

AMPAL-AMERICAN ISRAEL CORP

FORM 8-K (Current report filing)

Filed 12/27/07 for the Period Ending 12/27/07

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Telephone	2125939842
CIK	0000731859
Symbol	AMPL
SIC Code	6799 - Investors, Not Elsewhere Classified
Industry	Misc. Financial Services
Sector	Technology
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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): December 27, 2007 (December 25, 2007)

AMPAL-AMERICAN ISRAEL CORPORATION

(Exact Name of Registrant as Specified in Charter)

New York
(State or Other Jurisdiction
of Incorporation)

0-538
(Commission
File Number)

13-0435685
(IRS Employer
Identification No.)

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

62098
(Zip Code)

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

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))
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Item 1.01 Entry into a Material Definitive Agreement.

On December 25, 2007, Ampal-American Israel Corporation (Nasdaq: AMPL) entered into an Option Agreement, dated December 25, 2007 (the "Option Agreement") with Merhav (M.N.F) Ltd. ("Merhav") providing Ampal with the option to acquire up to a 35% equity interest in a sugarcane ethanol production project (the "Project") in Colombia being developed by Merhav. The option expires on the earlier of December 25, 2008 or the date on which both (i) Merhav has obtained third-party debt financing for the Project and (ii) an unaffiliated third party holds at least a 25% equity interest in the Project. The Option Agreement provides that the purchase price for any interest in the Project purchased by Ampal pursuant to the Option Agreement will be (A) with respect to any portion of such interest being purchased by conversion of the outstanding balance of the Promissory Note referred to below, the lesser of (i) a price based on a currently agreed valuation model as updated from time to time to reflect changes in project, financing and other similar costs (the "Valuation Model") as such updates are reviewed by Houlihan Lokey Howard & Zukin at the time of the option's exercise or (ii) the lowest price paid by any unaffiliated third party for an interest in the Project, or (B) with respect to any portion of such interest in the Project being purchased in excess of the balance of the Promissory Note, the lowest price paid by an unaffiliated third party for its interest in the Project, unless no unaffiliated third party has purchased an interest in the Project, in which case the purchase price will be based on the Valuation Model. Merhav is a multinational corporation with interests in a range of sectors, including energy, infrastructure projects, and agriculture.

As partial consideration for the option, Ampal has loaned Merhav \$10 million to fund the purchase of the 11,000 hectares of property in Colombia required for growing sugarcane and the construction of an ethanol production facility for the Project, pursuant to a Promissory Note, dated as of December 25, 2007, by Merhav in favor of Ampal (the "Promissory Note"). Ampal has agreed to advance up to an additional \$10 million to fund the Project pursuant to the Promissory Note. The loan bears interest at an annual rate equal to LIBOR plus 2.25%, and will be convertible into all or a portion of the equity interest purchased pursuant to the option.

As security for the loan, Merhav has pledged to Ampal, pursuant to a Pledge Agreement, dated December 25, 2007, between Merhav and Ampal (the "Pledge Agreement"), all of the shares of Ampal's Class A Stock, par value \$1.00 per share, owned by Merhav.

Yosef A. Maiman, the Chairman, President and CEO of Ampal and a member of the controlling shareholders group of Ampal, is the sole owner of Merhav. Because of the foregoing relationship, a special committee of the Board of Directors composed of Ampal'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 descriptions of the Option Agreement, Promissory Note and Pledge Agreement do not purport to be complete and are qualified in their entirety by reference to the agreements, which Ampal intends to file as exhibits to its next annual report on form 10-K.

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

Item 9.01. Financial Statements and Exhibits .

(d) Exhibits:

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
99.1	Press release of Ampal-American Israel Corporation, dated December 25, 2007.

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.

AMPAL-AMERICAN ISRAEL CORPORATION

Date: December 27, 2007

By: /s/Yoram Firon

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

EXHIBIT INDEX

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-	-
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[AMPAL LOGO]

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Ampal Signs Option Agreement to Acquire up to 35% in an Ethanol Project in Colombia

TEL AVIV – December 25, 2007 - Ampal-American Israel Corporation (Nasdaq: AMPL) announced today that it has signed an option agreement with Merhav (M.N.F) Ltd. ("Merhav") to acquire up to a 35% equity interest in a sugarcane ethanol production project (the "Project") in Colombia being developed by Merhav. Merhav is a multinational corporation with interests in a range of sectors, including energy, infrastructure projects, and agriculture. The option expires on the earlier of one year or the date on which both (i) Merhav has obtained third-party debt financing for the Project and (ii) an unaffiliated third party holds at least a 25% equity interest in the Project.

In addition to the transaction with Ampal, Merhav has signed a Memorandum of Understanding with Ecopetrol S.A., for the acquisition of between 25% and 35% of the Project. Ecopetrol is one of the four principal petroleum companies in Latin America and the largest company in Colombia with respect to assets, market value and profits.

In connection with, and as partial consideration for, the option, Ampal has made a \$10 million loan to Merhav to fund the purchase of the 11,000 hectares of property in Colombia required for growing sugarcane and the construction of an ethanol production facility for the Project. Ampal has agreed to advance up to an additional \$10 million to fund the Project. The loan will bear interest at an annual rate equal to LIBOR plus 2.25%, and will be convertible into all or a portion of the equity interest purchased pursuant to the option. The loan is secured by a pledge on Merhav's shares in Ampal.

Yosef A. Maiman, the Chairman, President and Chief Executive Officer of Ampal, said, “This transaction will significantly enhance our presence in the clean energy sector and supports our broader energy project portfolio. It fits well with our strategic plan to leverage our existing capabilities to become a diversified global energy company by developing, acquiring and investing in projects across various segments of the energy industry that fall within our overall investment strategy.

“The ethanol industry has grown significantly over the last several years and ethanol is expected to become an increasingly important part of the global fuel supply. World production of ethanol grew by 22% in 2006 and is expected to continue to grow, as more and more countries look to clean fuel alternatives. We believe the environment in Colombia lends itself well to the production of sugarcane-based ethanol and are excited to partner with Ecopetrol, one of the region’s foremost petroleum companies.”

Yosef A. Maiman, Chairman, President and Chief Executive Officer of Ampal, is the sole owner of Merhav. The transaction was approved by a special committee of the Board of Directors composed of the Company’s independent directors. Houlihan Lokey Howard & Zukin Financial Advisors, Inc. acted as financial advisors to the special committee.

About Ampal:

Ampal and its subsidiaries acquire interests primarily in businesses located in the State of Israel or that are Israel-related. The Company is seeking opportunistic situations in a variety of industries, with a focus on energy and related sectors. The Company’s goal is to develop or acquire majority interests in businesses that are profitable and generate significant free cash flow which Ampal can control. For more information about Ampal please visit our web site at www.ampal.com.

Safe Harbor Statement

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