OMB Approval	
OMB Number:	3235-0145
Expires:	February 28, 2009
Estimated average burden hours per response	14.5

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

SCHEDULE 13D

Under the Securities Exchange Act of 1934

Tower Semiconductor Ltd.
(Name of Issuer)

Ordinary Shares, NIS 1.00 par value per share
(Title of Class of Securities)

M87915-10-0
(CUSIP Number)

Eyal Issaharov
Bank Hapoalim B.M.
50 Rothschild Blvd.
Tel Aviv 66883, Israel
972-3-5676532

Jennifer Janes
Bank Leumi le-Israel B.M.
34 Yehuda Halevi Street
Tel Aviv 65546, Israel
972-3-5149419

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

September 28, 2006
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. ☐

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

1. Names of Reporting Persons.
Bank Hapoalim B.M.

I.R.S. Identification Nos. of above persons (entities only).
Not applicable

2. Check the Appropriate Box if a Member of a Group (See Instructions)
(a) ☐
(b) ☐

3. SEC Use Only

4. Source of Funds (See Instructions)

OO

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ☐

6. Citizenship or Place of Organization -

Israel

Number of Shares Beneficially Owned by Each Reporting Person With	
	7. Sole Voting Power - 30,119,074
	8. Shared Voting Power - 448,298
	9. Sole Dispositive Power - 30,119,074
	10. Shared Dispositive Power - 448,298

11. Aggregate Amount Beneficially Owned by Each Reporting Person -

30,567,372

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ☒

13. Percent of Class Represented by Amount in Row (11) -

26.6% (1)

14. Type of Reporting Person (See Instructions)

BK

(1) Based on ordinary shares outstanding as of August 24, 2006, as reported by the Issuer in its Proxy Statement filed under cover of a Form 6-K on August 24, 2006 and giving effect to the transactions described herein and calculated in accordance with Rule 13d-3(d)(i).

1. Names of Reporting Persons.
Tarshish Hahzakot Vehashkaot Hapoalim Ltd.

I.R.S. Identification Nos. of above persons (entities only).
Not applicable.

2. Check the Appropriate Box if a Member of a Group (See Instructions)
(a) ☐
(b) ☐

3. SEC Use Only

4. Source of Funds (See Instructions)

OO

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ☐

6. Citizenship or Place of Organization -

Israel

Number of Shares Beneficially Owned by Each Reporting Person With	
	7. Sole Voting Power - 0
	8. Shared Voting Power - 448,298
	9. Sole Dispositive Power - 0
	10. Shared Dispositive Power - 448,298

11. Aggregate Amount Beneficially Owned by Each Reporting Person -

448,298

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ☒

13. Percent of Class Represented by Amount in Row (11) -

0.01% (1)

14. Type of Reporting Person (See Instructions)

CO

(1) Based on ordinary shares outstanding as of August 24, 2006, as reported by the Issuer in its Proxy Statement filed under cover of a Form 6-K on August 24, 2006 and giving effect to the transactions described herein and calculated in accordance with Rule 13d-3(d)(i).

1. Names of Reporting Persons.
Bank Leumi le-Israel B.M.

I.R.S. Identification Nos. of above persons (entities only).
Not applicable.

2. Check the Appropriate Box if a Member of a Group (See Instructions)
(a) ☐
(b) ☐

3. SEC Use Only

4. Source of Funds (See Instructions)

OO

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ☐

6. Citizenship or Place of Organization -

Israel

Number of Shares Beneficially Owned by Each Reporting Person With	7. Sole Voting Power -	30,567,372
	8. Shared Voting Power -	0
	9. Sole Dispositive Power -	30,567,372
	10. Shared Dispositive Power -	0

11. Aggregate Amount Beneficially Owned by Each Reporting Person -

30,567,372

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ☒

13. Percent of Class Represented by Amount in Row (11) -

26.6% (1)

14. Type of Reporting Person (See Instructions)

BK

(1) Based on ordinary shares outstanding as of August 24, 2006, as reported by the Issuer in its Proxy Statement filed under cover of a Form 6-K on August 24, 2006 and giving effect to the transactions described herein and calculated in accordance with Rule 13d-3(d)(i).

Item 1. Security and Issuer

The name of the issuer to which this Statement on Schedule 13D (this **"Statement"**) relates is Tower Semiconductor Ltd. (**"Tower"**). Its principal executive offices are located at Ramat Gavriel Industrial Park, P.O. Box 619, Migdal Haemek, 23105 Israel. This Statement relates to Tower's ordinary shares, New Israel Sheqel (**"NIS"**) 1.00 par value per share (the **"Ordinary Shares"**).

Item 2. Identity and Background

This Statement is filed on behalf of Bank Leumi le-Israel B.M. (**"Leumi"**), Bank Hapoalim B.M. (**"Hapoalim"**) and Tarshish Hahzakot Vehashkaot Hapoalim Ltd. (**"Tarshish"**). Leumi, Hapoalim and Tarshish are sometimes referred to herein individually as a **"Reporting Person"** and collectively as the **"Reporting Persons"**.

Leumi is a commercial bank organized under the laws of Israel. It is listed on the Tel Aviv Stock Exchange. The address of the principal office of Leumi is 34 Yehuda Halevi Street, Tel Aviv 65546, Israel.

Hapoalim is a commercial bank organized under the laws of Israel. Hapoalim is listed on the Tel Aviv Stock Exchange and the London Stock Exchange. Hapoalim also has American Depositary Receipts traded in the United States. The address of the principal office of Hapoalim is 50 Rothschild Blvd., Tel Aviv 66883, Israel.

Tarshish is a holding company organized under the laws of Israel and wholly owned subsidiary of Hapoalim. The address of the principal office of Tarshish is 50 Rothschild Blvd., Tel Aviv 66883, Israel.

The name, citizenship, business address and present principal occupation or employment of each director and executive officer of each of Hapoalim and Tarshish, each controlling person of Hapoalim and each director of such controlling person are listed on Schedule A attached hereto which is incorporated herein by reference.

The name, citizenship, business address and present principal occupation or employment of each director and executive officer of Leumi are listed in Part I of on Schedule B attached hereto which is incorporated herein by reference. See Part II of Schedule B for information regarding controlling persons of Leumi.

During the last five years, neither Hapoalim and Tarshish, nor, to each such Reporting Person's knowledge, any of the persons named in Schedule A attached hereto, has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors), or has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which such person was or is subject to a judgment, decree or final order enjoining future violations of or prohibiting or mandating activity subject to Federal or State securities laws or finding any violation with respect to such laws.

During the last five years, neither Leumi, nor, to Leumi's knowledge, any of the persons named in Part I of Schedule B attached hereto, has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors), or has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which such person was or is subject to a judgment, decree or final order enjoining future violations of or prohibiting or mandating activity subject to Federal or State securities laws or finding any violation with respect to such laws.

Item 3. Source and Amount of Funds or Other Consideration

Leumi and Hapoalim (collectively, the **"Banks"**) are lenders to Tower pursuant to a Facility Agreement, originally dated January 18, 2001, as amended from time to time (the **"Facility Agreement"**) and as amended and restated on September 28, 2006 (the **"Restated Facility Agreement"**).

This Statement relates to (i) a debt restructuring that became effective on September 28, 2006 (the **"Debt Restructuring"**) whereby each of Hapoalim and Leumi converted US $79,000,000 of loans made to Tower pursuant to the Facility Agreement into an equity equivalent convertible capital note (the **"Capital Note"**) in the principal amount of US $39,500,000, each such Capital Note being convertible into 25,986,842 Ordinary Shares and (ii) warrants to purchase Ordinary Shares granted to the Reporting Persons in connection with the Banks entering into certain previous amendments to the Facility Agreement requested by Tower.

Item 4. Purpose of Transaction

The purpose of the acquisition of the Capital Notes was to effectuate the Debt Restructuring and the purpose of the acquisition of the warrants was to permit Tower to provide non-cash consideration to the Reporting Persons in connection with certain amendments to the Facility Agreement requested by Tower. Except as described in Item 6, none of the Reporting Persons has any plans or proposals concerning Tower with respect to the matters set forth in subparagraphs (a) through (j) of Item 4 to Schedule 13D.

Item 5. Interest in Securities of the Issuer

(a) (1) Leumi is the beneficial owner of 30,567,372 Ordinary Shares, consisting of 25,986,842 Ordinary Shares issuable upon conversion of its currently convertible Capital Note and 4,580,530 Ordinary Shares issuable upon exercise of its currently exercisable warrants. Leumi's ownership represents approximately 26.6% of the Ordinary Shares outstanding based on the most recently available filing with the Securities and Exchange Commission (the **"Commission"**) by Tower and calculated in accordance with rule 13d-3(d)(i).

(2) Hapoalim is the beneficial owner of 30,567,372 Ordinary Shares, consisting of 25,986,842 Ordinary Shares issuable upon conversion of its currently convertible Capital Note and 4,580,530 Ordinary Shares issuable upon exercise of currently exercisable warrants (including a warrant to purchase 4,132,232 Ordinary Shares held by Hapoalim and a warrant to purchase 448,298 Ordinary Shares held by Tarshish, its wholly-owned subsidiary). Hapoalim (and Tarshish's ownership, as aforesaid) represents approximately 26.6% of the Ordinary Shares outstanding based on the most recently available filing with the Commission by Tower and calculated in accordance with rule 13d-3(d)(i).

(3) Tarshish is the beneficial owner of 448,298 Ordinary Shares issuable upon exercise of its currently exercisable warrant, representing approximately 0.01% of the Ordinary Shares outstanding based on the most recently available filing with the Commission by Tower and calculated in accordance with rule 13d-3(d)(i).

(4) To the best knowledge of Hapoalim and Tarshish, none of the persons named in Schedule A owns any Ordinary Shares.

(5) To the best knowledge of Leumi, none of the persons named in Part I of Schedule B beneficially owns any Ordinary Shares.

(b) (1) Leumi has sole voting and dispositive power over 30,567,372 Ordinary Shares consisting of 25,986,842 Ordinary Shares issuable upon conversion of currently convertible Capital Notes and 4,580,530 Ordinary Shares issuable upon exercise of currently exercisable warrants to purchase Ordinary Shares.

(2) Hapoalim has sole voting and dispositive power over 30,119,074 Ordinary Shares consisting of 25,986,842 Ordinary Shares issuable upon conversion of a currently convertible Capital Note and 4,132,232 Ordinary Shares issuable upon exercise of a currently exercisable warrant and Hapoalim and Tarshish share voting and dispositive power over 448,298 Ordinary Shares issuable upon exercise of a currently exercisable warrant held by Tarshish.

(c) (1) Neither Leumi nor, to its knowledge, any person named in Part I of Schedule B has effected any transactions in the Ordinary Shares during the past sixty (60) days.

(2) Neither Hapoalim and Tarshish nor, to their knowledge, any person named in Schedule A has effected any transactions in the Ordinary Shares during the past sixty (60) days.

Neither the filing of this Statement nor any of its contents shall be deemed to constitute an admission by any Reporting Person (as defined above) that any such Reporting Person and any other persons or entities constitute a "group" for purposes of Section 13(d) of the Securities Exchange Act of 1934 (the **"Exchange Act"**) and the rules promulgated thereunder. Further, the filing of this Statement shall not be construed as an admission that any Reporting Person is, for the purposes of Section 13(d) or 13(g) of the Exchange Act, or for any other purpose, the beneficial owner of any Ordinary Shares other than those Ordinary Shares over which the Reporting Person has voting and dispositive power, as reported herein. Other than Hapoalim's interest in Tarshish, each Reporting Person disclaims any pecuniary interest in any securities of Tower owned by any other Reporting Person, and expressly disclaims the existence of a group.

Without limiting the generality of the foregoing, although each Bank entered into (a) a Tag Along Agreement with Israel Corporation Ltd. (**"TIC"**), Tower's largest shareholder, and (b) an Agreement with TIC, SanDisk Corporation, Alliance Semiconductor Corporation and Macronix International Co. Ltd. (collectively, the **"Lead Investors"**), each as described in Item 6 below, each of the Reporting Persons expressly disclaims the existence of a group with any such counterparties. Based on Tower's latest proxy statement, dated August 24, 2006, the Lead Investors may be deemed to share voting and dispositive control over approximately 63.67% of the outstanding shares of Tower, before the issuance to TIC by Tower on September 28, 2006 of a Capital Note in the principal amount of $100 million convertible into 65,789,474 Ordinary Shares. Leumi owns ordinary shares in TIC representing 18.11% of TIC's issued share capital (18.27% of the voting rights) and a representative of Leumi is a member of TIC's board of directors.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

Conversion Agreements and Capital Notes

On September 28, 2006, each of Leumi and Hapoalim entered into a Conversion Agreement with Tower pursuant to which each Bank converted $79 million of its loans to Tower into a Capital Note in the principal amount of $39,500,000 which, in turn, is fully convertible, at any time and from time to time, in whole or in part, into an aggregate of 25,986,842 Ordinary Shares, at an initial conversion price of $1.52 per Ordinary Share. The initial conversion price was the average of the closing prices of the Ordinary Shares on the NASDAQ Stock Market for the ten trading days prior to May 17, 2006, the date the Memorandum of Understanding with respect to the Debt Restructuring was entered into by Tower and the Banks.

The principal amount of each Capital Note does not bear interest, is not linked to any index, is subordinated to all liabilities of Tower having priority over the Ordinary Shares and is payable only out of distributions made upon the winding-up (whether solvent or insolvent), liquidation or dissolution of Tower.

The number of Ordinary Shares issuable upon conversion of each Capital Note is subject to adjustment upon the occurrence of certain events, such as dividends and distributions (including cash dividends), share splits and combinations, reclassifications, reorganizations and mergers. Each holder of a Capital Note will be eligible to participate in rights offerings that may be made by Tower on the same basis and at the same time as such rights may be exercised by shareholders of Tower (in such number as to which the holder would be entitled had the holder converted its entire Capital Note into shares immediately prior to the record date for such rights offering).

Each Capital Note is freely transferable or assignable by the holder, in whole or in part, at any time and from time to time, subject to receipt, if reasonably requested by Tower, of a written opinion that such transfer or assignment may be effected without registration under the Securities Act of 1933, as amended (the **"Securities Act"**).

The foregoing summary of the Capital Notes is qualified in its entirety by reference to the form of Capital Note attached as Exhibit 1 to each of the Conversion Agreements. The Conversion Agreement entered into between Tower and Hapoalim is included as Exhibit 1 to this Schedule 13D and the Conversion Agreement entered into between Tower and Leumi is included as Exhibit 2 to this Schedule 13D. Each of these Agreements in their entirety is incorporated herein by reference.

Each Conversion Agreement includes an undertaking by Tower that, for so long as any shares or Capital Notes are issuable to a Bank or its 25% or more owned subsidiaries, pursuant to the Conversion Agreement, and any securities of Tower (including Capital Notes, Warrants and shares), constituting or convertible into 5% or more of any class of voting securities (as defined in 12 C.F.R. Section 225.2(q)) of Tower are beneficially owned by a Bank and/or its 25% or more owned subsidiaries, Tower will use its best efforts in order (a) that more than 50% (fifty percent) of the consolidated assets of Tower as of December 31 of each calendar year are located outside of the United States (the "**Asset Test**"); (b) that more than 50% (fifty percent) of the consolidated revenues of Tower as of December 31 of each calendar year are derived from outside the United States (the "**Revenue Test**"); (c) that the activities of Tower within the United States and the activities of its U.S. 25% or more owned subsidiaries are of the same kind as or support the activities of Tower or its non-U.S. 25% or more owned subsidiaries (the "**Same Line of Business Test**"); (d) that neither Tower nor any of its 25% or more owned subsidiaries will conduct activities in the United States that consist of engaging in the business of banking, securities, insurance or real estate (the "**Financial Activities Test**"); and (e) not to engage, or permit any of its 25% or more owned subsidiaries to engage, or to own or permit any of its 25% or more owned subsidiaries to own more than 5% (five percent) of a class of voting securities of a person that engages, in the business of securities' underwriting or distribution in the United States (the "**No Underwriting Test**"), provided, however, that nothing in the above shall require Tower to prejudice the business or financial interests of Tower and Tower may take such actions or refrain from taking actions that may cause it not to satisfy the Asset Test, the Revenue Test, the Same Line of Business Test, the Financial Activities Test and/or the No Underwriting Test, provided that the taking of such actions, or refraining from taking such actions, are in the business or financial interests of Tower as reasonably determined by Tower.

As part of the Debt Restructuring, the spread over LIBOR applicable to Tower's quarterly interest payments on its remaining approximately $369 million of loans to the Banks was decreased by 1.4 percentage points from 2.5% to 1.1%, effective from May 17, 2006 (the date of the execution of the Memorandum of Understanding with respect to the Debt Restructuring). The Restated Facility Agreement provides that, subject to the conditions described below, Tower will issue to the Banks on January 30, 2011 such number of shares (or Capital Notes or convertible debentures) that equals the the aggregate amount of interest that would have been payable but for the decrease in the spread over LIBOR applicable to Tower's quarterly interest payments on its remaining loans to the Banks (the "Decreased Amount") divided by the average closing price of the Ordinary Shares during the fourth quarter of 2010 (the **"Fourth Quarter 2010 Price"**). If, during the second half of 2010, the closing price of Tower's Ordinary Shares on every trading day during this period exceeds $3.49, then the Banks will only be granted such number of Ordinary Shares (or Capital Notes or convertible debentures) that equals the Decreased Amount divided by 200% of the Fourth Quarter 2010 Price. If, during the period ending December 31, 2010, the Banks sell a portion of the Capital Notes issued to the Banks on February 28, 2006 (or shares issuable upon the conversion of such Capital Notes) at a price per share in excess of $3.49, then the consideration payable for the interest rate reduction will be reduced proportionately. The Decreased Amount is $23,872,872, subject to downward adjustment as set forth above and in the case of any prepayment or prepayments of the loans by Tower.

The Restated Facility Agreement further provides that it shall be a condition to the issuance of the shares or Capital Notes that (i) no Default or Event of Default has occurred; (ii) no law (including non-Israeli laws or interpretations by non-Israeli governmental bodies) prohibits any Bank from acquiring such shares or capital notes or restricts such Bank's ability to indefinitely hold such shares or Capital Notes; and (iii) all of Tower's agreements with each Bank with respect to shares and securities convertible into or exercisable for shares, including, without limitation, the Conversion Agreements and the Registration Rights Agreements (the **"Equity Documents"**), are in full force and effect and Tower is not in default of any of its obligations thereunder. The Restated Facility Agreement further provides that all such issuances shall be made in accordance with the terms of the respective Equity Documents. If such conditions are not met, the Decreased Amount would be payable to the Bank in cash by Tower on January 30, 2011 rather than in shares, Capital Notes or convertible debentures.

Each of the Conversion Agreements sets forth the conditions precedent for the issuance of shares or Capital Notes to each Bank, which include, *inter alia*, receipt of all necessary governmental and third party approvals, requisite legal opinions and confirmation from the Chief Financial Officer of Tower that Tower (a) has satisfied the Asset Test, the Revenue Test, the Same Line of Business Test, the Financial Activities Test and the No Underwriting Test (collectively, the "**Tests**") as of December 31 in each of the two years immediately prior to 2011, and meets, on January 30, 2011, the Same Line of Business Test, the Financial Activities Test and the No Underwriting Test; and (b) is not aware of any reason why it would not continue to satisfy each of the Tests during the then current year and the immediately following year.

In the event that all the applicable conditions precedent set out in the Conversion Agreements and the Restated Facility Agreement are satisfied, other than the confirmation set forth in (b) above, Tower, in its sole discretion, can either pay the Decreased Amount to the Banks in cash or by way of issue of convertible debentures that will (except for consequential changes flowing from the redemption right described below) have the same terms as the Capital Notes (including, for the removal of doubt, that such convertible debentures will not bear interest or be linked to any index), save that the Bank or its nominee or other affiliate thereof holding said convertible debentures (the **"Debenture Holder"**) shall have the right to require the Company to redeem the convertible debentures, in whole or in part, on the date which is 30 (thirty) months after January 30, 2011, for an amount in cash equal to the then principal amount thereof submitted for redemption, upon the giving by the Debenture Holder to the Company of at least 30 (thirty) days prior written notice.

The foregoing summary of the Conversion Agreements is qualified in its entirety by reference to the Conversion Agreement entered into between Tower and Hapoalim which is included as Exhibit 1 to this Schedule 13D and the Conversion Agreement entered into between Tower and Leumi which is included as Exhibit 2 to this Schedule 13D. Each of these Agreements in their entirety is incorporated herein by reference.

Registration Rights Agreements

Under the Registration Rights Agreements entered into by Tower with each of the Banks, Tower is to file a registration statement with the Commission as soon as practicable, but no later than November 13, 2006, covering all of the shares issuable upon conversion of the Capital Note issued to each Bank on September 28, 2006, make all required filings with the Israeli Securities Authority (the **"Authority"**) with respect to such shares and use its best efforts to have the registration statement declared effective by the Commission and the Authority. Tower would be obligated to file a registration statement if any Ordinary Shares, Capital Notes or convertible debentures are issued by Tower in compensation for the Decreased Amount in January, 2011 (the **"2011 Equity Issuances"**). Tower is obligated to keep each such registration statement effective pursuant to Rule 415 of the Securities Act and under the Israel Securities Law at all times until the earlier of (i) the date as of which all of the Holders (as defined below) confirm to Tower in writing that they may sell all of the Ordinary Shares covered by such Registration Statement without restriction pursuant to all of the following: (x) Rule 144(k) under the Securities Act, (y) the Israel Securities Law and (z) other securities or "blue sky" laws of each jurisdiction in which Tower obtained a registration or qualification or (ii) the date on which the Holders shall have sold all the Ordinary Shares covered by such Registration Statement (A) in accordance with such Registration Statement (except to another Holder) or (B) to the public pursuant to Rule 144 under the Securities Act. The Registration Rights Agreements also require Tower to keep effective Form F-3 Registration Statement No. 333-131315 previously filed by Tower covering Ordinary Shares issuable upon the exercise of Warrants held by the Reporting Persons. The Ordinary Shares described in this paragraph, together with any shares of capital stock issued or issuable with respect to the Ordinary Shares, are referred to hereinafter as **"Registrable Securities"**.

The registration rights under the Registration Rights Agreements are freely assignable, in whole or in part, at any time or from time to time, by any of the Reporting Persons, any nominee of a Bank to hold the 2011 Equity Issuances, and any transferee or assignee to whom the Bank or such nominee assigns its rights (collectively, the **"Holder"**) to any transferee of all or any portion of a Capital Note or of the Registrable Securities (provided that, in the case of the transfer of such Registrable Securities only, the rights under a Registration Rights Agreement may be transferred only if the Holder reasonably believes that such transferee cannot immediately make a public distribution of such securities without restriction under the Securities Act, the Israel Securities Law or other applicable securities laws).

Under the Registration Rights Agreements, Tower is responsible to pay all expenses, other than underwriting discounts and commissions, incurred in connection with registrations, filings or qualifications required to be made by Tower pursuant to the Registration Rights Agreements, including, without limitation, all registration, listing and qualifications fees, printers and accounting fees, fees and disbursements of counsel to Tower and the Holders.

The foregoing summary of the Registration Rights Agreements is qualified in its entirety by reference to the Registration Rights Agreement entered into between Tower and Leumi which is included as Exhibit 3 to this Schedule 13D and the Registration Rights Agreement entered into between Tower and Hapoalim which is included as Exhibit 4 to this Schedule 13D. Each of these Agreements in their entirety is incorporated herein by reference.

Warrants

In December 2003, Tower issued five-year warrants to purchase 448,298 Ordinary Shares at an exercise price of $6.17 per Ordinary Share to each of Leumi and Tarshish (the **"2003 Warrants"**) in connection with the seventh amendment to the Facility Agreement.

In August 2005, Tower issued warrants to purchase 4,132,232 Ordinary Shares at an exercise price of $1.21 per Ordinary Share to each of Hapoalim and Leumi (the **"2005 Warrants"**) in connection with the ninth amendment to the Facility Agreement. Under the original terms of the 2005 Warrants, the right to purchase 2,066,116 Ordinary Shares became exercisable on the effectiveness of the ninth amendment in August 2005 and continues for a period of five years and the right to purchase the remaining 2,066,116 Ordinary Shares would become exercisable upon the date of signature by Tower and the Banks of an agreement by the Banks to reschedule the repayment dates of certain loans made by the Banks to Tower pursuant to the ninth amendment and continue thereafter for a period of five years. The right to purchase the remaining 2,066,116 Ordinary Shares became exercisable in accordance with the terms of the 2005 Warrants upon the signature of the Restated Facility Agreement by Tower and the Banks on September 28, 2006 which, *inter alia*, postponed all principal repayments from July 2007 to September 2009.

Each of the Warrants contained registration rights provisions and pursuant thereto a Form F-3 Registration Statement No. 333-131315 was filed by Tower and declared effective by the Commission and the Authority.

On September 28, 2006, Tower and each of the Reporting Persons entered into First Amendments to each of the Warrants, *inter alia*, extending the term of each of the Warrants to September 28, 2011 and providing that the registration rights provided for in the Registration Rights Agreements (including the obligation to keep effective the above-described previously filed Registration Statement) shall apply to the Ordinary Shares issuable upon exercise of the Warrants.

The foregoing summary of the 2005 Warrants is qualified in its entirely by reference to the full texts of the 2005 Warrants, the forms of which are incorporated by reference as **Exhibit 5** to this Schedule 13D and the First Amendments to the 2003 and 2005 Warrants, the form of which included as **Exhibits 6, 7, 8 and 9** to this Schedule 13D and incorporated herein in their entirety by reference.

Tag Along Agreements

On September 28, 2006, each Bank and TIC, entered into an agreement, whereby such Bank and its affiliates were granted "tag along" rights proportionally to participate in, and on the same terms and conditions as, a sale by TIC to a third party (other than non-prearranged sales by TIC into the market on any stock exchange in which the Ordinary Shares are then traded or listed) as a result of which TIC would cease (either on the basis of Tower's then issued and outstanding shares or on a fully-diluted basis) to be Tower's largest shareholder. The tag along rights apply only to Capital Notes issued on February 28, 2006 or shares issued upon conversion thereof, Capital Notes and/or convertible debentures and/or shares received as part of the 2011 Equity Issuances (as well as any shares issuable upon conversion of such Capital Notes or convertible debentures). In addition, Ordinary Shares of Tower held by a subsidiary of TIC that is publicly held and that purchases, solely as a financial investment, such Ordinary Shares or securities convertible into or exercisable for Ordinary Shares in the market (*i.e.* not directly or indirectly from Tower or TIC) and not at the request or instruction of TIC, would not be deemed held by TIC for purposes of the tag along right.

The foregoing summary of the Tag Along Agreements is qualified in its entirety by reference to the Tag Along Agreement entered into between TIC and Hapoalim which is included as Exhibit 10 to this Schedule 13D and the Tag Along Agreement entered into between TIC and Leumi which is included as Exhibit 11 to this Schedule 13D. Each of these Agreements in their entirety is incorporated herein by reference.

Agreements with Lead Investors

On September 28, 2006, each Bank entered into an agreement (the **"Agreement"**) with TIC, SanDisk Corporation, Alliance Semiconductor Corporation and Macronix International Co. Ltd., the four largest shareholders of Tower (collectively, the **"Lead Investors"**) pursuant to which the Lead Investors would be obligated towards any one (and not more than one) acquirer of 5% or more of the then outstanding issued share capital of Tower from such Bank (but only if the source of such 5% interest is the Capital Note issued to such Bank on September 28, 2006) to vote for the nominee of such acquirer to be appointed as a director of Tower.

The Bank would have the right to designate which acquirer of such 5% interest (the **"Acquiring Person"**) shall have the rights under the Agreement and such Bank may, in its discretion, not designate any acquirer as the Acquiring Person.

A majority (in number and not shareholdings) of the Lead Investors then having the right to have one of its nominees elected to the board of directors of Tower pursuant to the Consolidated Shareholders Agreement by and among the Lead Investors, dated January 18, 2001, as amended and as may be amended from time to time (the **"CSA"**) (**"Eligible Lead Investors"**) shall be entitled to object to the appointment of any particular individual nominated by an Acquiring Person as a director of Tower on reasonable grounds (including, without limitation, that the nominee is a competitor of Tower, or is an employee of, or consultant to, Tower or to a competitor of Tower). In addition, an Acquiring Person would not have any rights under the Agreement if a majority (in number and not shareholdings) of the Eligible Lead Investors shall object to the identity thereof but only on the following grounds: that the Acquiring Person is a competitor of Tower or an employee of, or consultant to, Tower or to a competitor of Tower or is a person organized under the laws of a state that either (a) is at war with the State of Israel or (b) has been declared by the Israel Minister of Defence as a state "hostile" to Israel.

In the event that the Acquiring Person and its subsidiaries hold together in the aggregate less than 5% of the outstanding Ordinary Shares, then the Acquiring Person will not be entitled to designate any nominee, and if requested by any of the Lead Investors, will cause its nominee then serving as a director of Tower to resign immediately from such position, provided that in the event that the Acquiring Person and its subsidiaries hold together at any one time in the aggregate 6% or more of the outstanding Ordinary Shares, and, subsequent to such time, the Acquiring Person and its subsidiaries hold together in the aggregate less than 5% of the outstanding Ordinary Shares solely as a result of additional Ordinary Shares having become issued and outstanding (and not as a result of any sales of Ordinary Shares by the Acquiring Person or its subsidiaries) (such date, the "**Dilution Date**"), and within 90 days of the Dilution Date, the Acquiring Person and its subsidiaries shall not again become together the holders of 5% or more of the outstanding Ordinary Shares (such 90th day, the "**Loss of Right Date**"), the Acquiring Person shall not, after the Loss of Right Date, be entitled to designate a nominee and, if requested by any of the Lead Investors, shall cause its nominee then serving as a director of Tower to resign immediately from such position. In the absence of such resignation within 24 hours of such request, the Lead Investors agree to take such action as is necessary to cause a general meeting of shareholders of Tower to be assembled, and to vote all their Ordinary Shares in order to remove such director from Tower's board of directors.

The obligations of each of the Lead Investors towards the Acquiring Person and the Acquiring Person's nominee under the Agreement is subject to the Acquiring Person agreeing to attend and vote (and/or, if applicable, cause any and all of its subsidiaries holding Ordinary Shares to vote) at general meetings of shareholders of Tower all of the Ordinary Shares held by the Acquiring Person and its subsidiaries for (and only for) (a) the election of (i) the Acquiring Person's nominee; (ii) the nominees to the Board of Directors of Tower for which any of the Lead Investors shall be obligated to vote for pursuant to the CSA; and (iii) a representative of TIC as Chairman of the Board of Directors of Tower if any of the Lead Investors shall be obligated to vote therefor pursuant to the CSA and (b) in the case of each of (a)(i), (ii) and (iii) above, any other resolution which is necessary in order to finalize each such election and against any resolution the effect of which is to prevent or impede each such election, provided that, if any such Lead Investor shall not have a nominee to the board of directors of Tower, such Lead Investor shall nonetheless remain obligated to the Acquiring Person and the Acquiring Person's nominee under the Agreement. The Acquiring Person and the Lead Investors (and/or their respective subsidiaries) shall have the right to vote on other matters in such manner as they deem fit. The Agreement makes clear, however, that the Acquiring Person is not required to agree to vote as set out above and may at any time terminate such agreement (in which case, the Acquiring Person shall be relieved of any obligation so to vote) and, with respect to the Lead Investors, the sole consequence of an Acquiring Person's failure to agree or termination of such agreement as aforesaid is that the Lead Investors will not be obligated to vote for the Acquiring Person's nominee.

The Agreement terminates on January 18, 2013 or such later date to which the CSA shall have been extended.

In the event the CSA terminates prior to January 18, 2013, each of the Lead Investors will remain obligated to the Acquiring Person and the Acquiring Person's nominee under the Agreement, provided that, if such Lead Investor has a nominee to the board of directors of Tower, each such Lead Investor's obligations shall be subject to the Acquiring Person agreeing to attend and vote (and/or, if applicable, cause any and all of its subsidiaries holding Ordinary Shares to vote) at general meetings of shareholders of Tower all of the Ordinary Shares held by the Acquiring Person and its subsidiaries for (and only for) (a) the election of (i) the Acquiring Person's nominee and (ii) such Lead Investor's nominee or nominees to the Board of Directors of Tower and (b) in the case of (i) and (ii) above, any other resolution which is necessary in order to finalize each such election and against any resolution the effect of which is to prevent each such election, provided that if two or more Lead Investors have agreed to vote for one another's nominees, the vote by the Acquiring Person and, if applicable, its subsidiaries, for all such nominees of such Lead Investors shall be deemed a vote for "(and only for)" the nominee of each such Lead Investor. The Agreement makes clear that the Acquiring Person and the Lead Investors (and/or their respective subsidiaries) have the right to vote on other matters in such manner as they deem fit.

The foregoing summary of the Agreements with the Lead Investors is qualified in its entirety by reference to the Agreement entered into between Lead Investors and Hapoalim which is included as Exhibit 12 to this Schedule 13D and the Agreement entered into between the Lead Investors and Leumi which is included as Exhibit 13 to this Schedule 13D. Each of these Agreements in their entirety is incorporated herein by reference.

Restated Facility Agreement

The Restated Facility Agreement imposes a number of restrictions on Tower, including restrictions on debt, capital expenditures, mergers, acquisitions, disposals, changes in its business plan, prohibitions on the payment of dividends and changes in ownership.

A change of ownership will be deemed to occur if (a) the Lead Investors shall, directly or indirectly through subsidiaries, cease to nominate, in aggregate, more than 50% of the board of directors of Tower (excluding, for this purpose, external directors (*Dahaz*), 1 (one) independent director under Nasdaq Marketplace Rules, officers of Tower (including the chief executive officer) who are ex-officio directors of Tower and any directors appointed by a purchaser of the Banks' shares); or (b) at any time prior to the date on which Tower shall have repaid at least 50% of the principal of the loans (together with all interest and other amounts payable on such 50%) (**"the Fifty Percent Repayment Date"**), TIC shall cease to hold (directly or indirectly through Subsidiaries), in the aggregate at least 32,229,822 Ordinary Shares (and/or convertible debentures which are convertible into such number of Ordinary Shares); or (c) at any time after the Fifty Percent Repayment Date, TIC shall cease to hold (directly or indirectly through subsidiaries), in the aggregate at least 14,048,004 Ordinary Shares; or (d) at any time, the aggregate number of Ordinary Shares held by the Lead Investors (other than TIC) shall at any time be less than 60% of the aggregate number of Ordinary Shares held by the Lead Investors (other than TIC) on January 29, 2006, save for the sale of shares in the Borrower, during a period commencing on January 29, 2004, by any of the Lead Investors (other than TIC) in an aggregate amount equal to 30% (thirty percent) of the shares in the Borrower held by such Lead Investor on January 29, 2004 (**"the Committed Minimum Shareholdings"**), or, in the event only that during any quarter during such period the average sales per month made by Tower of wafers produced during such quarter in its Fab 2 facility equals or exceeds 24,000, then thereafter 50% of the Committed Minimum Shareholdings; provided that, in the event that for any quarter during the period commencing on January 1, 2006 the net debt of the Borrower shall be less than: (i) $250,000,000, then, thereafter, a change of ownership shall be deemed to occur at any time the aggregate number of Ordinary Shares held by the Lead Investors (other than TIC) shall at any time be less than 40% of the aggregate number of Ordinary Shares held by the Lead Investors (other than TIC) on January 29, 2006, save for the sale of Ordinary Shares, during a period commencing on January 29, 2004, by any of the Lead Investors (other than TIC) in an aggregate amount equal to 30% of the Ordinary Shares held by such Lead Investor on January 29, 2004; or (ii) $150,000,000, then, thereafter, the disposal by the Lead Investors (other than TIC) of all of their Ordinary Shares will not be deemed a change of ownership.

The Restated Facility Agreement further provides that, upon certain triggering events (such as the commencement of bankruptcy or receivership proceedings against Tower ordered by a court of competent jurisdiction or the prior determination of an arbitrator that bankruptcy or receivership proceedings would be issued by a court against Tower were a petition to be filed with a court seeking reorganization or arrangement under applicable bankruptcy law or upon Tower requesting creditor protection), the Banks will be able to bring a firm offer made by a potential investor to purchase the Ordinary Shares at a price provided in the offer, provided the offer is accompanied by an opinion from a reputable investment banking firm that the offer is fair to Tower. In such case, Tower would be required thereafter to procure a rights offering to invest up to 60% of the amount of this offer on the same terms. If the offeror intends to purchase a majority of Tower's outstanding share capital, the rights offering will be limited to allow for this, unless the Lead Investors agree to exercise in a rights offering rights applicable to their shareholdings and agree to purchase in a private placement enough shares to ensure that the full amount of the offer is invested.

Item 7. Material to Be Filed as Exhibits

1. Conversion Agreement, dated September 28, 2006, between Tower Semiconductor Ltd. and Bank Hapoalim B.M.
2. Conversion Agreement, dated September 28, 2006, between Tower Semiconductor Ltd. and Bank Leumi le-Israel B.M.
3. Registration Rights Agreement, dated September 28, 2006, between Tower Semiconductor Ltd. and Bank Leumi le-Israel B.M.
4. Registration Rights Agreement, dated September 28, 2006, between Tower Semiconductor Ltd. and Bank Hapoalim B.M.
5. Form of Warrants, each dated August 4, 2005, granted by Tower Semiconductor Ltd. to Bank Leumi le-Israel B.M. and Bank Hapoalim B.M. (incorporated by reference to Exhibit 4.47 to the Annual Report on Form 20-F of Tower Semiconductor Ltd. for the Fiscal Year ended December 31, 2005 (Commission File No: 0-24790)).
6. First Amendment, dated September 28, 2006, between Tower Semiconductor Ltd. and Tarshish Hahzakot Vehashkaot Hapoalim Ltd. to Warrant dated December 11, 2003.
7. First Amendment, dated September 28, 2006, between Tower Semiconductor Ltd. and Bank Leumi le-Israel B.M. to Warrant dated December 11, 2003.
8. First Amendment, dated September 28, 2006, between Tower Semiconductor Ltd. and Bank Leumi le-Israel B.M. to Warrant dated August 4, 2005.
9. First Amendment, dated September 28, 2006, between Tower Semiconductor Ltd. and Bank Hapoalim B.M. to Warrant dated August 4, 2005.
10. Tag Along Agreement, dated September 28, 2006, between Israel Corporation Ltd. and Bank Hapoalim B.M.
11. Tag Along Agreement, dated September 28, 2006, between Israel Corporation Ltd. and Bank Leumi le-Israel B.M.
12. Agreement, dated September 28, 2006, among Bank Hapoalim B.M., Israel Corporation Ltd., SanDisk Corporation, Alliance Semiconductor Corporation and Macronix International Co. Ltd.
13. Agreement, dated September 28, 2006, among Bank Leumi le-Israel B.M., Israel Corporation Ltd., SanDisk Corporation, Alliance Semiconductor Corporation and Macronix International Co. Ltd.
14. Joint Filing Agreement among Bank Leumi le-Israel B.M., Bank Hapoalim B.M. and Tarshish Hahzakot Vehashkaot Hapoalim Ltd.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

October 10, 2006
Date

/s/ Rakefet Russak-Aminoach
Signature

Rakefet Russak-Aminoach / Head of Corporate Division / Bank Leumi le-Israel B.M.
Name/Title

October 10, 2006
Date

/s/ Meiri Alterman
Signature

Meiri Alterman / Customer Relationship Manager
Name/Title

/s/ Eyal Issaharov
Signature

Eyal Issaharov /Deputy Department Manager /Bank Hapoalim B.M.
Name/Title

October 10, 2006
Date

/s/ Ofer Levy
Signature

Ofer Levy / Comptroller
Name/Title

/s/ Zali Guter
Signature

Zali Guter / Department Manager
Tarshish Hahzakot ve Hashkaot Hapoalim Ltd.

SCHEDULE A

Information Regarding Senior Officers and Directors of Bank Hapoalim B.M.

Board of Directors

Name	Address	Principal Occupation	Citizenship
Shlomo Nehama	63 Yehuda Halevi St., Tel Aviv, Israel	Chairman of the Board of Bank Hapoalim	Israeli
Dan Dankner	63 Yehuda Halevi St., Tel Aviv, Israel	Chairman of the board of: Israel Salt Industries Ltd., Isracard Ltd., Poalim Capital Markets Ltd.	Israeli
Joseph Dauber	63 Yehuda Halevi St., Tel Aviv, Israel	Director in various companies	Israeli
Ido Joseph Dissentshik	63 Yehuda Halevi St., Tel Aviv, Israel	Director in various companies and Journalist	Israeli
Nira Dror	63 Yehuda Halevi St., Tel Aviv, Israel	Director in various companies	Israeli
Pnina Dvorin	63 Yehuda Halevi St., Tel Aviv, Israel	Lawyer and Companies Director	Israeli
Irit Izakson	63 Yehuda Halevi St., Tel Aviv, Israel	Director in various companies	Israeli
Moshe Koren	63 Yehuda Halevi St., Tel Aviv, Israel	Banking and Financial Advisor	Israeli
Jay Pomrenze	63 Yehuda Halevi St., Tel Aviv, Israel	Director in various companies	USA
Haim Samet	63 Yehuda Halevi St., Tel Aviv, Israel	Advocate	Israeli
Amir Barnea	63 Yehuda Halevi St., Tel Aviv, Israel	Professor of Finance – Arison School of Business. Partner – Singer Barnea & Co. Ltd.	Israeli

Senior Officers

Name	Business Address	Principal Occupation	Citizenship
Zvi Ziv	63 Yehuda Halevi St., Tel Aviv, Israel	President and Chief Executive Officer	Israeli
Shy Talmon	63 Yehuda Halevi St., Tel Aviv, Israel	Deputy CEO and Head of Corporate Banking	Israeli
Zion Keinan	63 Yehuda Halevi St., Tel Aviv, Israel	Deputy CEO and Head of Retail Banking	Israeli
Ofer Levy	63 Yehuda Halevi St., Tel Aviv, Israel	Comptroller	Israeli
Shlomo Braun	63 Yehuda Halevi St., Tel Aviv, Israel	Head of Human Resources, Logistics and Procurement	Israeli
David Luzon	63 Yehuda Halevi St., Tel Aviv, Israel	Head of Information Technology and Operations	Israeli
Ilan Mazur	63 Yehuda Halevi St., Tel Aviv, Israel	Chief Legal Adviser	Israeli
Yacov Rozen	63 Yehuda Halevi St., Tel Aviv, Israel	Head of Finance and Management Information Systems (CFO)	Israeli
Hanna Pri-Zan	63 Yehuda Halevi St., Tel Aviv, Israel	Head of Risk Management	Israeli
Orit Lerer	63 Yehuda Halevi St., Tel Aviv, Israel	Chief Internal Auditor	Israeli
Barry Ben-Zeev	63 Yehuda Halevi St., Tel Aviv, Israel	Head of Client Asset Management	Israeli
Mario Shushan	63 Yehuda Halevi St., Tel Aviv, Israel	Global Treasurer	Israeli
Doron Klausner	63 Yehuda Halevi St., Tel Aviv, Israel	Head of the Centre for Strategic Management	Israeli
Alberto Garfunkel	63 Yehuda Halevi St., Tel Aviv, Israel	Head of International Activity	Israeli

PRINCIPAL HOLDERS OF THE ISSUED SHARE CAPITAL OF BANK HAPOALIM B.M.

NAME	% OF CAPITAL
ARISON HOLDINGS (1998) LTD	16.43%
ISRAEL SALT INDUSTRIES LTD	6.01%
BH INVESTMENT ASSOCIATES LLC	1.76%
MADLEN LLC	2.02%
MAINE MERCHANT BANK, LLC	0.02%
BH ISRAEL LLC	1.76%

Arison Holdings (1998) Ltd. - Director Information

Name	Address	Citizenship	Principal Occupation
Moddi Keret	23 Shaul Hamelech Blvd., Tel-Aviv, Israel	Israeli	Executive Vice President - Arison Holdings
Shlomo Nechama	63 Yehuda Halevi St., Tel-Aviv, Israel	Israeli	Chairman of the Board of Directors of Bank Hapoalim B.M.
Irit Levin-Meringer	23 Shaul Hamelech Blvd., Tel-Aviv, Israel	Israeli	Controller - Arison Holdings
Efrat Peled	23 Shaul Hamelech Blvd., Tel-Aviv, Israel	Israeli	CEO - Arison Holdings
Irit Izakson	63 Yehuda Halevi St., Tel-Aviv, Israel	Israeli	Director at: Bank Hapoalim B.M., IDB Development B.M., Israel Corporation B.M. (1),Chemical Industries Ltd.
Shari Arison-Glazer	23 Shaul Hamelech Blvd., Tel-Aviv, Israel	Israeli & USA	Chairman of the Board of Directors - Arison Holdings
James M. Dubin	c/o Paul Weiss, 1285 Avenue of the Americas, New York, NY	USA	Attorney - Paul Weiss
Nir Zichlinskey	23 Shaul Hamelech Blvd., Tel-Aviv, Israel	Israeli	Vice President - Arison Holdings
Yehuda M. Levi	c/o Goldfarb Levi Eran, Meiri & Co., 2 Weizmann St., Tel-Aviv., Israel	Israeli	Attorney - Goldfarb Levi Eran, Meiri & Co

(1) Israel Corporation is the largest holder of the issuer’s ordinary shares

Israel Salt Industries Ltd. - Director Information

Name	Address	Citizenship	Principal Occupation
Dr. David Dankner	32 Shviedia St., Haifa, Israel	Israeli	Chairman – Carmel Chemicals Ltd.
Shmuel Dankner	8 Hashahaf St., Jaffa, Israel	Israeli	Director in various companies
Dan Dankner	63 Yehuda Halevi St., Tel Aviv, Israel	Israeli	Chairman of the Board of: Israel Salt Industries Ltd., Isracard Ltd., Poalim Capital Markets Ltd.
Rachel Dankner	105 Lamerhav St., Ramat-Hasharon, Israel	Israeli	Researcher – Gartner institute (Shiba Hospital), Lecturer – Tel Aviv University
Nechama Ronen	Moshav Beit-Cherut	Israeli	Chairman – Maman Cargo Terminals and Handling Ltd.
Rachel Elran	50 Shvedia St., Haifa, Israel	Israeli	Director

BH Israel LLC - Director Information

Name	Address	Citizenship	Principal Occupation
Lynn Schusterman, Trustee, Lynn Schusterman Irrevocable Trust	2 W. 2nd St., Tulsa, OK 74103	USA	Philantropist
Stacy Schusterman, Trustee, Stacy Schusterman Family Trust	2 W. 2nd St., Tulsa, OK 74103	USA	Philantropist

Madlen LLC - Director Information

Name	Address	Citizenship	Principal Occupation
Leonard Abramson	376 Reggata Dr., Jupiter, FL	USA	CEO - Lema Associates L.P (owner of 100% of Madlen LLC)

BH INVESTMENT ASSOCIATES LLC - Director Information

Name	Address	Citizenship	Principal Occupation
Michael H. Steinhardt	650 Madison Avenue, New York, NY 10022	USA	Private Investor

Information Regarding Senior Officers and Directors of Tarshish Hahzakot Vehashkaot Hapoalim Ltd.

Board of Directors

Name	Address	Principal Occupation	Citizenship
Alberto Garfunkel	63 Yehuda Halevi St., Tel Aviv, Israel	Head of International Activity - Bank Hapoalim B.M.	Israeli
Yoram Weissbrem	63 Yehuda Halevi St., Tel Aviv, Israel	Secretary of Bank Hapoalim B.M.	Israeli
Dan Koller	63 Yehuda Halevi St., Tel-Aviv, Israel	Manager ALM Division - Bank Hapoalim B.M.	Israeli

SCHEDULE B

I. Information Regarding Executive Officers and Directors of Bank Leumi le-Israel B.M

Board of Directors

Name	Business Address	Principal Occupation	Citizenship
Eitan Raff	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Chairman of the Board of Directors of Bank Leumi and its subsidiaries	Israeli
Doron Cohen	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	CEO, Co-Op Blue Square Services Corporation Ltd.	Israeli
Meir Dayan	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Economist, International Business Consulting	Israeli
Zipora Gal Yam	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Economic Consultant	Israeli
Arieh Gans	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Professor of Accounting, Tel Aviv University	Israeli
Israel Gilead	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Professor of Law, The Hebrew University of Jerusalem	Israeli
Yaacov Goldman	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	C.P.A. (Isr.), Business Consultant	Israeli
Rami Avraham Guzman	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Public/Government Company Advisor	Israeli
Zvi Koren	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Economic Advisor, Director and Shareholder, Teconomy Ltd.	Israeli
Jacob Mashaal	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Company Manager	Israeli
Vered Raichman	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Owner and CEO, V. A. Raichman Consulting and Management Ltd.	Israeli

Name	Business Address	Principal Occupation	Citizenship
Efraim Sadka	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Professor of Economics, Tel Aviv University	Israeli
Nurit Segal	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Business and Economic Consultant	Israeli
Moshe Vidman	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Company Manager Representative in Israel of Revlon.	Israeli
Shlomo Yanai	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	CEO, Makhteshim-Agan Industries Ltd.	Israeli

Executive Officers - Members of Management of Bank Leumi le-Israel B.M.

Name	Business Address	Principal Occupation – Position held with the Bank	Citizenship
Galia Maor	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	President and Chief Executive Officer	Israeli
Zeev Nahari	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Senior Deputy Chief Executive Officer, Acting CEO in the absence of the President and CEO, Chief Financial Officer, Head of Finance, Accounting and Capital Markets, Head of Finance and Economics Division	Israeli
Michael Bar-Haim	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Head of Commercial Banking Division	Israeli
David Bar-Lev	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Head of Human Resources	Israeli
Nahum Bitterman	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Chief Legal Advisor, Head of Legal Division	Israeli

Name	Business Address	Principal Occupation – Position held with the Bank	Citizenship
Yona Fogel	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Head of Banking Division	Israeli
Zvi Itskovitch	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Head of International and Private Banking Division	Israeli
Itzhak Malach	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Head of Operations, Information Systems and Administration	Israeli
Rakefet Russak-Aminoach	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Head of Corporate Division	Israeli
Menachem Schwartz	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Chief Accounting Officer, Head of Accounting	Israeli
Daniel Tsiddon	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Head of Capital Markets Division and Head of Group Strategy	Israeli

II. Information regarding Persons Controlling Bank Leumi le-Israel B.M.

The Government of Israel on behalf of the State of Israel is currently the only shareholder of the Bank holding 10% or more of the means of control, with 14.79% of the issued share capital of the Bank (19.78% of the voting rights). Pursuant to Israeli law, the Government is required to avoid involvement in the ongoing management of the Bank's affairs, and the Bank shall not be deemed to be a corporation with governmental participation in its management for the purposes of any law and for all intents and purposes. Further, under Israeli banking legislation, since September 2004 no person may control a banking corporation without receiving a control permit from the Bank of Israel, and no person may hold 5% or more of the means of control of a banking corporation without receiving a holding permit from the Bank of Israel (until that date, 10%). As of the date of this report, no such control permit has been granted to any of the Bank's shareholders.

In November 2005, Barnea Investments BV was chosen by the State as the preferred bidder for the State's holdings in the Bank and acquired from the State 9.99% of the Bank's share capital (5% of the voting rights) with an option to purchase a further 10.01% of the capital of the Bank, subject to receipt of all necessary permits from the Bank of Israel and the other relevant supervisory authorities in Israel and overseas. The option has been extended until 24 May 2007 and an application for a control permit has been made by Barnea to the Bank of Israel.

Exhibit 1

CONVERSION AGREEMENT

This Conversion Agreement (this **"Agreement"**) is made and entered into effective as of September 28th, 2006 by and between TOWER SEMICONDUCTOR LTD. (the **"Company"** or **"Tower"**), a company organized under the laws of the State of Israel and BANK HAPOALIM B.M., a banking corporation organized under the laws of the State of Israel (the **"Bank"**).

WHEREAS, Tower is an independent manufacturer of wafers whose Ordinary Shares are traded on the Nasdaq Stock Market (**"NASDAQ"**) under the symbol TSEM and whose Ordinary Shares and certain other securities are traded on the Tel-Aviv Stock Exchange (**"TASE"**) under the symbol TSEM;

WHEREAS, the Bank and Bank Leumi Le-Israel B.M. (collectively, the **"Banks"**) and Tower are parties to a Facility Agreement dated January 18, 2001, as amended (the **"Facility Agreement"**); and

WHEREAS, at the request of Tower, the Banks and Tower have entered into an Amending Agreement dated August 24, 2006 (the **"Amending Agreement"**), the conditions to the effectiveness of which include, *inter alia*, the conversion by each Bank of US $79,000,000 (seventy-nine million US dollars) of its loans made to Tower pursuant to the Facility Agreement (the **"Loans"**) into an equity-equivalent convertible capital note to be issued to the Bank (a **"Capital Note"**) in the amount of US $39,500,000 (thirty-nine million five hundred thousand US dollars) which will in turn be convertible, in whole or in part, by the Bank at any time and from time to time into 25,986,842 (twenty-five million, nine hundred and eighty-six thousand and eight hundred forty-two) ordinary shares of Tower at a conversion price of US $1.52 (one US dollar and fifty-two cents) per share (such number of shares and conversion price, in each case, subject to adjustment from time to time as provided in the Capital Note) and the entering into by the Bank and Tower of a Registration Rights Agreement (the **"Registration Rights Agreement"**) and of this Agreement, in each case, on the date of the effectiveness of the Amending Agreement (the **"Amendment Closing Date"**); and

WHEREAS, clause 9.4 of the amended and restated Facility Agreement that will become effective pursuant to the Amending Agreement on the Amendment Closing Date, as the same may be further amended from time to time (the **"Restated Facility Agreement"**) obligates the Company to make certain compensatory payments in January, 2011 to the Banks or their nominees on account of the Banks' agreement to reduce the rate of Interest on the Loans, which payments may, subject to said clause 9.4 and this Agreement, be made in the form of shares and/or Capital Notes and/or convertible debentures (the **"Clause 9.4 Equity Issuances"**), which issuances are subject, *inter alia*, to the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Interpretation.

1.1. As used in Sections 3.8 and 5.1 of this Agreement:

1.1.1. **"control"** (including the terms **"controlling"**, **"controlled by"** or **"under common control with"**, means the possession direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise; and

1.1.2. **"subsidiary"** of a person means any company (a) in which such person, directly or indirectly, owns 25% (twenty-five percent) or more of a class of voting securities or (b) which is otherwise directly or indirectly controlled by such person. For the avoidance of doubt, a subsidiary need not be consolidated for financial statement purposes with such person in order to be deemed a subsidiary in this Agreement.

1.2. Definitions. Except as otherwise defined herein, terms and expressions defined in the Restated Facility Agreement shall have the same meanings when used in this Agreement and all provisions of the Facility Agreement concerning matters of construction and interpretation shall apply to this Agreement.

1.3. Preamble. The preamble to this Agreement constitutes an integral part thereof.

2. Conversion of Loan and Issue of Capital Note on the Amendment Closing Date.

The Company hereby:

2.1. issues to the Bank, and the Bank hereby receives from the Company, in conversion of US $79,000,000 (seventy-nine million US dollars) of the Loans, an executed Capital Note in the principal amount of US $39,500,000 (thirty nine million five hundred thousand US dollars) in the form attached as **Exhibit 1** hereto. For the avoidance of doubt, as of the Amendment Closing Date, the principal amount of Loans outstanding and owed by Tower to the Banks shall be as set forth in the second sentence of clause 2.1 of the Restated Facility Agreement;

2.2. furnishes to the Bank a copy of the approval of the TASE for listing the 25,986,842 (twenty-five million, nine hundred and eighty-six thousand, eight hundred and forty-two) shares issuable upon conversion of said Capital Note; and

2.3. confirms that the Company has recorded such issuance of the Capital Note in the name of Bank on the records of the Company.

3. Representations and Warranties of the Company.

The Company hereby represents and warrants to the Bank on the Amendment Closing Date as follows:

3.1. Organization. The Company is duly organized and validly existing under the laws of its jurisdiction of incorporation and has full corporate power and authority to own, lease and operate its properties and assets and to conduct its business as now being conducted and to perform all its obligations under this Agreement.

3.2. Share Capital. All issued and outstanding share capital of the Company has been duly authorized and is validly issued. The shares to be issued upon conversion of any Capital Note or convertible debentures issued pursuant to this Agreement (the **"Conversion Shares"**) and, if applicable, on the Clause 9.4 Closing Date, are duly authorized and reserved for issuance by the Company and, when issued in accordance with the terms of such Capital Note or convertible debentures or, as applicable, this Agreement and Clause 9.4 of the Restated Facility Agreement, will be validly issued, fully paid, nonassessable and not subject to any pledge, lien or restriction on transfer, except for restrictions on transfer imposed by applicable securities laws. The entering into and performance of this Agreement and the issuance of any shares, Capital Notes or

convertible debentures hereunder do not, and the issuance of any Conversion Shares will not, conflict with the Memorandum of Association or the Articles of Association of the Company nor with any outstanding convertible security, warrant, option, call, preemptive right or commitment of any type relating to the Company's capital stock (collectively, **"Equity Rights"**). The entering into and performance of this Agreement, the issuance of any shares or Capital Notes hereunder and the issuance of the Conversion Shares do not require, or give any holder of Equity Rights the right to have made, any adjustments to be made in the conversion or exercise price, the number of shares issuable upon conversion or exercise or any other provision of the aforegoing Equity Rights.

3.3. Authorization; Approvals. All corporate action on the part of the Company necessary for the execution, delivery and performance of this Agreement and the issuance of any shares, Capital Notes, convertible debentures and Conversion Shares has been taken. Except as set forth in Schedule 3.3 hereto, save for any consents, approvals, authorisations or exemptions already obtained, and filings already made, no consent, approval or authorization of, exemption by, or filing with, any governmental or regulatory authority, including any approval of, or filings with, the Israeli Securities Authority (the "**ISA**"), the TASE or any third party is required in connection with the execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated hereby, including the issuance by way of private placement pursuant to this Agreement of any Capital Notes, convertible debentures or shares. This Agreement and all Capital Notes or convertible debentures issued hereunder on the date which this representation is given have been executed and delivered by the Company, and each constitutes the valid and legally binding obligations of the Company, legally enforceable against the Company in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws relating to creditor's rights generally and general principles of equity.

3.4. Cross-Default. No Default or Event of Default exists under the Facility Agreement.

3.5. No Conflicts. Neither the execution and delivery of this Agreement by Tower, nor the compliance with the terms and provisions of this Agreement on the part of Tower, including the issuance of shares, Capital Notes, convertible debentures or Conversion Shares, will: (i) violate any statute or regulation of any governmental authority, domestic or foreign, affecting Tower; (ii) require the issuance of any authorization, license, consent or approval of any governmental agency, or any other person which has not been obtained, save as set forth in Schedule 3.5 hereto; or (iii) conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree, loan agreement or other material agreement or instrument to which Tower is a party, or by which Tower is bound, or constitute a default thereunder, the effect of which might have a material adverse effect on Tower.

3.6. No Litigation. There are no actions, suits, proceedings, or injunctive orders, pending or threatened against or affecting Tower relating to the subject matter of this Agreement.

3.7. No Brokers. Except as set forth in Schedule 3.7 hereto, Tower has not engaged any broker or finder in connection with the transactions contemplated by this Agreement, and no broker or other person is entitled to any commission or finder's fee in connection with such transactions.

3.8. Activities in the United States.

3.8.1. More than 50% (fifty percent) of the consolidated assets of the Company as shown or would be shown on its consolidated financial statements (a) as of the last day of the immediately preceding calendar year and (b) as of the date hereof are, in each case, are located outside of the United States.

3.8.2. More than 50% (fifty percent) of the consolidated revenues of the Company as shown or would be shown on its consolidated financial statements (a) for the immediately preceding calendar year; and (b) during the current calendar year to date, in each case, are derived from outside the United States.

3.8.3. For the purposes of Section 3.8.1, Section 3.8.2, Section 5.1.1, Section 5.1.2, Section 5.1.6, Section 5.1.7 and Section 6.6 herein, assets and revenues of the Company will be deemed to be located or derived from "outside the United States" if they are recorded on the books of the Company or of any subsidiaries of the Company incorporated outside the United States (**"Non-U.S. Subsidiaries"**) (provided that such revenues are not recorded on the books of any offices of the Company or of its Non-U.S. Subsidiaries located in the United States (**"U.S. Offices"**)) and will be deemed to be located in or derived from the United States if they are recorded on the books of any U.S. Offices or of any subsidiaries of the Company incorporated in the United States (**"U.S. Subsidiaries"**). By way of example, revenues recorded on the books of the Company itself (but not on the books of any U.S. Offices) will be considered revenues derived from outside the United States, even if the revenues derive from a sale of the Company's products to a U.S. person and even if the Company's U.S. Subsidiary was involved in marketing, sales or post-sales support efforts.

3.8.4. The activities, if any, of the Company and its Non-U.S. Subsidiaries within the United States and the activities of all U.S. Subsidiaries are the same kind as or support the Company's or its Non-U.S. Subsidiaries' activities outside of the United States. For purposes of this Section 3.8.4, Section 5.1.3, Section 5.1.6, Section 5.1.7 and Section 6.6 below (a) "the same kind as" shall mean activities that are within the same "establishment" categories of the North American Classification System published by the United States Census Bureau, and (b) "support" shall mean supply, distribution, sales, marketing, servicing, research and development, licensing, design, customer relations and/or similar activities.

3.8.5. Neither the Company nor any of its subsidiaries conducts activities in the United States that consist of engaging in the business of banking, securities, insurance or real estate.

3.8.6. Neither the Company nor any of its subsidiaries engages, nor do either own more than 5% (five percent) of a class of voting securities of a person that engages, in the business of securities underwriting or distribution in the United States.

3.9. The Company acknowledges that the Bank is acquiring the Capital Notes on the Amendment Closing Date in full reliance upon the representations and warranties made by the Company in this Agreement, including in Section 3.8 above.

4. Representations and Warranties of the Bank.

The Bank hereby represents and warrants to the Company that it:

4.1. is acquiring the securities issued and to be issued to the Bank pursuant to this Agreement for investment and not with a view to distribution without registration under the U.S. Securities Act of 1933 (the "Securities Act");

4.2. has requisite knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in the Company and is an accredited investor as defined in Rule 501(a) under the Securities Act;

4.3. understands that none of the Capital Notes issued and to be issued under this Agreement have been, or will be, registered under the Securities Act, or the laws of any jurisdiction;

4.4. agrees that none of the securities issued and to be issued to the Bank pursuant to this Agreement may be sold, offered for sale, transferred, pledged, hypothecated or otherwise disposed of except by registration under the Securities Act or otherwise in compliance with the Securities Act, the Israeli Securities Law or any applicable securities laws of any jurisdiction (including pursuant to an exemption therefrom); and

4.5. acknowledges that the securities, upon issuance, will, unless in the reasonable opinion of counsel for the Company such legend is not required in order to ensure compliance under the Securities Act, bear the following legend:

THESE SECURITIES [(INCLUDING THE SECURITIES ISSUABLE PURSUANT HERETO)][1] HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR ANY U.S. STATE OR OTHER JURISDICTION'S SECURITIES LAWS. THESE SECURITIES (INCLUDING THE SECURITIES ISSUABLE PURSUANT HERETO) MAY NOT BE SOLD, OFFERED FOR SALE OR PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, (THE "ACT") WITH RESPECT TO ANY SUCH SECURITIES OR AN OPINION OF COUNSEL (REASONABLY SATISFACTORY TO THE COMPANY) THAT SUCH REGISTRATION IS NOT REQUIRED OR UNLESS SOLD PURSUANT TO RULE 144 OF THE ACT OR ON THE TEL-AVIV STOCK EXCHANGE IN COMPLIANCE WITH REGULATION S UNDER THE ACT.

For the avoidance of doubt, nothing in this Section 4 shall derogate from the Company's obligations under the Registration Rights Agreement.

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[1] Following the effective date of the Registration Statement covering the Conversion Shares, if applicable, bracketed language to be removed from all future Capital Notes and convertible debentures to be issued and, at the request of the holder, a substitute Capital Note omitting the bracketed language will promptly be delivered to the holder. If shares are directly issued in the Clause 9.4 Equity Issuance, the first sentence of the legend and the first parenthetical in the second sentence will be removed following the effective date of the Registration Statement covering such shares.

5. Undertakings by the Company.

5.1. For so long as (a) any shares or Capital Notes are issuable to the Bank and/or its subsidiaries (for the avoidance of doubt, as defined in Section 1.1.2 above) pursuant to this Agreement and (b) any securities of the Company (including Capital Notes, Warrants and shares), constituting or convertible into 5% or more of any class of voting securities (as defined in the United States Code of Federal Regulations - 12 C.F.R. Section 225.2(q)) of the Company are beneficially owned by the Bank and/or its subsidiaries (for the avoidance of doubt, as defined in Section 1.1.2 above), the Company shall use its best efforts in order:

5.1.1. that more than 50% (fifty percent) of the consolidated assets of the Company as of December 31 of each calendar year are located outside of the United States (the **"Asset Test"**);

5.1.2. that more than 50% (fifty percent) of the consolidated revenues of the Company as of December 31 of each calendar year are derived from outside the United States (the **"Revenue Test"**);

5.1.3. that the activities of the Company within the United States and the activities of the U.S. Subsidiaries are of the same kind as or support the activities of the Company or its Non-U.S. Subsidiaries outside the United States (the **"Same Line of Business Test"**);

5.1.4. that neither the Company nor any of its subsidiaries will conduct activities in the United States that consist of engaging in the business of banking, securities, insurance or real estate (the **"Financial Activities Test"**) (for the avoidance of doubt, nothing in the aforesaid shall derogate from the obligations of the Company under the Restated Facility Agreement);

5.1.5. not to engage, or permit any of its subsidiaries to engage, or to own or permit any of its subsidiaries to own more than 5% (five percent) of a class of voting securities of a person that engages, in the business of securities' underwriting or distribution in the United States (the **"No Underwriting Test"**) (for the avoidance of doubt, nothing in the aforesaid shall derogate from the obligations of the Company under the Restated Facility Agreement);

5.1.6. Nothing in Sections 5.1, 5.1.1, 5.1.2, 5.1.3, 5.1.4 or 5.1.5 above shall require the Company to prejudice the business or financial interests of the Company and the Company may take such actions or refrain from taking actions that may cause it not to satisfy the Asset Test, the Revenue Test, the Same Line of Business Test, the Financial Activities Test and/or the No Underwriting Test, provided that the taking of such actions, or refraining from taking such actions, are in the business or financial interests of the Company as reasonably determined by the Company;

5.1.7. furnish to the Bank and, subsequent to the Clause 9.4 Closing Date, any nominee of the Bank pursuant to clause 6 below, as soon as practicable (and, in any event, within thirty (30) days after the end of each calendar year), a certificate of the Chief Financial Officer of the Company, in a form reasonably satisfactory to the Bank (i) confirming whether the Company is in

compliance with each of the Asset Test, the Revenue Test, the Same Line of Business Test, the Financial Activities Test and the No Underwriting Test, provided that if the Company is not in compliance with the Asset Test or the Revenue Test in a particular calendar year, the Chief Financial Officer shall describe the steps, if any, being taken by the Company to ensure compliance in the immediately following calendar year (for the removal of doubt, without derogating from Section 5.1.6 above); and (ii) setting out (a) the amount and percentage of the consolidated revenues of the Company derived from outside the United States during the immediately preceding calendar year, and (b) the amount and percentage of the consolidated assets of the Company located outside of the United States as of December 31 of such immediately preceding calendar year; and

5.1.8. furnish promptly to the Bank and, subsequent to the Clause 9.4 Closing Date, any nominee of the Bank pursuant to clause 6 below, such other information as such person may reasonably request in order to satisfy their obligations to file certain reports or assess its compliance with applicable legal or regulatory requirements relating to the transactions contemplated herein.

5.2. The Company shall fulfil all of its obligations under the Equity Documents, including the Capital Notes issued pursuant hereto and the Registration Rights Agreement.

5.3. In the event that the adjustment provisions of any Capital Notes issued pursuant hereto result in additional Conversion Shares to be issued upon conversion of the Capital Notes, the Company shall promptly furnish the Bank with a copy of the approval of the TASE for listing such additional Conversion Shares (if the Company's shares are then traded on the TASE).

5.4. To the extent that ordinary shares (or other shares of capital stock substituted therefor) of the Company are listed on one or more securities exchanges, including the NASDAQ and the TASE, the Company shall maintain, at its expense, the listing of the shares of the Company issued pursuant to this Agreement (including upon conversion of Capital Notes issued pursuant to this Agreement) on such exchanges or, in the event such shares of the Company are listed on only one securities exchange, such exchange. Nothing in this Section 5.4 shall constitute an obligation of the Company to list or maintain the listing of its ordinary shares (or other shares of capital stock substituted therefor) on any securities exchanges, including the NASDAQ and the TASE.

6. Clause 9.4 Closing; Conditions Precedent.

The issuance and allotment of the shares of the Company, or the issuance of Capital Notes, pursuant to and in accordance with clause 9.4 of the Restated Facility Agreement (such date, the **"Clause 9.4 Closing Date"**), to the Bank or its nominee (which shall be an Affiliate of the Bank) shall be subject to the conditions set forth in clause 9.4.6 of the Restated Facility Agreement and to the conditions precedent that the Bank shall have received, by no later than 2 (two) Business Days prior to the Clause 9.4 Closing Date, all of the following documents, matters and things in form and substance satisfactory to the Bank:

6.1. copies of all resolutions of the Board of Directors of the Company and, if necessary, its Audit Committee and shareholders, authorizing all agreements and acts to be performed by the Company as conditions precedent to, or otherwise in connection with, the Clause 9.4 Equity Issuances, to the extent not already authorized in the resolutions delivered on or about the Amendment Closing Date;

6.2. an opinion of the Company's external legal counsel, satisfactory to the Bank, addressed to the Bank and, if applicable, its nominee, *mutatis mutandis*, to the Clause 9.4 Equity Issuances in the form of such opinion delivered by Yigal Arnon & Co., Advocates to the Banks, on or about the Amendment Closing Date, provided that paragraphs 4.7 (i) and 5.4 shall be omitted;

6.3. an opinion of U.S. counsel, satisfactory to the Bank, to the effect that, based upon their review of United States federal or New York State statutes, rules and regulations which, in their opinion, based on their experience, are normally applicable to transactions of the types contemplated by clause 9.4 of the Restated Facility Agreement ("**United States Applicable Laws**"), (i) subject to the effectiveness of the registration statement to be filed by the Company with respect to the Clause 9.4 Equity Issuances pursuant to the Registration Rights Agreement, no consent, approval, authorization, order, registration or qualification of or with any United States federal or New York State court or governmental agency or body is required for the sale in the United States (including through the Nasdaq Stock Market) by the Bank or its nominee of the ordinary shares to be issued or issuable upon conversion of Capital Notes or convertible debentures to be issued to the Bank or its nominee pursuant to clause 9.4 of the Restated Facility Agreement and this Agreement, provided that no opinion need be expressed with respect to state securities or Blue Sky laws; (ii) the acquisition and indefinite holding of the Capital Notes or convertible debentures (provided that, with respect to the convertible debentures, counsel shall assume, solely for purposes of rendering such opinion, that the condition set forth in Section 6.6.2 has been satisfied and that if the Company is, as of the Clause 9.4 Closing Date, satisfying the Tests (as set forth in Section 6.6.1 below) that it shall continue to satisfy the Tests) or the shares issuable in connection with the Clause 9.4 Equity Issuances by the Bank or its nominee is permissible under United States Applicable Laws, including under the Bank Holding Company Act of 1956, as amended; and (iii) the acquisition and holding of either the Capital Notes or the shares issuable in connection with the Clause 9.4 Equity Issuances by the Bank or its nominee will not be subject to the notification and filing requirements under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. Such opinion shall be based upon and subject to reasonable assumptions (without derogating from the parenthetical phrase in subsection (ii) above) and limitations, provided that, if such opinion cannot be delivered, at the request of the Company, such counsel shall describe the legal basis or bases for why such opinion cannot be delivered;

6.4. all of the Company's (a) representations and warranties given pursuant to this Agreement shall be repeated on the Clause 9.4 Closing Date as if made on the Clause 9.4 Closing Date, other than the representations and warranties given pursuant to the last sentence of Section 3.2 above and pursuant to Section 3.8 above, and (b) all of the Company's obligations under this Agreement and the Registration Rights Agreement to be performed on or prior to the Clause 9.4 Closing Date shall have been fulfilled, and the Company shall have delivered a certificate of its Chief Executive Officer or Chief Financial Officer to the effect of (a) and (b) in form and substance satisfactory to the Bank;

6.5. all Governmental Authorisations and third party consents required to be obtained by the Company in connection with the Clause 9.4 Equity Issuances shall have been received, including, if applicable:

6.5.1. confirmation of the Controller of Restrictive Trade Practices (the **"Controller"**) that no approval is required in connection with the Clause 9.4 Equity Issuances or, if any such approval is considered by the Controller to be required, the unconditional receipt of same (provided that if the Controller shall refuse to provide such confirmation for the reason that the Controller does not see a reason to review the request for the same, such confirmation shall be deemed to have been obtained) (for the removal of doubt, if required, the Bank shall also make such a request);

6.5.2. the consent of the Investment Centre to the issue of shares, capital notes or convertible debentures (and shares issuable upon conversion of the Capital Notes or convertible debentures) to the Bank and, if applicable, its nominee as contemplated under clause 9.4 to the Restated Facility Agreement;

6.5.3. the approval of the ILA under the Existing ILA Leases, and any other long term lease agreements between the Company and the ILA, to the issue of shares, capital notes or convertible debentures (and shares issuable upon conversion of the Capital Notes or convertible debentures) to the Bank and, if applicable, its nominee as contemplated under clause 9.4 to the Restated Facility Agreement; and

6.6. provided that the first paragraph of Section 5.1 is applicable, confirmation from the Chief Financial Officer of the Company, in form and substance satisfactory to the Bank, that the Company:

6.6.1. has satisfied the Asset Test, the Revenue Test, the Same Line of Business Test, the Financial Activities Test and the No Underwriting Test (collectively, the "**Tests**") as of December 31 in each of the two years immediately prior to the year in which the Clause 9.4 Closing Date falls, and meets, on the Clause 9.4 Closing Date, the Same Line of Business Test, the Financial Activities Test and the No Underwriting Test; and

6.6.2. is not aware of any reason why it would not continue to satisfy each of the Tests during the then current year and the immediately following year.

In the event that the conditions precedent set out in this Section 6 above and in clause 9.4.6 of the Restated Facility Agreement are not satisfied by no later than 2 (two) Business Days prior to the Clause 9.4 Closing Date, including if a representation and warranty that is to be repeated cannot be repeated, then the Clause 9.4.1 Amount or the Clause 9.4.2 Amount, as applicable, shall be paid in cash by the Company to the Bank or its nominee on the Clause 9.4 Closing Date, (a) provided however, if said conditions precedent set out in this Section 6 above and in Clause 9.4.6 of the Restated Facility Agreement are otherwise satisfied, by no later than 2 (two) Business Days prior to the Clause 9.4 Closing Date, with respect to the issuance of Capital Notes instead of shares, then the Clause 9.4.1 Amount or the Clause 9.4.2 Amount, as applicable, will not be paid in cash by the Company and Capital Notes shall be issued as contemplated by

Section 7.1 below; and (b) provided further that, if all said conditions precedent, other than as set forth in Section 6.6.2 above, are satisfied by no later than 2 (two) Business Days prior to the Clause 9.4 Closing Date, then the Clause 9.4.1 Amount or the Clause 9.4.2 Amount, as applicable, will, at the option of the Company, in its sole discretion, either be paid in cash or by way of issue of convertible debentures that will (except for consequential changes flowing from the redemption right described below) have the same terms as the Capital Notes (including, for the removal of doubt, that such convertible debentures will not bear interest or be linked to any index), save that the Bank or its nominee or other Affiliate thereof holding said convertible debentures (the **"Holder"**) shall have the right to require the Company to redeem the convertible debentures, in whole or in part, on the date which is 30 (thirty) months after the Clause 9.4 Closing Date (or, if such date is not a Business Day, on the Business Day immediately prior to such anniversary) (the **"Redemption Date"**), for an amount in cash equal to the then principal amount thereof submitted for redemption, upon the giving by the Holder to the Company of at least 30 (thirty) days prior written notice. For the avoidance of doubt, if such redemption right is not exercised by a Holder as aforesaid, said convertible debentures shall remain convertible into shares of the Company and shall, subsequent to the Redemption Date, only be payable in accordance with clause 2 of the Capital Note.

7. <u>Transactions upon the Clause 9.4 Closing</u>.

Subject to the fulfilment of the conditions precedent set out in Section 6 above and in clause 9.4.6 of the Restated Facility Agreement, on the Clause 9.4 Closing Date (unless cash is payable pursuant to Section 6 above or clause 9.4.6 of the Restated Facility Agreement):

7.1. the Company shall issue (and, in the case of shares, allot) to the Bank or its nominee either (a) such number of shares in the name of the Bank or its nominee as provided in clause 9.4.1 or clause 9.4.2 (as adjusted, if applicable, pursuant to clauses 9.4.7 and 9.4.9) of the Restated Facility Agreement and shall send irrevocable instructions to its stock transfer agent to issue a share certificate in respect of such shares (the Bank or its nominee may elect to deliver to Tower an undertaking not to exercise means of control in respect of such shares for a certain period) or (b) (i) at the election of the Bank or its nominee, or if the proviso set forth in subsection (a) in the last paragraph of Section 6 is applicable, Capital Notes or (ii) if the proviso set forth in subsection (b) in the last paragraph of Section 6 is applicable (and the Company has not elected to pay cash), convertible debentures, in each case, substantially in the form attached as **Exhibit 1** hereto (save that, in the case of the convertible debentures, a provision granting the redemption right described in subsection (b) in the last paragraph of Section 6 and consequential changes flowing from such redemption right shall be made, in form and substance satisfactory to the Holder), as the case may be, in the principal amounts provided in clause 9.4.1 or clause 9.4.2 (as adjusted, if applicable, pursuant to clauses 9.4.7 and 9.4.9) of the Restated Facility Agreement, as applicable, convertible into shares at the Average Closing Price (as defined in clause 9.4.1 of the Restated Facility Agreement) (subject to adjustments as provided in the Capital Notes);

7.2. the Company shall deliver to the Bank or, if applicable, its nominee a copy of the approval of the TASE for listing the shares issued or issuable pursuant to clause 7.1 above (if the Company's shares are then traded on the TASE); and

7.3. the Company shall record such issuance of the shares or Capital Note in the name of the Bank, or, if applicable, its nominee on the records of the Company.

8. Miscellaneous.

8.1. Governing Law; Jurisdiction. This Agreement shall be governed by and shall be construed in accordance with Israeli law and the courts of Tel-Aviv-Jaffa shall have exclusive jurisdiction to hear any matters, provided that the Bank and any other Affiliate of the Bank party to this Agreement shall be entitled to sue Tower in any jurisdiction in which it has an office or holds assets.

8.2. Successors and Assigns; Assignment. Except as otherwise expressly limited herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors and permitted assigns of the parties hereto. This Agreement may not be assigned by any party without the prior written consent of the other party hereto, provided that the Bank may assign this Agreement, in whole or in part, to any Affiliate of the Bank or add an Affiliate of the Bank as an additional party hereto, including, for the avoidance of doubt, any nominee of the Bank in connection with the Clause 9.4 Equity Issuances. Nothing in this Agreement shall be deemed to restrict the (a) transferability of the shares, convertible debentures and Capital Notes to be issued pursuant to this Agreement or the Conversion Shares, in each case, in whole or in part at any time and from time to time, except for restrictions on transfer imposed by applicable securities laws or (b) the assignability of the registration rights in accordance with the Registration Rights Agreement.

8.3. Expenses. The Company shall bear the expenses and costs of all the parties to the transactions contemplated hereby (including the fees and expenses of counsel to the Bank and any nominee of the Bank that is an Affiliate of the Bank in connection with the Clause 9.4 Equity Issuances).

8.4. Entire Agreement; Amendment and Waiver. This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subject matter hereof. Any term of this Agreement may be amended and the observance of any term hereof may be waived (either prospectively or retroactively and either generally or in a particular instance) only with the written consent of the parties to this Agreement.

8.5. Notices, etc. All notices and other communications required or permitted hereunder to be given to a party to this Agreement shall be in writing and shall be faxed or mailed by registered or certified mail, postage prepaid, or otherwise delivered by hand or by messenger, addressed to such party's address as set forth below:

If to the Bank:	Corporate Division Migdal Levenstein 23 Menachem Begin Road Tel-Aviv Israel Fax. 972-3-5672995 Attn: Head of Corporate Division
If to the Company:	Tower Semiconductor Ltd. Ramat Gavriel Industrial Area P.O. Box 619 Migdal Haemek Israel 23105 Fax. 972-4-6047242 Attn: Oren Shirazi, Acting CFO

with a copy to
(which shall not
constitute notice):

Yigal Arnon & Co.
1 Azrieli Center
46th Floor
Tel-Aviv, Israel, 67021
Fax: 972-3-6087714
Attn: David Schapiro, Adv.

or such other address with respect to a party as such party shall notify each other party in writing as above provided. Any notice sent in accordance with this Section 8.5 shall be effective (i) if mailed, five (5) business days after mailing, (ii) if sent by messenger, upon delivery, and (iii) if sent via facsimile, one (1) business day following transmission and electronic confirmation of receipt.

8.6. Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party upon any breach or default under this Agreement, shall be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. Unless provided otherwise herein, all remedies, either under this Agreement or by law or otherwise afforded to any of the parties, shall be cumulative and not alternative.

8.7. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable under applicable law, then such provision shall be excluded from this Agreement and the remainder of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms; provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

8.8. Counterparts. This Agreement may be executed in any number of counterparts (including facsimile counterparts), each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

8.9. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof.

8.10. Further Assurances. Each of the parties hereto shall perform such further acts and execute such further documents as may reasonably be necessary to carry out and give full effect to the provisions of this Agreement and the intentions of the parties as reflected thereby, including the provision by the Bank to the Company of such information as shall be required in order to determine the adjustments, if any, required under clause 9.4.7 of the Restated Facility Agreement.

IN WITNESS WHEREOF, each of the parties has signed this Agreement as of the date first hereinabove set forth.

TOWER SEMICONDUCTOR LTD.

By: /s/ Oren Shirazi
Name: Oren Shirazi
Title: VP Finance

By: /s/ Yoram Glatt
Name: Yoram Glatt
Title: Treasurer

BANK HAPOALIM B.M.

By: /s/ Meiri Alterman
Name: Meiri Alterman
Title: CRM
(Customer Relationship Manager)

By: /s/ Dalit Uri
Name: Dalit Uri
Title: DCRM
(Deputy Customer Relationship Manager)

EXHIBIT 1

THESE SECURITIES **[**(INCLUDING THE SECURITIES ISSUABLE PURSUANT HERETO)**]**[1] HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (**"THE ACT"**), OR ANY U.S. STATE OR OTHER JURISDICTION'S SECURITIES LAWS. THESE SECURITIES (INCLUDING THE SECURITIES ISSUABLE PURSUANT HERETO) MAY NOT BE SOLD, OFFERED FOR SALE OR PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT UNDER THE ACT WITH RESPECT TO ANY SUCH SECURITIES OR AN OPINION OF COUNSEL (REASONABLY SATISFACTORY TO THE COMPANY) THAT SUCH REGISTRATION IS NOT REQUIRED OR UNLESS SOLD PURSUANT TO RULE 144 OF THE ACT OR ON THE TEL-AVIV STOCK EXCHANGE IN COMPLIANCE WITH REGULATION S UNDER THE ACT.

EQUITY EQUIVALENT CONVERTIBLE CAPITAL NOTE
(Principal Amount of US $_____)

THIS EQUITY EQUIVALENT CONVERTIBLE CAPITAL NOTE (**"this Capital Note"**) in the principal amount of US $_____ (_____ United States Dollars) (**"the Principal Amount"**) has been issued by Tower Semiconductor Ltd., an Israeli company (**"the Company"**), whose shares are currently traded on The Nasdaq National Market (**"NASDAQ"**) and the Tel-Aviv Stock Exchange (**"TASE"**), to **[_____]** (**"the Holder"**). This Capital Note was originally issued by the Company in exchange for the conversion by the original Holder of this Capital Note of loans to the Company in a principal amount equal to twice the Principal Amount and represents the obligation of the Company to pay the Principal Amount to the Holder in accordance with and subject to the terms set forth in this Capital Note.

1. **DEFINITIONS**

In this Capital Note, the following terms have the meanings given to them in this clause 1:

1.1. **"Company"** includes any person that shall succeed to or assume the obligations of the Company under this Capital Note; and

1.2. **"Holder"** shall mean any person who at the time shall be the registered holder of this Capital Note or any part thereof.

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[1] Following the effective date of the Registration Statement covering the Conversion Shares, bracketed language to be removed from all future Capital Notes to be issued and, at the request of the Holder, a substitute Capital Note omitting the bracketed language will promptly be delivered to the Holder.

1.3. **"Ordinary Shares"** means the ordinary shares, nominal value NIS 1.00 (one New Israel Sheqel) per share, of the Company (and any shares of capital stock substituted for the ordinary shares as a result of any stock split, stock dividend, recapitalisation, rights offering, exchange, merger or similar event or otherwise, including as described in this Capital Note).

2. **TERMS**

The Principal Amount shall neither bear interest nor be linked to any index and shall be subordinated to all liabilities of the Company having priority over the Ordinary Shares.

The Principal Amount shall only be payable by the Company to the Holder out of distributions made upon the winding-up (whether solvent or insolvent), liquidation or dissolution of the Company and, in such event, on a *pari passu* and pro rata basis with the Ordinary Shares after payment of all liabilities of the Company having priority over the Ordinary Shares. For the purposes only of calculation of the allocation of such distributions between holders of the Capital Note and holders of Ordinary Shares, the holder of this Capital Note shall be deemed to own the number of Ordinary Shares into which this Capital Note may then be converted. The Company shall not be entitled to prepay or redeem this Capital Note.

This Capital Note shall be convertible into Ordinary Shares as set forth below and, for the removal of doubt, no such conversion shall be deemed a redemption or prepayment of this Capital Note.

3. **CONVERSION**

3.1. **CONVERSION RIGHT**

The Holder of this Capital Note has the right, at the Holder's option, at any time and from time to time, to convert this Capital Note, without payment of any additional consideration, in accordance with the provisions of this clause 3, in whole or in part, into fully-paid and non-assessable Ordinary Shares. The number of Ordinary Shares into which this Capital Note may be converted (**"the Conversion Shares"**) shall be determined by dividing the aggregate Principal Amount of this Capital Note by the conversion price in effect at the time of such conversion (**"the Conversion Price"**). The Conversion Price initially shall be US $1.52 (one United States Dollar and fifty-two cents), as adjusted at any time and from time to time in accordance with clause 7 below.

3.2. **Conversion Procedure**

This Capital Note may be converted in whole or in part at any time and from time to time by the surrender of this Capital Note to the Company at its principal office together with written notice of the election to convert all or any portion of the Principal Amount thereof, duly signed on behalf of the Holder. The Company shall, on such surrender date or as soon as practicable thereafter, issue irrevocable instructions to its stock transfer agent to deliver to the Holder a certificate or certificates for the number of Conversion Shares to which the Holder shall be entitled as a result of such conversion as aforesaid. Such conversion, the issue and allotment of such Conversion Shares and the registration of the Holder in the register of members of the Company as the holder of such Conversion Shares shall be deemed to have been made immediately prior to the close of business on the date of such surrender of this Capital Note or portion thereof and the person or persons entitled to receive the Conversion Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders as of such date of such number of Conversion Shares to which the Holder shall be entitled as a result of such conversion as aforesaid. In the event of a partial conversion, the Company shall concurrently issue to the Holder a replacement Capital Note of like tenor as this Capital Note, but representing the Principal Amount remaining after such partial conversion. For the avoidance of doubt, the Company confirms that the terms of this Capital Note, including, without limitation, this clause 3, constitute the issue terms of the Conversion Shares and that, accordingly, the right of the Company pursuant to clauses 16.1 and 16.2 of the Company's Articles of Association to delay the issuance of stock certificates for up to 6 (six) months after the allotment and registration of transfer is inapplicable. For the further removal of doubt, nothing herein shall derogate from the second sentence of clause 16.1 of the Company's Articles of Association.

4. **FRACTIONAL INTEREST**

No fractional shares will be issued in connection with any conversion hereunder. The Company shall round-down, to the nearest whole number, the number of Conversion Shares issuable in connection with any conversion hereunder.

5. **CAPITAL NOTE CONFERS NO RIGHTS OF SHAREHOLDER**

The Holder shall not, by virtue of this Capital Note, have any rights as a shareholder of the Company prior to actual conversion into Conversion Shares in accordance with clause 3.2 above.

6. **ACQUISITION FOR INVESTMENT**

This Capital Note**[**, including the Conversion Shares,[2]**]** has not been registered under the Securities Act of 1933, as amended (**"the Securities Act"**), or any other securities laws. The Holder acknowledges by acceptance of this Capital Note that it has acquired this Capital Note for investment and not with a view to distribution. **[**The Holder agrees that, unless the Conversion Shares have been registered under the Securities Act, any Conversion Shares issuable upon conversion of this Capital Note will be acquired for investment and not with a view to distribution in a manner inconsistent with the registration requirements of the U.S. securities laws and may have to be held indefinitely unless they are subsequently registered under the Securities Act or, based on an opinion of counsel reasonably satisfactory to the Company, an exemption from such registration is available; provided, however, that no opinion shall be required if sold pursuant to Rule 144 of the Securities Act or the transfer will be effected on the TASE and the Holder represents that the applicable conditions under Regulation S under the Securities Act have been satisfied.[3]**]** The Holder, by acceptance hereof, consents to the placement of legend(s) on this Capital Note and also on the Conversion Shares issuable upon conversion of this Capital Note, as to the applicable restrictions on transferability in order to ensure compliance with the Securities Act, unless in the reasonable opinion of counsel for the Company such legend is not required in order to ensure compliance with the Securities Act. The Company may issue stop transfer instructions to its transfer agent in connection with such restrictions.

Nothing in this clause 6 shall derogate from any obligations of the Company under any Registration Rights Agreement to which the Company and the Holder are parties.

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2 Following the effective date of the Registration Statement covering the Conversion Shares, bracketed language to be removed from all future Capital Notes to be issued and, at the request of the Holder, a substitute Capital Note omitting the bracketed language will promptly be delivered to the Holder.

3 Following the effective date of the Registration Statement covering the Conversion Shares, bracketed language to be replaced with the following: "The Conversion Shares have been registered under the Securities Act on Form F-3 Registration Statement No. **[*insert relevant registration number*]**." on all future Capital Notes to be issued, and, at the request of the Holder, a substitute Capital Note having such replacement language will promptly be delivered to the Holder.

7. **ADJUSTMENT OF CONVERSION PRICE AND NUMBER OF CONVERSION SHARES**

The number and kind of securities issuable initially upon the conversion of this Capital Note and the Conversion Price shall be subject to adjustment at any time and from time to time upon the occurrence of certain events, as follows:

7.1. **Adjustment for Shares Splits and Combinations**

If the Company at any time or from time to time effects a subdivision of the outstanding Ordinary Shares, the number of Conversion Shares issuable upon conversion of this Capital Note immediately before the subdivision shall be proportionately increased, and conversely, if the Company at any time or from time to time combines the outstanding Ordinary Shares, the number of Conversion Shares issuable upon conversion of this Capital Note immediately before the combination shall be proportionately decreased. Any adjustment under this clause 7.1 shall become effective at the close of business on the date the subdivision or combination becomes effective.

7.2. **Adjustment for Certain Dividends and Distributions**

In the event the Company at any time, or from time to time, makes or fixes a record date for the determination of holders of Ordinary Shares entitled to receive a dividend or other distribution payable in additional Ordinary Shares, then and in each such event, the number of Ordinary Shares issuable upon conversion of this Capital Note shall be increased as of the time of such issuance or, in the event such a record date is fixed, as of the close of business on such record date, by multiplying the number of Ordinary Shares issuable upon conversion of this Capital Note by a fraction: (i) the numerator of which shall be the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, as applicable, plus the number of Ordinary Shares issuable in payment of such dividend or distribution; and (ii) the denominator of which is the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, as applicable; provided, however, that if such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the number of Ordinary Shares issuable upon conversion of this Capital Note shall be recomputed

accordingly as of the close of business on such record date and thereafter the number of Ordinary Shares issuable upon conversion of this Capital Note shall be adjusted pursuant to this clause 7.2 as of the time of the actual payment of such dividends or distribution.

7.3. **Adjustments for Other Dividends and Distributions**

In the event the Company at any time or from time to time makes, or fixes a record date for the determination of holders of Ordinary Shares entitled to receive a dividend or other distribution payable in securities of the Company other than Ordinary Shares (for the avoidance of doubt, other than in a rights offering as to which clause 7.7 shall be applicable), then in each such event provision shall be made so that the Holder shall receive upon conversion of this Capital Note and for no additional consideration, in addition to the number of Ordinary Shares receivable thereupon, the amount of securities of the Company that the Holder would have received had this Capital Note been converted immediately prior to such event, or the record date for such event, as applicable.

7.4. **Adjustment for Reclassification, Exchange and Substitution**

If the Ordinary Shares issuable upon conversion of this Capital Note are changed into the same or a different number of shares of any class or classes of shares, whether by recapitalization, reclassification, exchange, substitution or otherwise (other than a subdivision or combination of shares, dividends payable in Ordinary Shares or other securities of the Company or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this clause 7), then and in any such event the Holder shall have the right thereafter to exercise this Capital Note into the kind and amount of shares and other securities receivable upon such recapitalization, reclassification, exchange, substitution or other change, by holders of the number of Ordinary Shares for which this Capital Note might have been converted immediately prior to such recapitalization, reclassification, exchange, substitution or other change (or the record date for such event), all subject to further adjustment as provided herein and under the Company's Articles of Association.

7.5. **Reorganization, Mergers, Consolidations or Sales of Assets**

If at any time or from time to time there is a capital reorganization of the Ordinary Shares (other than a recapitalization, subdivision, combination, reclassification, exchange or substitution of shares as

provided for elsewhere in this clause 7), or a merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the Company's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the Holder shall thereafter be entitled to receive upon conversion of this Capital Note and for no additional consideration, the number of shares or other securities or property (including, without limitation, cash) of the Company, or of the successor corporation resulting from such merger or consolidation or sale, to which a holder of the number of Ordinary Shares issuable upon conversion of this Capital Note would have been entitled on such capital reorganization, merger, consolidation or sale.

7.6. **Other Transactions**

In the event that the Company shall issue shares to its shareholders as a result of a split-off, spin-off or the like, then the Company shall only complete such issuance or other action if, as part thereof, allowance is made to protect the economic interest of the Holder either by increasing the number of Conversion Shares or by procuring that the Holder shall be entitled, on terms economically proportionate to those provided to its shareholders, to acquire additional shares of the spun-off or split-off entities.

7.7. **Rights Offerings**

If the Company, at any time and from time to time, shall fix a record date for, or shall make a distribution to, its shareholders of rights or warrants to subscribe for or purchase any security (collectively, **"Rights"**), then, in each such event, the Company will provide the Holder, concurrently with the distribution of the Rights to its shareholders, identical rights, having terms and conditions identical to the Rights (for the avoidance of doubt, exercisable at the same time as the Rights), in such number to which the Holder would be entitled had the Holder converted this Capital Note into Conversion Shares immediately prior to the record date for such distribution, or if no record date shall be fixed, then immediately prior to such distribution , as applicable. Nothing in this clause 7.7 shall require the Company to complete any such distribution of Rights to its shareholders, including following the record date thereof, unless required pursuant to the terms of such distribution and, if such distribution of Rights to its shareholders is not completed in conformity with the terms of such distribution, then the Company

shall be entitled not to complete the provision of rights to the Holder pursuant to this clause 7.7 above.

7.8. **Adjustment for Cash Dividends and Distributions**

In the event the Company, at any time or from time to time until September 28, 2021, makes or fixes a record date for the determination of holders of Ordinary Shares entitled to receive a cash dividend or distribution, then and in each such event, the number of Ordinary Shares issuable upon conversion of this Capital Note shall be adjusted (for the avoidance of doubt, never decreased but either shall remain the same or increased), as of the close of business on such record date, by multiplying the number of Ordinary Shares issuable upon conversion of this Capital Note by a fraction: (i) the numerator of which shall be the closing price per share of the Ordinary Shares on the TASE on the determining date ("*Hayom Hakovaya*") for such dividend or distribution; and (ii) the denominator of which shall be the adjusted "ex-dividend" price of the Ordinary Shares as such prices set out in (i) and (ii) are determined in each case by the TASE in accordance with its rules.

7.9. **General Protection**

The Company will not, by amendment of its Articles of Association or other charter document or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder, or impair the economic interest of the Holder, but will at all times in good faith assist in the carrying out of all the provisions hereof and in taking of all such actions and making all such adjustments as may be necessary or appropriate in order to protect the rights and the economic interests of the Holder against impairment.

7.10. **Notice of Capital Changes**

If at any time the Company shall declare any dividend or distribution of any kind, or offer for subscription pro rata to the holders of Ordinary Shares any additional shares of any class, other rights or any security of any kind, or there shall be any capital reorganization or reclassification of the capital shares of the Company, or consolidation or merger of the Company with, or sale of all or substantially all of its assets to another company or there shall be a

voluntary or involuntary dissolution, liquidation or winding-up of the Company, or other transaction described in this clause 7, then, in any one or more of the said cases, the Company shall give the Holder prior written notice, by registered or certified mail, postage prepaid, of the date on which: (i) a record shall be taken for such dividend, distribution or subscription rights; or (ii) such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding-up shall take place, as the case may be. Such notice shall also specify the date as of which the holders of record of Ordinary Shares shall participate in such dividend or distribution, subscription rights, or shall be entitled to exchange their Ordinary Shares for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding-up, as the case may be. Such written notice shall be given at least 14 (fourteen) days prior to the action in question and not less than 14 (fourteen) days prior to the record date in respect thereto.

7.11. **Adjustment of Conversion Price**

Upon each adjustment in the number of Ordinary Shares purchasable hereunder, the Conversion Price shall be proportionately increased or decreased, as the case may be, in a manner that is the inverse of the manner in which the number of Ordinary Shares purchasable hereunder shall be adjusted.

7.12. **Notice of Adjustments**

Whenever the Conversion Price or the number of Ordinary Shares issuable upon conversion of this Capital Note shall be adjusted pursuant to this clause 7, the Company shall prepare a certificate signed by the chief financial officer of the Company setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Conversion Price and the number of Conversion Shares issuable upon conversion of this Capital Note after giving effect to such adjustment, and shall cause copies of such certificate to be mailed (by first class mail, postage prepaid) to the Holder.

8. **OTHER TRANSACTIONS**

In the event that the Company or its shareholders receive an offer to transfer all or substantially all of the shares in the Company, or to effect a merger or acquisition or sale of all or substantially all of the assets of the

Company, then the Company shall promptly inform the Holder in writing of such offer.

9. **TRANSFER OF THIS CAPITAL NOTE BY THE HOLDER**

This Capital Note shall be freely transferable or assignable by the Holder in whole or in part, at any time and from time to time, subject to the provisions of this clause 9. With respect to any transfer of this Capital Note, in whole or in part, the Holder shall surrender the Capital Note, together with a written request to transfer all or a portion of the Principal Amount of this Capital Note to the transferee, as well as, if reasonably requested by the Company, a written opinion of such Holder's counsel, to the effect that such offer, sale or other distribution may be effected without registration under the Securities Act. Upon surrender of such Capital Note (and delivery of such opinion, if so requested) by the Holder, the Company shall immediately register such transferee as the Holder of this Capital Note, or the portion thereof, transferred to such transferee, such registration shall be deemed to have been made immediately prior to the close of business on the date of such surrender and delivery (if applicable), and such transferee or transferees shall be treated for all purposes as the record holder or holders as of such date of a Capital Note in that portion of the Principal Amount of this Capital Note so transferred. The Company shall, as promptly as practicable, deliver to the Holder one or more Capital Notes, of like tenor as this Capital Note, except that the Principal Amount thereof shall be the amount transferred to such transferee, for delivery to the transferee or transferees (or, if the Holder requests, deliver such Capital Note directly to such transferee or transferees) and shall, if only a portion of the Principal Amount of this Capital Note is being transferred, concurrently deliver to the Holder one or more replacement Capital Notes to represent the portion of the Principal Amount of this Capital Note not so transferred. For the avoidance of doubt, the Company confirms that no approval by the Board of Directors of the Company of any transfer of this Capital Note or the Conversion Shares is required.

10. **REPRESENTATIONS, WARRANTIES AND COVENANTS**

The Company represents, warrants and covenants to the Holder as follows:

10.1. this Capital Note has been duly authorized and executed by the Company and is a valid and binding obligation of the Company enforceable in accordance with its terms;

10.2. the Conversion Shares are duly authorized and are, and will be, reserved (for the avoidance of doubt, without the need for further corporate action by the Company) for issuance by the Company and, when issued in accordance with the terms hereof, will be validly issued, fully paid and non-assessable and not subject to any pre-emptive rights;

10.3. the execution and delivery of this Capital Note are not, and the issuance of the Conversion Shares upon conversion of this Capital Note in accordance with the terms hereof will not be, inconsistent with the Company's Certificate of Incorporation, Memorandum of Association or Articles of Association, do not and will not contravene any law, governmental or regulatory rule or regulation, including NASDAQ and TASE rules and regulations, judgment or order applicable to the Company, do not and will not conflict with or contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument of which the Company is a party or by which it is bound or, except for consents that have already been obtained and filings already made, require the consent or approval of, the giving of notice to, the registration with or the taking of any action in respect of or by, any Israeli or foreign governmental authority or agency or other person; and

10.4. the Conversion Shares have been approved for listing and trading on TASE.

11. **LOSS, THEFT, DESTRUCTION OR MUTILATION OF CAPITAL NOTE**

Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of any Capital Note or Conversion Shares certificate, and in case of loss, theft or destruction, of indemnity, or security reasonably satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of such Capital Note or Conversion Shares certificate, if mutilated, the Company will make and deliver a new Capital Note or Conversion Shares certificate of like tenor and dated as of such cancellation, in lieu of such Capital Note or Conversion Shares certificate.

12. **NOTICES**

All notices and other communications required or permitted hereunder to be given to a party to this Agreement shall be in writing and shall be faxed or mailed by registered or certified mail, postage prepaid, or otherwise

delivered by hand or by messenger, addressed to such party's address as set forth below:

If to the Holder:	[_____] [_____] *Attention: [_____]* *Facsimile: [_____]*
If to the Company:	Tower Semiconductor Ltd. P.O. Box 619 Ramat Gabriel Industrial Zone Migdal Haemek 23105 *Attention: Oren Shirazi, Acting Chief Financial Officer* *Facsimile: (04) 604 7242*
with a copy to:	Yigal Arnon & Co. 1 Azrieli Center Tel Aviv Israel *Attention: David H. Schapiro, Adv./ Ari Fried, Adv.* *Facsimile: (03) 608 7714*

or such other address with respect to a party as such party shall notify each other party in writing as above provided. Any notice sent in accordance with this clause 12 shall be effective: (a) if mailed, 5 (five) business days after mailing; (b) if sent by messenger, upon delivery; and (c) if sent via facsimile, 1 (one) business day following transmission and electronic confirmation of receipt.

13. **APPLICABLE LAW; JURISDICTION**

This Capital Note shall be governed by and construed in accordance with the laws of the State of Israel as applicable to contracts between two residents of the State of Israel entered into and to be performed entirely within the State of Israel. Any dispute arising under or in relation to this Capital Note shall be resolved in the competent court for Tel Aviv-Jaffa district, and the Company and the Holder hereby submits irrevocably to the jurisdiction of such court.

Dated: _____

for **TOWER SEMICONDUCTOR LTD.**

By: _____

Title: _____

Exhibit 2

CONVERSION AGREEMENT

This Conversion Agreement (this **"Agreement"**) is made and entered into effective as of September 28th, 2006 by and between TOWER SEMICONDUCTOR LTD. (the **"Company"** or **"Tower"**), a company organized under the laws of the State of Israel and BANK LEUMI LE-ISRAEL B.M., a banking corporation organized under the laws of the State of Israel (the **"Bank"**).

WHEREAS, Tower is an independent manufacturer of wafers whose Ordinary Shares are traded on the Nasdaq Stock Market (**"NASDAQ"**) under the symbol TSEM and whose Ordinary Shares and certain other securities are traded on the Tel-Aviv Stock Exchange (**"TASE"**) under the symbol TSEM;

WHEREAS, the Bank and Bank Hapoalim B.M. (collectively, the **"Banks"**) and Tower are parties to a Facility Agreement dated January 18, 2001, as amended (the **"Facility Agreement"**); and

WHEREAS, at the request of Tower, the Banks and Tower have entered into an Amending Agreement dated August 24, 2006 (the **"Amending Agreement"**), the conditions to the effectiveness of which include, *inter alia*, the conversion by each Bank of US $79,000,000 (seventy-nine million US dollars) of its loans made to Tower pursuant to the Facility Agreement (the **"Loans"**) into an equity-equivalent convertible capital note to be issued to the Bank (a **"Capital Note"**) in the amount of US $39,500,000 (thirty-nine million five hundred thousand US dollars) which will in turn be convertible, in whole or in part, by the Bank at any time and from time to time into 25,986,842 (twenty-five million, nine hundred and eighty-six thousand and eight hundred forty-two) ordinary shares of Tower at a conversion price of US $1.52 (one US dollar and fifty-two cents) per share (such number of shares and conversion price, in each case, subject to adjustment from time to time as provided in the Capital Note) and the entering into by the Bank and Tower of a Registration Rights Agreement (the **"Registration Rights Agreement"**) and of this Agreement, in each case, on the date of the effectiveness of the Amending Agreement (the **"Amendment Closing Date"**); and

WHEREAS, clause 9.4 of the amended and restated Facility Agreement that will become effective pursuant to the Amending Agreement on the Amendment Closing Date, as the same may be further amended from time to time (the **"Restated Facility Agreement"**) obligates the Company to make certain compensatory payments in January, 2011 to the Banks or their nominees on account of the Banks' agreement to reduce the rate of Interest on the Loans, which payments may, subject to said clause 9.4 and this Agreement, be made in the form of shares and/or Capital Notes and/or convertible debentures (the **"Clause 9.4 Equity Issuances"**), which issuances are subject, *inter alia*, to the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Interpretation.

1.1. As used in Sections 3.8 and 5.1 of this Agreement:

1.1.1. **"control"** (including the terms **"controlling"**, **"controlled by"** or **"under common control with"**, means the possession direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise; and

1.1.2. **"subsidiary"** of a person means any company (a) in which such person, directly or indirectly, owns 25% (twenty-five percent) or more of a class of voting securities or (b) which is otherwise directly or indirectly controlled by such person. For the avoidance of doubt, a subsidiary need not be consolidated for financial statement purposes with such person in order to be deemed a subsidiary in this Agreement.

1.2. Definitions. Except as otherwise defined herein, terms and expressions defined in the Restated Facility Agreement shall have the same meanings when used in this Agreement and all provisions of the Facility Agreement concerning matters of construction and interpretation shall apply to this Agreement.

1.3. Preamble. The preamble to this Agreement constitutes an integral part thereof.

2. Conversion of Loan and Issue of Capital Note on the Amendment Closing Date.

The Company hereby:

2.1. issues to the Bank, and the Bank hereby receives from the Company, in conversion of US $79,000,000 (seventy-nine million US dollars) of the Loans, an executed Capital Note in the principal amount of US $39,500,000 (thirty nine million five hundred thousand US dollars) in the form attached as **Exhibit 1** hereto. For the avoidance of doubt, as of the Amendment Closing Date, the principal amount of Loans outstanding and owed by Tower to the Banks shall be as set forth in the second sentence of clause 2.1 of the Restated Facility Agreement;

2.2. furnishes to the Bank a copy of the approval of the TASE for listing the 25,986,842 (twenty-five million, nine hundred and eighty-six thousand, eight hundred and forty-two) shares issuable upon conversion of said Capital Note; and

2.3. confirms that the Company has recorded such issuance of the Capital Note in the name of Bank on the records of the Company.

3. Representations and Warranties of the Company.

The Company hereby represents and warrants to the Bank on the Amendment Closing Date as follows:

3.1. Organization. The Company is duly organized and validly existing under the laws of its jurisdiction of incorporation and has full corporate power and authority to own, lease and operate its properties and assets and to conduct its business as now being conducted and to perform all its obligations under this Agreement.

3.2. Share Capital. All issued and outstanding share capital of the Company has been duly authorized and is validly issued. The shares to be issued upon conversion of any Capital Note or convertible debentures issued pursuant to this Agreement (the **"Conversion Shares"**) and, if applicable, on the Clause 9.4 Closing Date, are duly authorized and reserved for issuance by the Company and, when issued in accordance with the terms of such Capital Note or convertible debentures or, as applicable, this Agreement and Clause 9.4 of the Restated Facility Agreement, will be validly issued, fully paid, nonassessable and not subject to any pledge, lien or restriction on transfer, except for restrictions on transfer imposed by applicable securities laws. The entering into and performance of this Agreement and the issuance of any shares, Capital Notes or

convertible debentures hereunder do not, and the issuance of any Conversion Shares will not, conflict with the Memorandum of Association or the Articles of Association of the Company nor with any outstanding convertible security, warrant, option, call, preemptive right or commitment of any type relating to the Company's capital stock (collectively, **"Equity Rights"**). The entering into and performance of this Agreement, the issuance of any shares or Capital Notes hereunder and the issuance of the Conversion Shares do not require, or give any holder of Equity Rights the right to have made, any adjustments to be made in the conversion or exercise price, the number of shares issuable upon conversion or exercise or any other provision of the aforegoing Equity Rights.

3.3. Authorization; Approvals. All corporate action on the part of the Company necessary for the execution, delivery and performance of this Agreement and the issuance of any shares, Capital Notes, convertible debentures and Conversion Shares has been taken. Except as set forth in Schedule 3.3 hereto, save for any consents, approvals, authorisations or exemptions already obtained, and filings already made, no consent, approval or authorization of, exemption by, or filing with, any governmental or regulatory authority, including any approval of, or filings with, the Israeli Securities Authority (the **"ISA"**), the TASE or any third party is required in connection with the execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated hereby, including the issuance by way of private placement pursuant to this Agreement of any Capital Notes, convertible debentures or shares. This Agreement and all Capital Notes or convertible debentures issued hereunder on the date which this representation is given have been executed and delivered by the Company, and each constitutes the valid and legally binding obligations of the Company, legally enforceable against the Company in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws relating to creditor's rights generally and general principles of equity.

3.4. Cross-Default. No Default or Event of Default exists under the Facility Agreement.

3.5. No Conflicts. Neither the execution and delivery of this Agreement by Tower, nor the compliance with the terms and provisions of this Agreement on the part of Tower, including the issuance of shares, Capital Notes, convertible debentures or Conversion Shares, will: (i) violate any statute or regulation of any governmental authority, domestic or foreign, affecting Tower; (ii) require the issuance of any authorization, license, consent or approval of any governmental agency, or any other person which has not been obtained, save as set forth in Schedule 3.5 hereto; or (iii) conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree, loan agreement or other material agreement or instrument to which Tower is a party, or by which Tower is bound, or constitute a default thereunder, the effect of which might have a material adverse effect on Tower.

3.6. No Litigation. There are no actions, suits, proceedings, or injunctive orders, pending or threatened against or affecting Tower relating to the subject matter of this Agreement.

3.7. No Brokers. Except as set forth in Schedule 3.7 hereto, Tower has not engaged any broker or finder in connection with the transactions contemplated by this Agreement, and no broker or other person is entitled to any commission or finder's fee in connection with such transactions.

3.8. Activities in the United States.

3.8.1. More than 50% (fifty percent) of the consolidated assets of the Company as shown or would be shown on its consolidated financial statements (a) as of the last day of the immediately preceding calendar year and (b) as of the date hereof are, in each case, are located outside of the United States.

3.8.2. More than 50% (fifty percent) of the consolidated revenues of the Company as shown or would be shown on its consolidated financial statements (a) for the immediately preceding calendar year; and (b) during the current calendar year to date, in each case, are derived from outside the United States.

