

# 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): January 7, 2010 (December 31, 2009)**

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**Ampal-American Israel Corporation**  
(Exact name of registrant as specified in its charter)

**New York**  
(State or Other Jurisdiction  
of Incorporation)

**0-538**  
(Commission File Number)

**13-0435685**  
(IRS Employer  
Identification No.)

**555 Madison Avenue**  
**New York, NY, USA**  
(Address of Principal Executive Offices)

**10022**  
(Zip Code)

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

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

On December 31, 2009, Ampal-American Israel Corporation (the “Company”) signed an option exercise agreement (the “Exercise Agreement”) with Merhav (M.N.F) Ltd. (“Merhav”) pursuant to which it exercised, subject to certain conditions, its option (the “Option”) to convert the Company’s existing loan to Merhav (consisting of \$20 million of principal plus accrued interest) (the “Loan”) into a 25% equity interest in a sugarcane ethanol production project in Colombia (the “Project”) being developed by Merhav. The Loan is evidenced by an Amended and Restated Promissory Note, dated December 25, 2008 (the “Note”), issued by Merhav in favor of the Company, and is secured by Merhav’s pledge of its shares of Class A Stock of the Company, par value \$1.00 per share (“Class A Stock”), pursuant to that certain Pledge Agreement, dated December 24, 2007, between Merhav and the Company (the “Pledge Agreement”). Merhav’s obligations under the Note are guaranteed by Mr. Yosef A. Maiman pursuant to a personal guaranty, dated as of December 25, 2008 (the “Guaranty”). The Option is evidenced by an Option Agreement, dated December 25, 2007, between Merhav and the Company, as amended on December 25, 2008 (the “Option Agreement”). The Loan, Option and related transactions are summarized in previously filed reports.

Pursuant to the Exercise Agreement, the conversion of the Loan into a 25% equity interest in the Project will take the form of the issuance to the Company of 25% of all of the issued and outstanding equity interests in Merhav Renewable Energies Limited, a Cyprus corporation and subsidiary of Merhav (“Merhav Energies”). The purchase price for the 25% equity stake in the Merhav Energies, to be paid at closing, is the outstanding balance of the Note on December 31, 2009, or approximately \$22.249 million. The closing of the purchase of the 25% equity stake and the conversion of the Loan is subject to, among other things, (i) the initial disbursement of (or other proof of) long term debt financing for the Project obtained from Banco do Brasil or any other unaffiliated third party lender (the date such financing is obtained, the “Qualified Financing Date”), (ii) the payment in full of all outstanding amounts due and payable under the Note, and (iii) the delivery at closing of the Shareholders’ Agreement (as defined below) by Merhav and Ampal, setting forth certain agreements relating to the governance of Merhav Energies. At closing, the Note and the Guaranty shall be cancelled and the pledge of Merhav’s shares of Class A Stock under the Pledge Agreement shall be released. The closing is to occur on the Qualified Financing Date or as soon as practicable thereafter, but no later than December 31, 2010. The Exercise Agreement contains other customary closing conditions, as well as customary representations and warranties.

Pursuant to the Exercise Agreement, the Note was amended to extend its maturity date to the earlier of the Qualified Financing Date or December 31, 2010. Additionally, Merhav and the Company have agreed that, under certain circumstances, each will arrange for loans to Merhav Energies from to time to time through third parties, directly or indirectly, for up to \$15 million.

As stated above, as a condition to closing the Company’s purchase of a 25% equity stake in Merhav Energies, Merhav, the Company and Merhav Energies will enter into a Shareholders’ Agreement (the “Shareholders’ Agreement”), to provide for, among other things, (i) restrictions on the transfer of shares of Merhav Energies, (ii) a right of first refusal on transfers of shares of

Merhav Energies, (iii) tag-along and drag-along rights on the transfer of shares of Merhav Energies, (iv) preemptive rights on the issuance of new shares of capital stock (or other equity interest) by Merhav Energies, subject to the anti-dilution rights of the Company, and (v) the right of the Company to designate 25% of the directors of Merhav Energies. In addition to preemptive rights under the Shareholders' Agreement, the Company has been granted anti-dilution protection, which may result in the issuance of additional shares of Merhav Energies to the Company, in the event that, prior to end of the 180 period following the commencement of the Project's operations, Merhav sells, or Merhav Energies issues, shares of Merhav Energies at a per share price that is less than per share price paid by the Company under the Exercise Agreement.

