

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

SCHEDULE 13D/A
Under the Securities Exchange Act of 1934
(Amendment No. 8)

Tower Semiconductor Ltd.

(Name of Issuer)

Ordinary Shares, NIS 1.00 par value per share

(Title of Class of Securities)

M87915100

(CUSIP Number)

Noga Yatziv
Israel Corporation Ltd.
23 Aranha Street
Tel Aviv 61070, Israel
972-3-684-4517

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

January 7, 2009

(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 Rule 13d-1(e), 13d-1(f) or 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 Rule 13d-7 for other parties to whom copies are to be sent.

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).

(Continued on following pages)

(Page 1 of 11 Pages)

1 NAMES OF REPORTING PERSONS: **Israel Corporation Ltd.**
 I.R.S. IDENTIFICATION NOS.
 OF ABOVE PERSONS: 000000000

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP: (a) o
 (b) x

3 SEC USE ONLY

4 SOURCE OF FUNDS: **WC**

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e): o

6 CITIZENSHIP OR PLACE OF ORGANIZATION: **Israel**

7 SOLE VOTING POWER: 225,855,979 (1)

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH 8 SHARED VOTING POWER: 28,743,275 (2)

9 SOLE DISPOSITIVE POWER: 225,855,979 (1)

10 SHARED DISPOSITIVE POWER: 24,652,367 (3)

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY REPORTING PERSON: 254,599,254 (1)(2)(3)(4)

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES: o

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11): 67.76% (4)

14 TYPE OF REPORTING PERSON: **CO**

(1) Includes (a) 14,260,504 Ordinary Shares (b) warrants and convertible debentures held by Israel Corporation Ltd. ("TIC") to purchase 5,502,643 Ordinary Shares (as defined in Item 1 below), of which, (i) 2,941,176 are exercisable within sixty (60) days at an exercise price of \$2.04 per Ordinary Share and (ii) 2,561,467 are issuable within sixty (60) days, upon the conversion of all the convertible debentures held by TIC, at a conversion price of \$1.10 per Ordinary Share, representing debt in the amount of \$2,817,609 and (c) 206,092,832 Ordinary Shares issuable within sixty (60) days upon conversion of the Capital Notes of Tower issued to TIC (the "Capital Notes").

(2) Includes: an aggregate of (i) 24,652,367 Ordinary Shares held by the other parties (the “Wafer Partners”) to the Consolidated Shareholders Agreement (incorporated herein as Exhibit 4) (and the amendment thereto, incorporated herein as Exhibit 12, the “Shareholders’ Agreement Amendment”), and (ii) convertible debentures held by the Wafer Partners, to purchase 4,090,908 are issuable within sixty (60) days, upon the conversion of all of the debentures held by such parties which were issued pursuant to the Company’s rights offering to all of its shareholders in December 2005 and January 2006 (the “Rights Offering”) at a conversion price of \$1.10 per Ordinary Share, representing debt in the aggregate amount of approximately \$4,499,999. The percentage of Ordinary Shares reported in this Amendment No. 8 as being beneficially owned by the Wafer Partners is based on publicly available information provided by Tower or other third parties.

(3) Includes: an aggregate of 24,652,367 Ordinary Shares held by the Wafer Partners.

(4) Consists of an aggregate of 254,599,254 Ordinary Shares (including the number of Ordinary Shares issuable pursuant to the warrants, debentures and Capital Notes referred to in footnotes (1) and (2) hereto), of which 225,855,979 Ordinary Shares (including the number of Ordinary Shares issuable pursuant to the warrants, convertible debentures and Capital Notes referred to in footnote (1) above) are held by TIC and 28,743,275 Ordinary Shares (including the number of Ordinary Shares issuable pursuant to the warrants and debentures referred to in footnote (2) above) are held by the Wafer Partners. The Shareholders’ Agreement Amendment provides for certain obligations and restrictions with respect to (a) the voting of the Ordinary Shares held by TIC and by the Wafer Partners (including the Ordinary Shares issuable pursuant to the warrants and convertible debentures described in footnotes (1) and (2) above) and (b) the disposition of the Ordinary Shares held by TIC and by the Wafer Partners (including the Ordinary Shares issuable pursuant to the warrants described in footnote (1)(i), and in footnote (3) above). The terms of the Consolidated Shareholders Agreement and the Shareholders’ Agreement Amendment are hereby specifically incorporated by reference herein. Neither the filing of this Amendment No. 8 to Schedule 13D nor any of its contents shall be deemed to constitute an admission by the Reporting Person (as defined in Item 2 below) that the Reporting Person and any other persons or entities constitute a “group” for purposes of Section 13(d) of the Exchange Act and the rules promulgated thereunder. Further, the filing of this Amendment No. 8 shall not be construed as an admission that the 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 direct voting and dispositive power, as reported herein. The Reporting Person disclaims any pecuniary interest in any securities of Tower owned by any other party, and expressly disclaims the existence of a group. Based on the number of Ordinary Shares of Tower outstanding as of January 8, 2009 (according to publicly available information provided by Tower to date) the number of Ordinary Shares of Tower covered by the Consolidated Shareholders Agreement and the Shareholders’ Agreement Amendment (assuming the exercise of the Ordinary Shares issuable pursuant to the warrants, convertible debentures and Capital Notes referred to in footnotes (1) and (2) hereto) represents approximately 67.76% of the outstanding Ordinary Shares. The above number of outstanding Ordinary Shares does not include 1,300,000 treasury shares held by a trustee for the benefit of Tower’s employee stock option plan.