3.8.3. For the purposes of Section 3.8.1, Section 3.8.2, Section 5.1.1, Section 5.1.2, Section 5.1.6, Section 5.1.7 and Section 6.6 herein, assets and revenues of the Company will be deemed to be located or derived from "outside the United States" if they are recorded on the books of the Company or of any subsidiaries of the Company incorporated outside the United States (**"Non-U.S. Subsidiaries"**) (provided that such revenues are not recorded on the books of any offices of the Company or of its Non-U.S. Subsidiaries located in the United States (**"U.S. Offices"**)) and will be deemed to be located in or derived from the United States if they are recorded on the books of any U.S. Offices or of any subsidiaries of the Company incorporated in the United States (**"U.S. Subsidiaries"**). By way of example, revenues recorded on the books of the Company itself (but not on the books of any U.S. Offices) will be considered revenues derived from outside the United States, even if the revenues derive from a sale of the Company's products to a U.S. person and even if the Company's U.S. Subsidiary was involved in marketing, sales or post-sales support efforts.

3.8.4. The activities, if any, of the Company and its Non-U.S. Subsidiaries within the United States and the activities of all U.S. Subsidiaries are the same kind as or support the Company's or its Non-U.S. Subsidiaries' activities outside of the United States. For purposes of this Section 3.8.4, Section 5.1.3, Section 5.1.6, Section 5.1.7 and Section 6.6 below (a) "the same kind as" shall mean activities that are within the same "establishment" categories of the North American Classification System published by the United States Census Bureau, and (b) "support" shall mean supply, distribution, sales, marketing, servicing, research and development, licensing, design, customer relations and/or similar activities.

3.8.5. Neither the Company nor any of its subsidiaries conducts activities in the United States that consist of engaging in the business of banking, securities, insurance or real estate.

3.8.6. Neither the Company nor any of its subsidiaries engages, nor do either own more than 5% (five percent) of a class of voting securities of a person that engages, in the business of securities underwriting or distribution in the United States.

3.9. The Company acknowledges that the Bank is acquiring the Capital Notes on the Amendment Closing Date in full reliance upon the representations and warranties made by the Company in this Agreement, including in Section 3.8 above.

4. Representations and Warranties of the Bank.

The Bank hereby represents and warrants to the Company that it:

4.1. is acquiring the securities issued and to be issued to the Bank pursuant to this Agreement for investment and not with a view to distribution without registration under the U.S. Securities Act of 1933 (the "Securities Act");

4.2. has requisite knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in the Company and is an accredited investor as defined in Rule 501(a) under the Securities Act;

4.3. understands that none of the Capital Notes issued and to be issued under this Agreement have been, or will be, registered under the Securities Act, or the laws of any jurisdiction;

4.4. agrees that none of the securities issued and to be issued to the Bank pursuant to this Agreement may be sold, offered for sale, transferred, pledged, hypothecated or otherwise disposed of except by registration under the Securities Act or otherwise in compliance with the Securities Act, the Israeli Securities Law or any applicable securities laws of any jurisdiction (including pursuant to an exemption therefrom); and

4.5. acknowledges that the securities, upon issuance, will, unless in the reasonable opinion of counsel for the Company such legend is not required in order to ensure compliance under the Securities Act, bear the following legend:

THESE SECURITIES [(INCLUDING THE SECURITIES ISSUABLE PURSUANT HERETO)][1] HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR ANY U.S. STATE OR OTHER JURISDICTION'S SECURITIES LAWS. THESE SECURITIES (INCLUDING THE SECURITIES ISSUABLE PURSUANT HERETO) MAY NOT BE SOLD, OFFERED FOR SALE OR PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, (THE "ACT") WITH RESPECT TO ANY SUCH SECURITIES OR AN OPINION OF COUNSEL (REASONABLY SATISFACTORY TO THE COMPANY) THAT SUCH REGISTRATION IS NOT REQUIRED OR UNLESS SOLD PURSUANT TO RULE 144 OF THE ACT OR ON THE TEL-AVIV STOCK EXCHANGE IN COMPLIANCE WITH REGULATION S UNDER THE ACT.

For the avoidance of doubt, nothing in this Section 4 shall derogate from the Company's obligations under the Registration Rights Agreement.

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[1] Following the effective date of the Registration Statement covering the Conversion Shares, if applicable, bracketed language to be removed from all future Capital Notes and convertible debentures to be issued and, at the request of the holder, a substitute Capital Note omitting the bracketed language will promptly be delivered to the holder. If shares are directly issued in the Clause 9.4 Equity Issuance, the first sentence of the legend and the first parenthetical in the second sentence will be removed following the effective date of the Registration Statement covering such shares.

5. Undertakings by the Company.

5.1. For so long as (a) any shares or Capital Notes are issuable to the Bank and/or its subsidiaries (for the avoidance of doubt, as defined in Section 1.1.2 above) pursuant to this Agreement and (b) any securities of the Company (including Capital Notes, Warrants and shares), constituting or convertible into 5% or more of any class of voting securities (as defined in the United States Code of Federal Regulations - 12 C.F.R. Section 225.2(q)) of the Company are beneficially owned by the Bank and/or its subsidiaries (for the avoidance of doubt, as defined in Section 1.1.2 above), the Company shall use its best efforts in order:

5.1.1. that more than 50% (fifty percent) of the consolidated assets of the Company as of December 31 of each calendar year are located outside of the United States (the **"Asset Test"**);

5.1.2. that more than 50% (fifty percent) of the consolidated revenues of the Company as of December 31 of each calendar year are derived from outside the United States (the **"Revenue Test"**);

5.1.3. that the activities of the Company within the United States and the activities of the U.S. Subsidiaries are of the same kind as or support the activities of the Company or its Non-U.S. Subsidiaries outside the United States (the **"Same Line of Business Test"**);

5.1.4. that neither the Company nor any of its subsidiaries will conduct activities in the United States that consist of engaging in the business of banking, securities, insurance or real estate (the **"Financial Activities Test"**) (for the avoidance of doubt, nothing in the aforesaid shall derogate from the obligations of the Company under the Restated Facility Agreement);

5.1.5. not to engage, or permit any of its subsidiaries to engage, or to own or permit any of its subsidiaries to own more than 5% (five percent) of a class of voting securities of a person that engages, in the business of securities' underwriting or distribution in the United States (the **"No Underwriting Test"**) (for the avoidance of doubt, nothing in the aforesaid shall derogate from the obligations of the Company under the Restated Facility Agreement);

5.1.6. Nothing in Sections 5.1, 5.1.1, 5.1.2, 5.1.3, 5.1.4 or 5.1.5 above shall require the Company to prejudice the business or financial interests of the Company and the Company may take such actions or refrain from taking actions that may cause it not to satisfy the Asset Test, the Revenue Test, the Same Line of Business Test, the Financial Activities Test and/or the No Underwriting Test, provided that the taking of such actions, or refraining from taking such actions, are in the business or financial interests of the Company as reasonably determined by the Company;

5.1.7. furnish to the Bank and, subsequent to the Clause 9.4 Closing Date, any nominee of the Bank pursuant to clause 6 below, as soon as practicable (and, in any event, within thirty (30) days after the end of each calendar year), a certificate of the Chief Financial Officer of the Company, in a form reasonably satisfactory to the Bank (i) confirming whether the Company is in

compliance with each of the Asset Test, the Revenue Test, the Same Line of Business Test, the Financial Activities Test and the No Underwriting Test, provided that if the Company is not in compliance with the Asset Test or the Revenue Test in a particular calendar year, the Chief Financial Officer shall describe the steps, if any, being taken by the Company to ensure compliance in the immediately following calendar year (for the removal of doubt, without derogating from Section 5.1.6 above); and (ii) setting out (a) the amount and percentage of the consolidated revenues of the Company derived from outside the United States during the immediately preceding calendar year, and (b) the amount and percentage of the consolidated assets of the Company located outside of the United States as of December 31 of such immediately preceding calendar year; and

5.1.8. furnish promptly to the Bank and, subsequent to the Clause 9.4 Closing Date, any nominee of the Bank pursuant to clause 6 below, such other information as such person may reasonably request in order to satisfy their obligations to file certain reports or assess its compliance with applicable legal or regulatory requirements relating to the transactions contemplated herein.

5.2. The Company shall fulfil all of its obligations under the Equity Documents, including the Capital Notes issued pursuant hereto and the Registration Rights Agreement.

5.3. In the event that the adjustment provisions of any Capital Notes issued pursuant hereto result in additional Conversion Shares to be issued upon conversion of the Capital Notes, the Company shall promptly furnish the Bank with a copy of the approval of the TASE for listing such additional Conversion Shares (if the Company's shares are then traded on the TASE).

5.4. To the extent that ordinary shares (or other shares of capital stock substituted therefor) of the Company are listed on one or more securities exchanges, including the NASDAQ and the TASE, the Company shall maintain, at its expense, the listing of the shares of the Company issued pursuant to this Agreement (including upon conversion of Capital Notes issued pursuant to this Agreement) on such exchanges or, in the event such shares of the Company are listed on only one securities exchange, such exchange. Nothing in this Section 5.4 shall constitute an obligation of the Company to list or maintain the listing of its ordinary shares (or other shares of capital stock substituted therefor) on any securities exchanges, including the NASDAQ and the TASE.

6. Clause 9.4 Closing; Conditions Precedent.

The issuance and allotment of the shares of the Company, or the issuance of Capital Notes, pursuant to and in accordance with clause 9.4 of the Restated Facility Agreement (such date, the **"Clause 9.4 Closing Date"**), to the Bank or its nominee (which shall be an Affiliate of the Bank) shall be subject to the conditions set forth in clause 9.4.6 of the Restated Facility Agreement and to the conditions precedent that the Bank shall have received, by no later than 2 (two) Business Days prior to the Clause 9.4 Closing Date, all of the following documents, matters and things in form and substance satisfactory to the Bank:

6.1. copies of all resolutions of the Board of Directors of the Company and, if necessary, its Audit Committee and shareholders, authorizing all agreements and acts to be performed by the Company as conditions precedent to, or otherwise in connection with, the Clause 9.4 Equity Issuances, to the extent not already authorized in the resolutions delivered on or about the Amendment Closing Date;

6.2. an opinion of the Company's external legal counsel, satisfactory to the Bank, addressed to the Bank and, if applicable, its nominee, *mutatis mutandis*, to the Clause 9.4 Equity Issuances in the form of such opinion delivered by Yigal Arnon & Co., Advocates to the Banks, on or about the Amendment Closing Date, provided that paragraphs 4.7 (i) and 5.4 shall be omitted;

6.3. an opinion of U.S. counsel, satisfactory to the Bank, to the effect that, based upon their review of United States federal or New York State statutes, rules and regulations which, in their opinion, based on their experience, are normally applicable to transactions of the types contemplated by clause 9.4 of the Restated Facility Agreement (**"United States Applicable Laws"**), (i) subject to the effectiveness of the registration statement to be filed by the Company with respect to the Clause 9.4 Equity Issuances pursuant to the Registration Rights Agreement, no consent, approval, authorization, order, registration or qualification of or with any United States federal or New York State court or governmental agency or body is required for the sale in the United States (including through the Nasdaq Stock Market) by the Bank or its nominee of the ordinary shares to be issued or issuable upon conversion of Capital Notes or convertible debentures to be issued to the Bank or its nominee pursuant to clause 9.4 of the Restated Facility Agreement and this Agreement, provided that no opinion need be expressed with respect to state securities or Blue Sky laws; (ii) the acquisition and indefinite holding of the Capital Notes or convertible debentures (provided that, with respect to the convertible debentures, counsel shall assume, solely for purposes of rendering such opinion, that the condition set forth in Section 6.6.2 has been satisfied and that if the Company is, as of the Clause 9.4 Closing Date, satisfying the Tests (as set forth in Section 6.6.1 below) that it shall continue to satisfy the Tests) or the shares issuable in connection with the Clause 9.4 Equity Issuances by the Bank or its nominee is permissible under United States Applicable Laws, including under the Bank Holding Company Act of 1956, as amended; and (iii) the acquisition and holding of either the Capital Notes or the shares issuable in connection with the Clause 9.4 Equity Issuances by the Bank or its nominee will not be subject to the notification and filing requirements under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. Such opinion shall be based upon and subject to reasonable assumptions (without derogating from the parenthetical phrase in subsection (ii) above) and limitations, provided that, if such opinion cannot be delivered, at the request of the Company, such counsel shall describe the legal basis or bases for why such opinion cannot be delivered;

6.4. all of the Company's (a) representations and warranties given pursuant to this Agreement shall be repeated on the Clause 9.4 Closing Date as if made on the Clause 9.4 Closing Date, other than the representations and warranties given pursuant to the last sentence of Section 3.2 above and pursuant to Section 3.8 above, and (b) all of the Company's obligations under this Agreement and the Registration Rights Agreement to be performed on or prior to the Clause 9.4 Closing Date shall have been fulfilled, and the Company shall have delivered a certificate of its Chief Executive Officer or Chief Financial Officer to the effect of (a) and (b) in form and substance satisfactory to the Bank;

6.5. all Governmental Authorisations and third party consents required to be obtained by the Company in connection with the Clause 9.4 Equity Issuances shall have been received, including, if applicable:

6.5.1. confirmation of the Controller of Restrictive Trade Practices (the **"Controller"**) that no approval is required in connection with the Clause 9.4 Equity Issuances or, if any such approval is considered by the Controller to be required, the unconditional receipt of same (provided that if the Controller shall refuse to provide such confirmation for the reason that the Controller does not see a reason to review the request for the same, such confirmation shall be deemed to have been obtained) (for the removal of doubt, if required, the Bank shall also make such a request);

6.5.2. the consent of the Investment Centre to the issue of shares, capital notes or convertible debentures (and shares issuable upon conversion of the Capital Notes or convertible debentures) to the Bank and, if applicable, its nominee as contemplated under clause 9.4 to the Restated Facility Agreement;

6.5.3. the approval of the ILA under the Existing ILA Leases, and any other long term lease agreements between the Company and the ILA, to the issue of shares, capital notes or convertible debentures (and shares issuable upon conversion of the Capital Notes or convertible debentures) to the Bank and, if applicable, its nominee as contemplated under clause 9.4 to the Restated Facility Agreement; and

6.6. provided that the first paragraph of Section 5.1 is applicable, confirmation from the Chief Financial Officer of the Company, in form and substance satisfactory to the Bank, that the Company:

6.6.1. has satisfied the Asset Test, the Revenue Test, the Same Line of Business Test, the Financial Activities Test and the No Underwriting Test (collectively, the "**Tests**") as of December 31 in each of the two years immediately prior to the year in which the Clause 9.4 Closing Date falls, and meets, on the Clause 9.4 Closing Date, the Same Line of Business Test, the Financial Activities Test and the No Underwriting Test; and

6.6.2. is not aware of any reason why it would not continue to satisfy each of the Tests during the then current year and the immediately following year.

In the event that the conditions precedent set out in this Section 6 above and in clause 9.4.6 of the Restated Facility Agreement are not satisfied by no later than 2 (two) Business Days prior to the Clause 9.4 Closing Date, including if a representation and warranty that is to be repeated cannot be repeated, then the Clause 9.4.1 Amount or the Clause 9.4.2 Amount, as applicable, shall be paid in cash by the Company to the Bank or its nominee on the Clause 9.4 Closing Date, (a) provided however, if said conditions precedent set out in this Section 6 above and in Clause 9.4.6 of the Restated Facility Agreement are otherwise satisfied, by no later than 2 (two) Business Days prior to the Clause 9.4 Closing Date, with respect to the issuance of Capital Notes instead of shares, then the Clause 9.4.1 Amount or the Clause 9.4.2 Amount, as applicable, will not be paid in cash by the Company and Capital Notes shall be issued as contemplated by

Section 7.1 below; and (b) provided further that, if all said conditions precedent, other than as set forth in Section 6.6.2 above, are satisfied by no later than 2 (two) Business Days prior to the Clause 9.4 Closing Date, then the Clause 9.4.1 Amount or the Clause 9.4.2 Amount, as applicable, will, at the option of the Company, in its sole discretion, either be paid in cash or by way of issue of convertible debentures that will (except for consequential changes flowing from the redemption right described below) have the same terms as the Capital Notes (including, for the removal of doubt, that such convertible debentures will not bear interest or be linked to any index), save that the Bank or its nominee or other Affiliate thereof holding said convertible debentures (the **"Holder"**) shall have the right to require the Company to redeem the convertible debentures, in whole or in part, on the date which is 30 (thirty) months after the Clause 9.4 Closing Date (or, if such date is not a Business Day, on the Business Day immediately prior to such anniversary) (the **"Redemption Date"**), for an amount in cash equal to the then principal amount thereof submitted for redemption, upon the giving by the Holder to the Company of at least 30 (thirty) days prior written notice. For the avoidance of doubt, if such redemption right is not exercised by a Holder as aforesaid, said convertible debentures shall remain convertible into shares of the Company and shall, subsequent to the Redemption Date, only be payable in accordance with clause 2 of the Capital Note.

7. <u>Transactions upon the Clause 9.4 Closing</u>.

Subject to the fulfilment of the conditions precedent set out in Section 6 above and in clause 9.4.6 of the Restated Facility Agreement, on the Clause 9.4 Closing Date (unless cash is payable pursuant to Section 6 above or clause 9.4.6 of the Restated Facility Agreement):

7.1. the Company shall issue (and, in the case of shares, allot) to the Bank or its nominee either (a) such number of shares in the name of the Bank or its nominee as provided in clause 9.4.1 or clause 9.4.2 (as adjusted, if applicable, pursuant to clauses 9.4.7 and 9.4.9) of the Restated Facility Agreement and shall send irrevocable instructions to its stock transfer agent to issue a share certificate in respect of such shares (the Bank or its nominee may elect to deliver to Tower an undertaking not to exercise means of control in respect of such shares for a certain period) or (b) (i) at the election of the Bank or its nominee, or if the proviso set forth in subsection (a) in the last paragraph of Section 6 is applicable, Capital Notes or (ii) if the proviso set forth in subsection (b) in the last paragraph of Section 6 is applicable (and the Company has not elected to pay cash), convertible debentures, in each case, substantially in the form attached as **Exhibit 1** hereto (save that, in the case of the convertible debentures, a provision granting the redemption right described in subsection (b) in the last paragraph of Section 6 and consequential changes flowing from such redemption right shall be made, in form and substance satisfactory to the Holder), as the case may be, in the principal amounts provided in clause 9.4.1 or clause 9.4.2 (as adjusted, if applicable, pursuant to clauses 9.4.7 and 9.4.9) of the Restated Facility Agreement, as applicable, convertible into shares at the Average Closing Price (as defined in clause 9.4.1 of the Restated Facility Agreement) (subject to adjustments as provided in the Capital Notes);

7.2. the Company shall deliver to the Bank or, if applicable, its nominee a copy of the approval of the TASE for listing the shares issued or issuable pursuant to clause 7.1 above (if the Company's shares are then traded on the TASE); and

7.3. the Company shall record such issuance of the shares or Capital Note in the name of the Bank, or, if applicable, its nominee on the records of the Company.

8. Miscellaneous.

8.1. Governing Law; Jurisdiction. This Agreement shall be governed by and shall be construed in accordance with Israeli law and the courts of Tel-Aviv-Jaffa shall have exclusive jurisdiction to hear any matters, provided that the Bank and any other Affiliate of the Bank party to this Agreement shall be entitled to sue Tower in any jurisdiction in which it has an office or holds assets.

8.2. Successors and Assigns; Assignment. Except as otherwise expressly limited herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors and permitted assigns of the parties hereto. This Agreement may not be assigned by any party without the prior written consent of the other party hereto, provided that the Bank may assign this Agreement, in whole or in part, to any Affiliate of the Bank or add an Affiliate of the Bank as an additional party hereto, including, for the avoidance of doubt, any nominee of the Bank in connection with the Clause 9.4 Equity Issuances. Nothing in this Agreement shall be deemed to restrict the (a) transferability of the shares, convertible debentures and Capital Notes to be issued pursuant to this Agreement or the Conversion Shares, in each case, in whole or in part at any time and from time to time, except for restrictions on transfer imposed by applicable securities laws or (b) the assignability of the registration rights in accordance with the Registration Rights Agreement.

8.3. Expenses. The Company shall bear the expenses and costs of all the parties to the transactions contemplated hereby (including the fees and expenses of counsel to the Bank and any nominee of the Bank that is an Affiliate of the Bank in connection with the Clause 9.4 Equity Issuances).

8.4. Entire Agreement; Amendment and Waiver. This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subject matter hereof. Any term of this Agreement may be amended and the observance of any term hereof may be waived (either prospectively or retroactively and either generally or in a particular instance) only with the written consent of the parties to this Agreement.

8.5. Notices, etc. All notices and other communications required or permitted hereunder to be given to a party to this Agreement shall be in writing and shall be faxed or mailed by registered or certified mail, postage prepaid, or otherwise delivered by hand or by messenger, addressed to such party's address as set forth below:

If to the Bank:	Corporate Division 34 Yehuda Halevi Street Tel-Aviv Israel Fax. 972-3-5149278 Attn: Manager of Hi-Tech Industries Section
with a copy to (which shall not constitute notice):	Leumi and Co. Investment House Ltd. 25 Kalisher Street Tel-Aviv 65165 Israel Fax: 972-3-5141215 Attn: Head of Investment Sector

If to the Company:	Tower Semiconductor Ltd. Ramat Gavriel Industrial Area P.O. Box 619 Migdal Haemek Israel 23105 Fax. 972-4-6047242 Attn: Oren Shirazi, Acting CFO
with a copy to (which shall not constitute notice):	Yigal Arnon & Co. 1 Azrieli Center 46th Floor Tel-Aviv, Israel, 67021 Fax: 972-3-6087714 Attn: David Schapiro, Adv.

or such other address with respect to a party as such party shall notify each other party in writing as above provided. Any notice sent in accordance with this Section 8.5 shall be effective (i) if mailed, five (5) business days after mailing, (ii) if sent by messenger, upon delivery, and (iii) if sent via facsimile, one (1) business day following transmission and electronic confirmation of receipt.

8.6. Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party upon any breach or default under this Agreement, shall be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. Unless provided otherwise herein, all remedies, either under this Agreement or by law or otherwise afforded to any of the parties, shall be cumulative and not alternative.

8.7. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable under applicable law, then such provision shall be excluded from this Agreement and the remainder of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms; provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

8.8. Counterparts. This Agreement may be executed in any number of counterparts (including facsimile counterparts), each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

8.9. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof.

8.10. Further Assurances. Each of the parties hereto shall perform such further acts and execute such further documents as may reasonably be necessary to carry out and give full effect to the provisions of this Agreement and the intentions of the parties as reflected thereby, including the provision by the Bank to the Company of such

information as shall be required in order to determine the adjustments, if any, required under clause 9.4.7 of the Restated Facility Agreement.

IN WITNESS WHEREOF, each of the parties has signed this Agreement as of the date first hereinabove set forth.

TOWER SEMICONDUCTOR LTD.

By: /s/ Oren Shirazi
Name: Oren Shirazi
Title: VP Finance

By: /s/ Yoram Glatt
Name: Yoram Glatt
Title: Treasurer

BANK LEUMI LE-ISRAEL B.M.

By: /s/ Meir Marom
Name: Meir Marom
Title: Sector Manager

By: /s/ Shmulik Arbel
Name: Shmulik Arbel
Title: SRM
(Senior Relationship Manager)

EXHIBIT 1

THESE SECURITIES **[**(INCLUDING THE SECURITIES ISSUABLE PURSUANT HERETO)**]**[1] HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (**"THE ACT"**), OR ANY U.S. STATE OR OTHER JURISDICTION'S SECURITIES LAWS. THESE SECURITIES (INCLUDING THE SECURITIES ISSUABLE PURSUANT HERETO) MAY NOT BE SOLD, OFFERED FOR SALE OR PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT UNDER THE ACT WITH RESPECT TO ANY SUCH SECURITIES OR AN OPINION OF COUNSEL (REASONABLY SATISFACTORY TO THE COMPANY) THAT SUCH REGISTRATION IS NOT REQUIRED OR UNLESS SOLD PURSUANT TO RULE 144 OF THE ACT OR ON THE TEL-AVIV STOCK EXCHANGE IN COMPLIANCE WITH REGULATION S UNDER THE ACT.

EQUITY EQUIVALENT CONVERTIBLE CAPITAL NOTE
(Principal Amount of US $_____)

THIS EQUITY EQUIVALENT CONVERTIBLE CAPITAL NOTE (**"this Capital Note"**) in the principal amount of US $_____ (_____ United States Dollars) (**"the Principal Amount"**) has been issued by Tower Semiconductor Ltd., an Israeli company (**"the Company"**), whose shares are currently traded on The Nasdaq National Market (**"NASDAQ"**) and the Tel-Aviv Stock Exchange (**"TASE"**), to **[_____]** (**"the Holder"**). This Capital Note was originally issued by the Company in exchange for the conversion by the original Holder of this Capital Note of loans to the Company in a principal amount equal to twice the Principal Amount and represents the obligation of the Company to pay the Principal Amount to the Holder in accordance with and subject to the terms set forth in this Capital Note.

1. **DEFINITIONS**

In this Capital Note, the following terms have the meanings given to them in this clause 1:

1.1. **"Company"** includes any person that shall succeed to or assume the obligations of the Company under this Capital Note; and

1.2. **"Holder"** shall mean any person who at the time shall be the registered holder of this Capital Note or any part thereof.

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[1] Following the effective date of the Registration Statement covering the Conversion Shares, bracketed language to be removed from all future Capital Notes to be issued and, at the request of the Holder, a substitute Capital Note omitting the bracketed language will promptly be delivered to the Holder.

1.3. **"Ordinary Shares"** means the ordinary shares, nominal value NIS 1.00 (one New Israel Sheqel) per share, of the Company (and any shares of capital stock substituted for the ordinary shares as a result of any stock split, stock dividend, recapitalisation, rights offering, exchange, merger or similar event or otherwise, including as described in this Capital Note).

2. **TERMS**

The Principal Amount shall neither bear interest nor be linked to any index and shall be subordinated to all liabilities of the Company having priority over the Ordinary Shares.

The Principal Amount shall only be payable by the Company to the Holder out of distributions made upon the winding-up (whether solvent or insolvent), liquidation or dissolution of the Company and, in such event, on a *pari passu* and pro rata basis with the Ordinary Shares after payment of all liabilities of the Company having priority over the Ordinary Shares. For the purposes only of calculation of the allocation of such distributions between holders of the Capital Note and holders of Ordinary Shares, the holder of this Capital Note shall be deemed to own the number of Ordinary Shares into which this Capital Note may then be converted. The Company shall not be entitled to prepay or redeem this Capital Note.

This Capital Note shall be convertible into Ordinary Shares as set forth below and, for the removal of doubt, no such conversion shall be deemed a redemption or prepayment of this Capital Note.

3. **CONVERSION**

3.1. **CONVERSION RIGHT**

The Holder of this Capital Note has the right, at the Holder's option, at any time and from time to time, to convert this Capital Note, without payment of any additional consideration, in accordance with the provisions of this clause 3, in whole or in part, into fully-paid and non-assessable Ordinary Shares. The number of Ordinary Shares into which this Capital Note may be converted (**"the Conversion Shares"**) shall be determined by dividing the aggregate Principal Amount of this Capital Note by the conversion price in effect at the time of such conversion (**"the Conversion Price"**). The Conversion Price initially shall be US $1.52 (one United States Dollar and fifty-two cents), as adjusted at any time and from time to time in accordance with clause 7 below.

3.2. **Conversion Procedure**

This Capital Note may be converted in whole or in part at any time and from time to time by the surrender of this Capital Note to the Company at its principal office together with written notice of the election to convert all or any portion of the Principal Amount thereof, duly signed on behalf of the Holder. The Company shall, on such surrender date or as soon as practicable thereafter, issue irrevocable instructions to its stock transfer agent to deliver to the Holder a certificate or certificates for the number of Conversion Shares to which the Holder shall be entitled as a result of such conversion as aforesaid. Such conversion, the issue and allotment of such Conversion Shares and the registration of the Holder in the register of members of the Company as the holder of such Conversion Shares shall be deemed to have been made immediately prior to the close of business on the date of such surrender of this Capital Note or portion thereof and the person or persons entitled to receive the Conversion Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders as of such date of such number of Conversion Shares to which the Holder shall be entitled as a result of such conversion as aforesaid. In the event of a partial conversion, the Company shall concurrently issue to the Holder a replacement Capital Note of like tenor as this Capital Note, but representing the Principal Amount remaining after such partial conversion. For the avoidance of doubt, the Company confirms that the terms of this Capital Note, including, without limitation, this clause 3, constitute the issue terms of the Conversion Shares and that, accordingly, the right of the Company pursuant to clauses 16.1 and 16.2 of the Company's Articles of Association to delay the issuance of stock certificates for up to 6 (six) months after the allotment and registration of transfer is inapplicable. For the further removal of doubt, nothing herein shall derogate from the second sentence of clause 16.1 of the Company's Articles of Association.

4. **FRACTIONAL INTEREST**

No fractional shares will be issued in connection with any conversion hereunder. The Company shall round-down, to the nearest whole number, the number of Conversion Shares issuable in connection with any conversion hereunder.

5. **CAPITAL NOTE CONFERS NO RIGHTS OF SHAREHOLDER**

The Holder shall not, by virtue of this Capital Note, have any rights as a shareholder of the Company prior to actual conversion into Conversion Shares in accordance with clause 3.2 above.

6. **ACQUISITION FOR INVESTMENT**

This Capital Note**[**, including the Conversion Shares,[2]**]** has not been registered under the Securities Act of 1933, as amended (**"the Securities Act"**), or any other securities laws. The Holder acknowledges by acceptance of this Capital Note that it has acquired this Capital Note for investment and not with a view to distribution. **[**The Holder agrees that, unless the Conversion Shares have been registered under the Securities Act, any Conversion Shares issuable upon conversion of this Capital Note will be acquired for investment and not with a view to distribution in a manner inconsistent with the registration requirements of the U.S. securities laws and may have to be held indefinitely unless they are subsequently registered under the Securities Act or, based on an opinion of counsel reasonably satisfactory to the Company, an exemption from such registration is available; provided, however, that no opinion shall be required if sold pursuant to Rule 144 of the Securities Act or the transfer will be effected on the TASE and the Holder represents that the applicable conditions under Regulation S under the Securities Act have been satisfied.[3]**]** The Holder, by acceptance hereof, consents to the placement of legend(s) on this Capital Note and also on the Conversion Shares issuable upon conversion of this Capital Note, as to the applicable restrictions on transferability in order to ensure compliance with the Securities Act, unless in the reasonable opinion of counsel for the Company such legend is not required in order to ensure compliance with the Securities Act. The Company may issue stop transfer instructions to its transfer agent in connection with such restrictions.

Nothing in this clause 6 shall derogate from any obligations of the Company under any Registration Rights Agreement to which the Company and the Holder are parties.

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2 Following the effective date of the Registration Statement covering the Conversion Shares, bracketed language to be removed from all future Capital Notes to be issued and, at the request of the Holder, a substitute Capital Note omitting the bracketed language will promptly be delivered to the Holder.

3 Following the effective date of the Registration Statement covering the Conversion Shares, bracketed language to be replaced with the following: "The Conversion Shares have been registered under the Securities Act on Form F-3 Registration Statement No. **[*insert relevant registration number*]**." on all future Capital Notes to be issued, and, at the request of the Holder, a substitute Capital Note having such replacement language will promptly be delivered to the Holder.

7. **ADJUSTMENT OF CONVERSION PRICE AND NUMBER OF CONVERSION SHARES**

The number and kind of securities issuable initially upon the conversion of this Capital Note and the Conversion Price shall be subject to adjustment at any time and from time to time upon the occurrence of certain events, as follows:

7.1. **Adjustment for Shares Splits and Combinations**

If the Company at any time or from time to time effects a subdivision of the outstanding Ordinary Shares, the number of Conversion Shares issuable upon conversion of this Capital Note immediately before the subdivision shall be proportionately increased, and conversely, if the Company at any time or from time to time combines the outstanding Ordinary Shares, the number of Conversion Shares issuable upon conversion of this Capital Note immediately before the combination shall be proportionately decreased. Any adjustment under this clause 7.1 shall become effective at the close of business on the date the subdivision or combination becomes effective.

7.2. **Adjustment for Certain Dividends and Distributions**

In the event the Company at any time, or from time to time, makes or fixes a record date for the determination of holders of Ordinary Shares entitled to receive a dividend or other distribution payable in additional Ordinary Shares, then and in each such event, the number of Ordinary Shares issuable upon conversion of this Capital Note shall be increased as of the time of such issuance or, in the event such a record date is fixed, as of the close of business on such record date, by multiplying the number of Ordinary Shares issuable upon conversion of this Capital Note by a fraction: (i) the numerator of which shall be the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, as applicable, plus the number of Ordinary Shares issuable in payment of such dividend or distribution; and (ii) the denominator of which is the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, as applicable; provided, however, that if such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the number of Ordinary Shares issuable upon conversion of this Capital Note shall be recomputed

accordingly as of the close of business on such record date and thereafter the number of Ordinary Shares issuable upon conversion of this Capital Note shall be adjusted pursuant to this clause 7.2 as of the time of the actual payment of such dividends or distribution.

7.3. **Adjustments for Other Dividends and Distributions**

In the event the Company at any time or from time to time makes, or fixes a record date for the determination of holders of Ordinary Shares entitled to receive a dividend or other distribution payable in securities of the Company other than Ordinary Shares (for the avoidance of doubt, other than in a rights offering as to which clause 7.7 shall be applicable), then in each such event provision shall be made so that the Holder shall receive upon conversion of this Capital Note and for no additional consideration, in addition to the number of Ordinary Shares receivable thereupon, the amount of securities of the Company that the Holder would have received had this Capital Note been converted immediately prior to such event, or the record date for such event, as applicable.

7.4. **Adjustment for Reclassification, Exchange and Substitution**

If the Ordinary Shares issuable upon conversion of this Capital Note are changed into the same or a different number of shares of any class or classes of shares, whether by recapitalization, reclassification, exchange, substitution or otherwise (other than a subdivision or combination of shares, dividends payable in Ordinary Shares or other securities of the Company or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this clause 7), then and in any such event the Holder shall have the right thereafter to exercise this Capital Note into the kind and amount of shares and other securities receivable upon such recapitalization, reclassification, exchange, substitution or other change, by holders of the number of Ordinary Shares for which this Capital Note might have been converted immediately prior to such recapitalization, reclassification, exchange, substitution or other change (or the record date for such event), all subject to further adjustment as provided herein and under the Company's Articles of Association.

7.5. **Reorganization, Mergers, Consolidations or Sales of Assets**

If at any time or from time to time there is a capital reorganization of the Ordinary Shares (other than a recapitalization, subdivision, combination, reclassification, exchange or substitution of shares as

provided for elsewhere in this clause 7), or a merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the Company's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the Holder shall thereafter be entitled to receive upon conversion of this Capital Note and for no additional consideration, the number of shares or other securities or property (including, without limitation, cash) of the Company, or of the successor corporation resulting from such merger or consolidation or sale, to which a holder of the number of Ordinary Shares issuable upon conversion of this Capital Note would have been entitled on such capital reorganization, merger, consolidation or sale.

7.6. **Other Transactions**

In the event that the Company shall issue shares to its shareholders as a result of a split-off, spin-off or the like, then the Company shall only complete such issuance or other action if, as part thereof, allowance is made to protect the economic interest of the Holder either by increasing the number of Conversion Shares or by procuring that the Holder shall be entitled, on terms economically proportionate to those provided to its shareholders, to acquire additional shares of the spun-off or split-off entities.

7.7. **Rights Offerings**

If the Company, at any time and from time to time, shall fix a record date for, or shall make a distribution to, its shareholders of rights or warrants to subscribe for or purchase any security (collectively, **"Rights"**), then, in each such event, the Company will provide the Holder, concurrently with the distribution of the Rights to its shareholders, identical rights, having terms and conditions identical to the Rights (for the avoidance of doubt, exercisable at the same time as the Rights), in such number to which the Holder would be entitled had the Holder converted this Capital Note into Conversion Shares immediately prior to the record date for such distribution, or if no record date shall be fixed, then immediately prior to such distribution , as applicable. Nothing in this clause 7.7 shall require the Company to complete any such distribution of Rights to its shareholders, including following the record date thereof, unless required pursuant to the terms of such distribution and, if such distribution of Rights to its shareholders is not completed in conformity with the terms of such distribution, then the Company

shall be entitled not to complete the provision of rights to the Holder pursuant to this clause 7.7 above.

7.8. **Adjustment for Cash Dividends and Distributions**

In the event the Company, at any time or from time to time until September 28, 2021, makes or fixes a record date for the determination of holders of Ordinary Shares entitled to receive a cash dividend or distribution, then and in each such event, the number of Ordinary Shares issuable upon conversion of this Capital Note shall be adjusted (for the avoidance of doubt, never decreased but either shall remain the same or increased), as of the close of business on such record date, by multiplying the number of Ordinary Shares issuable upon conversion of this Capital Note by a fraction: (i) the numerator of which shall be the closing price per share of the Ordinary Shares on the TASE on the determining date ("*Hayom Hakovaya*") for such dividend or distribution; and (ii) the denominator of which shall be the adjusted "ex-dividend" price of the Ordinary Shares as such prices set out in (i) and (ii) are determined in each case by the TASE in accordance with its rules.

7.9. **General Protection**

The Company will not, by amendment of its Articles of Association or other charter document or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder, or impair the economic interest of the Holder, but will at all times in good faith assist in the carrying out of all the provisions hereof and in taking of all such actions and making all such adjustments as may be necessary or appropriate in order to protect the rights and the economic interests of the Holder against impairment.