Merhav is a multinational corporation with interests in a range of sectors, including energy, infrastructure projects and agriculture. Merhav is a significant shareholder of the Company and is wholly owned by Mr. Yosef A. Maiman, the President, CEO and member of the controlling shareholder group of the Company. Because of the foregoing relationship, a special committee of the Board of Directors of the Company 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 Exercise Agreement does not purport to be complete and is qualified in its entirety by reference to the agreement, which the Company intends to file as an exhibit to its next annual report.

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

**Item 1.02      Entry into a Material Definitive Agreement .**

The description of the Exercise Agreement in Item 1.01 above, which effectively terminates the Option Agreement, is incorporated herein by reference. As previously disclosed, the Option Agreement provided the Company with the option to acquire up to a 35% equity interest in the Project at a purchase price based upon, subject to certain conditions, an agreed upon valuation model and/or the lowest price paid by an unaffiliated third party for an interest in the Project.

**Item 9.01      Entry into a Material Definitive Agreement .**

(d) Exhibits:

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
99.1	Press release of Ampal-American Israel Corporation, dated January 3, 2010.

**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: January 7, 2010

By: /s/Yoram Firon

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

**EXHIBIT INDEX**

EXHIBIT

99.1

DESCRIPTION

Press release of Ampal-American Israel Corporation, dated January 3, 2010.



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### **Ampal Signs Option Exercise Agreement to Acquire 25% in an Ethanol Project in Colombia**

Tel Aviv, Israel – January 3, 2010 –Ampal-American Israel Corporation (NASDAQ: "AMPL") announced that on December 31, 2009 it signed an option exercise agreement with Merhav (M.N.F) Ltd. ("Merhav") pursuant to which it has exercised an existing option to convert Ampal's existing \$22.249 Million loan (\$20 Million plus accrued interest) into a 25% equity interest in a sugarcane ethanol production project in Colombia (the "Project") being developed by Merhav. The purchase of the 25% equity stake and the conversion of the loan is subject to the initial disbursement of a loan from Banco do Brasil, the lender providing project financing to the Project.

The Project encompasses approximately 10,000 hectares of land, and includes both agricultural and industrial sectors. All necessary permits, including environmental licenses and free trade zone approval, have been obtained by the Project.

The Project is expected to start commercial production during 2012, and reach its full production capacity of 112 million liters of Ethanol annually in 2014. As a clean energy

business, the Project is able to benefit from Colombian environmental legislation that requires 10% Ethanol blending in gasoline distributed in Colombia.

Yosef A. Maiman, Chairman, President and CEO of Ampal stated, "This investment is another step in Ampal's strategy to continue investing in the energy sector, particularly environmentally friendly projects. It joins Ampal's energy related investments which include EMG, a natural gas supplier from Egypt to Israel, and Global Wind Energy, a developer of wind farms outside of Israel."

"The Project combines the capabilities of Merhav in developing complex international projects and its abilities in Latin America with Ampal's investment strategy. It is also the largest Israeli project in Colombia and is backed by Israel's leading technology and deep knowledge of irrigation and agriculture," Mr. Maiman concluded.

Yosef A. Maiman, Chairman, President and CEO of Ampal, is the sole owner of Merhav. Merhav is a multinational corporation with interests in a range of sectors, including energy, infrastructure projects, and agriculture. The transaction was approved by a special committee of Ampal's Board of Directors composed of Ampal'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, chemicals, communication 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 that Ampal can control. For more information about Ampal please visit our web site at [www.ampal.com](http://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.