Item 1. Security and Issuer.

The name of the issuer to which this Amendment No. 8 (as defined below) 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 Amendment No. 8 relates to Tower’s Ordinary Shares, NIS 1.00 par value per share (the “Ordinary Shares”). This constitutes Amendment No. 8 (the “Amendment No. 8”) to Schedule 13D filed previously by the Reporting Person (as defined in Item 2 below). The percentage of Ordinary Shares reported in this Amendment No. 8 as being beneficially owned by the Reporting Person and any other information disclosed herein (other than descriptions of agreements and transactions to which the Reporting Person is a party) is based on publicly available information provided by Tower or other third parties.

Item 2. Identity and Background

This Amendment No. 8 is filed on behalf of Israel Corporation Ltd. (“TIC” or the “Reporting Person”). The Reporting Person was organized under the laws of the State of Israel.

The principal business address of the Reporting Person is 23 Aranha Street, Tel Aviv 61070 Israel. The principal business of the Reporting Person is a holding company.

Set forth below is certain current information regarding the executive officers and directors of the Reporting Person:

Name/Position with TIC	Business Address	Principal Occupation and Name and address of Employer	Country of Citizenship
Idan Ofer - Chairman of the Board	23 Aranha St. Tel-Aviv	23 Aranha St. Tel-Aviv	Israel
Ehud Angel – Director	23 Aranha St. Tel-Aviv	Chairman of Ofer (Ships Holdings) Ltd. - Einstein 40, Ramat Aviv, Israel	Israel
Yair Seroussi – Director	23 Aranha St. Tel-Aviv	Head of Morgan Stanley Israel 17 Ha'dganim St. Givataym	Israel
Avi Levy – Director	23 Aranha St. Tel-Aviv	CEO of Ofer Management Abba Even 1, Herzliya Israel	Israel
Moshe Vidman - Director	23 Aranha St. Tel-Aviv	Director and manager of companies – 14 Megadim St. Yafe Nof, Jerusalem	Israel
Irit Izakson - Director	23 Aranha St. Tel-Aviv	Professional Director- 15 Matityahu Cohen Gadol St. Tel Aviv 62268	Israel
Amnon Lion - Director	23 Aranha St. Tel-Aviv	Chairman, and CEO of Zodiac Maritime Agencies Ltd. - Andrei Sacharov 9, Haifa, Israel	Israel
Avraham Anaby – Alternate Director	23 Aranha St. Tel-Aviv	9 Margalit St. Haifa, Israel	Israel
Jacob Amidror Director	23 Aranha St. Tel-Aviv	VP of the Lander Institute in Jerusalem	Israel
Zeev Nahari Director	23 Aranha St. Tel-Aviv	Senior Deputy Chief Executive Officer of Bank Leumi	Israel
Ron Moskovitz Director	23 Aranha St. Tel-Aviv	Meadway 69, Hampstead Garden Suburb, Nw11 6qj, London	Israel
Gideon Langholz Director	23 Aranha St. Tel-Aviv	President of HIT – Holon Institute of Technology	Israel

Name/Position with TIC	Business Address	Address of Employer	Country of Citizenship
Nir Gilad - President & Chief Executive Officer	23 Aranha St. Tel-Aviv	23 Aranha St. Tel-Aviv	Israel
Avisar Paz - Chief Financial Officer	23 Aranha St. Tel-Aviv	23 Aranha St. Tel-Aviv	Israel
Allon Raveh - Vice President Business Development	23 Aranha St. Tel-Aviv	23 Aranha St. Tel-Aviv	Israel
Elie Goldschmidt - Vice President Communication and Regulatory Affairs	23 Aranha St. Tel-Aviv	23 Aranha St. Tel-Aviv	Israel
Shmuel Rosenblum - Internal Auditor	23 Aranha St. Tel-Aviv	23 Aranha St. Tel-Aviv	Israel
Adv. Noga Yatziv - Company Secretary & Assistant to the President	23 Aranha St. Tel-Aviv	23 Aranha St. Tel-Aviv	Israel
Haviva Shefet - Comptroller	23 Aranha St. Tel-Aviv	23 Aranha St. Tel-Aviv	Israel

The Reporting Person is a public company traded on the Tel Aviv Stock Exchange. As such, all decisions relating to the voting or disposition of stock of the issuer are made by the board of directors of the Reporting Person that contains two independent directors. A discretionary trust in which Idan Ofer is a prime beneficiary indirectly holds 80% of Millennium Investments Elad Ltd. ("Millennium") which holds approximately 46.94% of the shares of the Reporting Person. This discretionary trust also indirectly holds an additional 0.74% of the shares of the Reporting Person. A second discretionary trust in which Idan Ofer is a prime beneficiary holds 50% of a company that indirectly holds (i) 20% of Millennium and (ii) 2.9% of the shares of the Reporting Person. Mr. Ofer also owns approximately 3.85% of the shares of the Reporting Person.