7.10. **Notice of Capital Changes**

If at any time the Company shall declare any dividend or distribution of any kind, or offer for subscription pro rata to the holders of Ordinary Shares any additional shares of any class, other rights or any security of any kind, or there shall be any capital reorganization or reclassification of the capital shares of the Company, or consolidation or merger of the Company with, or sale of all or substantially all of its assets to another company or there shall be a

voluntary or involuntary dissolution, liquidation or winding-up of the Company, or other transaction described in this clause 7, then, in any one or more of the said cases, the Company shall give the Holder prior written notice, by registered or certified mail, postage prepaid, of the date on which: (i) a record shall be taken for such dividend, distribution or subscription rights; or (ii) such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding-up shall take place, as the case may be. Such notice shall also specify the date as of which the holders of record of Ordinary Shares shall participate in such dividend or distribution, subscription rights, or shall be entitled to exchange their Ordinary Shares for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding-up, as the case may be. Such written notice shall be given at least 14 (fourteen) days prior to the action in question and not less than 14 (fourteen) days prior to the record date in respect thereto.

7.11. **Adjustment of Conversion Price**

Upon each adjustment in the number of Ordinary Shares purchasable hereunder, the Conversion Price shall be proportionately increased or decreased, as the case may be, in a manner that is the inverse of the manner in which the number of Ordinary Shares purchasable hereunder shall be adjusted.

7.12. **Notice of Adjustments**

Whenever the Conversion Price or the number of Ordinary Shares issuable upon conversion of this Capital Note shall be adjusted pursuant to this clause 7, the Company shall prepare a certificate signed by the chief financial officer of the Company setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Conversion Price and the number of Conversion Shares issuable upon conversion of this Capital Note after giving effect to such adjustment, and shall cause copies of such certificate to be mailed (by first class mail, postage prepaid) to the Holder.

8. **OTHER TRANSACTIONS**

In the event that the Company or its shareholders receive an offer to transfer all or substantially all of the shares in the Company, or to effect a merger or acquisition or sale of all or substantially all of the assets of the

Company, then the Company shall promptly inform the Holder in writing of such offer.

9. **TRANSFER OF THIS CAPITAL NOTE BY THE HOLDER**

This Capital Note shall be freely transferable or assignable by the Holder in whole or in part, at any time and from time to time, subject to the provisions of this clause 9. With respect to any transfer of this Capital Note, in whole or in part, the Holder shall surrender the Capital Note, together with a written request to transfer all or a portion of the Principal Amount of this Capital Note to the transferee, as well as, if reasonably requested by the Company, a written opinion of such Holder's counsel, to the effect that such offer, sale or other distribution may be effected without registration under the Securities Act. Upon surrender of such Capital Note (and delivery of such opinion, if so requested) by the Holder, the Company shall immediately register such transferee as the Holder of this Capital Note, or the portion thereof, transferred to such transferee, such registration shall be deemed to have been made immediately prior to the close of business on the date of such surrender and delivery (if applicable), and such transferee or transferees shall be treated for all purposes as the record holder or holders as of such date of a Capital Note in that portion of the Principal Amount of this Capital Note so transferred. The Company shall, as promptly as practicable, deliver to the Holder one or more Capital Notes, of like tenor as this Capital Note, except that the Principal Amount thereof shall be the amount transferred to such transferee, for delivery to the transferee or transferees (or, if the Holder requests, deliver such Capital Note directly to such transferee or transferees) and shall, if only a portion of the Principal Amount of this Capital Note is being transferred, concurrently deliver to the Holder one or more replacement Capital Notes to represent the portion of the Principal Amount of this Capital Note not so transferred. For the avoidance of doubt, the Company confirms that no approval by the Board of Directors of the Company of any transfer of this Capital Note or the Conversion Shares is required.

10. **REPRESENTATIONS, WARRANTIES AND COVENANTS**

The Company represents, warrants and covenants to the Holder as follows:

10.1. this Capital Note has been duly authorized and executed by the Company and is a valid and binding obligation of the Company enforceable in accordance with its terms;

10.2. the Conversion Shares are duly authorized and are, and will be, reserved (for the avoidance of doubt, without the need for further corporate action by the Company) for issuance by the Company and, when issued in accordance with the terms hereof, will be validly issued, fully paid and non-assessable and not subject to any pre-emptive rights;

10.3. the execution and delivery of this Capital Note are not, and the issuance of the Conversion Shares upon conversion of this Capital Note in accordance with the terms hereof will not be, inconsistent with the Company's Certificate of Incorporation, Memorandum of Association or Articles of Association, do not and will not contravene any law, governmental or regulatory rule or regulation, including NASDAQ and TASE rules and regulations, judgment or order applicable to the Company, do not and will not conflict with or contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument of which the Company is a party or by which it is bound or, except for consents that have already been obtained and filings already made, require the consent or approval of, the giving of notice to, the registration with or the taking of any action in respect of or by, any Israeli or foreign governmental authority or agency or other person; and

10.4. the Conversion Shares have been approved for listing and trading on TASE.

11. **LOSS, THEFT, DESTRUCTION OR MUTILATION OF CAPITAL NOTE**

Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of any Capital Note or Conversion Shares certificate, and in case of loss, theft or destruction, of indemnity, or security reasonably satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of such Capital Note or Conversion Shares certificate, if mutilated, the Company will make and deliver a new Capital Note or Conversion Shares certificate of like tenor and dated as of such cancellation, in lieu of such Capital Note or Conversion Shares certificate.

12. **NOTICES**

All notices and other communications required or permitted hereunder to be given to a party to this Agreement shall be in writing and shall be faxed or mailed by registered or certified mail, postage prepaid, or otherwise

delivered by hand or by messenger, addressed to such party's address as set forth below:

If to the Holder:	[_____] [_____] *Attention: [_____]* *Facsimile: [_____]*
If to the Company:	Tower Semiconductor Ltd. P.O. Box 619 Ramat Gabriel Industrial Zone Migdal Haemek 23105 *Attention: Oren Shirazi, Acting Chief Financial Officer* *Facsimile: (04) 604 7242*
with a copy to:	Yigal Arnon & Co. 1 Azrieli Center Tel Aviv Israel *Attention: David H. Schapiro, Adv./ Ari Fried, Adv.* *Facsimile: (03) 608 7714*

or such other address with respect to a party as such party shall notify each other party in writing as above provided. Any notice sent in accordance with this clause 12 shall be effective: (a) if mailed, 5 (five) business days after mailing; (b) if sent by messenger, upon delivery; and (c) if sent via facsimile, 1 (one) business day following transmission and electronic confirmation of receipt.

13. **APPLICABLE LAW; JURISDICTION**

This Capital Note shall be governed by and construed in accordance with the laws of the State of Israel as applicable to contracts between two residents of the State of Israel entered into and to be performed entirely within the State of Israel. Any dispute arising under or in relation to this Capital Note shall be resolved in the competent court for Tel Aviv-Jaffa district, and the Company and the Holder hereby submits irrevocably to the jurisdiction of such court.

Dated: _____

for **TOWER SEMICONDUCTOR LTD.**

By: _____

Title: _____

Exhibit 3

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this **"Agreement"**) is made and entered into effective as of September 28, 2006 by and between TOWER SEMICONDUCTOR LTD. (the **"Company"** or **"Tower"**), a company organized under the laws of the State of Israel, and BANK LEUMI LE-ISRAEL B.M., a banking corporation organized under the laws of the State of Israel (the **"Bank"**).

WHEREAS, Tower is an independent manufacturer of wafers whose Ordinary Shares are traded on the Nasdaq Stock Market (**"NASDAQ"**) under the symbol "TSEM" and whose Ordinary Shares and certain other securities are traded on the Tel-Aviv Stock Exchange (**"TASE"**) under the symbol "TSEM"; and

WHEREAS, the Bank and Bank Hapoalim B.M. (collectively, the **"Banks"**) and Tower are parties to a Facility Agreement dated January 18, 2001, as amended (the **"Facility Agreement"**); and

WHEREAS, at the request of Tower, the Banks and Tower have entered into an Amending Agreement dated August 24, 2006 (the **"Amending Agreement"**), the conditions to the effectiveness of which include, *inter alia*, the issuance to each of the Banks or its nominee, of an equity-equivalent convertible capital note which will in turn be convertible, in whole or in part, by the Bank at any time and from time to time into shares of Tower and the entering into by the Bank and Tower of a conversion agreement (the **"Conversion Agreement"**) and this Agreement, in each case, on the date of the effectiveness of the Amending Agreement (the **"Amendment Closing Date"**); and

WHEREAS, clause 9.4 of the Facility Agreement, as amended by the Amending Agreement, obligates the Company, under certain circumstances, to make a payment to the Banks which, subject to said clause 9.4 and the Conversion Agreement, can be paid in the form of shares, capital notes or convertible debentures and the parties intend that the registration rights set forth in this Agreement also be applicable with respect to such shares and/or shares issuable upon conversion of any such capital notes or convertible debentures (the **"Clause 9.4 Equity Issuances"**),

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the

receipt and sufficiency of which are hereby acknowledged, the Company and the Bank hereby agree as follows:

1. DEFINITIONS AND INTERPRETATION.

As used in this Agreement, the following terms shall have the following meanings:

(a) **"Capital Note"** means any capital note that is convertible into shares of Tower.

(b) **"Holder"** means the Bank, any nominee of the Bank to hold the Clause 9.4 Equity Issuances (the **"Nominee"**), any transferee or assignee to whom the Bank or the Nominee assigns its rights, in whole or in part, and any transferee or assignee thereof to whom a transferee or assignee assigns its rights, in accordance with Section 9.

(c) **"ISA"** means the Israel Securities Authority or any similar or successor agency of Israel administering the Israel Securities Law.

(d) **"Israel Securities Law"** means the Israel Securities Law, 5728-1968 (including the regulations promulgated thereunder), as amended.

(e) **"1933 Act"** means the U.S. Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute.

(f) **"1934 Act"** means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, or any similar successor statute.

(g) **"Register"**, **"registered"**, and **"registration"** refer to a registration effected by preparing and filing a registration statement in compliance with the 1933 Act and the effectiveness of such registration statement in accordance with the 1933 Act or the equivalent actions under the laws of another jurisdiction.

(h) **"Registrable Securities"** means (i) the ordinary shares of the Company issued or issuable upon conversion of any Capital Note by any Holder, (ii) any ordinary shares issued as part of the Clause 9.4 Equity Issuances, including shares issued or issuable upon conversion of Capital Notes or convertible debentures issued as part of the Clause 9.4 Equity Issuances, which are held by a Holder (iii)

ordinary shares of the Company issued or issuable upon exercise of a Warrant and (iv) any shares of capital stock issued or issuable with respect to the ordinary shares of the Company as a result of any stock split, stock dividend, rights offering, recapitalization, merger, exchange or similar event or otherwise, including as described in any Capital Note.

(i) **"Registration Statement"** means a registration statement or registration statements of the Company covering Registrable Securities filed with (a) the SEC under the 1933 Act, including the Form F-3 Registration Statement No. 333-131315 previously filed by the Company covering ordinary shares issuable upon the exercise of Warrants, and (b) the ISA under the Israel Securities Law, to the extent required under the Israel Securities Law, so as to allow the Holder to freely resell the Registrable Securities in Israel, including on the TASE.

(j) **"SEC"** means the United States Securities and Exchange Commission or any similar or successor agency of the United States administering the 1933 Act.

(k) **"Warrant"** means the warrants issued to the Bank by the Company prior to the Amendment Closing Date and which are amended on the Amendment Closing Date.

In this Agreement:

(a) Words importing the singular shall include the plural and *vice versa* and words importing any gender shall include all other genders and references to persons shall include partnerships, corporations and unincorporated associations.

(b) Any reference in this Agreement to a specific form or to any rule or regulation adopted by the SEC shall also include any successor form or amended or successor rule or regulation subsequently adopted by the SEC, all as the same may be in effect at the time.

(c) Any reference in this Agreement to a statute, act or law shall be construed as a reference to such statute, act or law as the same may have been, or may from time to time be, amended or reenacted.

(d) A **"person"** shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any

association or partnership (whether or not having separate legal personality) or two or more of the aforegoing.

(e) **"Including"** and **"includes"** means, including, without limiting the generality of any description preceding such terms.

(f) The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

2. REGISTRATION.

(a) The Company shall prepare, and, as soon as practicable but in no event later than (a) 45 days after the date of this Agreement and (b) the date of the Clause 9.4 Equity Issuances, in each case file with the SEC a Registration Statement on Form F-3 and make all required filings with the ISA covering the resale of all of the then Registrable Securities that are not already registered. The Company shall use its best efforts to have the Registration Statement declared effective by the SEC and the ISA as soon as possible after such filing with the SEC and the ISA.

(b) In the event that Form F-3 shall not be available for the registration of the resale of Registrable Securities hereunder, the Company shall (i) register the resale of the Registrable Securities on another appropriate form reasonably acceptable to the Holders of the Registrable Securities to be registered on such Registration Statement and (ii) undertake to register the Registrable Securities on Form F-3 as soon as such form is available, provided that, in each such event, the Company shall maintain the effectiveness of the Registration Statement then in effect until such time as a Registration Statement on Form F-3 covering the Registrable Securities has been declared effective by the SEC.

3. RELATED OBLIGATIONS.

(a) Following the filing and effectiveness of each Registration Statement with the SEC pursuant to Section 2(a), the Company shall keep the Registration Statement effective pursuant to Rule 415 of the 1933 Act and under the Israel Securities Law at all times until the earlier of (i) the date as of which all of the Holders confirm to the Company in writing that they may sell all of the Registrable Securities covered by

such Registration Statement without restriction pursuant to all of the following: (x) Rule 144(k) under the 1933 Act, (y) the Israel Securities Law and (z) other securities or "blue sky" laws of each jurisdiction in which the Company obtained a registration or qualification in accordance with Section 3(d) below or (ii) the date on which the Holders shall have sold all the Registrable Securities covered by such Registration Statement (A) in accordance with such Registration Statement (except to another Holder pursuant to Section 9) or (B) to the public pursuant to Rule 144 under the 1933 Act (the **"Registration Period"**), the Company to ensure that such Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, subject to Section 3(e) below.

(b) The Company shall prepare and file with the SEC and the ISA (to the extent required) such amendments (including post-effective amendments) and supplements to each Registration Statement and the prospectus used in connection with such Registration Statement, which prospectus is to be filed pursuant to Rule 424 under the 1933 Act or under the Israel Securities Law, as may be necessary to keep such Registration Statement effective at all times during the Registration Period, and, during such period, comply with the provisions of the 1933 Act and the Israel Securities Law with respect to the disposition of all Registrable Securities of the Company covered by such Registration Statement until such time as all of such Registrable Securities shall have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in such Registration Statement, which, for the avoidance of doubt, shall include sales on the Nasdaq Stock Market and the TASE, as well as sales not made on such exchanges. In the case of amendments and supplements to a Registration Statement which are required to be filed pursuant to the Agreement (including pursuant to this Section 3(b) by reason of the Company filing a report on Form 20-F, Form 6-K or any analogous report under the 1934 Act), the Company shall have incorporated such report by reference into the Registration Statement, if applicable, or shall file such amendments or supplements with the SEC and the ISA on the same day on which the 1934 Act report is filed which created the requirement for the Company to amend or supplement the Registration Statement.

(c) The Company shall furnish each Holder whose Registrable Securities are included in any Registration Statement, without charge, (i) promptly after the same is prepared and filed with the SEC, at least three (3) copies of such Registration Statement and any amendment(s) thereto, including financial statements and schedules, all documents incorporated therein by reference, all exhibits and each preliminary prospectus (or such other number of copies as such Holder may reasonably request), (ii) upon the effectiveness of any Registration Statement, at least ten (10) copies of the prospectus included in such Registration Statement and all amendments and supplements thereto (or such other number of copies as such Holder may reasonably request) and (iii) such other documents, including copies of any preliminary or final prospectus and of any Registration Statements and prospectuses filed with the ISA, as such Holder may reasonably request from time to time in order to facilitate the disposition of the Registrable Securities owned by such Holder.

(d) The Company shall use its best efforts to (i) register and qualify, unless an exemption from registration and qualification applies, the resale by the Holders of the Registrable Securities covered by a Registration Statement under such other securities or "blue sky" laws of all the states of the United States, (ii) prepare and file in those jurisdictions, such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (x) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), or (y) file a general consent to service of process in any such jurisdiction. The Company shall promptly notify each Holder who holds Registrable Securities of the receipt by the Company of any notification with respect to the suspension of the registration or qualification of any of the Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction in the United States or its receipt of actual notice of the initiation or threatening of any proceeding for such purpose.

(e) The Company shall notify each Holder in writing of the happening of any event, as promptly as practicable after becoming aware of such event, as a result of which the prospectus included in a Registration Statement, as then in effect, includes an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company shall use its best efforts to minimize the period of time during which a Registration Statement includes an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company shall promptly notify each Holder in writing (i) when a prospectus or any prospectus supplement or post-effective amendment has been filed so that the Registration Statement does not include an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and when a Registration Statement or any post-effective amendment has become effective (notification of such effectiveness shall be delivered to each Holder by facsimile on the same day of such effectiveness and by overnight mail), (ii) of any request by the SEC or the ISA for amendments or supplements to a Registration Statement or related prospectus or related information, and (iii) of the Company's reasonable determination that a post-effective amendment to a Registration Statement would be appropriate.

(f) The Company shall use its best efforts to prevent the issuance of any stop order or other suspension of effectiveness of a Registration Statement, or the suspension of the qualification of any of the Registrable Securities for sale in any jurisdiction and, if such an order or suspension is issued, to obtain the withdrawal of such order or suspension at the earliest possible moment and to notify each Holder who holds Registrable Securities being sold of the issuance of such order and the resolution thereof or its receipt of actual notice of the initiation or threat of any proceeding for such purpose.

(g) The Company shall cause all the Registrable Securities covered by a Registration Statement to be listed on each securities exchange on which securities of the same class or series issued by the Company are then listed, including the NASDAQ and the TASE and the Company shall, not later than the effective date of a Registration Statement, deliver to the Holders a copy of the approvals of the

TASE and the NASDAQ (and/or any other exchange, if applicable) to the listing of the Registrable Securities covered by such Registration Statement on such exchange.

(h) The Company shall cooperate with the Holders who hold Registrable Securities being offered and, to the extent applicable, facilitate the timely preparation and delivery of certificates (not bearing any restrictive legend) representing the Registrable Securities to be offered pursuant to a Registration Statement and enable such certificates to be in such denominations or amounts, as the case may be, as the Holders may reasonably request and registered in such names as the Holders may request.

(i) The Company shall provide a transfer agent and registrar of all Registrable Securities and a CUSIP number not later than the effective date of the applicable Registration Statement.

(j) If requested by a Holder, the Company shall (i) as soon as practicable incorporate in a prospectus supplement or post-effective amendment such information as a Holder requests to be included therein, information with respect to the number of Registrable Securities being offered or sold, the purchase price being paid therefor and any other terms of the offering of the Registrable Securities to be sold in such offering; (ii) as soon as practicable make all required filings of such prospectus supplement or post-effective amendment after being notified of the matters to be incorporated in such prospectus supplement or post-effective amendment; and (iii) as soon as practicable, supplement or make amendments to any Registration Statement if reasonably requested by a Holder of such Registrable Securities.

(k) In the event of any underwritten public offering of the Registrable Securities, enter into and perform its obligations under an underwriting agreement with usual and customary terms that are generally satisfactory to the managing underwriter of such offering. The Holder shall also enter into and perform its obligations under such an agreement (the terms of which must be satisfactory to the Holder if the Holder is to participate in such offering).

(l) The Company shall afford the Holder and its representatives (including counsel) the opportunity at any time and from time to time during the Registration Period to make such examinations of the business affairs and other material financial and corporate documents of the Company and its subsidiaries as the Holder may

reasonably deem necessary to satisfy itself as to the accuracy of the registration statement (subject to a reasonable confidentiality undertaking on the part of the Holder and its representatives).

(m) The Company shall furnish, at the request of the Holder in connection with the registration of Registrable Shares pursuant to this Agreement, on the date that such Registrable Shares are delivered to the underwriters for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the Registration Statement with respect to such securities becomes effective and on the date of each post-effective amendment thereof: (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holder; and (ii) a letter, dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holder.

(n) The Company shall comply with all applicable rules and regulations of the SEC and shall make generally available to its security holders an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act as soon as practicable after the effective date of the Registration Statement and in any event no later than 45 days after the end of a 12-month period (or 90 days, if such period is a fiscal year) beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Registration Statement.

4. OBLIGATIONS OF THE HOLDERS.

Each Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in the first sentence of Section 3(e) or in Section 3(f), such Holder will immediately discontinue disposition of Registrable Securities pursuant to any Registration Statement(s) covering such Registrable Securities until such Holder's receipt of the copies of the supplemented or amended prospectus contemplated by the first sentence of Section 3(e) or receipt of notice that no supplement or amendment is required.

5. EXPENSES OF REGISTRATION.

All expenses, other than underwriting discounts and commissions, incurred in connection with registrations, filings or qualifications pursuant to Sections 2 and 3, including, without limitation, all registration, listing and qualifications fees, printers and accounting fees, fees and disbursements of counsel to the Company and the Holders, including in connection with such examinations described in Section 3(l) above, shall be paid by the Company.

6. INDEMNIFICATION.

In the event any Registrable Securities are included in a Registration Statement under this Agreement:

(a) To the fullest extent permitted by law, the Company will, and hereby does, indemnify, hold harmless and defend each Holder, the directors, officers, partners, employees, agents, representatives of, and each Person, if any, who controls any Holder within the meaning of the 1933 Act or 1934 Act (each, an **"Indemnified Person"**), against any losses, claims, damages, liabilities, judgments, fines, penalties, charges, costs, reasonable attorneys' fees, amounts paid in settlement or expenses, joint or several, (collectively, **"Claims"**) incurred in investigating, preparing or defending any action, claim, suit, inquiry, proceeding, investigation or appeal taken from the foregoing by or before any court or governmental, administrative or other regulatory agency, body or the SEC or the ISA, whether pending or threatened, whether or not a person to be indemnified is or may be a party thereto (**"Indemnified Damages"**), to which any of them may become subject insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in a Registration Statement or any post-effective amendment thereto or in any filing made in connection with the qualification of the offering under the securities or other "blue sky" laws of any jurisdiction in which Registrable Securities are offered (**"Blue Sky Filing"**), or the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, preliminary prospectus, final prospectus or "free writing prospectus" (as such term is defined in Rule 405 under

the 1933 Act) or any amendment or supplement to any such prospectus or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading, (iii) any violation or alleged violation by the Company of the 1933 Act, the 1934 Act, any other law, including, without limitation, any state securities law, the Israel Securities Law or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities pursuant to a Registration Statement or (iv) any material violation of this Agreement (the matters in the foregoing clauses (i) through (iv) being, collectively, **"Violations"**). Subject to Section 6(c), the Company shall reimburse the Indemnified Persons promptly as such expenses are incurred and are due and payable, for any legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a): (i) shall not apply to a Claim by an Indemnified Person arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by such Indemnified Person expressly for inclusion in any such Registration Statement, preliminary prospectus, final prospectus or free writing prospectus or any such amendment thereof or supplement thereto and (ii) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Securities by the Holders pursuant to Section 9.

(b) In connection with any Registration Statement in which a Holder is participating, each such Holder agrees, severally and not jointly, to indemnify, hold harmless and defend, to the same extent and in the same manner as is set forth in Section 6(a), the Company, each of its directors, each of its officers who signs the Registration Statement, each Person, if any, who controls the Company within the meaning of the 1933 Act or the 1934 Act (each an **"Indemnified Party"**), against any Claim or Indemnified Damages to which any of them may become subject, under the 1933 Act, the 1934 Act or otherwise, insofar as such Claim or Indemnified Damages arise out of or are based upon any Violation, in each case to the extent, and only to the extent, that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by such Holder

expressly for inclusion in Registration Statement, preliminary prospectus, final prospectus or free writing prospectus and, subject to Section 6(c), such Holder will reimburse any legal or other expenses reasonably incurred by an Indemnified Party in connection with investigating or defending any such Claim; provided, however, that the indemnity agreement contained in this Section 6(b) and the agreement with respect to contribution contained in Section 7 shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Holder; provided, further, however, that the Holder shall be liable under this Section 6 for only that amount of a Claim or Indemnified Damages as does not exceed the net proceeds to such Holder as a result of the sale of Registrable Securities pursuant to such Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of the Registrable Securities by the Holders pursuant to Section 9.

(c) Promptly after receipt by an Indemnified Person or Indemnified Party under this Section 6 of notice of the commencement of any action or proceeding (including any governmental action or proceeding) involving a Claim, such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person or the Indemnified Party, as the case may be; provided, however, that an Indemnified Person or Indemnified Party shall have the right to retain its own counsel with the fees and expenses of not more than one counsel for such Indemnified Person or Indemnified Party to be paid by the indemnifying party, if, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential differing interests between such Indemnified Person or Indemnified Party and any other party represented by such counsel in such proceeding. In the case of an Indemnified Person, legal counsel referred to in the immediately preceding sentence shall be selected by the Holders holding a majority in interest of the Registrable Securities included in the Registration Statement to which the Claim relates. The Indemnified Party or Indemnified Person shall cooperate with the

indemnifying party in connection with any negotiation or defense of any such action or Claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the Indemnified Party or Indemnified Person which relates to such action or Claim. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 6, except to the extent that the indemnifying party is prejudiced in its ability to defend such action but the omission to so notify the indemnifying party will not relieve such indemnifying party of any liability that it may have to any Indemnified Person or Party otherwise than under this Section 6(c), including under Section 6(e).

(d) The indemnification required by this Section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or Indemnified Damages are incurred.

(e) The indemnity agreements contained herein shall be in addition to (i) any cause of action or similar right of the Indemnified Party or Indemnified Person against the indemnifying party or others, and (ii) any liabilities the indemnifying party may be subject to pursuant to the law.

7. CONTRIBUTION.

To the extent any indemnification by an indemnifying party is prohibited or limited by law or insufficient to hold an Indemnified Person or an Indemnified Party, as the case may be, harmless, then the indemnifying party, in lieu of indemnifying such Indemnified Person or Indemnified Party hereunder, shall contribute to the amount paid or payable by such Indemnified Person or Indemnified Party as a result of such Claims and Indemnified Damages (each as defined in Section 6(a) above) in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the Indemnified Person or Indemnified Party, as the case may be, on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage, or expense as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the Indemnified Person or Indemnified Party, as the case may be, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied

by the indemnifying party or by the Indemnified Person or Indemnified Party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

Notwithstanding the foregoing, (i) no person involved in the sale of Registrable Securities, which person is guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) in connection with such sale, shall be entitled to contribution from any person involved in such sale of Registrable Securities who was not guilty of fraudulent misrepresentation; and (ii) contribution by any seller of Registrable Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities pursuant to such Registration Statement.

8. REPORTS UNDER THE 1934 ACT.

With a view to making available to the Holders the benefits of Rule 144 promulgated under the 1933 Act or any other similar rule or regulation of the SEC that may at any time permit the Holders to sell securities of the Company to the public without registration (**"Rule 144"**), the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144;

(b) file with the SEC in a timely manner all reports and other documents required by the Company under the 1993 Act and the 1934 Act so long as the Company remains subject to such requirements and the filing of such reports and other documents is required for the applicable provisions of Rule 144; and

(c) furnish to each Holder so long as such Holder owns Registrable Securities, promptly upon request, (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144, the 1933 Act and the 1934 Act, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested to permit the Holders to sell such securities pursuant to any rule or regulation of the SEC allowing the Holder to sell any securities without registration.

9. ASSIGNMENT OF REGISTRATION RIGHTS.

The rights under this Agreement shall be freely assignable, in whole or in part at any time and from time to time during the Registration Period, by the Holder to any transferee of all or any portion of a Capital Note or of the Registrable Securities (provided that, in the case of the transfer of Registrable Securities only, the rights under the Agreement may be transferred only if the Holder reasonably believes that such transferee cannot immediately make a public distribution of such Registrable Securities without restriction under the 1933 Act, the Israel Securities Law or other applicable securities laws) if: (i) the Holder agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such transfer or assignment; (ii) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of (a) the name and address of such transferee or assignee, and (b) the securities with respect to which such registration rights are being transferred or assigned; and (iii) within a reasonable period of time after such transfer or assignment, the transferee or assignee agrees in writing with the Company to be bound by all of the provisions contained herein. At the transferee's request, the Company shall promptly prepare and file any required prospectus supplement under Rule 424(b)(3) of the 1933 Act or other applicable provision of the 1933 Act and/or the Israel Securities Law to appropriately amend the list of selling shareholders thereunder to include such transferee.

10. AMENDMENT OF REGISTRATION RIGHTS.

Provisions of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holders. Any amendment or waiver effected in accordance with this Section 10 shall be binding upon each Holder and the Company. No such amendment shall be effective to the extent that it applies to less than all of the Holders of the Registrable Securities. No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of this Agreement unless the same consideration also is offered to all of the parties to this Agreement.

11. OTHER REGISTRATION STATEMENTS; DEMAND AND INCIDENTAL REGISTRATIONS; NO CONFLICTING AGREEMENTS.

(a) From and after the time of filing of any Registration Statement filed pursuant hereto and prior to the effectiveness thereof, the Company shall not file a registration statement (including any shelf registration statements) (other than on Form S-8) with the SEC with respect to any securities of the Company, provided that nothing herein shall limit the filing of any registration statement demanded to be filed pursuant to a "demand" right granted by the Company prior to the filing of any such Registration Statement.

(b) If at any time during the Registration Period there is not an effective Registration Statement covering all of the then Registrable Securities, the Company shall, upon the demand of any Holder, immediately file a registration statement covering all of the then Registrable Securities and the provisions of this Agreement shall apply to such Registration Statement, *mutatis mutandis*.

(c) If at any time the Company shall determine to prepare and file with the SEC and/or the ISA a registration statement relating to an underwritten offering for its own account or the account of others under the 1933 Act and/or the Israel Securities Law of any of its equity securities, other than on Form F-4 or Form S-8 (each as promulgated under the 1933 Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans, then the Company shall send each Holder written notice of such determination and, if within twenty days after receipt of such notice, any such Holder shall so request in writing, the Company shall include in such registration statement all or any part of such Registrable Securities such Holder requests to be registered, subject to customary underwriter cutbacks applicable on a basis consistent with the Company's obligation to other existing holders of registration rights.

(d) The Company represents and warrants to the Holder that the Company is not a party to any agreement that conflicts in any manner with the Holder's rights to cause the Company to register Registrable Shares pursuant to this Agreement.

12. MISCELLANEOUS.

(a) Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) three business days after deposit if deposited in the mail for mailing by certified mail, postage prepaid, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

to the Borrower at:	Tower Semiconductor Ltd. P.O. Box 619 Migdal Haemek Israel Facsimile: (04) 604 7242 Attention: Oren Shirazi Acting Chief Financial Officer
with a copy to:	Yigal Arnon & Co. 1 Azrieli Center 46th Floor, The Round Tower Tel-Aviv, Israel 67021 Facsimile: (03) 608 7714 Attention: David H. Schapiro, Adv./ Ari Fried, Adv.
to the Bank at:	Corporate Division 34 Yehuda Halevi Street Tel-Aviv, Israel Facsimile: (03) 514 9278 Attention: Manager of Hi-Tech Industries Section
with a copy to (which shall not constitute notice):	Leumi and Co. Investment House Ltd. 25 Kalisher Street Tel-Aviv 65165 Israel Fax: 972-3-5141215 Attn: Head of Investment Sector
to any other Holder at:	such address as shall be notified to the Company pursuant to Section 9 above.

(b) Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

(c) This Agreement shall be governed by and construed in accordance with the laws of the State of Israel as applicable to contracts between two residents of the State of Israel entered into and to be performed entirely within the State of Israel. Any dispute arising under or in relation to this Agreement shall be resolved in the competent court for Tel Aviv-Jaffa district, and each of the parties hereby submits irrevocably to the jurisdiction of such court.

(d) This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement supersedes all prior agreements and understandings among the parties hereto with respect to the subject matter hereof and thereof.

(e) Neither this Agreement, nor any of Tower's obligations hereunder, may be assigned by Tower, except with the prior written consent of all the Holders. Subject to the requirements of Section 9, this Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties hereto.

(f) The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(g) This Agreement may be executed in identical counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other parties hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

(h) Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as another party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(i) The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent and no rules of strict construction will be applied against any party.

(j) This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

IN WITNESS WHEREOF, the parties have caused this Registration Rights Agreement to be duly executed as of the day and year first above written.

TOWER SEMICONDUCTOR LTD.

By: /s/ Oren Shirazi
Name: Oren Shirazi
Its: VP Finance

By: /s/ Yoram Glatt
Name: Yoram Glatt
Its: Treasurer

BANK LEUMI LE-ISRAEL B.M.

By: /s/ Meir Marom
Name: Meir Marom
Its: Sector Manager

By: /s/ Shmulik Arbel
Name: Shmulik Arbel
Its: SRM
(Senior Relationship Manager)

Exhibit 4

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this **"Agreement"**) is made and entered into effective as of September 28, 2006 by and between TOWER SEMICONDUCTOR LTD. (the **"Company"** or **"Tower"**), a company organized under the laws of the State of Israel, and BANK HAPOALIM B.M., a banking corporation organized under the laws of the State of Israel (the **"Bank"**).

WHEREAS, Tower is an independent manufacturer of wafers whose Ordinary Shares are traded on the Nasdaq Stock Market (**"NASDAQ"**) under the symbol "TSEM" and whose Ordinary Shares and certain other securities are traded on the Tel-Aviv Stock Exchange (**"TASE"**) under the symbol "TSEM"; and

WHEREAS, the Bank and Bank Leumi Le–Israel B.M. (collectively, the **"Banks"**) and Tower are parties to a Facility Agreement dated January 18, 2001, as amended (the **"Facility Agreement"**); and

WHEREAS, at the request of Tower, the Banks and Tower have entered into an Amending Agreement dated August 24, 2006 (the **"Amending Agreement"**), the conditions to the effectiveness of which include, *inter alia*, the issuance to each of the Banks or its nominee, of an equity-equivalent convertible capital note which will in turn be convertible, in whole or in part, by the Bank at any time and from time to time into shares of Tower and the entering into by the Bank and Tower of a conversion agreement (the **"Conversion Agreement"**) and this Agreement, in each case, on the date of the effectiveness of the Amending Agreement (the **"Amendment Closing Date"**); and

WHEREAS, clause 9.4 of the Facility Agreement, as amended by the Amending Agreement, obligates the Company, under certain circumstances, to make a payment to the Banks which, subject to said clause 9.4 and the Conversion Agreement, can be paid in the form of shares, capital notes or convertible debentures and the parties intend that the registration rights set forth in this Agreement also be applicable with respect to such shares and/or shares issuable upon conversion of any such capital notes or convertible debentures (the **"Clause 9.4 Equity Issuances"**),

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Bank hereby agree as follows:

1. DEFINITIONS AND INTERPRETATION.

As used in this Agreement, the following terms shall have the following meanings:

(a) **"Capital Note"** means any capital note that is convertible into shares of Tower.

(b) **"Holder"** means the Bank, Tarshish, any nominee of the Bank to hold the Clause 9.4 Equity Issuances (the **"Nominee"**), any transferee or assignee to whom the Bank or the Nominee assigns its rights, in whole or in part, and any transferee or assignee thereof to whom a transferee or assignee assigns its rights, in accordance with Section 9.

(c) **"ISA"** means the Israel Securities Authority or any similar or successor agency of Israel administering the Israel Securities Law.

(d) **"Israel Securities Law"** means the Israel Securities Law, 5728-1968 (including the regulations promulgated thereunder), as amended.

(e) **"1933 Act"** means the U.S. Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute.

(f) **"1934 Act"** means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, or any similar successor statute.

(g) **"Register"**, **"registered"**, and **"registration"** refer to a registration effected by preparing and filing a registration statement in compliance with the 1933 Act and the effectiveness of such registration statement in accordance with the 1933 Act or the equivalent actions under the laws of another jurisdiction.

(h) **"Registrable Securities"** means (i) the ordinary shares of the Company issued or issuable upon conversion of any Capital Note by any Holder, (ii) any ordinary shares issued as part of the Clause 9.4 Equity Issuances, including shares issued or issuable upon conversion of Capital Notes or convertible debentures issued as part of the Clause 9.4 Equity Issuances, which are held by a Holder (iii) ordinary shares of the Company issued or issuable upon exercise of a Warrant and (iv) any shares of capital stock issued or issuable with respect to the ordinary shares of the Company as a result of any stock split, stock

dividend, rights offering, recapitalization, merger, exchange or similar event or otherwise, including as described in any Capital Note.

(i) **"Registration Statement"** means a registration statement or registration statements of the Company covering Registrable Securities filed with (a) the SEC under the 1933 Act, including the Form F-3 Registration Statement No. 333-131315 previously filed by the Company covering ordinary shares issuable upon the exercise of Warrants, and (b) the ISA under the Israel Securities Law, to the extent required under the Israel Securities Law, so as to allow the Holder to freely resell the Registrable Securities in Israel, including on the TASE.

(j) **"SEC"** means the United States Securities and Exchange Commission or any similar or successor agency of the United States administering the 1933 Act.

(k) **"Tarshish"** means Tarshish Hahzakot Vehashkaot Hapoalim Ltd., a company organized under the laws of the State of Israel and an affiliate of the Bank.

(l) **"Warrant"** means the warrants issued to the Bank and to Tarshish by the Company prior to the Amendment Closing Date and which are amended on the Amendment Closing Date.

In this Agreement:

(a) Words importing the singular shall include the plural and *vice versa* and words importing any gender shall include all other genders and references to persons shall include partnerships, corporations and unincorporated associations.

(b) Any reference in this Agreement to a specific form or to any rule or regulation adopted by the SEC shall also include any successor form or amended or successor rule or regulation subsequently adopted by the SEC, all as the same may be in effect at the time.

(c) Any reference in this Agreement to a statute, act or law shall be construed as a reference to such statute, act or law as the same may have been, or may from time to time be, amended or reenacted.

(d) A **"person"** shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any

association or partnership (whether or not having separate legal personality) or two or more of the aforegoing.

(e) **"Including"** and **"includes"** means, including, without limiting the generality of any description preceding such terms.

(f) The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

2. REGISTRATION.

(a) The Company shall prepare, and, as soon as practicable but in no event later than (a) 45 days after the date of this Agreement and (b) the date of the Clause 9.4 Equity Issuances, in each case file with the SEC a Registration Statement on Form F-3 and make all required filings with the ISA covering the resale of all of the then Registrable Securities that are not already registered. The Company shall use its best efforts to have the Registration Statement declared effective by the SEC and the ISA as soon as possible after such filing with the SEC and the ISA.

(b) In the event that Form F-3 shall not be available for the registration of the resale of Registrable Securities hereunder, the Company shall (i) register the resale of the Registrable Securities on another appropriate form reasonably acceptable to the Holders of the Registrable Securities to be registered on such Registration Statement and (ii) undertake to register the Registrable Securities on Form F-3 as soon as such form is available, provided that, in each such event, the Company shall maintain the effectiveness of the Registration Statement then in effect until such time as a Registration Statement on Form F-3 covering the Registrable Securities has been declared effective by the SEC.

3. RELATED OBLIGATIONS.

(a) Following the filing and effectiveness of each Registration Statement with the SEC pursuant to Section 2(a), the Company shall keep the Registration Statement effective pursuant to Rule 415 of the 1933 Act and under the Israel Securities Law at all times until the earlier of (i) the date as of which all of the Holders confirm to the Company in writing that they may sell all of the Registrable Securities covered by

such Registration Statement without restriction pursuant to all of the following: (x) Rule 144(k) under the 1933 Act, (y) the Israel Securities Law and (z) other securities or "blue sky" laws of each jurisdiction in which the Company obtained a registration or qualification in accordance with Section 3(d) below or (ii) the date on which the Holders shall have sold all the Registrable Securities covered by such Registration Statement (A) in accordance with such Registration Statement (except to another Holder pursuant to Section 9) or (B) to the public pursuant to Rule 144 under the 1933 Act (the **"Registration Period"**), the Company to ensure that such Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, subject to Section 3(e) below.

(b) The Company shall prepare and file with the SEC and the ISA (to the extent required) such amendments (including post-effective amendments) and supplements to each Registration Statement and the prospectus used in connection with such Registration Statement, which prospectus is to be filed pursuant to Rule 424 under the 1933 Act or under the Israel Securities Law, as may be necessary to keep such Registration Statement effective at all times during the Registration Period, and, during such period, comply with the provisions of the 1933 Act and the Israel Securities Law with respect to the disposition of all Registrable Securities of the Company covered by such Registration Statement until such time as all of such Registrable Securities shall have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in such Registration Statement, which, for the avoidance of doubt, shall include sales on the Nasdaq Stock Market and the TASE, as well as sales not made on such exchanges. In the case of amendments and supplements to a Registration Statement which are required to be filed pursuant to the Agreement (including pursuant to this Section 3(b) by reason of the Company filing a report on Form 20-F, Form 6-K or any analogous report under the 1934 Act), the Company shall have incorporated such report by reference into the Registration Statement, if applicable, or shall file such amendments or supplements with the SEC and the ISA on the same day on which the 1934 Act report is filed which created the requirement for the Company to amend or supplement the Registration Statement.

(c) The Company shall furnish each Holder whose Registrable Securities are included in any Registration Statement, without charge, (i) promptly after the same is prepared and filed with the SEC, at least three (3) copies of such Registration Statement and any amendment(s) thereto, including financial statements and schedules, all documents incorporated therein by reference, all exhibits and each preliminary prospectus (or such other number of copies as such Holder may reasonably request), (ii) upon the effectiveness of any Registration Statement, at least ten (10) copies of the prospectus included in such Registration Statement and all amendments and supplements thereto (or such other number of copies as such Holder may reasonably request) and (iii) such other documents, including copies of any preliminary or final prospectus and of any Registration Statements and prospectuses filed with the ISA, as such Holder may reasonably request from time to time in order to facilitate the disposition of the Registrable Securities owned by such Holder.

(d) The Company shall use its best efforts to (i) register and qualify, unless an exemption from registration and qualification applies, the resale by the Holders of the Registrable Securities covered by a Registration Statement under such other securities or "blue sky" laws of all the states of the United States, (ii) prepare and file in those jurisdictions, such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (x) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), or (y) file a general consent to service of process in any such jurisdiction. The Company shall promptly notify each Holder who holds Registrable Securities of the receipt by the Company of any notification with respect to the suspension of the registration or qualification of any of the Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction in the United States or its receipt of actual notice of the initiation or threatening of any proceeding for such purpose.

(e) The Company shall notify each Holder in writing of the happening of any event, as promptly as practicable after becoming aware of such event, as a result of which the prospectus included in a Registration Statement, as then in effect, includes an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company shall use its best efforts to minimize the period of time during which a Registration Statement includes an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company shall promptly notify each Holder in writing (i) when a prospectus or any prospectus supplement or post-effective amendment has been filed so that the Registration Statement does not include an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and when a Registration Statement or any post-effective amendment has become effective (notification of such effectiveness shall be delivered to each Holder by facsimile on the same day of such effectiveness and by overnight mail), (ii) of any request by the SEC or the ISA for amendments or supplements to a Registration Statement or related prospectus or related information, and (iii) of the Company's reasonable determination that a post-effective amendment to a Registration Statement would be appropriate.

(f) The Company shall use its best efforts to prevent the issuance of any stop order or other suspension of effectiveness of a Registration Statement, or the suspension of the qualification of any of the Registrable Securities for sale in any jurisdiction and, if such an order or suspension is issued, to obtain the withdrawal of such order or suspension at the earliest possible moment and to notify each Holder who holds Registrable Securities being sold of the issuance of such order and the resolution thereof or its receipt of actual notice of the initiation or threat of any proceeding for such purpose.

(g) The Company shall cause all the Registrable Securities covered by a Registration Statement to be listed on each securities exchange on which securities of the same class or series issued by the Company are then listed, including the NASDAQ and the TASE and the Company shall, not later than the effective date of a Registration Statement, deliver to the Holders a copy of the approvals of the

TASE and the NASDAQ (and/or any other exchange, if applicable) to the listing of the Registrable Securities covered by such Registration Statement on such exchange.

(h) The Company shall cooperate with the Holders who hold Registrable Securities being offered and, to the extent applicable, facilitate the timely preparation and delivery of certificates (not bearing any restrictive legend) representing the Registrable Securities to be offered pursuant to a Registration Statement and enable such certificates to be in such denominations or amounts, as the case may be, as the Holders may reasonably request and registered in such names as the Holders may request.

(i) The Company shall provide a transfer agent and registrar of all Registrable Securities and a CUSIP number not later than the effective date of the applicable Registration Statement.

(j) If requested by a Holder, the Company shall (i) as soon as practicable incorporate in a prospectus supplement or post-effective amendment such information as a Holder requests to be included therein, information with respect to the number of Registrable Securities being offered or sold, the purchase price being paid therefor and any other terms of the offering of the Registrable Securities to be sold in such offering; (ii) as soon as practicable make all required filings of such prospectus supplement or post-effective amendment after being notified of the matters to be incorporated in such prospectus supplement or post-effective amendment; and (iii) as soon as practicable, supplement or make amendments to any Registration Statement if reasonably requested by a Holder of such Registrable Securities.

(k) In the event of any underwritten public offering of the Registrable Securities, enter into and perform its obligations under an underwriting agreement with usual and customary terms that are generally satisfactory to the managing underwriter of such offering. The Holder shall also enter into and perform its obligations under such an agreement (the terms of which must be satisfactory to the Holder if the Holder is to participate in such offering).

(l) The Company shall afford the Holder and its representatives (including counsel) the opportunity at any time and from time to time during the Registration Period to make such examinations of the business affairs and other material financial and corporate documents of the Company and its subsidiaries as the Holder may

reasonably deem necessary to satisfy itself as to the accuracy of the registration statement (subject to a reasonable confidentiality undertaking on the part of the Holder and its representatives).

(m) The Company shall furnish, at the request of the Holder in connection with the registration of Registrable Shares pursuant to this Agreement, on the date that such Registrable Shares are delivered to the underwriters for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the Registration Statement with respect to such securities becomes effective and on the date of each post-effective amendment thereof: (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holder; and (ii) a letter, dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holder.

(n) The Company shall comply with all applicable rules and regulations of the SEC and shall make generally available to its security holders an earnings statement satisfying the provisions of Section 11(a) of the 1933 Act as soon as practicable after the effective date of the Registration Statement and in any event no later than 45 days after the end of a 12-month period (or 90 days, if such period is a fiscal year) beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Registration Statement.

4. OBLIGATIONS OF THE HOLDERS.

Each Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in the first sentence of Section 3(e) or in Section 3(f), such Holder will immediately discontinue disposition of Registrable Securities pursuant to any Registration Statement(s) covering such Registrable Securities until such Holder's receipt of the copies of the supplemented or amended prospectus contemplated by the first sentence of Section 3(e) or receipt of notice that no supplement or amendment is required.

5. EXPENSES OF REGISTRATION.

All expenses, other than underwriting discounts and commissions, incurred in connection with registrations, filings or qualifications pursuant to Sections 2 and 3, including, without limitation, all registration, listing and qualifications fees, printers and accounting fees, fees and disbursements of counsel to the Company and the Holders, including in connection with such examinations described in Section 3(l) above, shall be paid by the Company.

6. INDEMNIFICATION.

In the event any Registrable Securities are included in a Registration Statement under this Agreement:

(a) To the fullest extent permitted by law, the Company will, and hereby does, indemnify, hold harmless and defend each Holder, the directors, officers, partners, employees, agents, representatives of, and each Person, if any, who controls any Holder within the meaning of the 1933 Act or 1934 Act (each, an **"Indemnified Person"**), against any losses, claims, damages, liabilities, judgments, fines, penalties, charges, costs, reasonable attorneys' fees, amounts paid in settlement or expenses, joint or several, (collectively, **"Claims"**) incurred in investigating, preparing or defending any action, claim, suit, inquiry, proceeding, investigation or appeal taken from the foregoing by or before any court or governmental, administrative or other regulatory agency, body or the SEC or the ISA, whether pending or threatened, whether or not a person to be indemnified is or may be a party thereto (**"Indemnified Damages"**), to which any of them may become subject insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in a Registration Statement or any post-effective amendment thereto or in any filing made in connection with the qualification of the offering under the securities or other "blue sky" laws of any jurisdiction in which Registrable Securities are offered (**"Blue Sky Filing"**), or the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, preliminary prospectus, final prospectus or "free writing prospectus" (as such term is defined in Rule 405 under

the 1933 Act) or any amendment or supplement to any such prospectus or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading, (iii) any violation or alleged violation by the Company of the 1933 Act, the 1934 Act, any other law, including, without limitation, any state securities law, the Israel Securities Law or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities pursuant to a Registration Statement or (iv) any material violation of this Agreement (the matters in the foregoing clauses (i) through (iv) being, collectively, **"Violations"**). Subject to Section 6(c), the Company shall reimburse the Indemnified Persons promptly as such expenses are incurred and are due and payable, for any legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a): (i) shall not apply to a Claim by an Indemnified Person arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by such Indemnified Person expressly for inclusion in any such Registration Statement, preliminary prospectus, final prospectus or free writing prospectus or any such amendment thereof or supplement thereto and (ii) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Securities by the Holders pursuant to Section 9.

(b) In connection with any Registration Statement in which a Holder is participating, each such Holder agrees, severally and not jointly, to indemnify, hold harmless and defend, to the same extent and in the same manner as is set forth in Section 6(a), the Company, each of its directors, each of its officers who signs the Registration Statement, each Person, if any, who controls the Company within the meaning of the 1933 Act or the 1934 Act (each an **"Indemnified Party"**), against any Claim or Indemnified Damages to which any of them may become subject, under the 1933 Act, the 1934 Act or otherwise, insofar as such Claim or Indemnified Damages arise out of or are based upon any Violation, in each case to the extent, and only to the extent, that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by such Holder

expressly for inclusion in Registration Statement, preliminary prospectus, final prospectus or free writing prospectus and, subject to Section 6(c), such Holder will reimburse any legal or other expenses reasonably incurred by an Indemnified Party in connection with investigating or defending any such Claim; provided, however, that the indemnity agreement contained in this Section 6(b) and the agreement with respect to contribution contained in Section 7 shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Holder; provided, further, however, that the Holder shall be liable under this Section 6 for only that amount of a Claim or Indemnified Damages as does not exceed the net proceeds to such Holder as a result of the sale of Registrable Securities pursuant to such Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of the Registrable Securities by the Holders pursuant to Section 9.

(c) Promptly after receipt by an Indemnified Person or Indemnified Party under this Section 6 of notice of the commencement of any action or proceeding (including any governmental action or proceeding) involving a Claim, such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person or the Indemnified Party, as the case may be; provided, however, that an Indemnified Person or Indemnified Party shall have the right to retain its own counsel with the fees and expenses of not more than one counsel for such Indemnified Person or Indemnified Party to be paid by the indemnifying party, if, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential differing interests between such Indemnified Person or Indemnified Party and any other party represented by such counsel in such proceeding. In the case of an Indemnified Person, legal counsel referred to in the immediately preceding sentence shall be selected by the Holders holding a majority in interest of the Registrable Securities included in the Registration Statement to which the Claim relates. The Indemnified Party or Indemnified Person shall cooperate with the

indemnifying party in connection with any negotiation or defense of any such action or Claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the Indemnified Party or Indemnified Person which relates to such action or Claim. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 6, except to the extent that the indemnifying party is prejudiced in its ability to defend such action but the omission to so notify the indemnifying party will not relieve such indemnifying party of any liability that it may have to any Indemnified Person or Party otherwise than under this Section 6(c), including under Section 6(e).

(d) The indemnification required by this Section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or Indemnified Damages are incurred.

(e) The indemnity agreements contained herein shall be in addition to (i) any cause of action or similar right of the Indemnified Party or Indemnified Person against the indemnifying party or others, and (ii) any liabilities the indemnifying party may be subject to pursuant to the law.

7. CONTRIBUTION.

To the extent any indemnification by an indemnifying party is prohibited or limited by law or insufficient to hold an Indemnified Person or an Indemnified Party, as the case may be, harmless, then the indemnifying party, in lieu of indemnifying such Indemnified Person or Indemnified Party hereunder, shall contribute to the amount paid or payable by such Indemnified Person or Indemnified Party as a result of such Claims and Indemnified Damages (each as defined in Section 6(a) above) in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the Indemnified Person or Indemnified Party, as the case may be, on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage, or expense as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the Indemnified Person or Indemnified Party, as the case may be, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied

by the indemnifying party or by the Indemnified Person or Indemnified Party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

Notwithstanding the foregoing, (i) no person involved in the sale of Registrable Securities, which person is guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) in connection with such sale, shall be entitled to contribution from any person involved in such sale of Registrable Securities who was not guilty of fraudulent misrepresentation; and (ii) contribution by any seller of Registrable Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities pursuant to such Registration Statement.

8. REPORTS UNDER THE 1934 ACT.

With a view to making available to the Holders the benefits of Rule 144 promulgated under the 1933 Act or any other similar rule or regulation of the SEC that may at any time permit the Holders to sell securities of the Company to the public without registration (**"Rule 144"**), the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144;

(b) file with the SEC in a timely manner all reports and other documents required by the Company under the 1993 Act and the 1934 Act so long as the Company remains subject to such requirements and the filing of such reports and other documents is required for the applicable provisions of Rule 144; and

(c) furnish to each Holder so long as such Holder owns Registrable Securities, promptly upon request, (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144, the 1933 Act and the 1934 Act, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested to permit the Holders to sell such securities pursuant to any rule or regulation of the SEC allowing the Holder to sell any securities without registration.

9. ASSIGNMENT OF REGISTRATION RIGHTS.

The rights under this Agreement shall be freely assignable, in whole or in part at any time and from time to time during the Registration Period, by the Holder to any transferee of all or any portion of a Capital Note or of the Registrable Securities (provided that, in the case of the transfer of Registrable Securities only, the rights under the Agreement may be transferred only if the Holder reasonably believes that such transferee cannot immediately make a public distribution of such Registrable Securities without restriction under the 1933 Act, the Israel Securities Law or other applicable securities laws) if: (i) the Holder agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such transfer or assignment; (ii) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of (a) the name and address of such transferee or assignee, and (b) the securities with respect to which such registration rights are being transferred or assigned; and (iii) within a reasonable period of time after such transfer or assignment, the transferee or assignee agrees in writing with the Company to be bound by all of the provisions contained herein. At the transferee's request, the Company shall promptly prepare and file any required prospectus supplement under Rule 424(b)(3) of the 1933 Act or other applicable provision of the 1933 Act and/or the Israel Securities Law to appropriately amend the list of selling shareholders thereunder to include such transferee.

10. AMENDMENT OF REGISTRATION RIGHTS.

Provisions of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holders. Any amendment or waiver effected in accordance with this Section 10 shall be binding upon each Holder and the Company. No such amendment shall be effective to the extent that it applies to less than all of the Holders of the Registrable Securities. No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of this Agreement unless the same consideration also is offered to all of the parties to this Agreement.

11. OTHER REGISTRATION STATEMENTS; DEMAND AND INCIDENTAL REGISTRATIONS; NO CONFLICTING AGREEMENTS.

(a) From and after the time of filing of any Registration Statement filed pursuant hereto and prior to the effectiveness thereof, the Company shall not file a registration statement (including any shelf registration statements) (other than on Form S-8) with the SEC with respect to any securities of the Company, provided that nothing herein shall limit the filing of any registration statement demanded to be filed pursuant to a "demand" right granted by the Company prior to the filing of any such Registration Statement.

(b) If at any time during the Registration Period there is not an effective Registration Statement covering all of the then Registrable Securities, the Company shall, upon the demand of any Holder, immediately file a registration statement covering all of the then Registrable Securities and the provisions of this Agreement shall apply to such Registration Statement, *mutatis mutandis*.

(c) If at any time the Company shall determine to prepare and file with the SEC and/or the ISA a registration statement relating to an underwritten offering for its own account or the account of others under the 1933 Act and/or the Israel Securities Law of any of its equity securities, other than on Form F-4 or Form S-8 (each as promulgated under the 1933 Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans, then the Company shall send each Holder written notice of such determination and, if within twenty days after receipt of such notice, any such Holder shall so request in writing, the Company shall include in such registration statement all or any part of such Registrable Securities such Holder requests to be registered, subject to customary underwriter cutbacks applicable on a basis consistent with the Company's obligation to other existing holders of registration rights.

(d) The Company represents and warrants to the Holder that the Company is not a party to any agreement that conflicts in any manner with the Holder's rights to cause the Company to register Registrable Shares pursuant to this Agreement.

12. MISCELLANEOUS.

(a) Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) three business days after deposit if deposited in the mail for mailing by certified mail, postage prepaid, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

to the Borrower at:	Tower Semiconductor Ltd. P.O. Box 619 Migdal Haemek Israel Facsimile: (04) 604 7242 Attention: Oren Shirazi Acting Chief Financial Officer
with a copy to:	Yigal Arnon & Co. 1 Azrieli Center 46th Floor, The Round Tower Tel-Aviv, Israel 67021 Facsimile: (03) 608 7714 Attention: David H. Schapiro, Adv./ Ari Fried, Adv.
to the Bank at:	Corporate Division Migdal Levenstein 23 Menachem Begin Road Tel-Aviv, Israel Facsimile: (03) 567 2995 Attention: Head of Corporate Division
to any other Holder at:	such address as shall be notified to the Company pursuant to Section 9 above.

(b) Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

(c) This Agreement shall be governed by and construed in accordance with the laws of the State of Israel as applicable to contracts between

two residents of the State of Israel entered into and to be performed entirely within the State of Israel. Any dispute arising under or in relation to this Agreement shall be resolved in the competent court for Tel Aviv-Jaffa district, and each of the parties hereby submits irrevocably to the jurisdiction of such court.

(d) This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement supersedes all prior agreements and understandings among the parties hereto with respect to the subject matter hereof and thereof.

(e) Neither this Agreement, nor any of Tower's obligations hereunder, may be assigned by Tower, except with the prior written consent of all the Holders. Subject to the requirements of Section 9, this Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties hereto.

(f) The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(g) This Agreement may be executed in identical counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other parties hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

(h) Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as another party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(i) The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent and no rules of strict construction will be applied against any party.

(j) This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

IN WITNESS WHEREOF, the parties have caused this Registration Rights Agreement to be duly executed as of the day and year first above written.

TOWER SEMICONDUCTOR LTD.

By: /s/ Oren Shirazi
Name: Oren Shirazi
Its: VP Finance

By: /s/ Yoram Glatt
Name: Yoram Glatt
Its: Treasurer

BANK HAPOALIM B.M.

By: /s/ Meiri Alterman
Name: Meiri Alterman
Its: CRM
(Customer Relationship Manager)

By: /s/ Dalit Uri
Name: Dalit Uri
Its: DCRM
(Deputy Customer Relationship Manager)

Exhibit 6

FIRST AMENDMENT

to a

WARRANT ISSUED ON
DECEMBER 11, 2003

THIS FIRST AMENDMENT is made on the 28th day of September, 2006, between:

(1) **TOWER SEMICONDUCTOR LTD.**, a company incorporated in Israel (registered number 52–004199–7), having its registered office at P.O. Box 619, Migdal Haemek 23105, Israel (**"the Company"**);

and

(2) **TARSHISH HAHZAKOT VEHASHKAOT HAPOALIM LTD.** (**"the Holder"**)

WHEREAS:

(A) pursuant to a Warrant issued on December 11, 2003 (**"the Warrant"**), the Company granted the Holder the right to purchase 448,298 Warrant Shares at the Warrant Price, which is US $6.17 (six United States Dollars and seventeen cents) per share; and

(B) at the request of the Company, the Company and the Banks entered into an Amending Agreement, dated August 24, 2006, to the Agreement, one of the conditions to the effectiveness thereof is the entering into of this First Amendment (**"this Amendment"**) to the Warrant,

NOW THEREFORE IT IS AGREED BETWEEN THE PARTIES HERETO AS FOLLOWS:

1. Unless otherwise defined in this Amendment, terms defined and references contained in the Warrant, shall have the same meaning and construction in this Amendment.

2. The Warrant is hereby amended as follows:

2.1. The legend at the top of the first page of the Warrant is hereby amended to read in its entirety as follows:

> THIS WARRANT HAS NOT BEEN REGISTERED OR QUALIFIED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (**"THE ACT"**), OR ANY U.S. STATE OR OTHER JURISDICTION'S SECURITIES LAWS. THIS WARRANT, AND THE SECURITIES ISSUABLE PURSUANT THERETO, MAY NOT BE SOLD, OFFERED FOR SALE OR PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT UNDER THE ACT WITH RESPECT TO THIS WARRANT OR THE SECURITIES ISSUABLE PURSUANT THERETO OR AN OPINION OF COUNSEL (REASONABLY SATISFACTORY TO THE COMPANY) THAT SUCH REGISTRATION IS NOT REQUIRED OR UNLESS SOLD PURSUANT TO RULE 144 OF THE ACT OR ON THE TEL-AVIV STOCK EXCHANGE IN COMPLIANCE WITH REGULATION S UNDER THE ACT.

2.2. Clause 2A ("*Term*") is hereby amended to delete the words "the date which is 5 (five) years following the Effective Date" before the parenthetical phrase "(**"the Expiration Date"**)" and substitute therefor the date "September 28, 2011".

2.3. Clause 6 ("*Investment Representation*") is hereby amended as follows:

2.3.1. to amend the first sentence to read in its entirety as follows: "This Warrant has not been registered under the Securities Act, or any other securities laws.";

2.3.2. to amend the third sentence thereof to read in its entirety as follows: "The Warrant Shares have been registered under the Securities Act on Form F-3 Registration Statement No. 333-131315.".

2.4. Clause 8 ("*Transfer of this Warrant or Shares Issuable on Exercise Thereof*") is hereby amended:

2.4.1. to delete the words "or securities into which such Warrant may be exercised" from the first sentence of subclause a thereof thereof; and

2.4.2. to add the words at the end of the second sentence of subclause a thereof, "or unless sold pursuant to Rule 144 of the Securities Act".

2.5. Clause 9 (including, for the avoidance of doubt, Clause 9A, 9B and 9C) ("*Registration Rights*") is hereby amended to read in its entirety as follows: "The Company covenants and agrees to provide the Holder the registration rights provided in the registration rights agreement, dated September 28, 2006 between the Company and Bank Hapoalim B.M., a copy of which is attached hereto as **Appendix A**, as such may be amended from time to time (**"the Registration Rights Agreement"**). Such registration rights may be assigned by the Holder pursuant to and in accordance with the terms of the Registration Rights Agreement but only to a transferee or assignee of this Warrant pursuant to and in accordance with Section 8 of this Warrant.".

2.6. Clause 12 ("*Loss, Theft, Destruction or Mutilation of Warrant*") is hereby amended by adding the following to the end thereof:

", provided that if this Warrant has been amended, at the request of the Holder, the Company shall issue an amended and restated Warrant certificate reflecting such amendment or amendments. In addition, but without derogating from the aforesaid, if this Warrant has been amended, the Holder shall have the right, at the option of the Holder, at any time and, if applicable, from time to time, to surrender this Warrant certificate and receive an amended and restated Warrant certificate reflecting any such amendment or amendments."

2.7. Clause 11 ("*Notices*") is hereby renumbered as Clause 13 and is hereby further amended to delete the words "Zion Building, 45 Rothschild Boulevard" and substitute "Migdal Levenstein, 23 Menachem Begin Road" therefor, to delete the Facsimile No. "(03) 567-3728" and substitute "(03) 567-2995" therefor, to delete the name "Carmel Vernia" and substitute "Chief Financial Officer"

therefor and to delete the Facsimile No. "(04) 654-7788" and substitute "(04) 604-7242" therefor.

2.8. Clause 12 ("*Applicable Law; Jurisdiction*") is hereby renumbered as Clause 14.

3. Save as amended expressly pursuant to this Amendment, the provisions of the Warrant shall continue in full force and effect and the Warrant and this Amendment shall be read and construed as one instrument.

4. This Amendment shall be governed by and construed in accordance with the laws of the State of Israel.

IN WITNESS WHEREOF, the parties have signed this First Amendment on the 28th day of September 2006.

for: **TOWER SEMICONDUCTOR LTD.**

By:	/s/ Oren Shirazi	/s/ Yoram Glatt
Title	VP Finance	Treasurer

for: **TARSHISH HAHZAKOT VEHASHKAOT HAPOALIM LTD.**

By:	/s/ Ofer Levy	/s/ Zali Guter
Title	Comptroller	Department Manager

Exhibit 7

FIRST AMENDMENT

to a

WARRANT ISSUED ON
DECEMBER 11, 2003

THIS FIRST AMENDMENT is made on the 28th day of September, 2006, between:

(1) **TOWER SEMICONDUCTOR LTD.**, a company incorporated in Israel (registered number 52–004199–7), having its registered office at P.O. Box 619, Migdal Haemek 23105, Israel (**"the Company"**);

and

(2) **BANK LEUMI LE–ISRAEL B.M.** (**"the Holder"**)

WHEREAS:

(A) pursuant to a Warrant issued on December 11, 2003 (**"the Warrant"**), the Company granted the Holder the right to purchase 448,298 Warrant Shares at the Warrant Price, which is US $6.17 (six United States Dollars and seventeen cents) per share; and

(B) at the request of the Company, the Company and the Banks entered into an Amending Agreement, dated August 24, 2006, to the Agreement, one of the conditions to the effectiveness thereof is the entering into of this First Amendment (**"this Amendment"**) to the Warrant,

NOW THEREFORE IT IS AGREED BETWEEN THE PARTIES HERETO AS FOLLOWS:

1. Unless otherwise defined in this Amendment, terms defined and references contained in the Warrant, shall have the same meaning and construction in this Amendment.

2. The Warrant is hereby amended as follows:

2.1. The legend at the top of the first page of the Warrant is hereby amended to read in its entirety as follows:

> THIS WARRANT HAS NOT BEEN REGISTERED OR QUALIFIED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (**"THE ACT"**), OR ANY U.S. STATE OR OTHER JURISDICTION'S SECURITIES LAWS. THIS WARRANT, AND THE SECURITIES ISSUABLE PURSUANT THERETO, MAY NOT BE SOLD, OFFERED FOR SALE OR PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT UNDER THE ACT WITH RESPECT TO THIS WARRANT OR THE SECURITIES ISSUABLE PURSUANT THERETO OR AN OPINION OF COUNSEL (REASONABLY SATISFACTORY TO THE COMPANY) THAT SUCH REGISTRATION IS NOT REQUIRED OR UNLESS SOLD PURSUANT TO RULE 144 OF THE ACT OR ON THE TEL-AVIV STOCK EXCHANGE IN COMPLIANCE WITH REGULATION S UNDER THE ACT.

2.2. Clause 2A ("*Term*") is hereby amended to delete the words "the date which is 5 (five) years following the Effective Date" before the parenthetical phrase "(**"the Expiration Date"**)" and substitute therefor the date "September 28, 2011".

2.3. Clause 6 ("*Investment Representation*") is hereby amended as follows:

2.3.1. to amend the first sentence to read in its entirety as follows: "This Warrant has not been registered under the Securities Act, or any other securities laws.";

2.3.2. to amend the third sentence thereof to read in its entirety as follows: "The Warrant Shares have been registered under the Securities Act on Form F-3 Registration Statement No. 333-131315.".

2.4. Clause 8 ("*Transfer of this Warrant or Shares Issuable on Exercise Thereof*") is hereby amended:

2.4.1. to delete the words "or securities into which such Warrant may be exercised" from the first sentence of subclause a thereof thereof; and

2.4.2. to add the words at the end of the second sentence of subclause a thereof, "or unless sold pursuant to Rule 144 of the Securities Act".

2.5. Clause 9 (including, for the avoidance of doubt, Clause 9A, 9B and 9C) ("*Registration Rights*") is hereby amended to read in its entirety as follows: "The Company covenants and agrees to provide the Holder the registration rights provided in the registration rights agreement, dated September 28, 2006 between the Company and Bank Leumi Le-Israel B.M., a copy of which is attached hereto as **Appendix A**, as such may be amended from time to time (**"the Registration Rights Agreement"**). Such registration rights may be assigned by the Holder pursuant to and in accordance with the terms of the Registration Rights Agreement but only to a transferee or assignee of this Warrant pursuant to and in accordance with Section 8 of this Warrant.".

2.6. Clause 12 ("*Loss, Theft, Destruction or Mutilation of Warrant*") is hereby amended by adding the following to the end thereof:

", provided that if this Warrant has been amended, at the request of the Holder, the Company shall issue an amended and restated Warrant certificate reflecting such amendment or amendments. In addition, but without derogating from the aforesaid, if this Warrant has been amended, the Holder shall have the right, at the option of the Holder, at any time and, if applicable, from time to time, to surrender this Warrant certificate and receive an amended and restated Warrant certificate reflecting any such amendment or amendments."

2.7. Clause 11 ("*Notices*") is hereby renumbered as Clause 13 and is hereby further amended to delete the number "32" and substitute the number "34" therefor, to delete the Facsimile No. "(03) 514-9017" and substitute "(03) 514-9278" therefor, to add immediately thereafter, "with a copy to (which shall not constitute notice): Leumi and Co. Investment House Ltd., 25 Kalisher Street, Tel-Aviv 65165,

Israel, Fax: 972-3-5141215, Attn: Head of Investment Sector", to delete the name "Carmel Vernia" and substitute "Chief Financial Officer" therefor and to delete the Facsimile No. "(04) 654-7788" and substitute "(04) 604-7242" therefor.

2.8. Clause 12 ("*Applicable Law; Jurisdiction*") is hereby renumbered as Clause 14.

3. Save as amended expressly pursuant to this Amendment, the provisions of the Warrant shall continue in full force and effect and the Warrant and this Amendment shall be read and construed as one instrument.

4. This Amendment shall be governed by and construed in accordance with the laws of the State of Israel.

IN WITNESS WHEREOF, the parties have signed this First Amendment on the 28th day of September 2006.

for: **TOWER SEMICONDUCTOR LTD.**

By:	/s/ Oren Shirazi	/s/ Yoram Glatt
Title	VP Finance	Treasurer

for: **BANK LEUMI LE–ISRAEL B.M.**

By:	/s/ Meir Marom	/s/ Shmulik Arbel
Title	Sector Manager	SRM (Senior Relationship Manager)

FIRST AMENDMENT
to a
WARRANT ISSUED ON
AUGUST 4, 2005

THIS FIRST AMENDMENT is made on the 28th day of September, 2006, between:

(1) **TOWER SEMICONDUCTOR LTD.**, a company incorporated in Israel (registered number 52–004199–7), having its registered office at P.O. Box 619, Migdal Haemek 23105, Israel (**"the Company"**);

and

(2) **BANK LEUMI LE-ISRAEL B.M.** (**"the Holder"**)

WHEREAS:

(A) pursuant to a Warrant issued on August 4, 2005 (**"the Warrant"**), the Company granted the Holder the right to purchase 4,132,232 Warrant Shares at the Warrant Price, which is US $1.21 (one United States Dollar and twenty-one cents) per share; and

(B) at the request of the Company, the Company and the Banks entered into an Amending Agreement, dated August 24, 2006, to the Agreement, one of the conditions to the effectiveness thereof is the entering into of this First Amendment to the Warrant,

NOW THEREFORE IT IS AGREED BETWEEN THE PARTIES HERETO AS FOLLOWS:

1. Unless otherwise defined in this Amendment, terms defined and references contained in the Warrant, shall have the same meaning and construction in this Amendment.

2. The Warrant is hereby amended as follows:

2.1. The legend at the top of the first page of the Warrant is hereby amended to read in its entirety as follows:

> THIS WARRANT HAS NOT BEEN REGISTERED OR QUALIFIED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (**"THE ACT"**), OR ANY U.S. STATE OR OTHER JURISDICTION'S SECURITIES LAWS. THIS WARRANT, AND THE SECURITIES ISSUABLE PURSUANT THERETO, MAY NOT BE SOLD, OFFERED FOR SALE OR PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT UNDER THE ACT WITH RESPECT TO THIS WARRANT OR THE SECURITIES ISSUABLE PURSUANT THERETO OR AN OPINION OF COUNSEL (REASONABLY SATISFACTORY TO THE COMPANY) THAT SUCH REGISTRATION IS NOT REQUIRED OR UNLESS SOLD PURSUANT TO RULE 144 OF THE ACT OR ON THE TEL-AVIV STOCK EXCHANGE IN COMPLIANCE WITH REGULATION S UNDER THE ACT.

2.2. Clause 2A ("*Exercisability; Term*") is hereby amended as follows:

2.2.1. the words "the date which is 5 (five) years following the Ninth Amendment Closing Date" before the parenthetical phrase "(**"the First Tranche Expiration Date"**)" are hereby deleted and the date "September 28, 2011" substituted therefor;

2.2.2. the words "the date of signature by the Company and the Banks of an agreement by the Banks to reschedule the repayment dates of the Interest Payment Loans (as defined in the Ninth Amendment)" before the parenthetical phrase "(**"the Second Tranche Exercisability Date"**)" are hereby deleted and the date "September 28, 2006" substituted therefor; and

2.2.3. the words "the date which is 5 (five) years following the Second Tranche Exercisability Date" before the parenthetical phrase "(**"the Second Tranche Expiration Date"**)" are hereby deleted and the date "September 28, 2011" substituted therefor.

2.3. Clause 3 ("*Exercise of Warrant*") is hereby amended by deleting the words "and, provided further, that if the Second Tranche

Exercisability Date does not occur, no more than 2,066,116 (two million and sixty-six thousand, one hundred and sixteen) Warrant Shares will be exercisable during the term of this Warrant".

2.4. Clause 6 ("*Investment Representation*") is hereby amended as follows:

2.4.1. to amend the first sentence to read in its entirety as follows: "This Warrant has not been registered under the Securities Act, or any other securities laws.";

2.4.2. to amend the third sentence thereof to read in its entirety as follows: "The Warrant Shares have been registered under the Securities Act on Form F-3 Registration Statement No. 333-131315.".

2.5. Clause 8 ("*Transfer of this Warrant or Shares*") is hereby amended:

2.5.1. to delete the words "or securities purchaseable hereunder" from the first sentence thereof; and

2.5.2. to add the words at the end of the second sentence thereof, "or unless sold pursuant to Rule 144 of the Securities Act".

2.6. Clause 9 (including, for the avoidance of doubt, Clause 9A, 9B and 9C) ("*Registration Rights*") is hereby amended to read in its entirety as follows: "The Company covenants and agrees to provide the Holder the registration rights provided in the registration rights agreement, dated September 28, 2006 between the Company and Bank Leumi Le-Israel B.M., a copy of which is attached hereto as **Appendix A**, as such may be amended from time to time (**"the Registration Rights Agreement"**). Such registration rights may be assigned by the Holder pursuant to and in accordance with the terms of the Registration Rights Agreement but only to a transferee or assignee of this Warrant pursuant to and in accordance with Section 8 of this Warrant.".

2.7. Clause 12 is hereby amended by adding the following to the end thereof:

", provided that if this Warrant has been amended, at the request of the Holder, the Company shall issue an amended and restated Warrant certificate reflecting such amendment or amendments. In addition, but without derogating from the aforesaid, if

this Warrant has been amended, the Holder shall have the right, at the option of the Holder, at any time and, if applicable, from time to time, to surrender this Warrant certificate and receive an amended and restated Warrant certificate reflecting any such amendment or amendments."

2.8. Clause 13 is hereby amended to delete the Facsimile No. "(03) 514-9017" and substitute "(03) 514-9278" therefor, to add, immediately thereafter, "with a copy to (which shall not constitute notice): Leumi and Co. Investment House Ltd., 25 Kalisher Street, Tel-Aviv 65165, Israel, Fax: 972-3-5141215, Attn: Head of Investment Sector" and to delete the Facsimile No. "(04) 654-6510" and substitute "(04) 604-7242" therefor.

3. Save as amended expressly pursuant to this Amendment, the provisions of the Warrant shall continue in full force and effect and the Warrant and this Amendment shall be read and construed as one instrument.

4. This Amendment shall be governed by and construed in accordance with the laws of the State of Israel.

IN WITNESS WHEREOF, the parties have signed this First Amendment on the 28th day of September 2006.

for: **TOWER SEMICONDUCTOR LTD.**

By:	/s/ Oren Shirazi	/s/ Yoram Glatt
Title	VP Finance	Treasurer

for: **BANK LEUMI LE–ISRAEL B.M.**

By:	/s/ Meir Marom	/s/ Shmulik Arbel
Title	Sector Manager	SRM (Senior Relationship Manager)

Exhibit 9

FIRST AMENDMENT

to a

WARRANT ISSUED ON
AUGUST 4, 2005

THIS FIRST AMENDMENT is made on the 28th day of September, 2006, between:

(1) **TOWER SEMICONDUCTOR LTD.**, a company incorporated in Israel (registered number 52–004199–7), having its registered office at P.O. Box 619, Migdal Haemek 23105, Israel (**"the Company"**);

and

(2) **BANK HAPOALIM B.M.** (**"the Holder"**)

WHEREAS:

(A) pursuant to a Warrant issued on August 4, 2005 (**"the Warrant"**), the Company granted the Holder the right to purchase 4,132,232 Warrant Shares at the Warrant Price, which is US $1.21 (one United States Dollar and twenty-one cents) per share; and

(B) at the request of the Company, the Company and the Banks entered into an Amending Agreement, dated August 24, 2006, to the Agreement, one of the conditions to the effectiveness thereof is the entering into of this First Amendment to the Warrant,

NOW THEREFORE IT IS AGREED BETWEEN THE PARTIES HERETO AS FOLLOWS:

1. Unless otherwise defined in this Amendment, terms defined and references contained in the Warrant, shall have the same meaning and construction in this Amendment.

2. The Warrant is hereby amended as follows:

2.1. The legend at the top of the first page of the Warrant is hereby amended to read in its entirety as follows:

> THIS WARRANT HAS NOT BEEN REGISTERED OR QUALIFIED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (**"THE ACT"**), OR ANY U.S. STATE OR OTHER JURISDICTION'S SECURITIES LAWS. THIS WARRANT, AND THE SECURITIES ISSUABLE PURSUANT THERETO, MAY NOT BE SOLD, OFFERED FOR SALE OR PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT UNDER THE ACT WITH RESPECT TO THIS WARRANT OR THE SECURITIES ISSUABLE PURSUANT THERETO OR AN OPINION OF COUNSEL (REASONABLY SATISFACTORY TO THE COMPANY) THAT SUCH REGISTRATION IS NOT REQUIRED OR UNLESS SOLD PURSUANT TO RULE 144 OF THE ACT OR ON THE TEL-AVIV STOCK EXCHANGE IN COMPLIANCE WITH REGULATION S UNDER THE ACT.

2.2. Clause 2A ("*Exercisability; Term*") is hereby amended as follows:

2.2.1. the words "the date which is 5 (five) years following the Ninth Amendment Closing Date" before the parenthetical phrase "(**"the First Tranche Expiration Date"**)" are hereby deleted and the date "September 28, 2011" substituted therefor;

2.2.2. the words "the date of signature by the Company and the Banks of an agreement by the Banks to reschedule the repayment dates of the Interest Payment Loans (as defined in the Ninth Amendment)" before the parenthetical phrase "(**"the Second Tranche Exercisability Date"**)" are hereby deleted and the date "September 28, 2006" substituted therefor; and

2.2.3. the words "the date which is 5 (five) years following the Second Tranche Exercisability Date" before the parenthetical phrase "(**"the Second Tranche Expiration Date"**)" are hereby deleted and the date "September 28, 2011" substituted therefor.

2.3. Clause 3 ("*Exercise of Warrant*") is hereby amended by deleting the words "and, provided further, that if the Second Tranche

Exercisability Date does not occur, no more than 2,066,116 (two million and sixty-six thousand, one hundred and sixteen) Warrant Shares will be exercisable during the term of this Warrant".

2.4. Clause 6 ("*Investment Representation*") is hereby amended as follows:

2.4.1. to amend the first sentence to read in its entirety as follows: "This Warrant has not been registered under the Securities Act, or any other securities laws.";

2.4.2. to amend the third sentence thereof to read in its entirety as follows: "The Warrant Shares have been registered under the Securities Act on Form F-3 Registration Statement No. 333-131315.".

2.5. Clause 8 ("*Transfer of this Warrant or Shares*") is hereby amended:

2.5.1. to delete the words "or securities purchaseable hereunder" from the first sentence thereof; and

2.5.2. to add the words at the end of the second sentence thereof, "or unless sold pursuant to Rule 144 of the Securities Act".

2.6. Clause 9 (including, for the avoidance of doubt, Clause 9A, 9B and 9C) ("*Registration Rights*") is hereby amended to read in its entirety as follows: "The Company covenants and agrees to provide the Holder the registration rights provided in the registration rights agreement, dated September 28, 2006 between the Company and Bank Hapoalim B.M., a copy of which is attached hereto as **Appendix A**, as such may be amended from time to time (**"the Registration Rights Agreement"**). Such registration rights may be assigned by the Holder pursuant to and in accordance with the terms of the Registration Rights Agreement but only to a transferee or assignee of this Warrant pursuant to and in accordance with Section 8 of this Warrant.".

2.7. Clause 12 is hereby amended by adding the following to the end thereof:

", provided that if this Warrant has been amended, at the request of the Holder, the Company shall issue an amended and restated Warrant certificate reflecting such amendment or amendments. In addition, but without derogating from the aforesaid, if

this Warrant has been amended, the Holder shall have the right, at the option of the Holder, at any time and, if applicable, from time to time, to surrender this Warrant certificate and receive an amended and restated Warrant certificate reflecting any such amendment or amendments."

2.8. Clause 13 is hereby amended to delete the words "Zion Building, 45 Rothschild Boulevard" and substitute "Migdal Levenstein, 23 Menachem Begin Road" therefor, to delete the Facsimile No. "(03) 567-3728" and substitute "(03) 567-2995" therefor, and to delete the Facsimile No. "(04) 654-6510" and substitute "(04) 604-7242" therefor.

3. Save as amended expressly pursuant to this Amendment, the provisions of the Warrant shall continue in full force and effect and the Warrant and this Amendment shall be read and construed as one instrument.

4. This Amendment shall be governed by and construed in accordance with the laws of the State of Israel.

IN WITNESS WHEREOF, the parties have signed this First Amendment on the 28th day of September 2006.

for: **TOWER SEMICONDUCTOR LTD.**

By:	/s/ Oren Shirazi	/s/ Yoram Glatt
Title	VP Finance	Treasurer

for: **BANK HAPOALIM B.M.**

By:	/s/ Meiri Alterman	/s/ Dalit Uri
Title	CRM (Customer Relationship Manager)	DCRM (Deputy Customer Relationship Manager)

Exhibit 10

TAG ALONG AGREEMENT

THIS TAG ALONG AGREEMENT (**"this Agreement"**) is made and entered into effective as of September 28, 2006, by and between:

(1) **ISRAEL CORPORATION LTD.,** a company organised under the laws of the State of Israel (**"TIC"**)

and

(2) BANK HAPOALIM B.M., a banking corporation organized under the laws of the State of Israel (**"the Bank"**)

WHEREAS: Tower Semiconductor Ltd. (**"Tower"**) is an independent manufacturer of wafers whose ordinary shares are traded on the Nasdaq National Market (**"Nasdaq"**) under the symbol "TSEM" and whose ordinary shares and certain other securities are traded on the Tel-Aviv Stock Exchange (**"TASE"**) under the symbol "TSEM" and TIC is the largest shareholder of Tower; and

WHEREAS: the Bank and Bank Leumi Le–Israel B.M. (collectively, **"the Banks"**) and Tower are parties to a Facility Agreement dated January 18, 2001, as amended (**"the Facility Agreement"**); and

WHEREAS: at the request of Tower, the Banks and Tower have entered into an Amending Agreement dated August 24, 2006 (**"the Amending Agreement"**), the conditions to the effectiveness of which include, inter alia, the conversion by each Bank of US $79,000,000 (seventy-nine million United States Dollars) of its loans made to Tower pursuant to the Facility Agreement (**"the Loans"**) into an equity-equivalent convertible capital note (**"a Capital Note"**) to be issued to the Bank or its nominee in the amount of US $39,500,000 (thirty-nine million five hundred thousand United States Dollars) which will in turn be convertible, in whole or in part, at any time and from time to time into 25,986,842 (twenty-five million, nine hundred and eighty-six thousand and eight hundred forty-two) shares of Tower and the entering into by the Bank and TIC of this Agreement; and

WHEREAS: clause 9.4 of the amended and restated Facility Agreement that has become effective pursuant to the Amending Agreement on the Amendment Closing Date, as the same may be further amended from time to time (**"the Restated Facility Agreement"**) obligates Tower to make certain compensatory payments in January, 2011 to the Banks or their nominees on account of the Banks' agreement to reduce the rate of Interest on the Loans, which payments may, subject to said clause 9.4, be made in the form of shares and/or Capital Notes and/or convertible debentures (**"the Clause 9.4 Equity Issuances"**); and

WHEREAS: the Bank (and its Affiliate) hold warrants to acquire shares of Tower (such warrants, collectively, **"the Warrants"**),

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. **INTERPRETATION**

1.1. In this Agreement:

1.1.1. **"Affiliate"** means, with respect to any person, mean any company which controls, is controlled by, or under common control with, such person; **"control"** shall in this clause 1.1.1 and clause 1.1.7 below bear the meaning assigned to such term in Section 1 of the Securities Law, 1968;

1.1.2. **"Bank Group"** means the Bank and its Affiliates;

1.1.3. **"Convertible Securities"** means any securities convertible into, or exercisable for, Shares;

1.1.4. **"including"** and **"includes"** means including, without limiting the generality of any description preceding such terms;

1.1.5. a **"person"** shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) or two or more of the aforegoing; and

1.1.6. **“Shares”** means the ordinary shares of Tower (and any shares of capital stock substituted for the ordinary shares as a result of any stock split, stock dividend, recapitalisation, rights offering, exchange, merger or similar event or otherwise, including as described in any Capital Note and/or convertible debenture).

1.1.7. **“Subsidiary”** of TIC means (i) a company in which TIC holds directly at least 51% (fifty-one percent) of the total issued share capital and other means of control (including voting rights and rights to appoint directors) (excluding any such company that is publicly held and that purchases, solely as a financial investment, Shares or Convertible Securities in the market (*i.e.* not directly or indirectly from Tower or TIC) and not at the request or instruction of TIC) and (ii) any company controlled by TIC that has received Shares or Convertible Securities, directly or indirectly, from TIC.

1.2. The preamble to this Agreement constitutes an integral part thereof.

1.3. For purposes of determining the numbers and/or percentages of Shares and/or Convertible Securities pursuant to this Agreement,

1.3.1. only the number of Shares into which the Convertible Securities are then convertible or exercisable shall be taken into account and not the number or principal amount, as the case may be, of the Convertible Securities; and

1.3.2. Convertible Securities not being sold by the Shareholder (as defined in clause 2.1 below) (other than Capital Notes) whose exercise or conversion price per Share, as the case may be, exceeds the Per Share Price (as defined in clause 2.2 below) shall not be taken into account. For the avoidance of doubt, Capital Notes shall be counted as the number of Shares into which the Capital Notes are then convertible, whether or not the then conversion price is less than, equal to or greater than the Per Share Price.

2. TAG ALONG

2.1. If TIC and/or any of its Subsidiaries (collectively, **“the Shareholder”**) proposes to sell, in one or a series of related transactions, any of its Shares and/or Convertible Securities to any person and/or any of such person’s Affiliates (other than non-prearranged sales of Shares into the market executed on any stock exchange on which the

Shares are then listed for trading or submitted for quotation), such that, immediately following any such sale, the Shareholder would cease to be the largest holder of: (a) the then issued and outstanding Shares (for the avoidance of doubt, not taking into account any Convertible Securities); or (b) the Shares on a fully-diluted basis, taking into account the Convertible Securities (for the avoidance of doubt, as determined pursuant to clause 1.3 above), the Shareholder may only sell such Shares or Convertible Securities if it complies with the provisions of this clause 2.

2.2. TIC shall give written notice (**"the Offer Notice"**) to the Bank of such intended sale on the earlier of (i) 5 (five) days after any person or persons comprising the Shareholder enters into an agreement to effect such sale (whether or not subject to conditions) and (ii) 30 (thirty) days prior to the Proposed Sale Date (as defined below). The Offer Notice shall specify the identity of the proposed purchaser (**"the Third Party Purchaser"**), the purchase price (**"the Purchase Price"**), including the purchase price per Share (**"the Per Share Price"**), and other terms and conditions of payment, the proposed date of sale (**"the Proposed Sale Date"**), the number of Shares and/or Convertible Securities (together with details of such Convertible Securities) proposed to be purchased by the Third Party Purchaser (**"the Offered Shares"**) and the percentage that the Offered Shares represent of all (a) Shares owned by the Shareholder, in the event the Shareholder proposes to sell Shares only and/or only clause 2.1(a) above is applicable; or (b) the Shareholder's Shares and Convertible Securities, in the event that the Shareholder proposes to sell both Shares and Convertible Securities or Convertible Securities only and clause 2.1(b) above is (or for the avoidance of doubt, both clauses 2.1(a) and 2.1(b) above are) applicable. For the avoidance of doubt, the Offer Notice shall describe any other transactions relating to the Shares and/or Convertible Securities with the Third Party Purchaser and/or its Affiliates that have taken place or are proposed to take place or certify that no such transaction has taken place or are proposed to take place.

2.3. The Bank shall be entitled, by written notice given to TIC within 20 (twenty) days of receipt of the Offer Notice, to join (and, if applicable, have its Affiliates join) the sale to such Third Party Purchaser. If the Bank has notified the Shareholder of its election to exercise its tag along rights under this clause 2, the Shareholder shall, as a condition to the sale by it of any of the Offered Shares, cause the Third Party Purchaser to purchase from the Bank Group the number of the Bank

Group's (i) Capital Notes issued pursuant to clause 5.4 of the Amending Agreement or Shares received from the conversion of such Capital Notes; (ii) Capital Notes and/or convertible debentures issued as part of the Clause 9.4 Equity Issuances or Shares received from the conversion of such Capital Notes and/or convertible debentures; and (iii) Shares received as part of the Clause 9.4 Equity Issuances (collectively, **"the Bank Group's Shares"**) multiplied by the Bank Group's Percentage (as determined pursuant to clause 2.4 below)) on the same terms and conditions (per Share) as those set out in the Offer Notice. For the avoidance of doubt, the Per Share Price for Capital Notes and/or convertible debentures of Tower held by the Shareholder shall be the total purchase price offered for such Convertible Securities divided by the number of Shares into which such Convertible Securities are then convertible.

2.4. The Bank shall be entitled to sell to the Third Party Purchaser such percentage of the Bank Group's Shares equal to the percentage (**"the Bank Group's Percentage"**) which the Offered Shares constitute of all Shares and, if applicable, Convertible Securities, held by the Shareholder (as determined pursuant to clauses 2.1(a), 2.1(b), 2.2(a) and 2.2(b) above, as applicable, and, for the avoidance of doubt, as determined pursuant to clause 1.3 above). The number of Offered Shares proposed to be sold by the Shareholder shall be reduced if and to the extent necessary to provide for the exercise of the "tag along" rights set forth in this clause 2. The number of Shares and/or Convertible Securities actually sold to the Third Party Purchaser by the Bank Group as a proportion of the number of Shares and/or Convertible Securities actually sold by the Shareholder to the Third Party Purchaser shall be referred to as **"the Bank Group's Proportion"**. In effecting any such sale to the Third Party Purchaser, the Bank Group shall be entitled to substitute Capital Notes and/or convertible debentures convertible into all or a portion of the number of Shares to be sold by the Bank Group pursuant to this clause 2.

2.5. For the avoidance of doubt, if the Bank shall have exercised its "tag along" right as aforesaid, TIC shall procure that no person comprising the Shareholder shall sell any Shares or Convertible Securities to the Third Party Purchaser without the Bank Group joining in such sale, as aforesaid.

2.6. Notwithstanding anything to the contrary in this Agreement, no person comprising the Bank Group shall be required to make any representations or warranties to the Third Party Purchaser regarding

any matters except the ownership of, and title to, the Shares and/or Convertible Securities to be sold by such person to the Third Party Purchaser as aforesaid, nor shall any person comprising the Bank Group be required to agree to any undertakings except to deliver the Shares and/or Convertible Securities to the Third Party Purchaser against payment therefor in accordance with this clause 2, provided that in the event that (a) not all of the Purchase Price is received by the Shareholder at the closing of the sale to the Third Party Purchaser because of a requirement that the Shareholder place a portion of the Purchase Price into escrow to secure representations, warranties or covenants (other than those related to the Shareholder (and not Tower) and/or its title to the Shares and/or Convertible Securities being sold), a portion of the Purchase Price equal to the Bank Group's Proportion multiplied by the amount of Purchase Price placed into escrow by the Shareholder shall also be placed into escrow and (b) any payment is made to the Third Party Purchaser (whether from such escrow or not) on account of an indemnification obligation of the Shareholder (other than an indemnification obligation related to (i) representations, warranties or covenants relating to the Shareholder (and not Tower) and/or its title to the Shares and/or Convertible Securities sold and/or (ii) a fraudulent misrepresentation fraudulently made by the Shareholder (such payment, after such exclusion, **"an Indemnification Payment"**), the amount to be released from such escrow to the Bank Group shall be reduced by the Bank Group's Proportion of the Indemnification Payment or the Bank Group shall pay the Shareholder or the Third Party Purchaser the Bank Group's Proportion of the Indemnification Payment, as applicable. For the avoidance of doubt, no placement into escrow and/or sharing in an Indemnification Payment as aforesaid shall be construed to mean that the Bank Group has any liability whatsoever to any person, including the Third Party Purchaser, on account of the representations, warranties or covenants of the Shareholder, such placement and/or sharing representing only an adjustment between TIC and the Bank of the tag along right granted pursuant to this clause 2 to reflect when the Purchase Price is actually received by TIC out of such escrow and/or the actual Price Per Share finally received by TIC after such Indemnification Payment.

2.7. For the avoidance of doubt, (a) in the event the transactions contemplated by an Offer Notice shall not be consummated by the Shareholder for any reason, the Bank Group shall not be required to sell any Shares or Convertible Securities to the Third Party Purchaser and (b) in the event that the Shareholder proposes to sell

to a different third party or on terms and conditions other than as set forth in the Offer Notice or in the event that the transaction is not consummated within 2 (two) months after the Bank's notification of its exercise of its "tag along" rights hereunder, then TIC shall procure that no person comprising the Shareholder shall proceed with any sale without TIC again complying with the terms and conditions of this Clause 2.

2.8. TIC shall cause its Subsidiaries to act in accordance with this Agreement.

2.9 For the avoidance of doubt, the Bank Group's Shares shall not include, the Warrants or any other security of Tower except for those securities enumerated in Sections 2.3 (i)-(iii).

3. **REPRESENTATIONS AND WARRANTIES BY TIC**

TIC hereby represents and warrants that:

3.1 it is a limited liability company, duly incorporated and validly existing under the laws of Israel;

3.2 its signature of this Agreement and the performance by it of its obligations pursuant to this Agreement do not in any way contradict any rights of third parties, any contracts or agreements to which it is a party, its Articles of Association or any applicable law;

3.3 the signature of this Agreement and the performance of its obligations under this Agreement are within its power and authority and have been duly and validly authorised by all necessary corporate action;

3.4 this Agreement has been duly and validly executed by it and constitutes its valid, legal and binding obligation, enforceable against TIC in accordance with its terms; and

3.5 TIC owns directly, and is the registered owner of, all Shares and Convertible Securities beneficially owned by TIC and, for the avoidance of doubt, no person controlled by TIC (including any Subsidiary) owns any Shares or Convertible Securities.

4. **MISCELLANEOUS**

4.1. **Governing Law; Jurisdiction**. This Agreement shall be governed by and shall be construed in accordance with Israeli law and the courts of Tel-Aviv-Jaffa shall have exclusive jurisdiction to hear any matters; provided that, the Bank and any other Affiliate of the Bank party to this Agreement shall be entitled to sue TIC in any jurisdiction in which TIC has an office or holds assets.

4.2. **Successors and Assigns; Assignment**. Except as otherwise expressly limited herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors and permitted assigns of the parties hereto. This Agreement may not be assigned by any party without the prior written consent of the other party hereto; provided that, the Bank may assign this Agreement, in whole or in part, to: (a) any Affiliate of the Bank or add an Affiliate of the Bank as an additional party hereto, including, for the avoidance of doubt, any nominee of the Bank in connection with the Clause 9.4 Equity Issuances; and/or (b) any person that acquires from such Bank 5% (five percent) or more of the then issued share capital of Tower (including, for the avoidance of doubt, through the acquisition of Capital Notes and conversion by such acquirer into Shares).

4.3. **Expenses.** Each of the parties shall bear and pay all of its expenses and costs in connection with the negotiation, execution and performance of this Agreement.

4.4. **Entire Agreement; Amendment and Waiver.** This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subject matter hereof. Any term of this Agreement may be amended and the observance of any term hereof may be waived (either prospectively or retroactively and either generally or in a particular instance) only with the written consent of the parties to this Agreement.

4.5. **Notices, etc.** All notices and other communications required or permitted hereunder to be given to a party to this Agreement shall be in writing and shall be faxed or mailed by registered or certified mail, postage prepaid, or otherwise delivered by hand or by messenger, addressed to such party's address as set forth below or at such other address as the party shall have furnished to each other party in writing in accordance with this provision:

4.5.1	if to the Bank:	Bank Hapoalim B.M. Corporate Division Migdal Levenstein 23 Menachem Begin Road Tel-Aviv Israel *Facsimile: 972-3-567-2995* *Attention: Head of Corporate Division*
4.5.2	if to TIC:	Israel Corporation Ltd. Millennium Tower 23 Aranha St. Tel Aviv 61070 Israel *Facsimile: 972-3-684-4574* *Attention: Chief Financial Officer*
	with a copy to (which shall not be considered notice):	Gornitzky & Co. 45 Rothschild Blvd. Tel Aviv, Israel 65784 *Attention: Zvi Ephrat, Adv.* *Facsimile: 972-3-560-6555*

or such other address with respect to a party as such party shall notify each other party in writing as above provided. Any notice sent in accordance with this clause 4.5 shall be effective: (a) if mailed, 5 (five) business days after mailing; (b) if sent by messenger, upon delivery; and (c) if sent via facsimile, 1 (one) business day following transmission and electronic confirmation of receipt.

4.6. **Delays or Omissions.** No delay or omission to exercise any right, power, or remedy accruing to any party upon any breach or default under this Agreement, shall be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. Unless provided otherwise herein, all remedies, either under this Agreement or by law or otherwise afforded to any of the parties, shall be cumulative and not alternative.

4.7. **Severability.** If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable under applicable law, then such provision shall be excluded from this Agreement and the remainder of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms; provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

4.8. **Counterparts.** This Agreement may be executed in any number of counterparts (including facsimile counterparts), each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

4.9. **Headings.** The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof.

4.10. **Further Assurances.** Each of the parties hereto shall perform such further acts and execute such further documents as may reasonably be necessary to carry out and give full effect to the provisions of this Agreement and the intentions of the parties reflected thereby.

4.11 **Termination.** This Agreement shall terminate on such date on which the Bank beneficially owns less than 1% of the then issued share capital of Tower (whether in the form of (a) Capital Notes and/or convertible debentures (determined as if such Capital Notes and/or convertible debentures were converted into Shares), (b) Shares received from conversion of such Capital Notes and/or convertible debentures and/or (c) Shares issued as part of the Clause 9.4 Equity Issuances).

IN WITNESS WHEREOF, the parties have signed this Tag Along Agreement effective as of the date first mentioned above.

for **ISRAEL CORPORATION LTD.**

By:	/s/ Yossi Rosen	/s/ Avisar Paz
Title	President and CEO	CFO

for **BANK HAPOALIM B.M.**

By:	/s/ Meiri Alterman	/s/ Dalit Uri
Title	CRM (Customer Relationship Manager)	DCRM (Deputy Customer Relationship Manager)

Exhibit 11

TAG ALONG AGREEMENT

THIS TAG ALONG AGREEMENT (**"this Agreement"**) is made and entered into effective as of September 28, 2006, by and between:

(1) **ISRAEL CORPORATION LTD.,** a company organised under the laws of the State of Israel ("**TIC**")

and

(2) **BANK LEUMI LE-ISRAEL B.M.**, a banking corporation organized under the laws of the State of Israel (**"the Bank"**)

WHEREAS: Tower Semiconductor Ltd. (**"Tower"**) is an independent manufacturer of wafers whose ordinary shares are traded on the Nasdaq National Market (**"Nasdaq"**) under the symbol "TSEM" and whose ordinary shares and certain other securities are traded on the Tel-Aviv Stock Exchange (**"TASE"**) under the symbol "TSEM" and TIC is the largest shareholder of Tower; and

WHEREAS: the Bank and Bank Hapoalim B.M. (collectively, **"the Banks"**) and Tower are parties to a Facility Agreement dated January 18, 2001, as amended (**"the Facility Agreement"**); and

WHEREAS: at the request of Tower, the Banks and Tower have entered into an Amending Agreement dated August 24, 2006 (**"the Amending Agreement"**), the conditions to the effectiveness of which include, *inter alia*, the conversion by each Bank of US $79,000,000 (seventy-nine million United States Dollars) of its loans made to Tower pursuant to the Facility Agreement (**"the Loans"**) into an equity-equivalent convertible capital note (**"a Capital Note"**) to be issued to the Bank or its nominee in the amount of US $39,500,000 (thirty-nine million five hundred thousand United States Dollars) which will in turn be convertible, in whole or in part, at any time and from time to time into 25,986,842 (twenty-five million, nine hundred and eighty-six thousand and eight hundred forty-two) shares of Tower and the entering into by the Bank and TIC of this Agreement; and

WHEREAS: clause 9.4 of the amended and restated Facility Agreement that has become effective pursuant to the Amending Agreement on the Amendment Closing Date, as the same may be further amended from time to time (**"the Restated Facility Agreement"**) obligates Tower to make certain compensatory payments in January, 2011 to the Banks or their nominees on account of the Banks' agreement to reduce the rate of Interest on the Loans, which payments may, subject to said clause 9.4, be made in the form of shares and/or Capital Notes and/or convertible debentures ("**the Clause 9.4 Equity Issuances**"); and

WHEREAS: the Bank holds warrants to acquire shares of Tower (such warrants, collectively, **"the Warrants"**),

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. **INTERPRETATION**

1.1. In this Agreement:

1.1.1. **"Affiliate"** means, with respect to any person, mean any company which controls, is controlled by, or under common control with, such person; **"control"** shall in this clause 1.1.1 and clause 1.1.7 below bear the meaning assigned to such term in Section 1 of the Securities Law, 1968;

1.1.2. **"Bank Group"** means the Bank and its Affiliates;

1.1.3. **"Convertible Securities"** means any securities convertible into, or exercisable for, Shares;

1.1.4. **"including"** and **"includes"** means including, without limiting the generality of any description preceding such terms;

1.1.5. a **"person"** shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) or two or more of the aforegoing; and

1.1.6. **"Shares"** means the ordinary shares of Tower (and any shares of capital stock substituted for the ordinary shares as a result of any stock split, stock dividend, recapitalisation, rights offering, exchange, merger or similar event or otherwise, including as described in any Capital Note and/or convertible debenture).

1.1.7. **"Subsidiary"** of TIC means (i) a company in which TIC holds directly at least 51% (fifty-one percent) of the total issued share capital and other means of control (including voting rights and rights to appoint directors) (excluding any such company that is publicly held and that purchases, solely as a financial investment, Shares or Convertible Securities in the market (*i.e.* not directly or indirectly from Tower or TIC) and not at the request or instruction of TIC) and (ii) any company controlled by TIC that has received Shares or Convertible Securities, directly or indirectly, from TIC.

1.2. The preamble to this Agreement constitutes an integral part thereof.

1.3. For purposes of determining the numbers and/or percentages of Shares and/or Convertible Securities pursuant to this Agreement,

1.3.1. only the number of Shares into which the Convertible Securities are then convertible or exercisable shall be taken into account and not the number or principal amount, as the case may be, of the Convertible Securities; and

1.3.2. Convertible Securities not being sold by the Shareholder (as defined in clause 2.1 below) (other than Capital Notes) whose exercise or conversion price per Share, as the case may be, exceeds the Per Share Price (as defined in clause 2.2 below) shall not be taken into account. For the avoidance of doubt, Capital Notes shall be counted as the number of Shares into which the Capital Notes are then convertible, whether or not the then conversion price is less than, equal to or greater than the Per Share Price.

2. **TAG ALONG**

2.1. If TIC and/or any of its Subsidiaries (collectively, **"the Shareholder"**) proposes to sell, in one or a series of related transactions, any of its Shares and/or Convertible Securities to any person and/or any of such person's Affiliates (other than non-prearranged sales of Shares into the market executed on any stock exchange on which the

Shares are then listed for trading or submitted for quotation), such that, immediately following any such sale, the Shareholder would cease to be the largest holder of: (a) the then issued and outstanding Shares (for the avoidance of doubt, not taking into account any Convertible Securities); or (b) the Shares on a fully-diluted basis, taking into account the Convertible Securities (for the avoidance of doubt, as determined pursuant to clause 1.3 above), the Shareholder may only sell such Shares or Convertible Securities if it complies with the provisions of this clause 2.

2.2. TIC shall give written notice (**"the Offer Notice"**) to the Bank of such intended sale on the earlier of (i) 5 (five) days after any person or persons comprising the Shareholder enters into an agreement to effect such sale (whether or not subject to conditions) and (ii) 30 (thirty) days prior to the Proposed Sale Date (as defined below). The Offer Notice shall specify the identity of the proposed purchaser (**"the Third Party Purchaser"**), the purchase price (**"the Purchase Price"**), including the purchase price per Share (**"the Per Share Price"**), and other terms and conditions of payment, the proposed date of sale (**"the Proposed Sale Date"**), the number of Shares and/or Convertible Securities (together with details of such Convertible Securities) proposed to be purchased by the Third Party Purchaser (**"the Offered Shares"**) and the percentage that the Offered Shares represent of all (a) Shares owned by the Shareholder, in the event the Shareholder proposes to sell Shares only and/or only clause 2.1(a) above is applicable; or (b) the Shareholder's Shares and Convertible Securities, in the event that the Shareholder proposes to sell both Shares and Convertible Securities or Convertible Securities only and clause 2.1(b) above is (or for the avoidance of doubt, both clauses 2.1(a) and 2.1(b) above are) applicable. For the avoidance of doubt, the Offer Notice shall describe any other transactions relating to the Shares and/or Convertible Securities with the Third Party Purchaser and/or its Affiliates that have taken place or are proposed to take place or certify that no such transaction has taken place or are proposed to take place.

2.3. The Bank shall be entitled, by written notice given to TIC within 20 (twenty) days of receipt of the Offer Notice, to join (and, if applicable, have its Affiliates join) the sale to such Third Party Purchaser. If the Bank has notified the Shareholder of its election to exercise its tag along rights under this clause 2, the Shareholder shall, as a condition to the sale by it of any of the Offered Shares, cause the Third Party Purchaser to purchase from the Bank Group the number of the Bank

Group's (i) Capital Notes issued pursuant to clause 5.4 of the Amending Agreement or Shares received from the conversion of such Capital Notes; (ii) Capital Notes and/or convertible debentures issued as part of the Clause 9.4 Equity Issuances or Shares received from the conversion of such Capital Notes and/or convertible debentures; and (iii) Shares received as part of the Clause 9.4 Equity Issuances (collectively, **"the Bank Group's Shares"**) multiplied by the Bank Group's Percentage (as determined pursuant to clause 2.4 below)) on the same terms and conditions (per Share) as those set out in the Offer Notice. For the avoidance of doubt, the Per Share Price for Capital Notes and/or convertible debentures of Tower held by the Shareholder shall be the total purchase price offered for such Convertible Securities divided by the number of Shares into which such Convertible Securities are then convertible.

2.4. The Bank shall be entitled to sell to the Third Party Purchaser such percentage of the Bank Group's Shares equal to the percentage (**"the Bank Group's Percentage"**) which the Offered Shares constitute of all Shares and, if applicable, Convertible Securities, held by the Shareholder (as determined pursuant to clauses 2.1(a), 2.1(b), 2.2(a) and 2.2(b) above, as applicable, and, for the avoidance of doubt, as determined pursuant to clause 1.3 above). The number of Offered Shares proposed to be sold by the Shareholder shall be reduced if and to the extent necessary to provide for the exercise of the "tag along" rights set forth in this clause 2. The number of Shares and/or Convertible Securities actually sold to the Third Party Purchaser by the Bank Group as a proportion of the number of Shares and/or Convertible Securities actually sold by the Shareholder to the Third Party Purchaser shall be referred to as **"the Bank Group's Proportion"**. In effecting any such sale to the Third Party Purchaser, the Bank Group shall be entitled to substitute Capital Notes and/or convertible debentures convertible into all or a portion of the number of Shares to be sold by the Bank Group pursuant to this clause 2.

2.5. For the avoidance of doubt, if the Bank shall have exercised its "tag along" right as aforesaid, TIC shall procure that no person comprising the Shareholder shall sell any Shares or Convertible Securities to the Third Party Purchaser without the Bank Group joining in such sale, as aforesaid.

2.6. Notwithstanding anything to the contrary in this Agreement, no person comprising the Bank Group shall be required to make any representations or warranties to the Third Party Purchaser regarding

any matters except the ownership of, and title to, the Shares and/or Convertible Securities to be sold by such person to the Third Party Purchaser as aforesaid, nor shall any person comprising the Bank Group be required to agree to any undertakings except to deliver the Shares and/or Convertible Securities to the Third Party Purchaser against payment therefor in accordance with this clause 2, provided that in the event that (a) not all of the Purchase Price is received by the Shareholder at the closing of the sale to the Third Party Purchaser because of a requirement that the Shareholder place a portion of the Purchase Price into escrow to secure representations, warranties or covenants (other than those related to the Shareholder (and not Tower) and/or its title to the Shares and/or Convertible Securities being sold), a portion of the Purchase Price equal to the Bank Group's Proportion multiplied by the amount of Purchase Price placed into escrow by the Shareholder shall also be placed into escrow and (b) any payment is made to the Third Party Purchaser (whether from such escrow or not) on account of an indemnification obligation of the Shareholder (other than an indemnification obligation related to (i) representations, warranties or covenants relating to the Shareholder (and not Tower) and/or its title to the Shares and/or Convertible Securities sold and/or (ii) a fraudulent misrepresentation fraudulently made by the Shareholder (such payment, after such exclusion, **"an Indemnification Payment"**), the amount to be released from such escrow to the Bank Group shall be reduced by the Bank Group's Proportion of the Indemnification Payment or the Bank Group shall pay the Shareholder or the Third Party Purchaser the Bank Group's Proportion of the Indemnification Payment, as applicable. For the avoidance of doubt, no placement into escrow and/or sharing in an Indemnification Payment as aforesaid shall be construed to mean that the Bank Group has any liability whatsoever to any person, including the Third Party Purchaser, on account of the representations, warranties or covenants of the Shareholder, such placement and/or sharing representing only an adjustment between TIC and the Bank of the tag along right granted pursuant to this clause 2 to reflect when the Purchase Price is actually received by TIC out of such escrow and/or the actual Price Per Share finally received by TIC after such Indemnification Payment.

2.7. For the avoidance of doubt, (a) in the event the transactions contemplated by an Offer Notice shall not be consummated by the Shareholder for any reason, the Bank Group shall not be required to sell any Shares or Convertible Securities to the Third Party Purchaser and (b) in the event that the Shareholder proposes to sell

to a different third party or on terms and conditions other than as set forth in the Offer Notice or in the event that the transaction is not consummated within 2 (two) months after the Bank's notification of its exercise of its "tag along" rights hereunder, then TIC shall procure that no person comprising the Shareholder shall proceed with any sale without TIC again complying with the terms and conditions of this Clause 2.

2.8. TIC shall cause its Subsidiaries to act in accordance with this Agreement.

2.9 For the avoidance of doubt, the Bank Group's Shares shall not include, the Warrants or any other security of Tower except for those securities enumerated in Sections 2.3 (i)-(iii).

3. **REPRESENTATIONS AND WARRANTIES BY TIC**

TIC hereby represents and warrants that:

3.1 it is a limited liability company, duly incorporated and validly existing under the laws of Israel;

3.2 its signature of this Agreement and the performance by it of its obligations pursuant to this Agreement do not in any way contradict any rights of third parties, any contracts or agreements to which it is a party, its Articles of Association or any applicable law;

3.3 the signature of this Agreement and the performance of its obligations under this Agreement are within its power and authority and have been duly and validly authorised by all necessary corporate action;

3.4 this Agreement has been duly and validly executed by it and constitutes its valid, legal and binding obligation, enforceable against TIC in accordance with its terms; and

3.5 TIC owns directly, and is the registered owner of, all Shares and Convertible Securities beneficially owned by TIC and, for the avoidance of doubt, no person controlled by TIC (including any Subsidiary) owns any Shares or Convertible Securities.

4. **MISCELLANEOUS**

4.1. **Governing Law; Jurisdiction.** This Agreement shall be governed by and shall be construed in accordance with Israeli law and the courts of Tel-Aviv-Jaffa shall have exclusive jurisdiction to hear any matters; provided that, the Bank and any other Affiliate of the Bank party to this Agreement shall be entitled to sue TIC in any jurisdiction in which TIC has an office or holds assets.

4.2. **Successors and Assigns; Assignment.** Except as otherwise expressly limited herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors and permitted assigns of the parties hereto. This Agreement may not be assigned by any party without the prior written consent of the other party hereto; provided that, the Bank may assign this Agreement, in whole or in part, to: (a) any Affiliate of the Bank or add an Affiliate of the Bank as an additional party hereto, including, for the avoidance of doubt, any nominee of the Bank in connection with the Clause 9.4 Equity Issuances; and/or (b) any person that acquires from such Bank 5% (five percent) or more of the then issued share capital of Tower (including, for the avoidance of doubt, through the acquisition of Capital Notes and conversion by such acquirer into Shares).

4.3. **Expenses.** Each of the parties shall bear and pay all of its expenses and costs in connection with the negotiation, execution and performance of this Agreement.

4.4. **Entire Agreement; Amendment and Waiver.** This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subject matter hereof. Any term of this Agreement may be amended and the observance of any term hereof may be waived (either prospectively or retroactively and either generally or in a particular instance) only with the written consent of the parties to this Agreement.

4.5. **Notices, etc.** All notices and other communications required or permitted hereunder to be given to a party to this Agreement shall be in writing and shall be faxed or mailed by registered or certified mail, postage prepaid, or otherwise delivered by hand or by messenger, addressed to such party's address as set forth below or at such other address as the party shall have furnished to each other party in writing in accordance with this provision:

4.5.1. if to the Bank:

Bank Leumi Le-Israel B.M.
Corporate Division
34 Yehuda Halevi Street
Tel-Aviv
Israel
Facsimile: 972-3-514-9278
Attention: Manager of Hi-Tech Industries Section

4.5.2. if to TIC:

Israel Corporation Ltd.
Millennium Tower
23 Aranha St.
Tel Aviv 61070
Israel
Facsimile: 972-3-684-4574
Attention: Chief Financial Officer

with a copy to (which shall not be considered notice):

Gornitzky & Co.
45 Rothschild Blvd.
Tel Aviv, Israel 65784
Attention: Zvi Ephrat, Adv.
Facsimile: 972-3-560-6555

or such other address with respect to a party as such party shall notify each other party in writing as above provided. Any notice sent in accordance with this clause 4.5 shall be effective: (a) if mailed, 5 (five) business days after mailing; (b) if sent by messenger, upon delivery; and (c) if sent via facsimile, 1 (one) business day following transmission and electronic confirmation of receipt.

4.6. **Delays or Omissions.** No delay or omission to exercise any right, power, or remedy accruing to any party upon any breach or default under this Agreement, shall be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. Unless provided otherwise herein, all remedies, either under this Agreement or by law or otherwise afforded to any of the parties, shall be cumulative and not alternative.

4.7. **Severability.** If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable under applicable law, then such provision shall be excluded from this Agreement and the remainder of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms; provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

4.8. **Counterparts.** This Agreement may be executed in any number of counterparts (including facsimile counterparts), each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

4.9. **Headings.** The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof.

4.10. **Further Assurances.** Each of the parties hereto shall perform such further acts and execute such further documents as may reasonably be necessary to carry out and give full effect to the provisions of this Agreement and the intentions of the parties reflected thereby.

4.11. **Termination.** This Agreement shall terminate on such date on which the Bank beneficially owns less than 1% of the then issued share capital of Tower (whether in the form of (a) Capital Notes and/or convertible debentures (determined as if such Capital Notes and/or convertible debentures were converted into Shares), (b) Shares received from conversion of such Capital Notes and/or convertible debentures and/or (c) Shares issued as part of the Clause 9.4 Equity Issuances).

IN WITNESS WHEREOF, the parties have signed this Tag Along Agreement effective as of the date first mentioned above.

for **ISRAEL CORPORATION LTD.**

By:	/s/ Yossi Rosen	/s/ Avisar Paz
Title	President and CEO	CFO

for **BANK LEUMI LE-ISRAEL B.M.**

By:	/s/ Meir Marom	/s/ Shmulik Arbel
Title	Sector Manager SRM	SRM (Senior Relationship Manager)

Exhibit 12

AGREEMENT

This Agreement (this "**Agreement**") is made and entered into effective as of September 28, 2006 by and between **each of the parties listed in the Schedule hereto,** severally, of the one part (the "**Lead Investors**"), and Bank Hapoalim B.M., a banking corporation organized under the laws of the State of Israel (the "**Bank**") of the other part.

WHEREAS, the Lead Investors are the leading investors in Tower Semiconductor Ltd. ("**Tower**"), an independent manufacturer of semiconductor wafers whose Ordinary Shares (the "**Shares**") are traded on the Nasdaq Stock Market under the symbol TSEM and whose Ordinary Shares and certain other securities are traded on the Tel-Aviv Stock Exchange under the symbol TSEM;

WHEREAS, the Bank and Bank Leumi Le–Israel B.M. (collectively, the "**Banks**") and Tower are parties to a Facility Agreement dated January 18, 2001, as amended (the "**Facility Agreement**"); and

WHEREAS, at the request of Tower, the Banks and Tower have entered into an Amending Agreement dated August 24, 2006 (the "**Amending Agreement**"), one of the conditions to the effectiveness of which includes, *inter alia*, the entering into by each of the Banks with the Lead Investors of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Interpretation.

1.1. In this Agreement:

1.1.1. **"Affiliate"** means, with respect to any person, any company which controls, is controlled by, or under common control with, such person; **"control"** shall in this Section 1.1.1 bear the meaning assigned to such term in Section 1 of the Securities Law, 1968;

1.1.2. **"including"** and **"includes"** means including, without limiting the generality of any description preceding such terms;

1.1.3. a **"person"** shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) or two or more of the aforegoing;

1.1.4. **"Shares"** means the ordinary shares of Tower or any other shares of Tower having voting rights;

1.1.5. **"Subsidiary"** of a person means any company in which such person holds directly at least 51% (fifty-one percent) of the total issued share capital and other means of control (including voting rights and rights to appoint directors).

1.2. The preamble to this Agreement constitutes an integral part thereof.

2. Undertakings of Lead Investors.

2.1. In the event that a person shall acquire and hold Shares representing 5% (five percent) or more of the then outstanding Shares of Tower from the Bank and/or its Affiliates and the Bank notifies the Lead Investors that such acquiring person shall have the benefit of the undertakings of the Lead Investors contained in this Agreement (the "**Acquiring Person**"), then each of the Lead Investors shall as soon as practicable, take such action to cause a general meeting of shareholders to be assembled and to vote (and/or, if applicable, cause any and all of its Subsidiaries holding Shares to vote) all of the Shares held by such Lead Investor and its Subsidiaries for the nominee of such Acquiring Person to be appointed as a director of Tower; provided, however, that the fulfilment of such undertakings shall apply only in respect of one such Acquiring Person. For the avoidance of doubt, without derogating from the terms and conditions of this Agreement, the Bank need not designate the first acquirer of such 5% (five percent) or more holding from the Bank and/or its Affiliates as the Acquiring Person and may, in its discretion, so designate a subsequent acquirer from the Bank and/or its Affiliates of such 5% (five percent) or more holding as the Acquiring Person or may, in its discretion, not designate any acquirer as the Acquiring Person. For the further removal of doubt, the Acquiring Person may not assign any rights or benefits of the undertakings of the Lead Investors contained in this Agreement that may be owed or owing to the Acquiring Person, except to a Subsidiary of such Acquiring Person. Only (1) Shares received by the Bank and/or its Affiliates upon the conversion of a capital note (or any other capital note or capital notes issued in substitution therefor) issued pursuant to clause 5.4 of the Amending Agreement (the "**Capital Notes**") and (2) Shares received upon the conversion of Capital Notes acquired from the Bank and/or its Affiliates shall be considered Shares acquired from the Bank and/or its Affiliates for the purpose of the first sentence of this Section 2.1.

2.2. Each of the Lead Investors agrees, separately but not jointly, to attend and vote (and/or, if applicable, cause any and all of its Subsidiaries holding Shares to vote) at general meetings of shareholders of Tower all of the Shares held by such Lead Investor and its Subsidiaries: (i) for any amendment to Tower's articles of association (the "**Articles**") that may be required in order that at all times the maximum number of directors in the Board of Directors of Tower as set forth in the Articles shall be more than the then current or proposed number of directors so as to permit the Acquiring Person's nominee to serve as a director; (ii) for the election of the Acquiring Person's nominee to the Board of Directors of Tower and for any other resolution which is necessary in order to finalize such election; and (iii) against any resolution the effect of which is to prevent such election. Subject to Sections 4.9.1 and 4.9.2 below, the obligations of each of the Lead Investors towards the Acquiring Person and the Acquiring Person's nominee under this Agreement shall be subject to the Acquiring Person agreeing to attend and vote (and/or, if applicable, cause any and all of its Subsidiaries holding Shares to vote) at general meetings of shareholders of Tower all of the Shares held by the Acquiring Person and its Subsidiaries for (and only for) (a) the election of (i) the Acquiring Person's nominee; (ii) the nominees to the Board of Directors of Tower for which any of the Lead Investors shall be obligated to vote for pursuant to that certain Consolidated Shareholders Agreement by and among the Lead Investors, dated January 18, 2001, as amended and as may be amended from time to time (the "**CSA**"); and (iii) a representative of Israel Corporation Ltd. as Chairman of the Board of Directors of Tower if any of the Lead Investors shall be obligated to vote therefor pursuant to the CSA and (b) in the case of each of (a)(i), (ii) and (iii) above, any

other resolution which is necessary in order to finalize each such election and against any resolution the effect of which is to prevent or impede each such election. For the removal of doubt, the provisions of this Section 2.2 shall apply to voting in relation only to the matters set out in (a) and (b) above and shall not restrict the rights of the Acquiring Person or the Lead Investors (and/or their respective Subsidiaries) to vote on other matters in such manner as they deem fit. For the avoidance of doubt, the Acquiring Person shall not be required to agree to vote as set out in the immediately preceding sentence (or, as applicable, in Section 4.9.1 below) and may at any time terminate such agreement (in which case, the Acquiring Person shall be relieved of any obligation so to vote) and, with respect to the Lead Investors, the sole consequence of an Acquiring Person's failure to agree or termination of such agreement as aforesaid shall be that the Lead Investors will not be obligated to vote for the Acquiring Person's nominee, including pursuant to Section 4.9 below.

2.3. Subject to Section 2.4 below, in the event that the Acquiring Person and its Subsidiaries hold together in the aggregate less than 5% (five percent) of the outstanding Shares, then the Acquiring Person shall not be entitled to designate any nominee, and if requested by any of the Lead Investors, shall cause its nominee then serving as a director of Tower to resign immediately from such position. In the absence of such resignation within 24 (twenty-four) hours of such request, the Lead Investors agree to take such action as is necessary to cause a general meeting of shareholders of the Company to be assembled, and to vote all their Shares in order to remove such director from Tower's board of directors.

2.4. Notwithstanding Section 2.3, in the event that the Acquiring Person and its Subsidiaries hold together at any one time in the aggregate 6% (six percent) or more of the outstanding Shares, and, subsequent to such time, the Acquiring Person and its Subsidiaries hold together in the aggregate less than 5% (five percent) of the outstanding Shares solely as a result of additional Shares having become issued and outstanding (and not as a result of any sales of Shares by the Acquiring Person or its Subsidiaries) (such date, the "**Dilution Date**"), and within 90 (ninety) days of the Dilution Date, the Acquiring Person and its Subsidiaries shall not again become together the holders of 5% (five percent) or more of the outstanding Shares (such 90th day, the "**Loss of Right Date**"), the Acquiring Person shall not, after the Loss of Right Date, be entitled to designate a nominee and, if requested by any of the Lead Investors, shall cause its nominee then serving as a director of Tower to resign immediately from such position. In the absence of such resignation within 24 (twenty-four) hours of such request, the Lead Investors agree to take such action as is necessary to cause a general meeting of shareholders of the Company to be assembled, and to vote all their Shares in order to remove such director from Tower's board of directors.

2.5. Each of the Lead Investors further agrees that in the event that the Acquiring Person decides to terminate or replace its director, then each shall vote (and/or, if applicable, cause any and all of its Subsidiaries holding Shares to vote) all of the Shares held by such Lead Investor and its Subsidiaries to cause the termination of office or, subject to the Acquiring Person having the right to nominate a person to serve as a director of Tower under this Agreement, the replacement of such director, in accordance with the decision of the Acquiring Person and cause, if required, a general meeting of shareholders of Tower to be held for such purpose. This Section 2.5 shall apply *mutatis mutandis* to the obligations of the Acquiring Person (and/or, if applicable, its Subsidiaries) to vote for nominees of the Lead Investors under Section 2.2 above.

2.6. Notwithstanding the above,

2.6.1. a majority (in number and not shareholdings) of the Lead Investors then having the right to have one of its nominees elected to the Board of Directors of Tower pursuant to the CSA ("**Eligible Lead Investors**") shall be entitled, by a single written notice to the Acquiring Person, signed by such majority of the Lead Investors, to object to the appointment of any particular individual nominated by an Acquiring Person as a director of Tower on reasonable grounds (including, without limitation, that the nominee is a competitor of Tower, or is an employee of, or consultant to, Tower or to a competitor of Tower). For the avoidance of doubt, if any such objection on reasonable grounds is made, the Acquiring Person shall be entitled to nominate another individual to serve as a director of Tower, whose appointment shall be also subject to the terms and conditions of this Agreement, including this Section 2.6.1.

2.6.2. an Acquiring Person shall not have any rights under this Agreement (or enjoy any benefit of the undertakings of the Lead Investors hereunder) if a majority (in number and not shareholdings) of the Eligible Lead Investors shall, by a single written notice to the Acquiring Person, signed by such majority of the Lead Investors, object to the identity thereof but only on the following grounds: that the Acquiring Person is a competitor of Tower or an employee of, or consultant to, Tower or to a competitor of Tower or is a person organized under the laws of a state that either (a) is at war with the State of Israel or (b) has been declared by the Israel Minister of Defence as a state "hostile" to Israel.

3. Representations and Warranties by Lead Investors

Each of the Lead Investors hereby represents and warrants to the Bank that:

3.1. it is duly incorporated and validly existing under the laws of its jurisdiction of incorporation;

3.2. its signature on this Agreement and the performance by it of its obligations pursuant to this Agreement do not in any way contradict any rights of third parties, any contracts or agreements to which it is a party, its charter documents or any applicable law;

3.3. the execution of this Agreement and performance by it of its obligations under this Agreement are within its power and authority and have been duly and validly authorised by all necessary corporate action; and

3.4. this Agreement has been duly and validly executed by it and constitutes its valid, legal and binding obligations, enforceable against it in accordance with the terms of this Agreement.

4. Miscellaneous.

4.1. Governing Law; Jurisdiction. This Agreement shall be governed by and shall be construed in accordance with Israeli law and the courts of Tel-Aviv-Jaffa shall have exclusive jurisdiction to hear any matters, provided that the Bank shall be entitled to sue any of the Lead Investors in any jurisdiction in which such Lead Investor has an office or holds assets.

4.2. Successors and Assigns; Assignment. Except as otherwise expressly limited herein, the provisions hereof shall inure to the benefit of, and be binding upon, any Subsidiary of the Lead Investors or the Acquiring Person holding Shares, the successors and permitted assigns of the parties hereto. This Agreement may not be assigned by any party without the prior written consent of the other party hereto, provided that the Bank may assign this Agreement, in whole or in part, to any Affiliate of the Bank.

4.3. Entire Agreement; Amendment and Waiver. This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subject matter hereof. Any term of this Agreement may be amended and the observance of any term hereof may be waived (either prospectively or retroactively and either generally or in a particular instance) only with the written consent of the parties to this Agreement.

4.4. Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party upon any breach or default under this Agreement, shall be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. Unless provided otherwise herein, all remedies, either under this Agreement or by law or otherwise afforded to any of the parties, shall be cumulative and not alternative.

4.5. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable under applicable law, then such provision shall be excluded from this Agreement and the remainder of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms; provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

4.6. Counterparts. This Agreement may be executed in any number of counterparts (including facsimile counterparts), each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

4.7. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof.

4.8. Further Assurances. Each of the parties hereto shall perform such further acts and execute such further documents as may reasonably be necessary to carry out and give full effect to the provisions of this Agreement and the intentions of the parties reflected thereby.

4.9. Termination. This Agreement, and, for the avoidance of doubt, any rights that may have been previously enjoyed by the Acquiring Person and the Acquiring Person's nominee, shall not have any further force or effect and shall terminate upon the January 18, 2013 or such later date to which the CSA shall have been extended, provided that nothing in this Section 4.9 shall derogate from the last sentence of Section 2.2 above.

4.9.1. In the event the CSA terminates prior to January 18, 2013, each of the Lead Investors will remain obligated to the Acquiring Person and the Acquiring Person's nominee under this Agreement, including the first sentence of Section 2.2 above, provided that, if such Lead Investor has a nominee to the Board of Directors of Tower, each such Lead Investor's obligations shall be subject to the Acquiring Person agreeing to attend and vote (and/or, if applicable, cause any and all of its Subsidiaries holding Shares to vote) at general meetings of shareholders of Tower all of the Shares held by the Acquiring Person and its Subsidiaries for (and only for) (a) the election of (i) the Acquiring Person's nominee and (ii) such Lead Investor's nominee or nominees to the Board of Directors of Tower and (b) in the case of (i) and (ii) above, any other resolution which is necessary in order to finalize each such election and against any resolution the effect of which is to prevent each such election. For the removal of doubt, the provisions of this Section 4.9.1 shall apply to voting in relation only to the matters set out in (a) and (b) above and shall not restrict the rights of the Acquiring Person or the Lead Investors (and/or their respective Subsidiaries) to vote on other matters in such manner as they deem fit.

4.9.2. For the avoidance of doubt (a) if any such Lead Investor shall not have a nominee to the Board of Directors of Tower, such Lead Investor shall nonetheless remain obligated to the Acquiring Person and the Acquiring Person's nominee under this Agreement, including the first sentence of Section 2.2 above; (b) if Section 4.9.1 above is applicable and two or more Lead Investors have agreed to vote for one another's nominees, the vote by the Acquiring Person and, if applicable, its Subsidiaries, for all such nominees of such Lead Investors shall be deemed a vote for "(and only for)" the nominee of each such Lead Investor for the purposes of Section 4.9.1 above; and (c) nothing in this Agreement shall be deemed to constitute an undertaking by any of the Lead Investors to the Bank or to the Acquiring Person not to dispose of any Shares (without derogating from the provisions of the Facility Agreement, pursuant to which certain disposals of Shares by the Lead Investors would constitute an Event of Default (as defined in the Facility Agreement) of Tower or from the provisions of the CSA, pursuant to which certain disposals may not be permitted or may be subject to certain rights of the other Lead Investors).

IN WITNESS WHEREOF, each of the parties has signed this Agreement as of the date first hereinabove set forth.

BANK HAPOALIM B.M.

By: /s/ Meiri Alterman
Name: Meiri Alterman
Title: CRM
(Customer Relationship Manager)

By: /s/ Dalit Uri
Name: Dalit Uri
Title: DCRM
(Deputy Customer Relationship Manager)

THE ISRAEL CORPORATION LTD.

By: /s/ Yossi Rosen
Name: Yossi Rosen
Title: President and CEO

By: /s/ Avisar Paz
Name: Avisar Paz
Title: CFO

SANDISK CORPORATION

By: /s/ Eli Harrari
Name: Eli Harrari
Title: CEO

ALLIANCE SEMICONDUCTOR CORPORATION

By: /s/ Mel Keating
Name: Mel Keating
Title: President and CEO

MACRONIX INTERNATIONAL CO. LTD.

By: /s/ Miin Chyou Wu
Name: Miin Chyou Wu
Title: Chairman

Schedule

Lead Investors

The Israel Corporation Ltd., a company incorporated under the laws of Israel

Sandisk Corporation, a corporation incorporated under the laws of Delaware, USA

Alliance Semiconductor Corporation, a corporation incorporated under the laws of Delaware, USA

Macronix International Co. Ltd., a company incorporated under the laws of Taiwan

Exhibit 13

AGREEMENT

This Agreement (this "**Agreement**") is made and entered into effective as of September 28, 2006 by and between **each of the parties listed in the Schedule hereto,** severally, of the one part (the "**Lead Investors**"), and Bank Leumi Le–Israel B.M., a banking corporation organized under the laws of the State of Israel (the "**Bank**") of the other part.

WHEREAS, the Lead Investors are the leading investors in Tower Semiconductor Ltd. ("**Tower**"), an independent manufacturer of semiconductor wafers whose Ordinary Shares (the "**Shares**") are traded on the Nasdaq Stock Market under the symbol TSEM and whose Ordinary Shares and certain other securities are traded on the Tel-Aviv Stock Exchange under the symbol TSEM;

WHEREAS, the Bank and Bank Hapoalim B.M. (collectively, the "**Banks**") and Tower are parties to a Facility Agreement dated January 18, 2001, as amended (the "**Facility Agreement**"); and

WHEREAS, at the request of Tower, the Banks and Tower have entered into an Amending Agreement dated August 24, 2006 (the "**Amending Agreement**"), one of the conditions to the effectiveness of which includes, *inter alia*, the entering into by each of the Banks with the Lead Investors of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Interpretation.

1.1. In this Agreement:

1.1.1. **"Affiliate"** means, with respect to any person, any company which controls, is controlled by, or under common control with, such person; **"control"** shall in this Section 1.1.1 bear the meaning assigned to such term in Section 1 of the Securities Law, 1968;

1.1.2. **"including"** and **"includes"** means including, without limiting the generality of any description preceding such terms;

1.1.3. a **"person"** shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) or two or more of the aforegoing;

1.1.4. **"Shares"** means the ordinary shares of Tower or any other shares of Tower having voting rights;

1.1.5. **"Subsidiary"** of a person means any company in which such person holds directly at least 51% (fifty-one percent) of the total issued share capital and other means of control (including voting rights and rights to appoint directors).

1.2. The preamble to this Agreement constitutes an integral part thereof.

2. Undertakings of Lead Investors.

2.1. In the event that a person shall acquire and hold Shares representing 5% (five percent) or more of the then outstanding Shares of Tower from the Bank and/or its Affiliates and the Bank notifies the Lead Investors that such acquiring person shall have the benefit of the undertakings of the Lead Investors contained in this Agreement (the "**Acquiring Person**"), then each of the Lead Investors shall as soon as practicable, take such action to cause a general meeting of shareholders to be assembled and to vote (and/or, if applicable, cause any and all of its Subsidiaries holding Shares to vote) all of the Shares held by such Lead Investor and its Subsidiaries for the nominee of such Acquiring Person to be appointed as a director of Tower; provided, however, that the fulfilment of such undertakings shall apply only in respect of one such Acquiring Person. For the avoidance of doubt, without derogating from the terms and conditions of this Agreement, the Bank need not designate the first acquirer of such 5% (five percent) or more holding from the Bank and/or its Affiliates as the Acquiring Person and may, in its discretion, so designate a subsequent acquirer from the Bank and/or its Affiliates of such 5% (five percent) or more holding as the Acquiring Person or may, in its discretion, not designate any acquirer as the Acquiring Person. For the further removal of doubt, the Acquiring Person may not assign any rights or benefits of the undertakings of the Lead Investors contained in this Agreement that may be owed or owing to the Acquiring Person, except to a Subsidiary of such Acquiring Person. Only (1) Shares received by the Bank and/or its Affiliates upon the conversion of a capital note (or any other capital note or capital notes issued in substitution therefor) issued pursuant to clause 5.4 of the Amending Agreement (the "**Capital Notes**") and (2) Shares received upon the conversion of Capital Notes acquired from the Bank and/or its Affiliates shall be considered Shares acquired from the Bank and/or its Affiliates for the purpose of the first sentence of this Section 2.1.

2.2. Each of the Lead Investors agrees, separately but not jointly, to attend and vote (and/or, if applicable, cause any and all of its Subsidiaries holding Shares to vote) at general meetings of shareholders of Tower all of the Shares held by such Lead Investor and its Subsidiaries: (i) for any amendment to Tower's articles of association (the "**Articles**") that may be required in order that at all times the maximum number of directors in the Board of Directors of Tower as set forth in the Articles shall be more than the then current or proposed number of directors so as to permit the Acquiring Person's nominee to serve as a director; (ii) for the election of the Acquiring Person's nominee to the Board of Directors of Tower and for any other resolution which is necessary in order to finalize such election; and (iii) against any resolution the effect of which is to prevent such election. Subject to Sections 4.9.1 and 4.9.2 below, the obligations of each of the Lead Investors towards the Acquiring Person and the Acquiring Person's nominee under this Agreement shall be subject to the Acquiring Person agreeing to attend and vote (and/or, if applicable, cause any and all of its Subsidiaries holding Shares to vote) at general meetings of shareholders of Tower all of the Shares held by the Acquiring Person and its Subsidiaries for (and only for) (a) the election of (i) the Acquiring Person's nominee; (ii) the nominees to the Board of Directors of Tower for which any of the Lead Investors shall be obligated to vote for pursuant to that certain Consolidated Shareholders Agreement by and among the Lead Investors, dated January 18, 2001, as amended and as may be amended from time to time (the "**CSA**"); and (iii) a representative of Israel Corporation Ltd. as Chairman of the Board of Directors of Tower if any of the Lead Investors shall be obligated to vote therefor pursuant to the CSA and (b) in the case of each of (a)(i), (ii) and (iii) above, any

other resolution which is necessary in order to finalize each such election and against any resolution the effect of which is to prevent or impede each such election. For the removal of doubt, the provisions of this Section 2.2 shall apply to voting in relation only to the matters set out in (a) and (b) above and shall not restrict the rights of the Acquiring Person or the Lead Investors (and/or their respective Subsidiaries) to vote on other matters in such manner as they deem fit. For the avoidance of doubt, the Acquiring Person shall not be required to agree to vote as set out in the immediately preceding sentence (or, as applicable, in Section 4.9.1 below) and may at any time terminate such agreement (in which case, the Acquiring Person shall be relieved of any obligation so to vote) and, with respect to the Lead Investors, the sole consequence of an Acquiring Person's failure to agree or termination of such agreement as aforesaid shall be that the Lead Investors will not be obligated to vote for the Acquiring Person's nominee, including pursuant to Section 4.9 below.

2.3. Subject to Section 2.4 below, in the event that the Acquiring Person and its Subsidiaries hold together in the aggregate less than 5% (five percent) of the outstanding Shares, then the Acquiring Person shall not be entitled to designate any nominee, and if requested by any of the Lead Investors, shall cause its nominee then serving as a director of Tower to resign immediately from such position. In the absence of such resignation within 24 (twenty-four) hours of such request, the Lead Investors agree to take such action as is necessary to cause a general meeting of shareholders of the Company to be assembled, and to vote all their Shares in order to remove such director from Tower's board of directors.

2.4. Notwithstanding Section 2.3, in the event that the Acquiring Person and its Subsidiaries hold together at any one time in the aggregate 6% (six percent) or more of the outstanding Shares, and, subsequent to such time, the Acquiring Person and its Subsidiaries hold together in the aggregate less than 5% (five percent) of the outstanding Shares solely as a result of additional Shares having become issued and outstanding (and not as a result of any sales of Shares by the Acquiring Person or its Subsidiaries) (such date, the "**Dilution Date**"), and within 90 (ninety) days of the Dilution Date, the Acquiring Person and its Subsidiaries shall not again become together the holders of 5% (five percent) or more of the outstanding Shares (such 90th day, the "**Loss of Right Date**"), the Acquiring Person shall not, after the Loss of Right Date, be entitled to designate a nominee and, if requested by any of the Lead Investors, shall cause its nominee then serving as a director of Tower to resign immediately from such position. In the absence of such resignation within 24 (twenty-four) hours of such request, the Lead Investors agree to take such action as is necessary to cause a general meeting of shareholders of the Company to be assembled, and to vote all their Shares in order to remove such director from Tower's board of directors.

2.5. Each of the Lead Investors further agrees that in the event that the Acquiring Person decides to terminate or replace its director, then each shall vote (and/or, if applicable, cause any and all of its Subsidiaries holding Shares to vote) all of the Shares held by such Lead Investor and its Subsidiaries to cause the termination of office or, subject to the Acquiring Person having the right to nominate a person to serve as a director of Tower under this Agreement, the replacement of such director, in accordance with the decision of the Acquiring Person and cause, if required, a general meeting of shareholders of Tower to be held for such purpose. This Section 2.5 shall apply *mutatis mutandis* to the obligations of the Acquiring Person (and/or, if applicable, its Subsidiaries) to vote for nominees of the Lead Investors under Section 2.2 above.

2.6. Notwithstanding the above,

2.6.1. a majority (in number and not shareholdings) of the Lead Investors then having the right to have one of its nominees elected to the Board of Directors of Tower pursuant to the CSA ("**Eligible Lead Investors**") shall be entitled, by a single written notice to the Acquiring Person, signed by such majority of the Lead Investors, to object to the appointment of any particular individual nominated by an Acquiring Person as a director of Tower on reasonable grounds (including, without limitation, that the nominee is a competitor of Tower, or is an employee of, or consultant to, Tower or to a competitor of Tower). For the avoidance of doubt, if any such objection on reasonable grounds is made, the Acquiring Person shall be entitled to nominate another individual to serve as a director of Tower, whose appointment shall be also subject to the terms and conditions of this Agreement, including this Section 2.6.1.

2.6.2. an Acquiring Person shall not have any rights under this Agreement (or enjoy any benefit of the undertakings of the Lead Investors hereunder) if a majority (in number and not shareholdings) of the Eligible Lead Investors shall, by a single written notice to the Acquiring Person, signed by such majority of the Lead Investors, object to the identity thereof but only on the following grounds: that the Acquiring Person is a competitor of Tower or an employee of, or consultant to, Tower or to a competitor of Tower or is a person organized under the laws of a state that either (a) is at war with the State of Israel or (b) has been declared by the Israel Minister of Defence as a state "hostile" to Israel.

3. Representations and Warranties by Lead Investors

Each of the Lead Investors hereby represents and warrants to the Bank that:

3.1. it is duly incorporated and validly existing under the laws of its jurisdiction of incorporation;

3.2. its signature on this Agreement and the performance by it of its obligations pursuant to this Agreement do not in any way contradict any rights of third parties, any contracts or agreements to which it is a party, its charter documents or any applicable law;

3.3. the execution of this Agreement and performance by it of its obligations under this Agreement are within its power and authority and have been duly and validly authorised by all necessary corporate action; and

3.4. this Agreement has been duly and validly executed by it and constitutes its valid, legal and binding obligations, enforceable against it in accordance with the terms of this Agreement.

4. Miscellaneous.

4.1. Governing Law; Jurisdiction. This Agreement shall be governed by and shall be construed in accordance with Israeli law and the courts of Tel-Aviv-Jaffa shall have exclusive jurisdiction to hear any matters, provided that the Bank shall be entitled to sue any of the Lead Investors in any jurisdiction in which such Lead Investor has an office or holds assets.

4.2. Successors and Assigns; Assignment. Except as otherwise expressly limited herein, the provisions hereof shall inure to the benefit of, and be binding upon, any Subsidiary of the Lead Investors or the Acquiring Person holding Shares, the successors and permitted assigns of the parties hereto. This Agreement may not be assigned by any party without the prior written consent of the other party hereto, provided that the Bank may assign this Agreement, in whole or in part, to any Affiliate of the Bank.

4.3. Entire Agreement; Amendment and Waiver. This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subject matter hereof. Any term of this Agreement may be amended and the observance of any term hereof may be waived (either prospectively or retroactively and either generally or in a particular instance) only with the written consent of the parties to this Agreement.

4.4. Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party upon any breach or default under this Agreement, shall be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. Unless provided otherwise herein, all remedies, either under this Agreement or by law or otherwise afforded to any of the parties, shall be cumulative and not alternative.

4.5. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable under applicable law, then such provision shall be excluded from this Agreement and the remainder of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms; provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

4.6. Counterparts. This Agreement may be executed in any number of counterparts (including facsimile counterparts), each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

4.7. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof.

4.8. Further Assurances. Each of the parties hereto shall perform such further acts and execute such further documents as may reasonably be necessary to carry out and give full effect to the provisions of this Agreement and the intentions of the parties reflected thereby.

4.9. Termination. This Agreement, and, for the avoidance of doubt, any rights that may have been previously enjoyed by the Acquiring Person and the Acquiring Person's nominee, shall not have any further force or effect and shall terminate upon the January 18, 2013 or such later date to which the CSA shall have been extended, provided that nothing in this Section 4.9 shall derogate from the last sentence of Section 2.2 above.

4.9.1. In the event the CSA terminates prior to January 18, 2013, each of the Lead Investors will remain obligated to the Acquiring Person and the Acquiring Person's nominee under this Agreement, including the first sentence of Section 2.2 above, provided that, if such Lead Investor has a nominee to the Board of Directors of Tower, each such Lead Investor's obligations shall be subject to the Acquiring Person agreeing to attend and vote (and/or, if applicable, cause any and all of its Subsidiaries holding Shares to vote) at general meetings of shareholders of Tower all of the Shares held by the Acquiring Person and its Subsidiaries for (and only for) (a) the election of (i) the Acquiring Person's nominee and (ii) such Lead Investor's nominee or nominees to the Board of Directors of Tower and (b) in the case of (i) and (ii) above, any other resolution which is necessary in order to finalize each such election and against any resolution the effect of which is to prevent each such election. For the removal of doubt, the provisions of this Section 4.9.1 shall apply to voting in relation only to the matters set out in (a) and (b) above and shall not restrict the rights of the Acquiring Person or the Lead Investors (and/or their respective Subsidiaries) to vote on other matters in such manner as they deem fit.

4.9.2. For the avoidance of doubt (a) if any such Lead Investor shall not have a nominee to the Board of Directors of Tower, such Lead Investor shall nonetheless remain obligated to the Acquiring Person and the Acquiring Person's nominee under this Agreement, including the first sentence of Section 2.2 above; (b) if Section 4.9.1 above is applicable and two or more Lead Investors have agreed to vote for one another's nominees, the vote by the Acquiring Person and, if applicable, its Subsidiaries, for all such nominees of such Lead Investors shall be deemed a vote for "(and only for)" the nominee of each such Lead Investor for the purposes of Section 4.9.1 above; and (c) nothing in this Agreement shall be deemed to constitute an undertaking by any of the Lead Investors to the Bank or to the Acquiring Person not to dispose of any Shares (without derogating from the provisions of the Facility Agreement, pursuant to which certain disposals of Shares by the Lead Investors would constitute an Event of Default (as defined in the Facility Agreement) of Tower or from the provisions of the CSA, pursuant to which certain disposals may not be permitted or may be subject to certain rights of the other Lead Investors).

IN WITNESS WHEREOF, each of the parties has signed this Agreement as of the date first hereinabove set forth.

BANK LEUMI LE–ISRAEL B.M.

By: /s/ Meir Marom
Name: Meir Marom
Title: Sector Manager

By: /s/ Shmulik Arbel
Name: Shmulik Arbel
Title: SRM
(Senior Relationship Manager)

THE ISRAEL CORPORATION LTD.

By: /s/ Yossi Rosen
Name: Yossi Rosen
Title: President and CEO

By: /s/ Avisar Paz
Name: Avisar Paz
Title: CFO

SANDISK CORPORATION

By: /s/ Eli Harrari
Name: Eli Harrari
Title: CEO

ALLIANCE SEMICONDUCTOR CORPORATION

By: /s/ Mel Keating
Name: Mel Keating
Title: President and CEO

MACRONIX INTERNATIONAL CO. LTD.

By: /s/ Miin Chyou Wu
Name: Miin Chyou Wu
Title: Chairman

Schedule

Lead Investors

The Israel Corporation Ltd., a company incorporated under the laws of Israel

Sandisk Corporation, a corporation incorporated under the laws of Delaware, USA

Alliance Semiconductor Corporation, a corporation incorporated under the laws of Delaware, USA

Macronix International Co. Ltd., a company incorporated under the laws of Taiwan

Exhibit 14

JOINT FILING AGREEMENT

In accordance with Rule 13d-1(k) under the Securities Exchange Act of 1934, as amended, the persons named below agree to the joint filing on behalf of each of them of a statement on Schedule 13D (including amendments thereto) with respect to ordinary shares, NIS 1.00 par value per share, of Tower Semiconductor Ltd., and further agree that this agreement (**"this Joint Filing Agreement"**) be included as an exhibit to such joint filing.

IN WITNESS WHEREOF, the undersigned hereby execute this Joint Filing Agreement.

for **BANK LEUMI LE-ISRAEL B.M.**

By:	/s/ Menachem Schwartz	/s/ Jennifer Janes
Title:	Chief Accounting Officer	Group Secretary
Date:	October 4, 2006	October 4, 2006

for **BANK HAPOALIM B.M.**

By:	/s/ Meiri Alterman	/s/ Eyal Issaharov
Title:	Customer Relationship Manager	Deputy Department Manager
Date:	October 5, 2006	October 5, 2006

for **TARSHISH HAHZAKOT VE HASHKAOT HAPOALIM LTD.**

By:	/s/ Ofer Levy	/s/ Zali Guter
Title:	Comptroller	Department Manager
Date:	October 5, 2006	October 5, 2006