israel, or at such other place as the Holder may from time to time designate in writing, the principal sum of \$20,000,000, in one or more installments due on the earlier of (i) the date on which the Holder demands payment of the Balance (or a portion thereof) by written notice to the Company (such notice to be delivered 5 days prior to any date set forth for payment of the Balance (or such portion thereof) in such notice) or (ii) August \_\_, 2007 (the “Maturity Date”), together with interest (computed on the basis of a 360-day year of twelve 30-day months) accrued from the date hereof through the date on which the outstanding principal amount of this Convertible Promissory Note (this “Note”) is repaid in full, on the unpaid principal amount hereof from time to time outstanding, at a rate per annum equal to the LIBOR Rate, payable in cash, pursuant and subject to the terms and conditions of this Note. Capitalized terms used herein but not defined herein shall have the meaning set forth in the Stock Purchase Agreement, dated as of November 28, 2006, between the Company and Merhav (m.n.f.) Ltd. For purposes hereof, (i) “LIBOR Rate” means the six month London Interbank Offered Rate (LIBOR) published in the Wall Street Journal on the first Business Day of each LIBOR Period (as defined below) (or, if such rate is not published in the Wall Street Journal, another publication providing rate quotations comparable to those currently provided in the Wall Street Journal or such other comparable rate, in each case, as the Holder shall determine in good faith and inform the Company thereof), and (ii) “LIBOR Period” means, initially, from the date hereof through the date six months from the date hereof, and subsequently, each six month period commencing on the day after termination of the prior LIBOR Period. “Business Day” means any day other than a Saturday or Sunday or other day on which commercial banks in New York, New York or Tel Aviv, Israel are authorized or required by law to close.

1. Prepayment. The unpaid principal of, and accrued and unpaid interest on, this Note (the “Balance”) may be prepaid, in whole or in part, at any time by the Company.

2. Conversion. On or before the Maturity Date (but after the date on which the approval of the issuance of any Class A Shares, par value \$1.00 per share of the Company (the “Class A Stock”) by the Company’s shareholders has been obtained), the Holder may notify the Company,

from time to time, in writing by delivering a notice to the Company (a “Conversion Notice”) that it has elected to have the Company pay the Balance, or a portion of the Balance, by delivery of shares of Class A Stock as provided herein. Upon the delivery of the Conversion Notice, the Balance, or such portion of the Balance as set forth in such Conversion Notice, shall be converted into shares of Class A Stock, par value \$1.00 per share, at a price of \$4.65 per share of Class A Stock of the Company issued by the Company (the “Conversion Right”).

3. Conversion Procedure. Upon exercise of the Conversion Right, the Holder shall surrender this Note, to the Company at its address specified in Section 4(b) of this Note. Conversion shall be deemed to have been effected on the date (the “Conversion Date”) when such Conversion Notice is actually sent by the Holder in accordance with Section 4(b) hereof. Promptly thereafter, the Company shall issue and deliver to the Holder within 30 days of the Conversion Date a certificate or certificates representing a number of shares of Class A Stock equal to the number of shares of Class A Stock purchased upon exercise of the Conversion Right by the Holder, as applicable, rounded down to the nearest whole number, and, if the conversion was not a for the full amount of the outstanding Balance, a new promissory note in the principal amount of the remaining Balance after giving effect to all prior conversions.. The Company shall not be obligated to issue certificates representing shares of Class A Stock in the name of any party other than the Holder. Interest shall cease to accrue on the date of the Conversion Notice with respect to the portion of the Balance subject to conversion pursuant to such Conversion Notice.

4. Notices.

a. Notices to the Holder. Whenever any provision of this Note requires a notice to be given or a request to be made to the Holder by the Company, then and in each such case, any such notice or request shall be in writing and shall be sent by registered or certified mail, return receipt requested with postage thereon fully prepaid to the Holder at its address set forth on the first page of this Note or at such other address as the Holder may from time to time designate in writing.

b. Notices to the Company. Whenever any provision of this Note requires a notice to be given or a request to be made to the Company by the Holder, then and in each such case, any such notice or request shall be in writing and shall be sent by registered or certified mail, return receipt requested with postage thereon fully prepaid to the Company at its address set forth on the first page of this Note or at such other address as the Company may from time to time designate in writing.

5. Miscellaneous.

a. Restricted Securities. By acceptance hereof, the Holder understands and agrees that this Note and the shares of Class A Stock issuable upon conversion hereof are “restricted securities” under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering under the Securities Act of 1933, as amended (the “Securities Act”) and that under such laws and applicable regulations such securities may be resold in the absence of registration under the Securities Act or pursuant to an

exemption therefrom. The Holder hereby represents that it understands the resale limitations imposed thereby and by the Securities Act.

b. Legends. It is understood that this Note and each certificate evidencing shares of Class A Stock issued upon conversion hereof shall bear the legend (in addition to any legends which may be required by the securities laws of the state where the Company is located) set forth on the first page of this Note.

6. Amendments. This Note may be amended, supplemented or modified only by a written instrument duly executed by or on behalf the Holder and the Company.

7. Assignment and Transfer. This Note may not be assigned, transferred (by operation of law or otherwise) by the Company or the Holder, or assumed by another individual or entity without the prior written consent of the Company and the Holder, and any attempt to do so will be void. Subject to the preceding sentence, this Note is binding upon, inures to the benefit of and is enforceable by the Holder and the Company and their respective successors and assigns.

8. Governing Law. THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE DOMESTIC LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW PROVISION OR RULE (WHETHER OF THE STATE OF NEW YORK OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THOSE OF THE STATE OF NEW YORK.

9. Interest Limitations. It is the intention of the Company and Holder to conform strictly to all applicable usury laws now or hereafter in force, and any interest payable under this Note shall be subject to reduction to the amount not in excess of the maximum legal amount allowed under the applicable usury laws as now or hereafter construed by the courts having jurisdiction over such matters. The aggregate of all interest (whether designated as interest, service charges, points or otherwise) contracted for, chargeable, or receivable under this Note shall under no circumstances exceed the maximum legal rate upon the unpaid principal balance of this Note remaining unpaid from time to time. If such interest does exceed the maximum legal rate, it shall be deemed a mistake and such excess shall be canceled automatically and, if theretofore paid, rebated to the Company or credited on the principal amount of this Note, or if this Note has been repaid, then such excess shall be rebated to the Company.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has executed and delivered this Note as of the date first above written.

AMPAL-AMERICAN ISRAEL CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

**Signature Page for Convertible Promissory Note**



FOR: AMPAL-AMERICAN ISRAEL CORPORATION  
CONTACT: Irit Eluz  
CFO - SVP Finance & Treasurer  
1 866 447 8636  
irit@ampal.com

FOR: KM/KCSA Investor Relations  
CONTACT: Roni Gavrielov  
011-972-3-516-7620  
roni@km-ir.co.il

**Ampal-American Israel Corporation  
Acquires Additional Interest in East Mediterranean Gas**

**TEL AVIV, Israel, November 29, 2006** - Ampal-American Israel Corporation (Nasdaq:AMPL) announced today that a wholly-owned subsidiary of the Company has agreed to acquire additional shares of East Mediterranean Gas Company ("EMG") from Merhav M.N.F. Ltd. ("Merhav"), pursuant to an option granted to Ampal by Merhav in August, 2006. This transaction is expected to close within the next 10 days.

EMG is an Egyptian joint stock company which has been given the right to export natural gas from Egypt to Israel and other locations in the East Mediterranean basin via an underwater pipeline. The pipeline, which EMG expects to be completed during the first quarter of 2008, will run from El-Arish, Egypt to Ashkelon, Israel.

Under the terms of the transaction, Ampal will acquire the beneficial ownership of 5.9% of the outstanding shares of EMG's capital stock. The purchase price for the shares is approximately \$128.3 million, of which, approximately \$68.3 million will be paid in cash, \$40 million will be paid in 8,602,151 shares of Ampal's Class A Stock and the balance will be paid by a promissory note in the principal amount of \$20 million, which, at the option of Merhav, will be paid in cash, additional shares of Ampal's Class A Stock (based on a price per share of \$4.65 per share), or a combination thereof. The promissory note will bear interest at 6 months LIBOR and mature in one or more partial payments on the earlier of 9 months from the closing of the transaction or upon demand by Merhav. The issuance of the shares of Class A Stock is subject to the approval of the shareholders of Ampal. As a result of this transaction, Ampal will beneficially own 12.5% of the total outstanding shares of EMG.

Yosef A. Maiman, the Chairman, President and CEO of the Company and Ampal's controlling shareholder, is the sole owner of Merhav.

The transaction was approved by a special committee of the Board of Directors composed of the Ampal's independent directors.

Of the transaction, Mr Maiman said, "I am pleased to see Ampal exercise the option to acquire a total of 12.5% of EMG and thus become a central player in the Israeli energy sector." Mr. Maiman further stated that: "The investment in EMG fits Ampal's stated long term strategy of increasing its investments in cash generating companies in its core areas of expertise."

#### About Ampal

Ampal and its subsidiaries primarily acquire interests in businesses located in the State of Israel or that are Israel-related. Ampal has diversified interests in the following sectors: Energy, Real Estate and others. For more information about Ampal please visit our web site at [www.ampal.com](http://www.ampal.com).

Certain information in this press release includes forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) and information relating to Ampal that are based on the beliefs of management of Ampal as well as assumptions made by and information currently available to the management of Ampal. When used in this press release, the words "anticipate," "believe," "estimate," "expect," "intend," "plan," and similar expressions as they relate to Ampal or Ampal's management, identify forward-looking statements. Such statements reflect the current views of Ampal with respect to future events or future financial performance of Ampal, the outcome of which is subject to certain risks and other factors which could cause actual results to differ materially from those anticipated by the forward-looking statements, including among others, the economic and political conditions in Israel, the Middle East, including the situation in Iraq, and the global business and economic conditions in the different sectors and markets where Ampal's portfolio companies operate. Should any of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcome may vary from those described herein as anticipated, believed, estimated, expected, intended or planned. Subsequent written and oral forward-looking statements attributable to Ampal or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph. Please refer to the Ampal's annual, quarterly and periodic reports on file with the SEC for a more detailed discussion of these and other risks that could cause results to differ materially. Ampal assumes no obligation to update or revise any forward-looking statements



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**AMPAL-AMERICAN ISRAEL CORPORATION ANNOUNCES PRIVATE INVESTMENT IN PUBLIC EQUITY**

Tel Aviv, Israel – November 29, 2006 - Ampal-American Israel Corporation - (NASDAQ: AMPL) announced today that it has entered into securities purchase agreements with certain institutional investors in Israel for the sale of 8,142,705 shares of Class A Stock of the Company for an aggregate purchase price of \$ 37,863,577 (based on a price per share of \$4.65) and Warrants to purchase 4,071,352 shares of the Class A Stock for an exercise price of \$4.65 per share. The Warrants will expire 8 months after the date of their issuance and will not be exercisable until the issuance of the shares underlying the Warrants has been approved by Ampal's shareholders. The sale is subject to customary closing conditions and a determination from the NASDAQ Stock Market LLC that shareholder approval will not be required with regards to the issuance of the Class A Stock and Warrants contemplated by this private placement transaction. The sale of the Class A Stock and Warrants is expected to close as soon as possible after receipt of such NASDAQ approval.

In addition, Ampal granted certain registration rights to the holders of the securities purchased in this private placement.

The offering was made solely to certain non-U.S. institutional investors in accordance with Regulation S under the U.S. Securities Act of 1933, as amended. The shares and warrants may not be offered or sold in the United States or to United States persons without registration unless an exemption from such registration is available. This notice does not constitute an offer to sell the shares or warrants, nor a solicitation for an offer to purchase the shares. Further, this press release shall not constitute any offer, solicitation or sale of any of the shares or warrants in any jurisdiction in which such offering sold would be unlawful.

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Certain information in this press release includes forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) and information relating to Ampal that are based on the beliefs of management of Ampal as well as assumptions made by and information currently available to the management of Ampal. When used in this press release, the words "anticipate," "believe," "estimate," "expect," "intend," "plan," and similar expressions as they relate to Ampal or Ampal's management, identify forward-looking statements. Such statements reflect the current views of Ampal with respect to future events or future financial performance of Ampal, the outcome of which is subject to certain risks and other factors which could cause actual results to differ materially from those anticipated by the forward-looking statements, including among others, the economic and political conditions in Israel, the Middle East, including the situation in Iraq, and the global business and economic conditions in the different sectors and markets where Ampal's portfolio companies operate. Should any of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcome may vary from those described herein as anticipated, believed, estimated, expected, intended or planned. Subsequent written and oral forward-looking statements attributable to Ampal or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph. Please refer to the Ampal's annual, quarterly and periodic reports on file with the SEC for a more detailed discussion of these and other risks that could cause results to differ materially. Ampal assumes no obligation to update or revise any forward-looking statements.