During the last five years, no Reporting Person nor any of the executive officers or directors of the Reporting Person has been: (i) convicted in a criminal proceeding (excluding traffic violations and similar misdemeanors); or (ii) a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities 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.

As a condition precedent to agreements with Tower's lender banks, Bank Leumi Le-Israel, B.M. and Bank Hapoalim, B.M. (the "Banks"), for the restructuring of Tower's debt signed and closed in September 2008, a total of \$250 million of Tower's debt to the Banks and TIC, was converted into equity equivalent convertible capital notes of Tower ("Capital Notes"), exercisable into Ordinary Shares. In September 2008, TIC also invested \$20 million in Tower in exchange for Capital Notes of Tower, exercisable into 28,169,014 ordinary shares of Tower.

Furthermore, at such time, TIC committed to invest up to an additional \$20 million by the end of 2009 to cover, from time to time, certain shortfalls in Tower's cash position pursuant to the Undertaking, dated September 25, 2008, incorporated herein as Exhibit 24 (the "Undertaking"). On January 7, 2009, TIC made this \$20 million investment in Tower in accordance with the Undertaking. Prior to such investment, the Undertaking was amended to provide that the conversion price per share of the Capital Notes shall not be lower than the par value of Tower's ordinary shares, converted into US Dollars, in accordance with certain restrictions in the Israeli Companies Laws. The amendment was incorporated herein as Exhibit 99-1. In consideration for such additional investment, TIC received an amount of Capital Notes of Tower exercisable into 76,923,076 ordinary shares of Tower. The Capital Note is incorporated herein as Exhibit 99-2. The ordinary shares to be issued upon conversion of the Capital Notes to be issued pursuant to capital notes issued to TIC are covered by the amended and restated registration rights agreement with Tower, incorporated herein by reference as Exhibit 20.

The acquisition of Capital Notes by TIC was funded out of working capital.

Item 4. Purpose of Transaction.

The purpose of the acquisition of the Capital Notes by TIC as provided for in the respective agreements incorporated herein was to participate in restructuring Tower's debt obligations and investing additional capital in Tower.

Item 5. Interest in Securities of the Issuer.

(a)-(b) As a result of the Consolidated Shareholders' Agreement and the Shareholders' Agreement Amendment, each party thereto may be deemed to be the beneficial owner of at least 254,599,254 Ordinary Shares. Such shares constitute approximately 67.76% of the beneficial ownership, based on the capitalization of the Tower as of the date hereof (according to publicly available information provided by Tower to date) and calculated in accordance with Rule 13d-3(d)(i) of the Act. Such beneficial ownership is based on (i) the ownership, by TIC, SanDisk, and Macronix of 14,260,504, 15,878,972, and 8,773,395 Ordinary Shares, respectively, (ii) the right of TIC to purchase 211,595,475 Ordinary Shares exercisable within sixty (60) days of the date hereof (of which 2,561,467 are issuable upon conversion of all of the convertible debentures issued to TIC in the Rights Offering, 2,941,176 warrants are exercisable within sixty (60) days at an exercise price of \$2.04 per Ordinary Share and 206,092,832 are issuable upon conversion of the Capital Notes), (iii) the right of SanDisk and Macronix to purchase in the aggregate 4,090,908 Ordinary Shares, within sixty (60) days, upon the conversion of all the debentures purchased pursuant to the Rights Offering which are held by such parties.

The statements in this Amendment No. 8 shall not be construed as an admission by the Reporting Person that any such Reporting Person and any other persons or entities constitute a "group" for purposes of Section 13(d) of the Exchange Act and the rules promulgated thereunder. Further, the filing of this Amendment No. 8 shall not be construed as an admission that the 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 direct voting and dispositive power, as reported herein. The Reporting Person disclaims any pecuniary interest in any securities of Tower owned by any other party, and expressly disclaims the existence of a group.

(c) Except as set forth above, neither the Reporting Person, nor, to the best of its knowledge, any of their directors or executive officers, has effected any transaction in any securities of Tower during the past sixty (60) days.

(d) No person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, securities covered by this statement.

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

With the exception of the agreements in previous amendments to the Schedule 13D or attached hereto as exhibits and incorporated herein in their entirety by reference, to the knowledge of the Reporting Person, there are no contracts, arrangements, understandings or relationships (legal or otherwise) among the persons named in Item 2 and between such persons and any person with respect to any securities of the Tower, including but not limited to transfer or voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies.

Item 7. