

As filed with the Securities and Exchange Commission on April 30, 2010

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-8

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

TOWER SEMICONDUCTOR LTD.

(Exact name of Registrant as specified in its charter)

Israel

(State or other jurisdiction of incorporation or organization)

Not Applicable

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

P.O. Box 619
Migdal Haemek, Israel, 23105
972-4-650-6611

(Address and telephone number of Registrant's principal executive offices)

2009 Employee Share Incentive Plan
Independent Directors Share Option Plan 2007
(Full title of plans)

Tower Semiconductor USA
4300 Stevens Creek Blvd., Suite 175
San Jose, California 95129
Tel: 408-551-6500
Facsimile: 408-551-6509

(Name, address and telephone number of agent for service)

Copies of all Correspondence to:

DAVID H. SCHAPIRO, ESQ.

Yigal Arnon & Co.
1 Azrieli Center
Tel Aviv, 67021 Israel
Tel: 972-3-608-7856

SHELDON KRAUSE, ESQ.

Eilenberg & Krause LLP
11 East 44th Street
New York, NY 10017
Tel: 212-986-9700

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Ordinary Shares, par value NIS 1.00 per share ("Ordinary Shares") (relating to 2009 Employee Share Incentive Plan)	9,268,232 (2)	\$ 0.35	\$ 3,243,882	
Ordinary Shares, par value NIS 1.00 per share ("Ordinary Shares") (relating to 2009 Employee Share Incentive Plan)	19,024,649 (3)	\$ 1.585 (4)	\$ 30,154,069	
Ordinary Shares (relating to Independent Directors Share Option Plan 2007)	113,328 (5)	\$ 1.15	\$ 130,328	
Ordinary Shares (relating to Independent Directors Share Option Plan 2007)	186,672 (6)	\$ 1.585 (4)	\$ 295,876	
TOTAL:			\$ 33,824,155	\$ 2,412

- (1) This Registration Statement also registers an indeterminate number of Ordinary Shares which may become issuable pursuant to the adjustment and anti-dilution provisions of the plans and options to which this Registration Statement relates.
 - (2) Represents shares that may be issued pursuant to options which have been granted pursuant to the Registrant's 2009 Employee Share Incentive Plan.
 - (3) Represents shares that may be issued pursuant to options which may in the future be granted pursuant to the Registrant's 2009 Employee Share Incentive Plan.
 - (4) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(h) under the Securities Act of 1933, based upon the average of the high and low prices of the Registrant's Ordinary Shares on the Nasdaq Global Market on April 27, 2010
 - (5) Represents shares that may be issued pursuant to options which have been granted pursuant to the Registrant's Independent Directors Share Option Plan 2007; these shares are additional shares over and above the 900,000 shares previously registered on the Registrant's registration statement on Form S-8, No. 333-147071.
 - (6) Represents shares that may be issued pursuant to options which may in the future be granted pursuant to the Registrant's Independent Directors Share Option Plan 2007; these shares are additional shares over and above the 900,000 shares previously registered on the Registrant's registration statement on Form S-8, No. 333-147071.
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EXPLANATORY NOTE

This Registration Statement on Form S-8 filed by Tower Semiconductor Ltd., a company organized under the laws of the State of Israel (the "Registrant"), is being filed to register 28,292,881 shares that may be issued pursuant to options which have been granted, or may in the future be granted, pursuant to the Registrant's 2009 Employee Share Incentive Plan (the number of options available for grant at anytime under the 2009 Employee Share Incentive Plan will be reduced by the aggregate number of options then outstanding under the Registrant's other employee option plans). This Registration Statement is also being filed to register 300,000 shares that may be issued pursuant to options which have been granted, or may in the future be granted, pursuant to the Registrant's Independent Directors Share Option Plan 2007. □ 60;The 300,000 shares being registered with respect to the Independent Directors Share Option Plan 2007 are additional shares over and above the 900,000 shares previously registered with respect to such plan on the Registrant's registration statement on Form S-8, No. 333-147071.

The documents containing the information specified in Part I of this Registration Statement on Form S-8 will be sent or given to participants in the Plans as specified by Rule 428(b)(i) under the Securities Act of 1933, as amended (the "Securities Act"). Such documents are not required to be, and are not being, filed by us with the Securities and Exchange Commission ("SEC"), either as part of this Registration Statement or as prospectuses or prospectus supplements pursuant to Rule 424 under the Securities Act. Such documents, together with the documents incorporated by reference herein pursuant to Item 3 of Part II of this Registration Statement on Form S-8, constitute a prospectus that meets the requirements of Section 10(a) of the Securities Act.

As used herein or any in any document incorporated by reference hereto, the "Company", "Tower Semiconductor Ltd.", "Registrant", "we", "us", or "our" refers to Tower Semiconductor Ltd. and its consolidated subsidiaries.

PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

As permitted by the rules of the Securities and Exchange Commission, this Registration Statement omits the information specified in Part I of Form S-8.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents By Reference.

The following documents filed with the SEC by the Registrant pursuant to the Securities Exchange Act of 1934 are incorporated by reference in this registration statement:

- Annual Report on Form 20-F for the fiscal year ended December 31, 2009 (filed on April 30, 2010); and
 - The description of the Company's Ordinary Shares which is contained in its Registration Statement on Form 8-A declared effective on October 25, 1994.
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All documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment which indicates that all shares offered hereby have been sold or which deregisters all then remaining unsold, shall be deemed to be incorporated by reference in this registration statement and to be a part hereof from the date of filing of such documents. We may also incorporate any Form 6-K subsequently filed or furnished by us to the SEC prior to the filing of any such post-effective amendment, by identifying in such Form 6-K that it is being incorporated by reference herein, and any Forms 6-K so identified shall be deemed to be incorporated by reference in this registration statement and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this registration statement to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated or deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this registration statement.

Item 4. Description of Securities.

Not Applicable.

Item 5. Interests of Named Experts and Counsel.

Not Applicable.

Item 6. Indemnification of Directors and Officers.

The Israeli Companies Law-1999, or the Companies Law, provides that a company may include in its articles of association provisions allowing it to:

1. partially or fully, exempt in advance, an office holder of the company from his responsibility for damages caused by the breach of his duty of care to the company, except for damages caused to the Company due to any breach of such Office Holder's duty of care towards the company in a "distribution" (as defined in the Companies Law).
 2. enter into a contract to insure the liability of an office holder of the company by reason of acts or omissions committed in his capacity as an office holder of the company with respect to the following:
 - (a) the breach of his duty of care to the company or any other person;
 - (b) the breach of his fiduciary duty to the company to the extent he acted in good faith and had a reasonable basis to believe that the act or omission would not prejudice the interests of the company; and
 - (c) monetary liabilities or obligations which may be imposed upon him in favor of other persons.
 3. indemnify an office holder of the company for:
 - (a) monetary liabilities or obligations imposed upon, or actually incurred by, such officer holder in favor of other persons pursuant to a court judgment, including a compromise judgment or an arbitrator's decision approved by a court, by reason of acts or omissions of such officer holder in his or her capacity as an office holder of the company;
 - (b) reasonable litigation expenses, including attorney's fees, actually incurred by such office holder or imposed upon him or her by a court, in an action, suit or proceeding brought against him or her by or on behalf of us or by other persons, or in connection with a criminal action from which he or she was acquitted, or in connection with a criminal action which does not require criminal intent in which he was convicted, in each case by reason of acts or omissions of such officer holder in his or her capacity as an office holder; and
 - (c) reasonable litigation expenses, including attorneys' fees, actually incurred by such office holder due to an investigation or a proceeding instituted against such office holder by an authority competent to administrate such an investigation or proceeding, and that was finalized without the filing of an indictment against such office holder and without any financial obligation imposed on such office holder in lieu of criminal proceedings, or that was finalized without the filing of an indictment against such office holder but with financial obligation imposed on such office holder in lieu of criminal proceedings of a crime which does not require proof of criminal intent, in each case by reason of acts of such officer holder in his or her capacity as an office holder of the company.
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The Companies Law provides that a company's articles of association may provide for indemnification of an office holder post-factum and may also provide that a company may undertake to indemnify an office holder in advance, as described in:

- i. sub-section 3(a) above, provided such undertaking is limited to and actually sets forth the occurrences, which, in the opinion of the company's board of directors based on the current activity of the company, are, at the time such undertaking is provided, foreseeable, and to an amount and degree that the board of directors has determined is reasonable for such indemnification under the circumstances; and
- ii. sub-sections 3(b) and 3(c) above.

The Companies Law provides that a company may not indemnify or exempt the liabilities of an office holder or enter into an insurance contract which would provide coverage for the liability of an office holder with respect to the following:

- o a breach of his fiduciary duty, except to the extent described above;
- o a breach of his duty of care, if such breach was done intentionally, recklessly or with disregard of the circumstances of the breach or its consequences, but excluding a breach due to negligence only;
- o an act or omission done with the intent to unlawfully realize personal gain; or
- o a fine or monetary settlement imposed upon him.

Under the Companies Law, the term "office holder" may include a director, managing director, general manager, chief executive officer, executive vice president, vice president, other managers directly subordinate to the managing director and any other person fulfilling or assuming any such position or responsibility without regard to such person's title.

The grant of an exemption, an undertaking to indemnify or indemnification of, and procurement of insurance coverage for, an office holder of a company requires, pursuant to the Companies Law, the approval of our audit committee and board of directors, and, in certain circumstances, including if the office holder is a director, the approval of our shareholders.

We have entered into an insurance contract for directors and officers and have procured indemnification insurance for our office holders to the extent permitted by our Articles of Association.

We have also entered into indemnification agreements with certain of our directors and officers to the extent permitted by our Articles of Association. The indemnification agreements provide that, subject only to mandatory provisions of applicable law to the contrary, we will indemnify such individuals against the obligations and expenses described above with respect to acts performed in the capacity of an office holder, subject, in certain instances, to (i) the obligation or expense being imposed or expended in connection with a specified event; and (ii) a specific cap. The indemnification agreements also exempt such individuals from liability for damage caused or to be caused to us as a result of a breach of such individual's duty of care, subject only to mandatory provisions of applicable law to the contrary.

Item 7. Exemption From Registration Claimed.

Not applicable.

Item 8. Exhibits.

Exhibit Numbers	Description of Document
3.1	Articles of Association of the Registrant, approved by shareholders on November 14, 2000, as amended (incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form F-1, File No. 333-126909)
3.2	Amendment to the Articles of Association of the Registrant (approved by shareholders on December 7, 2003) (incorporated by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form S-8, File No. 333-117565)
3.3	Amendment to Articles of Association of the Registrant (approved by shareholders on September 28, 2006) (incorporated by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form S-8, File No. 333-138837)
3.4	Amendment to Articles of Association of Registrant (approved by shareholders on September 24, 2008) (incorporated by reference to Exhibit 3.4 of the Registrant's Registration Statement on Form S-8, File No. 333-153710)
4.1	2009 Employee Share Incentive Plan
4.2	Form of Grant Letter to Israeli Employees for the 2009 Employee Share Incentive Plan
4.3	Form of Grant Letter to U.S. Employees for the 2009 Employee Share Incentive Plan
4.4	Form of Grant Letter to non-Israeli/non-U.S. Employees for the 2009 Employee Share Incentive Plan
4.5	Independent Directors Share Option Plan 2007 (incorporated by reference to Exhibit 4.10 of the Registrant's Registration Statement on Form S-8, File No. 333-147071)
4.6	Form of Grant Letter for the Independent Directors Share Option Plan 2007 (incorporated by reference to Exhibit 4.11 of the Registrant's Registration Statement on Form S-8, File No. 333-147071)
5.1	Opinion of Yigal Arnon & Co.
23.1	Consent of Yigal Arnon & Co. (contained in their opinion constituting Exhibit 5.1)
23.2	Consent of Brightman Almagor Zohar & Co.
24.1	Power of Attorney (included on signature page)

Item 9. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

- i. To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;
- ii. To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment hereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and
- iii. To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- i. Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
- ii. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
- iii. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
- iv. Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in such Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement on Form S-8 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Migdal Haemek, Israel, on April 30, 2010.

TOWER SEMICONDUCTOR LTD.

By: /s/ Russell C. Ellwanger
Russell C. Ellwanger
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in their respective capacities and on the respective dates indicated. Each person whose signature appears below hereby authorizes Russell Ellwanger with full power of substitution, to execute in the name and on behalf of such person any amendment or any post-effective amendment to this Registration Statement and to file the same, with exhibits thereto, and other documents in connection therewith, making such changes in this Registration Statement as the Registrant deems appropriate, and appoints Russell Ellwanger, with full power of substitution, attorney-in-fact to sign any amendment and any post-effective amendment to this Registration Statement and to file the same, with exhibits thereto, and other documents in connection therewith.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Amir Elstein</u> Amir Elstein	Chairman of the Board	April 30, 2010
<u>/s/ Russell C. Ellwanger</u> Russell C. Ellwanger	Chief Executive Officer (Principal Executive Officer)	April 30, 2010
<u>/s/ Oren Shirazi</u> Oren Shirazi	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 30, 2010
<u>/s/ Ilan Flato</u> Ilan Flato	Director	April 30, 2010

/s/ Nir Gilad Director April 30, 2010
Nir Gilad

/s/ Dana Gross Director April 30, 2010
Dana Gross

/s/ Rami Guzman Director April 30, 2010
Rami Guzman

/s/ Kalman Kaufman Director April 30, 2010
Kalman Kaufman

/s/ Alex Kornhauser Director April 30, 2010
Alex Kornhauser

/s/ Ron Moskovitz Director April 30, 2010
Ron Moskovitz

AUTHORIZED
REPRESENTATIVE IN THE
UNITED STATES
Tower Semiconductor USA, Inc. April 30, 2010

By: /s/Russell C. Ellwanger
Russell C. Ellwanger
Chief Executive Officer

EXHIBIT INDEX

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**TOWER SEMICONDUCTOR LTD.
2009 EMPLOYEE SHARE INCENTIVE PLAN**

A. NAME AND PURPOSE

1. **Name:** This plan, as amended from time to time, shall be known as the “2009 Employee Share Incentive Plan” or the “Plan”.
2. **Purpose:** The purpose and intent of the Plan is to provide incentives to employees of the Company by providing them with opportunities to purchase Shares, pursuant to a plan approved by Tower’s Board of Directors (the “Board”) which is designed to enable the Company to issue equity related awards.
3. Incentives under the Plan will only be issued to Grantees (as defined below) subject to the applicable law in their respective country of residence for tax or other purposes.

B. DEFINITIONS

“**Administrator**” means (i) the Board, or (ii) Tower’s Compensation Committee (the “Committee”).

“**Affiliate**” means any company in which Tower Semiconductor Ltd., a company organized under the laws of the State of Israel (“Tower”), holds, directly or indirectly, at least 10% of the issued share capital or voting power.

“**Award**” means any type of Option and/or Restricted Share Unit under the Plan.

“**Cause**” means with respect to any Grantee, the meaning of such term as set forth in the employment or other service agreement between the Company (or any Affiliate) and the Grantee or, in the event there is no such employment or service agreement (or if any such employment or service agreement does not contain such a definition), such term shall mean (i) breach of the Grantee’s duty of loyalty towards the Company, (ii) breach of the Grantee’s duty of care towards the Company, (iii) the commission of any criminal offense by the Grantee, (iv) the commission of any act of fraud, embezzlement or dishonesty towards the Company by the Grantee, (v) any unauthorized use or disclosure by the Grantee of confidential information or trade secrets of the Company, (vi) involvement in a transaction in connection with the performance of duties to the Company which transaction is adverse to the interests of the Company and which is engaged in for personal profit, (vii) any other intentional misconduct by the Grantee (by act or omission) adversely affecting the business or affairs of the Company in a material manner, or (viii) any act or omission by an Israeli Grantee which would allow for the termination of the Grantee’s employment without severance pay, according to the Israeli Severance Pay Law, 1963, or any similar provision of law in the jurisdiction in which the Grantee is employed.(ix) material breach of any employment or service agreement with the Company

“**Cessation of Service**” means the cessation of the employee-employer relationship between the Grantee and the Company for any reason; “Cessation of Service” shall not include: (i), and (ii) the transfer of a Grantee from the employ of Tower to the employ of an Affiliate, or from the employ of an Affiliate to the employ of the Tower or another Affiliate.

“**Companies Law**” means the Israeli Companies Law, 1999.

“**Company**” means Tower and/or any Affiliate thereof.

“**Corporate Transaction**” means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events: (i) a sale or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries; (ii) a sale or other disposition of at least eighty percent (80%) of the outstanding equity securities of the Company; (iii) a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or (iv) a merger, consolidation or reorganization following which the Company is the surviving corporation but the Shares of the Company outstanding immediately preceding the merger, consolidation or reorganization are converted or exchanged by virtue of the merger, consolidation or reorganization into other property, whether in the form of securities, cash or otherwise. Whether a transaction is a “Corporate Transaction” as defined above, shall be finally and conclusively determined by the Administrator in its absolute discretion.

“**Date of Grant**” means the effective date of grant of an Award, as detailed in Section 6.1 below.

“**Date of Cessation**” means the effective date of a Cessation of Service.

“**Disability**” means the inability to engage in any substantial gainful occupation for which the Grantee is suited by education, training or experience, by reason of any medically determinable physical or mental impairment that is expected to result in such person’s death or to continue for a period of six (6) consecutive months or more.

“**Exercise Conditions**” means a Vesting Period and/or Performance Conditions.

“**Exercise Price**” means (i) the purchase price per Share, or (ii) the nominal value per Share to be paid upon the vesting of an Award that does not require exercise by the Grantee, to the extent the Grantee is required to pay such nominal value hereunder, as applicable.

“**Exercised Share**” means a Share issued upon exercise of an Award or vesting of an Award, as applicable,

“**Grantee**” means an employee of the Company to whom an Award shall be granted under the Plan.

“**Notice of Exercise**” means a written notice of exercise of an Award delivered by a Grantee to the Representative.

“**Notice of Grant**” means a written notice of the grant of an Award delivered by the Company to a Grantee relating to the terms of the grant.

“**Option**” means an option to purchase a Share or Shares.

“**Performance Based Award**” means a performance based Award as defined in Section 11.1 below.

“**Performance Conditions**” as defined in Section 11.1 below.

“**Representative**” means any third party designated by the Company for the purpose of the exercise of Awards, as provided in Section 9.2 below.

“**RSU**” means Restricted Share Unit, as defined in Section 10 below.

“**Sale**” means the sale of all or substantially all of the issued and outstanding share capital of the Company.

“**Share**” means an ordinary share, nominal value of NIS 1.00 each of the Company.

“**Successor Entity Award**” means Awards for which the underlying Shares are replaced by securities of any successor entity, as provided in Section 12.5 below.

“**Tax**” means any and all federal, provincial, state and local taxes of any applicable jurisdiction, and other governmental fees, charges, duties, impositions and liabilities of any kind whatsoever, including social security, national health insurance or similar compulsory payments, together with all interest, linkage for inflation, penalties and additions imposed with respect to such amounts.

“**Vesting Period**” means the period between the Date of Grant and the date on which (i) the Grantee may exercise the Award into Exercised Shares; or (ii) if said Award does not require the Grantee to exercise it, the date on which the Award vests into an Exercised Share.

C. GENERAL TERMS AND CONDITIONS OF THE PLAN

4. Administration:

4.1 The Plan will be administered by the Administrator, subject to applicable law.

4.2 Subject to the general terms and conditions of the Plan, the Administrator shall have the full authority in its discretion, from time to time and at any time to determine (i) the Grantees under the Plan, (ii) the number of Shares in each Award, the type of Award and the Exercise Price per Share, (iii) the time or times at which the same shall be granted, (iv) the schedule and conditions, including Performance Conditions, if applicable, on which Awards may vest or be exercised and on which Shares shall be paid for, (v) the method of payment for Shares purchased pursuant to any Award, (vi) the method for satisfaction of any tax withholding obligation arising in connection with an Award, including by the withholding, delivery or sale of Shares, (vii) rules and provisions, as may be necessary or appropriate to permit eligible Grantees resident or employed in any specific jurisdiction to participate in the Plan and/or to receive preferential tax treatment in their country of residence, with respect to Awards granted hereunder, and/or (viii) any other matter which is necessary or desirable for, or incidental to, the administration of the Plan.

4.3 The Company may retain the right in an Award Agreement to cause a forfeiture of the gain realized by a Grantee on account of actions taken by the Grantee in violation or breach of or in conflict with any employment agreement, non-competition agreement, any agreement prohibiting solicitation of employees or clients of the Company or any confidentiality obligation with respect to the Company or otherwise in competition with the Company, to the extent specified in such Award Agreement applicable to the Grantee. Furthermore, the Company may annul an Award if the Grantee is an employee of the Company and is terminated for Cause as defined in the applicable Award Agreement or the Plan, as applicable.

4.4 Any provision of the Plan or any Award Agreement notwithstanding, the Committee may cause any Award granted hereunder to be amended, modified or cancelled in consideration of a cash payment, an alternative Award or both made to the holder of such cancelled Award equal to or greater than the Fair Market Value of such cancelled Award.

4.5 The Administrator may, from time to time, adopt such rules and regulations for carrying out the Plan, as it may deem necessary.

4.6 The interpretation and construction by the Administrator of any provision of the Plan or of any Award thereunder shall be final and conclusive and binding on all parties who have an interest in the Plan or any Award or Exercised Share, unless otherwise determined by the Administrator.

5. Eligible Grantees:

5.1 The administrator, at its discretion, may grant Awards to any employee of the Company.

5.2 The grant of an Award to a Grantee hereunder, shall neither entitle such Grantee to participate, nor disqualify him from participating, in any other grant of Awards pursuant to the Plan or any other incentive plan of Tower.

6. Date of Grant and Shareholder Rights:

6.1 Date of Grant. Subject to Sections 8.1 and 8.2 hereof, the Date of Grant shall be the date the Administrator resolves to grant such Award, or any later date, if so specified by the Administrator in its determination relating to the grant of such Award. The Company shall promptly give the Grantee a Notice of Grant following such resolution.

6.2 Shareholder Rights. A Grantee holding an Award shall have no shareholder rights with respect to the Shares subject to such Award until such Grantee (i) shall have exercised such Award or such Award has vested, as applicable, (ii) shall have all restrictions applicable to any Shares issued to him removed, if applicable; (iii) has paid the applicable Exercise Price, if any; and (iv) has become the record holder of the Exercised Shares.

7. Reserved Shares:

7.1 The maximum number of Shares that may be subject to Awards granted under the Plan shall be 56,585,762 Shares by way of 28,292,881 Options (which represents 4% of Tower's shares on a fully diluted basis as of November 12, 2008, the date of the Board approval of the Plan), shall be reserved for grants to the CEO of Tower and 28,292,881 Options shall be reserved for grants to the Company's employees other than the CEO. Notwithstanding the above, the amount of available Options for grant at any time will be reduced by the aggregate number of outstanding Options under previous employee Option plans and under the CEO Share Option Plan 2005.

7.2 Without derogating from the foregoing in Section 7.1, all Shares under the Plan, in respect of which the right of a Grantee to hold or purchase or be issued the same shall, for any reason, terminate, expire or otherwise cease to exist without having been exercised, shall again be available for grant through Awards under the Plan, and under any sub-plans of the Plan, as the Administrator may determine at its own discretion, from time to time. Notwithstanding the above, Shares withheld or reacquired by the Company in satisfaction of tax withholding obligations pursuant to Section 15 below shall not be taken into account for the purposes of calculating the maximum number of Shares that may be subject to Awards pursuant to Section 7.1 above.

8. Required Approvals; Notice of Grant; Vesting:

8.1 The implementation of the Plan and the granting of any Award under the Plan shall be subject to the Company's procurement of all approvals and permits required by applicable laws or regulatory authorities having jurisdiction over the Plan, the Awards granted under it, and the Shares issued pursuant to it.

8.2 The Notice of Grant shall state, inter alia, the number of Shares subject to each Award, the type of Award, the vesting schedule, the dates when the Award may be exercised and/or will vest (as applicable), any restrictions upon transfer or sale of Shares (if applicable), the Exercise Price, the tax treatment to which the Award is subject and such other terms and conditions as the Administrator at its discretion may prescribe, provided that they are consistent with the Plan.

8.3 Vesting of Awards. Unless determined otherwise by the Administrator, Awards shall vest over a one to four year period according to the applicable vesting schedule and subject to any performance conditions which may be included in the Award. Specifically with respect to RSUs, unless determined otherwise by the Administrator, RSUs shall be fully vested upon the fulfillment of their vesting conditions, such that at the end of the applicable Vesting Period Tower shall issue the underlying Shares and the Grantee shall pay the Company such Shares' nominal value.

9. Options:

9.1 Exercise Price. The Exercise Price of an Option shall be equal to the closing price of Tower's Shares, as quoted on the NASDAQ market or the principal national securities exchange upon which Tower's Shares are listed or traded for the last market trading day prior to the date the Administrator resolves to grant such Award,. Notwithstanding the above, the exercise price will not be lower than the nominal value of the Shares.

9.2 Exercise of Options. Options shall be exercisable pursuant to the terms under which they were awarded and subject to the terms and conditions of the Plan. The exercise of an Option shall be made by a written Notice of Exercise delivered by the Grantee to the Representative, in such form and method as may be determined by the Company, specifying the number of Shares to be purchased, at the Representative's principal office, and containing such other terms and conditions as the Administrator shall prescribe from time to time.

9.3 Term of Options. Without derogating from the provisions of Section 9.5 below, if any Option has not been exercised and the Shares subject thereto not paid for within seven (7) years after the Date of Grant (or any shorter period set forth in the Notice of Grant), such Option and the right to acquire such Shares shall terminate, all interests and rights of the Grantee in and to the same shall ipso facto expire, and the Shares subject to such Options shall again be available for grant through Awards under the Plan, any sub-plans of the Plan, as provided for in Section 7 herein.

9.4 The exercise of the Options shall be subject to applicable law, including when applicable, the limitations in connection with the use of nonpublic information.

9.5 Cessation of Service.

(a) In the event of a Cessation of Service, all Options granted to such Grantee that are vested and exercisable on the Date of Cessation shall terminate ninety (90) days from the Date of Cessation, unless determined otherwise by the Administrator or as otherwise set forth in this section. All Options that are not vested on the Date of Cessation shall expire immediately.

(b) Notwithstanding subsection (a) above, in the event the Company terminates the employment of a Grantee under circumstances that entitle the Company to terminate the Grantee for Cause, all of the Grantee's Options, whether vested or not, shall expire on the Date of Cessation.

(c) If the Grantee's Cessation of Service is by reason of such Grantee's Disability, illness retirement at the legal retirement age, death or other cause approved by the Committee, Options that are vested on the Date of Cessation shall be exercisable by the Grantee or the Grantee's guardian, legal representative, estate or other person to whom the Grantee's rights are transferred by will or by laws of descent or distribution, at any time until one (1) year from the Date of Cessation.

(d) Notwithstanding the aforesaid, under no circumstances shall any Option be exercisable after the expiration of the term of such Option.

10. Restricted Share Units:

10.1 Subject to the sole and absolute discretion of the Administrator, the Administrator may decide to grant Restricted Share Units ("RSU(s)") under the Plan at a rate of one RSU for each three Options available for grant. An RSU is a right to receive a Share of the Company, under certain terms and conditions, in consideration for the underlying Share's nominal value. Upon the fulfillment of the Exercise Conditions of an RSU, such RSU shall automatically vest into an Exercised Share of the Company (subject to adjustments under Section 12 herein) and the Grantee shall pay to the Company its nominal value.

10.2 All other terms and conditions of the Plan applicable to Options, shall apply to RSUs, *mutatis mutandis*.

11. Performance Based Awards:

11.1 Subject to the sole and absolute discretion and determination of the Administrator, the Administrator may decide to grant Awards under the Plan, the exercise or vesting of which, as applicable, shall be conditional upon the performance of the Company and/or an Affiliate and/or a division or other business unit of the Company or of an Affiliate and/or upon the performance of the Grantee, over such period and measured against such objective criteria as shall be determined by the Administrator and notified to the Grantee ("**Performance Based Award(s)**"). In granting each Performance Based Award, the Administrator shall establish in writing the applicable performance period ("**Performance Period**"), performance formula ("**Performance Formula**") and one or more performance goals ("**Performance Goal(s)**") which, when measured at the end of the Performance Period, shall determine on the basis of said Performance Formula the extent to which the Performance Based Award has vested and/or become exercisable (collectively, the "**Performance Conditions**"). For the avoidance of doubt, Performance Conditions may be determined for an Award either in addition to, or in substitution for, a Vesting Period.

11.2 After a Performance Based Award has been granted, the Administrator may, in appropriate circumstances, amend any Performance Condition, at its sole and absolute discretion.

11.3 If, in consequence of the applicable Performance Conditions being met a Performance Based Award becomes vested and/or exercisable in respect of some, but not all of the number of Shares underlying such Award, the portion of the Shares not available for vesting or exercise shall lapse and cease to be exercisable.

11.4 Performance Conditions shall not be automatically waived merely due to an event of (i) a Cessation of Service, (ii) a Corporate Transaction, (iii) any other adjustment under Section 12 below, or (iv) a Sale under Section 12.6 below.

11.5 Measurement of Performance Goals. Performance Goals shall be established by the Administrator on the basis of targets to be attained with respect to one or more measures of business or financial performance that shall have the same meanings as used in the Company's financial statements, or, if such terms are not used in the Company's financial statements, they shall have the meaning applied pursuant to generally accepted accounting principles, or as used generally in the Company's industry ("Performance Measures"). For purposes of the Plan, the Performance Measures applicable to a Performance Based Award shall be calculated in accordance with generally accepted accounting principles, excluding the effect (whether positive or negative) of any change in accounting standards or any extraordinary, unusual or nonrecurring item, as determined by the Administrator, occurring after the establishment of the Performance Goals applicable to the Performance Based Award. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Performance Measures in order to prevent the dilution or enlargement of the Grantee's rights with respect to a Performance Based Award. Performance Measures may be one or more of the following, as determined by the Administrator: revenue; sales; expenses; operating income; gross margin; operating margin; earnings before any one or more of: share-based compensation expense, interest, taxes, depreciation and amortization; pre-tax profit; net operating income; net income; economic value added; free cash flow; operating cash flow; share price; earnings per share; return on shareholder equity; return on capital; return on assets; return on investment; employee satisfaction; employee retention; balance of cash, cash equivalents and marketable securities; market share; customer satisfaction; product development; research and development expenses; completion of an identified special project; and completion of a joint venture or other Corporate Transaction.

11.6 All other terms and conditions of the Plan applicable to Awards, shall apply to Performance Based Awards, *mutatis mutandis*.

12. Adjustments, Liquidation and Corporate Transaction:

12.1 Adjustments. Subject to any required action under any applicable law, the number and/or type of Shares subject to each outstanding Award, as well as the Exercise Price, shall be proportionately adjusted, as the Administrator deems necessary or appropriate, for any increase or decrease in the number of issued Shares resulting from a share split, reverse share split, stock dividend, combination or reclassification of the Shares, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company, in such manner as is appropriate in order to prevent dilution or enlargement of the rights of a Grantee under the Plan, and the number of Shares which have been authorized for issuance under the Plan shall likewise be proportionately adjusted; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Except as expressly provided in this Section 12, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Award. Any such adjustment in outstanding Options shall not change the aggregate Exercise Price payable with respect to shares underlying the outstanding Options but shall include a corresponding proportionate adjustment in the Exercise Price per share.

Except as expressly provided in this Section 12, the grant of Awards under the Plan shall in no way affect the right of the Company to distribute bonus shares, to offer rights to purchase its securities, or to distribute dividends.

12.2 Adjustments to Options' Exercise Price due to Distribution of Dividends. If the Company distributes cash dividends on an extraordinary basis with respect to all Shares issued to its shareholders, and the record date for determining the right to receive such dividends (the "Determining Date") is earlier than the Exercise Date of any Options granted hereunder, then the Exercise Price for each Option granted but not exercised prior to the Determining Date, shall be reduced by an amount equal to the gross amount of the dividend per Share distributed. If such distribution is in a currency different than the currency in which the Exercise Price is stated, said amount of reduction will be calculated in the same currency as the Exercise Price according to the representative rate of exchange as of the Determining Date, if applicable. Unless determined otherwise by the Administrator, the Exercise Price shall not be reduced to less than the nominal value of a Share.

12.3 Liquidation. In the event of the proposed dissolution or liquidation of the Company, all outstanding Awards will terminate immediately prior to the consummation of such proposed action. Notwithstanding the above, the Administrator may declare that any Award shall terminate as of a date fixed by the Administrator and give each Grantee the right to exercise his Award or have it vested, including Awards that would not otherwise vest or be exercisable.

12.4 If the Company shall be the surviving entity in any reorganization, merger, or consolidation of the Company with one or more other entities which does not constitute a Corporate Transaction, any Option theretofore granted pursuant to the Plan shall pertain to and apply to the securities to which a holder of the number of Shares subject to such Option would have been entitled immediately following such reorganization, merger, or consolidation, with a corresponding proportionate adjustment of the Exercise Price per share so that the aggregate Exercise Price thereafter shall be the same as the aggregate Exercise Price of the shares remaining subject to the Option immediately prior to such reorganization, merger, or consolidation. Subject to any contrary language in an Award Agreement evidencing an Award, any restrictions applicable to such Award shall apply as well to any replacement shares received by the Grantee as a result of the reorganization, merger or consolidation. In the event of a transaction described in this Section 12.4, RSUs shall be adjusted so as to apply to the securities that a holder of the number of Shares subject to the RSUs would have been entitled to receive immediately following such transaction.

12.5 Corporate Transaction.

(a) In the event of a Corporate Transaction, immediately prior to the effective date of such Corporate Transaction, each Award shall, should, among other things, at the sole and absolute discretion of the Administrator, either:

(i) Be substituted for a Successor Entity Award such that the Grantee may exercise the Successor Entity Award or have it become vested, as the case may be, for such number and class of securities of the successor entity which would have been issuable to the Grantee in consummation of such Corporate Transaction, had the Award vested or been exercised (as applicable), immediately prior to the effective date of such Corporate Transaction, given the exchange ratio or consideration paid in the Corporate Transaction, the Vesting Period and Performance Conditions (if any) of the Awards and such other terms and factors that the Administrator determines to be relevant for purposes of calculating the number of Successor Entity Awards granted to each Grantee;

(ii) Be assumed by any successor entity such that the Grantee may exercise the Award or have his/her Award vest (as applicable), for such number and class of securities of the successor entity which would have been issuable to the Grantee in consummation of such Corporate Transaction, had the Award vested or been exercised immediately prior to the effective date of such Corporate Transaction, given the exchange ratio or consideration paid in the Corporate Transaction, the Vesting Period and Performance Conditions (if any) of the Awards and such other terms and factors that the Administrator determines to be relevant for this purpose; or

(iii) Determine that the Awards shall be cashed out for a consideration equal to the difference between the price per share determined in the Corporate Transaction and the Exercise Price, purchase price, or nominal value, as the case may be, of such Award.

In the event of a clause (i) or clause (ii) action, appropriate adjustments shall be made to the Exercise Price per Share to reflect such action.

(b) Immediately following the consummation of the Corporate Transaction, all outstanding Awards (excluding Successor Entity Awards) shall terminate and cease to be outstanding, except to the extent assumed by a successor entity.

(c) Notwithstanding the foregoing, and without derogating from the power of the Administrator pursuant to the provisions of the Plan, the Administrator shall have full authority and sole discretion to determine that any of the provisions of Sections 12.5(a)(i) or 12.5(a)(ii) above shall apply in the event of a Corporate Transaction in which the consideration received by the shareholders of the Company is not solely comprised of securities of a successor entity, or in which such consideration is solely cash or assets other than securities of a successor entity. In addition, in the event that the Administrator determines in good faith that, in the context of a Corporate Transaction, certain Options have no monetary value and thus do not entitle the holders of such Options to any consideration under the terms of the Corporate Transaction, the Administrator may determine that such Options shall terminate effective as of the effective date of the Corporate Transaction. It is the intention that the Administrator's authority to make determinations, adjustments and clarifications in connection with the treatment of Awards shall be interpreted as widely as possible, to allow the Administrator maximal power and flexibility to interpret and implement the provisions of the Plan in the event of a Transaction, provided that the Administrator shall determine in good faith that a Grantee's rights are not thereby adversely affected without the Grantee's express written consent.

12.6 Sale. Subject to any provision in the Articles of Association of the Company and to the Administrator's sole and absolute discretion, in the event of a Sale, each Grantee shall be obligated to participate in the Sale and sell his or her Shares and/or Awards in the Company, provided, however, that each such Share or Award shall be sold at a price equal to that of any other Share sold under the Sale (and, unless determined otherwise by the Administrator, less the applicable Exercise Price), while accounting for changes in such price due to the respective terms of any such Award, and subject to the absolute discretion of the Administrator.

For purposes of a Sale, whether "all or substantially all of the issued and outstanding share capital of the Company is to be sold", shall be finally and conclusively determined by the Administrator in its absolute discretion.

12.7 The grant of Awards under the Plan shall in no way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

13. Limitations on Transfer.

13.1 Unless determined otherwise by the Administrator, no Award shall be assignable or transferable by the Grantee otherwise than by will or the laws of descent and distribution, and an Award shall vest or may be exercised (as applicable) only by such Grantee or his/her guardian or legal representative. The terms of such Award shall be binding upon the beneficiaries, executors, administrators, heirs and successors of such Grantee. Any Shares acquired upon exercise or vesting of Awards shall be transferable only in accordance with applicable securities and other local laws, and may be subject to substantial statutory or regulatory restrictions on transfer, except to the extent exemptions (whether by registration or otherwise) are available

13.2 Underwriter's Lock-up and Limitations on the Use of Nonpublic Information. The Grantee's rights to sell Exercised Shares may be subject to certain limitations (including a lock-up period), as may be requested by the Company or its underwriters, from time to time, or upon a specific occurrence, and the Grantee unconditionally agrees and accepts any such limitations. Furthermore, the Grantee's right to sell Exercised Shares is subject to applicable law, including in connection with limitations relating to the use of non-public information, Company-wide black out periods and so forth.

14. Term and Amendment of the Plan:

14.1 The Plan shall continue until terminated by the Administrator. All Awards outstanding at the time of termination, as aforementioned, shall continue to have full force and effect in accordance with the provisions of the Plan and the documents evidencing such Awards.

14.2 Subject to applicable laws and regulations, the Administrator in its discretion may, at any time and from time to time, amend, alter, extend or terminate the Plan, as it deems advisable. In addition, the Administrator may adopt, as part of the Plan and based on it, sub-plans, in order to comply with all relevant and applicable laws and regulations of the country of residence of any Grantees.

15. Withholding and Tax Consequences:

15.1 All Tax consequences and obligations arising from the grant, vesting, or exercise of any Award (as applicable), or the subsequent disposition of, Shares subject thereto or from any other event or act (of the Company or of the Grantee) hereunder, shall be borne solely by the Grantee, and the Grantee shall indemnify the Company and hold it harmless against and from any and all liability for any such Tax, including without limitation, monetary liabilities relating to the necessity to withhold, or to have withheld, any such Tax payment from any payment made to the Grantee. The Company or any of its affiliates may make such provisions and take such steps as it may deem necessary or appropriate for the withholding of all taxes required by law to be withheld with respect to Awards granted under the Plan and the exercise or vesting thereof, including, but not limited, to (i) deducting the amount so required to be withheld from any other amount (or Shares issuable) then or thereafter to be provided to the Grantee, including by deducting any such amount from a Grantee's salary or other amounts payable to the Grantee, to the maximum extent permitted under law and/or (ii) requiring the Grantee to pay to the Company or any of its affiliates the amount so required to be withheld as a condition of the issuance, delivery, distribution or release of any Shares and/or (iii) by causing the exercise and sale of any Options or Shares held by on behalf of the Grantee to cover such liability, up to the amount required to satisfy minimum statutory withholding requirements. In addition, the Grantee will be required to pay any amount due in excess of the tax withheld and transferred to the tax authorities, pursuant to applicable tax laws, regulations and rules. Notwithstanding the above, the Company's obligation to deliver Shares upon the exercise or vesting of any Awards granted under the Plan shall be subject to the satisfaction of all applicable Tax withholding requirements and any other required payments as governed by applicable law or practice. The Company shall have the right, but not the obligation, to deduct from the Shares issuable to a Grantee upon the exercise or vesting of an Award, or to accept from the Grantee the tender of, a number of whole Shares having a fair market value, as determined by the Company, that will enable the Company to satisfy any Tax withholding obligations of the Company. The maximum number of Shares that may be withheld from any Award to satisfy any federal, state or local tax withholding requirements upon the exercise, vesting, lapse of restrictions applicable to such Award or payment of shares pursuant to such Award, as applicable, cannot exceed such number of shares having a fair market value equal to the minimum statutory amount required by the Company to be withheld and paid to any such federal, state or local taxing authority with respect to such exercise, vesting, lapse of restrictions or payment of shares.

15.2 The Grantee shall, if requested at any time by the Company, provide to the Company within 10 calendar days of such request, any information regarding the transfer or other disposition of Shares reasonably required by the Company in order for the Company to comply with applicable local laws and regulations or to obtain any benefits thereunder.

16. Miscellaneous:

16.1 Continuation of Employment. Neither the Plan nor the grant of an Award thereunder shall impose any obligation on the Company to continue the employment or service of any Grantee. Nothing in the Plan or in any Award granted thereunder shall confer upon any Grantee any right to continue in the employ or service of the Company for any period of specific duration, or interfere with or otherwise restrict in any way the right of the Company to terminate such employment or service at any time, for any reason, with or without cause.

16.2 Governing Law. The Plan and all instruments issued thereunder or in connection therewith, shall be governed by, and interpreted in accordance with, the laws of the State of Israel, excluding the choice of law rules thereof.

16.3 Multiple Agreements. The terms of each Award may differ from other Awards granted under the Plan at the same time, or at any other time. The Administrator may also grant more than one grant of Awards to a given Grantee during the term of the Plan, either in addition to, or in substitution for, one or more Awards previously granted to that Grantee. The grant of multiple Awards may be evidenced by a single Notice of Grant or multiple Notices of Grant, as determined by the Administrator.

16.4 Non-Exclusivity of the Plan. The adoption of the Plan by the Administrator shall not be construed as amending, modifying or rescinding any previously approved incentive arrangement or as creating any limitations on the power of the Administrator to adopt such other incentive arrangements as it may deem desirable.

TOWER SEMICONDUCTOR LTD.

**ADDENDUM TO THE 2009 SHARE INCENTIVE PLAN
FOR ISRAELI GRANTEES**

1. General

1.1 This addendum (the “Addendum”) shall apply only to Grantees who are residents of the State of Israel or those who are deemed to be residents of the State of Israel for tax purposes (collectively, “Israeli Grantees”). The provisions specified hereunder shall form an integral part of the Tower Semiconductor Ltd. 2009 Share Incentive Plan (the “Plan”), which applies to the grant of Awards.

1.2 This Addendum is to be read as a continuation of the Plan and only modifies the terms of Awards granted to Israeli Grantees so that they comply with the requirements set by the Israeli law in general, and in particular with the provisions of the Israeli Tax Ordinance (as defined below), as may be amended or replaced from time to time.

1.3 The Plan and this Addendum are complimentary to each other and shall be deemed as one. In any case of contradiction with respect to Awards granted to Israeli Grantees, whether explicit or implied, between the provisions of this Addendum and the Plan, the provisions set out in this Addendum shall prevail.

1.4 Any capitalized term not specifically defined in this Addendum shall be construed according to the definition or interpretation given to it in the Plan

2. Definitions

“**102 Award**” means a grant of an Award to an Israeli employee, director or other office holder of the Company, other than to a Controlling Shareholder, pursuant to the provisions of Section 102 of the Tax Ordinance, the 102 Rules, and any other regulations, rulings, procedures or clarifications promulgated thereunder, or under any other section of the Tax Ordinance that will be relevant for such issuance in the future.

“**102(c) Award**” means a 102 Award that will not be subject to a Taxation Route, as detailed in Section 102(c) of the Tax Ordinance.

“**Beneficial Grantee**” means the Grantee for the benefit of whom the Trustee holds an Award in Trust.

“**Capital Gains Route**” means the capital gains tax route under Section 102(b)(2) of the Tax Ordinance.

“**Controlling Shareholder**” means a “controlling shareholder” of the Company, as such term is defined in Section 32(9)(a) of the Tax Ordinance.

“**Minimum Trust Period**” means the minimum period of time required under a Taxation Route for Awards and/or Exercised Shares to be held in Trust in order for the Beneficial Grantee to enjoy to the fullest extent the tax benefits afforded under such Taxation Route, as prescribed at any time by Section 102 of the Tax Ordinance.

“**Ordinary Income Route**” means the ordinary income route under Section 102(b)(1) of the Tax Ordinance.

“**Rights**” means rights issued in respect of Exercised Shares, including bonus shares.

“**102 Rules**” means the Israeli Income Tax Rules (Tax Relief in Issuance of Shares to Employees), 2003.

“**Taxation Route**” means each of the Ordinary Income Route or the Capital Gains Route.

“**Tax Ordinance**” means the Israeli Income Tax Ordinance [New Version], 1961, as amended.

“**Trust**” means the holding of an Award or Exercised Share by the Trustee in Trust for the benefit of the Beneficial Grantee, pursuant to the instructions of a Taxation Route.

“**Trustee**” means a trustee designated by the Administrator in accordance with the provisions of Section 3 below and, with respect to 102 Awards, approved by the Israeli Tax Authorities.

3. Administration:

3.1 The Administrator has elected the Capital Gains Route for grants of 102 Awards pursuant to the provisions of Section 102 of the Ordinance and the applicable regulations.

3.2 Subject to the general terms and conditions of the Plan, the Tax Ordinance, and any other applicable laws and regulations, the Administrator shall have the full authority in its discretion, from time to time, to determine with respect to grants of 102 Awards –the identity of the trustee who shall be granted such 102 Awards in accordance with the provisions of the Plan and the then prevailing Taxation Route.

3.3 Notwithstanding the aforesaid, the Administrator may, from time to time, grant 102(c) Awards.

4. Grant of Awards and Issuance of Shares:

Subject to the provisions of the Tax Ordinance and applicable law all grants of Awards to Israeli employees, directors and office holders of the Company, other than to a Controlling Shareholder, shall be of 102 Awards:

5. Trust:

5.1 General.

a. In the event Awards are deposited with a Trustee, the Trustee shall hold each such Award and any Exercised Shares in Trust for the benefit of the Beneficial Grantee.

b. In accordance with Section 102, the tax benefits afforded to 102 Awards (and any Exercised Shares) in accordance with the Ordinary Income Route or Capital Gains Route, as applicable, shall be contingent upon the Trustee holding such 102 Awards for the applicable Minimum Trust Period.

c. With respect to 102 Awards granted to the Trustee, the following shall apply:

i) A Grantee granted 102 Awards shall not be entitled to sell the Exercised Shares or to transfer such Exercised Shares (or such 102 Awards) from the Trust prior to the lapse of the Minimum Trust Period; and

ii) Any and all Rights shall be issued to the Trustee and held thereby until the lapse of the Minimum Trust Period, and such Rights shall be subject to the Taxation Route which is applicable to such Exercised Shares.

d. Notwithstanding the aforesaid, Exercised Shares or Rights may be sold or transferred, and the Trustee may release such Exercised Shares or Rights from Trust, prior to the lapse of the Minimum Trust Period, provided however, that tax is paid or withheld in accordance with Section 102 of the Tax Ordinance and Section 7 of the 102 Rules, and any other provision in any other section of the Tax Ordinance and any regulation, ruling, procedure and clarification promulgated thereunder, that will be relevant, from time to time.

e. The Company shall register the Exercised Shares issued to the Trustee pursuant to the Plan, in the name of the Trustee for the benefit of the Israeli Grantees, in accordance with any applicable laws, rules and regulations, until such time that such Shares are released from the Trust as herein provided.

If the Company shall issue any certificates representing Exercised Shares deposited with the Trustee under the Plan, then such certificates shall be deposited with the Trustee, and shall be held by the Trustee until such time that such Exercised Shares are released from the Trust as herein provided.

f. Subject to the terms hereof, at any time after the Awards are exercised or vested, with respect to any Exercised Shares the following shall apply:

i) Upon the written request of any Beneficial Grantee, the Trustee shall release from the Trust the Exercised Shares issued, on behalf of such Beneficial Grantee, by executing and delivering to the Company such instrument(s) as the Company may require, giving due notice of such release to such Beneficial Grantee, provided, however, that the Trustee shall not so release any such Exercised Shares to such Beneficial Grantee unless the latter, prior to, or concurrently with, such release, provides the Trustee with evidence, satisfactory in form and substance to the Trustee, that payment of all taxes, if any, required to be paid upon such release has been secured.

ii) Alternatively, subject to the terms hereof, provided the Shares are listed on a stock market, upon the written instructions of the Beneficial Grantee to sell any Exercise Shares, the Company and/or the Trustee shall use their reasonable efforts to effect such sale and shall transfer such Shares to the purchaser thereof concurrently with the receipt of, or after having made suitable arrangements to secure, the payment of the proceeds of the purchase price in such transaction. The Company and/or the Trustee, as applicable, shall withhold from such proceeds any and all taxes required to be paid in respect of such sale, shall remit the amount so withheld to the appropriate tax authorities and shall pay the balance thereof directly to the Beneficial Grantee, reporting to such Beneficial Grantee the amount so withheld and paid to said tax authorities.

5.2 Voting Rights. Unless determined otherwise by the Administrator, as long as the Trustee holds the Exercised Shares, the voting rights at the Company's general meeting attached to such Exercised Shares will remain with the Trustee. However, the Trustee shall not be obligated to exercise such voting rights at general meetings nor notify the Grantee of any Shares held in the Trust, of any meeting of the Company's shareholders.

Without derogating from the above, with respect to 102 Awards, such shares shall be voted in accordance with the provisions of Section 102 and any rules, regulations or orders promulgated thereunder.

5.3 Dividends. Subject to any applicable law, tax ruling or guidelines of the Israeli Tax Authority, as applicable, for so long as Shares deposited with the Trustee on behalf of a Beneficial Grantee are held in Trust, the cash dividends paid or distributed with respect thereto shall be distributed directly to such Beneficial Grantee, subject further to any applicable taxation on distribution of dividends, and when applicable subject to the provisions of Section 102 of the Tax Ordinance, the 102 Rules and the regulations or orders promulgated thereunder.

5.4 Notice of Exercise. With respect to a 102 Award held in the Trust, a copy of any Notice of Exercise shall be provided to the Trustee, in such form and method as may be determined by the Trustee in accordance with the requirements of Section 102 of the Tax Ordinance.

6. Notice of grant:

6.1 The Notice of Grant shall state, *inter alia*, whether the Awards granted to Israeli Grantees are 102 Awards (and in particular whether the 102 Awards are granted under the Ordinary Income Route, the Capital Gains Route or as 102(c) Awards). Each Notice of Grant evidencing a 102 Award shall be subject to the provisions of the Tax Ordinance applicable to such awards.

6.2 Furthermore, each Grantee of a 102 Award under a Taxation Route shall be required: (i) to execute a declaration stating that he or she is familiar with the provisions of Section 102 of the Tax Ordinance and the applicable Taxation Route; and (ii) to undertake not to sell or transfer the Awards and/or the Exercised Shares prior to the lapse of the applicable Minimum Trust Period, unless he or she pays all taxes that may arise in connection with such sale and/or transfer.

7. Sale:

In the event of a Sale described in Section 12.6 of the Plan, with respect to Shares held in Trust the following procedure will be applied: The Trustee will transfer the Shares held in Trust and sign any document in order to effectuate the transfer of Shares, including share transfer deeds, provided, however, that the Trustee receives a notice from the Administrator, specifying that: (i) all or substantially all of the issued outstanding share capital of the Company is to be sold, and therefore the Trustee is obligated to transfer the Shares held in Trust under the provisions of Section 11.5 of the Plan; and (ii) the Company is obligated to withhold at the source all taxes required to be paid upon release of the Shares from the Trust and to provide the Trustee with evidence, satisfactory to the Trustee, that such taxes indeed have been paid; and (iii) the Company is obligated to transfer the consideration for the Shares (less applicable tax and compulsory payments) directly to the Grantees.

8. Limitations of Transfer:

In addition to the provisions of Section 13 of the Plan, as long as Awards and/or Shares are held by the Trustee on behalf of the Grantee, all rights of the Grantee over the Shares are personal, cannot be transferred, assigned, pledged or mortgaged, other than by will or pursuant to the laws of descent and distribution.

9. Taxation:

9.1 Without derogating from the provisions of Section 15 of the Plan, the provisions of Section 15.1 of the Plan shall apply also to actions taken by the Trustee. Accordingly, without derogating from the provisions of Section 15.1 of the Plan, the Grantee shall indemnify the Trustee and hold it harmless against and from any and all liability for any such Tax, including without limitation, monetary liabilities relating to the necessity to withhold, or to have withheld, any such Tax from any payment made to the Grantee.

9.2 The Trustee shall not be required to release any Share (or Share certificate) to a Grantee until all required Tax payments have been fully made or secured.

9.3 With regards to 102 Awards, any provision of Section 102 of the Tax Ordinance, the 102 Rules and the regulations or orders promulgated thereunder, which is necessary in order to receive and/or to preserve any Tax treatment pursuant to Section 102 of the Tax Ordinance, which is not expressly specified in the Plan or in this Addendum, shall be considered binding upon the Company and the Israeli Grantee.

9.4 Guarantee. In the event a 102(c) Award is granted to a Grantee, and in the event of Cessation of Service, such Grantee shall provide the Company, to its full satisfaction, with a guarantee or collateral securing the future payment of all Taxes required to be paid upon the sale of the Exercised Shares received upon exercise of such 102(c) Award, all in accordance with the provisions of Section 102 of the Tax Ordinance, the 102 Rules and the regulations or orders promulgated thereunder.

TOWER SEMICONDUCTOR LTD.

**ADDENDUM TO THE 2009 SHARE INCENTIVE PLAN
FOR GRANTEES WHO ARE CITIZENS OF THE UNITED STATES OR RESIDENT ALIENS**

Notwithstanding anything to the contrary contained in the Plan, for an Award granted to a Grantee who is subject to federal income tax under the laws of the United States, the following requirements shall apply:

1. Awards granted to US residents will be made as nonqualified options ("NQO") and/or as Restricted Stock Units ("RSU's").

2. The Exercise Price per share under each NQO shall be not less than 100% of the fair market value of a Share on the Date of Grant of such NQO

3. For all purposes of this Appendix A, the term "fair market value", as used by reference to the Shares on the Date of Grant, shall mean the closing price of the Company's Shares, as quoted on the NASDAQ market or the principal national securities exchange upon which the Company's Shares are listed or traded for the last market trading day prior to the Date of Grant, or if a closing sales price is not quoted on such date— the closing Share price as quoted on the NASDAQ market or such other exchange on the first date following such date for which a closing sales price is quoted. If the Company's Shares are not listed on NASDAQ or such other exchange, "fair market value" of the Shares on the Date of Grant shall be determined by the Administrator in good faith in a manner consistent with Code Section 409A.

4. Such NQO grant shall be made, construed and administered in all respects to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended. Without limiting the generality of the foregoing, and notwithstanding Section 12.2 of the Plan to the contrary, or otherwise, the Exercise Price per share under any NQO shall not be reduced after such NQO is granted, and no NQO shall be amended, if such reduction or amendment would cause noncompliance with the requirements of Section 409A. For purposes of granting NQOs, an entity may not be considered an Affiliate if it results in noncompliance with Section 409A. To the extent that the Administrator determines that a Grantee would be subject to the additional 20% tax imposed on certain nonqualified deferred compensation plans pursuant to Section 409A as a result of any provision of any Award granted under this Plan, such provision shall be deemed amended, without consent of the Grantee, to the minimum extent necessary to avoid application of such additional tax. The nature of any such amendment shall be determined by the Administrator.

5. Notwithstanding any other provision of this Plan or of any other agreement, contract, or understanding heretofore or hereafter entered into by a Grantee with the Company or any Affiliate, except an agreement, contract, or understanding that expressly addresses Section 280G or Section 4999 of the Code (an "Other Agreement"), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Grantee (including groups or classes of Grantees or beneficiaries of which the Grantee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Grantee (a "Benefit Arrangement"), if the Grantee is a "disqualified individual," as defined in Section 280G(c) of the Code, any Option or RSU held by that Grantee and any right to receive any payment or other benefit under this Plan shall not become exercisable or vested (i) to the extent that such right to exercise, vesting, payment, or benefit, taking into account all other rights, payments, or benefits to or for the Grantee under this Plan, all Other Agreements, and all Benefit Arrangements, would cause any payment or benefit to the Grantee under this Plan to be considered a "parachute payment" within the meaning of Section 280G(b)(2) of the Code as then in effect (a "Parachute Payment") and (ii) if, as a result of receiving a Parachute Payment, the aggregate after-tax amounts received by the Grantee from the Company under this Plan, all Other Agreements, and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by the Grantee without causing any such payment or benefit to be considered a Parachute Payment. In the event that the receipt of any such right to exercise, vesting, payment, or benefit under this Plan, in conjunction with all other rights, payments, or benefits to or for the Grantee under any Other Agreement or any Benefit Arrangement would cause the Grantee to be considered to have received a Parachute Payment under this Plan that would have the effect of decreasing the after-tax amount received by the Grantee as described in clause (ii) of the preceding sentence, then the Grantee shall have the right, in the Grantee's sole discretion, to designate those rights, payments, or benefits under this Plan, any Other Agreements, and any Benefit Arrangements that should be reduced or eliminated so as to avoid having the payment or benefit to the Grantee under this Plan be deemed to be a Parachute Payment.

TOWER SEMICONDUCTOR LTD.
2009 EMPLOYEE SHARE INCENTIVE PLAN
NOTICE OF GRANT
FOR ISRAELI GRANTEES

Date _____

Dear _____:

I am pleased to inform you that the Board of Directors of Tower Semiconductor Ltd. (the "Company") has decided to grant you the following Options to purchase ordinary shares of the Company, nominal value NIS 1.00 each, subject to the terms and conditions of the Plan (including the Addendum for Israeli Taxpayers) which was submitted to the ITA on June 23, 2009, as follows:

Type of Options:	Section 102– Capital Gains Track
Total Number of Shares covered by this Option Grant:	<i>Number of Shares subject to Option Grant</i>
Exercise Price Per Share of Options:	\$ _____. Notwithstanding the above, the exercise price will not be lower than the nominal value of the Shares
Date of Option Grant:	<i>Grant Date</i>
Options Expiration Date:	7 Years from Grant Date. If your employment with the Company is terminated voluntarily by you or is terminated by the Company for any reason (other than as set forth in the Plan), vested Options that have vested as of the effective date of termination may be exercised within ninety (90) days after your last day of employment with the Company.
Vesting Schedule:	(a) ____ Options shall vest on ____; (b) ____ Options shall vest on ____; (c) ____ Options shall vest on ____; and (d) ____ Options shall vest on ____; All vesting is subject to the Grantee continuing to be an Employee on such vesting date.
Special Terms (if any):	

David H. Schapiro Legal Services (the "Trustee") has been appointed to administer your Options in accordance with Section 102 of the Ordinance and the Income Tax Rules (Tax Benefits Regarding the Grant of Options to Employees), 2003 (the "Rules") and pursuant to an agreement with the Trustee that may be amended from time to time (the "Trust Agreement").

The Options pursuant to this Notice will be issued once you sign: (i) this Notice and the attached Employee's Declaration, and (ii) any other form which is required under Section 102 and which will be provided to you by the Company, and return them to the Company. The forms referred to above must be SENT to the Human Resources Manager only, no later than _____ on 15:00. No Award will be granted to you if the forms are not returned by such date. If you are unable to return the forms by such date, you may contact the CFO or VP Human Resources of the Company, who is authorized, at his/her discretion, to extend such date, but in any event no later than _____.

Capitalized terms not defined in this Notice shall have the meaning ascribed to them in the Plan, including the Addendum for Israeli Taxpayers.

Sincerely,

Tower Semiconductor Limited

Name of Employee: _____

Date: _____

Employee signature: _____

Employee ID number: _____

Employee address: _____

Employee's Declaration

By your signature and the signature of the Company's representative below, you and the Company agree that the Options are granted under and governed by (i) this Notice, (ii) the Plan (including the Appendix for Israeli Taxpayers), a copy of which has been provided or made available for your review, (iii) Section 102(b)(2) of the Income Tax Ordinance (New Version) – 1961 and the Rules promulgated in connection therewith, and (iv) the Trust Agreement, a copy of which has been provided or made available for your review.

Furthermore, by signing below you acknowledge that unless otherwise permitted by the Income Tax Authorities, the Rules prohibit you from selling shares issued upon exercise of your Options during a period of twenty-four months from the Date of Grant ("Minimum Trust Period"). Notwithstanding the above, if you elect to sell your shares during the Minimum Trust Period, you hereby acknowledge that the sale of the shares will be taxed in accordance with the relevant provisions of Section 102 of the Ordinance and the Rules regarding a breach of the terms of the Minimum Trust Period. For the avoidance of doubt, a sale of the shares issued upon exercise of your Options during the Minimum Trust Period will forfeit your right to receive the tax benefits of the Capital Gains Track under Section 102(b)(2) of the Ordinance and the income derived from the exercise of the Options and the sale of the shares will be taxed as regular employment income (and not at the reduced capital gains tax rate, if applicable) and will be subject to National Insurance and Health tax.

By your signature below, you confirm that you are familiar with the terms and provisions of Section 102 of the ITO, particularly the Capital Gains Track described in subsection (b)(2) thereof, and agrees that you will not require the Trustee to release to you, or transfer to a third party, the Options or shares issued upon vesting of the Options during the Minimum Trust Period, unless permitted to do so by applicable law.

Name of Employee: _____

Signature: _____

I.D. Number: _____

Date: _____

**TOWER SEMICONDUCTOR LTD.
2009 EMPLOYEE SHARE INCENTIVE PLAN
NOTICE OF GRANT
FOR GRANTEES WHO ARE CITIZENS OF THE UNITED STATES
OR RESIDENT ALIENS**

Date

Dear *Name*:

I am pleased to inform you that the Board of Directors of Tower Semiconductor Ltd. (the "Company") has decided to grant you the following nonqualified options ("NQO") to purchase ordinary shares of the Company, nominal value NIS 1.00 each, subject to the terms and conditions of the Plan (including the Addendum for US citizens or residents), as follows:

Type of Options:	NQO
Total Number of Shares covered by this Option Grant:	<i>Number of Shares subject to Option Grant</i>
Exercise Price Per Share:	_____ Notwithstanding the above, the exercise price will not be lower than the nominal value of the Shares
Date of Option Grant:	<i>Grant Date</i>
Options Expiration Date:	7 Years from Grant Date.
Vesting Commencement Date	<i>Vesting Commencement Date</i>
Vesting Schedule:	(a) ____ Options shall vest on ____; (b) ____ Options shall vest on ____; (c) ____ Options shall vest on ____; and (d) ____ Options shall vest on ____; All vesting is subject to the Grantee continuing to be an Employee on such vesting date.
Special Terms (if any):	

Capitalized terms not defined in this Notice shall have the meaning ascribed to them in the Plan, including the Addendum for US citizens or residents.

The Options pursuant to this letter will be issued once you sign: (i) this Notice and (ii) any other form which is required under applicable law and which will be provided to you by the Company, and return them to the Company. The forms referred to above must reach the Human Resources Manager only, no later than _____ on 15:00. No Award will be granted to you if the forms are not returned by such date. If you are unable to return the forms by such date, you may contact the CFO or VP Human Resources of the Company, who is authorized, at his/her discretion, to extend such date, but in any event no later than _____.

Sincerely,

Tower Semiconductor Limited

Name of Employee: _____

Date: _____

Employee signature: _____

Employee ID number: _____

Employee address: _____

**TOWER SEMICONDUCTOR LTD.
2009 EMPLOYEE SHARE INCENTIVE PLAN
NOTICE OF GRANT**

FOR GRANTEES WHO ARE NOT RESIDENTS OF THE STATE OF ISRAEL AND
NOT CITIZENS OR RESIDENT ALIENS OF THE UNITED STATES
("FOREIGN RESIDENTS")

Date: _____

Dear *Name*:

I am pleased to inform you that the Board of Directors of Tower Semiconductor Ltd. (the "Company") has decided to grant you the following options to purchase ordinary shares of the Company, nominal value NIS 1.00 each, subject to the terms and conditions of the Plan (including the Addendum for US citizens or residents), as follows:

Total Number of Shares covered by this Option Grant:	<i>Number of Shares subject to Option Grant</i>
Exercise Price Per Share:	\$ ____ Notwithstanding the above, the exercise price will not be lower than the nominal value of the Shares
Date of Option Grant:	
Options Expiration Date:	7 Years from Grant Date. If your employment with the Company is terminated voluntarily by you or is terminated by the Company for any reason (other than as set forth in the Plan), vested Options that have vested as of the effective date of termination may be exercised within ninety (90) days after your last day of employment with the Company.
Vesting Schedule:	(a) 50% Options shall vest on _____; (b) 50% Options shall vest on _____; All vesting is subject to the Grantee continuing to be an Employee on such vesting date.

Capitalized terms not defined in this Notice shall have the meaning ascribed to them in the Plan, including the Addendum for Foreign Residents.

**TOWER SEMICONDUCTOR LTD.
2009 EMPLOYEE SHARE INCENTIVE PLAN
NOTICE OF GRANT**

The Options pursuant to this letter will be issued once you sign: (i) this Notice and (ii) any other form which is required under applicable law and which will be provided to you by the Company, and return them to the Company. The forms referred to above must reach the Human Resources Manager only, no later than _____ on 15:00. No Award will be granted to you if the forms are not returned by such date. If you are unable to return the forms by such date, you may contact the CFO or VP Human Resources of the Company, who is authorized, at his/her discretion, to extend such date, but in any event no later than _____.

Please note that Tower Semiconductor Limited does NOT undertake to cause the options covered by this Option Grant to qualify for any beneficial tax treatment which may be available in your country of residence, citizenship or employment. Tower Semiconductor Limited does NOT assume any responsibility for the payment or withholding of taxes or the reporting of income in your country of residence and/or citizenship in connection with the Option Grant, the exercise of the options or the sale of the ordinary shares.

Sincerely,

Tower Semiconductor Limited

Name of Employee: _____

Date: _____

Employee signature: _____

Employee ID number: _____

Employee address: _____

April 30, 2010

Tower Semiconductor Ltd.

P.O. Box 619

Migdal Haemek, Israel 10556

Re: Registration Statement on Form S-8

Dear Sirs:

We have acted as Israeli counsel for Tower Semiconductor Ltd., a company organized under the laws of Israel (the "Company"), in connection with the Registration Statement on Form S-8 (the "Registration Statement") being filed by the Company under the Securities Act of 1933 for the purposes of registering (i) 28,292,881 of its ordinary shares, par value New Israeli Shekel 1.00 per share ("Ordinary Shares"), that may be issued pursuant to options granted under the Company's 2009 Employee Share Incentive Plan (the "2009 Plan") and (ii) 300,000 Ordinary Shares that may be issued pursuant to options granted under the Company's Independent Directors Share Option Plan 2007 (the "2007 Plan" and together with the 2009 Plan, the "Plans";). The Ordinary Shares referred to in the preceding clauses (i) and (ii) are referred to herein as the "Option Shares."

On the basis of such investigation as we have deemed necessary, we are of the opinion that the Option Shares have been duly and validly authorized for issuance and, when issued upon due exercise in accordance with the applicable option agreement and governing Plan (including payment of the applicable option exercise price), will be legally issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion as an Exhibit to the Registration Statement. In giving this consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or the Rules and Regulations of the Securities and Exchange Commission thereunder.

The above opinion is based on facts existing on the date hereof and of which we are aware. We express no opinion as to any laws other than the laws of the State of Israel as the same are in force on the date hereof and we have not, for purpose of giving this opinion, made any investigation of the laws of any other jurisdiction.

Very truly yours,

/s/ Yigal Arnon & Co.

Yigal Arnon & Co.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Registration Statement on Form S-8 of our reports dated February 24, 2010 relating to the financial statements of Tower Semiconductor Ltd. (the "Company") and the effectiveness of the Company's internal control over financial reporting, appearing in the Annual Report on Form 20-F of the Company for the year ended December 31, 2009.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A member of Deloitte Touche Tohmatsu

Tel Aviv, Israel

April 29, 2010
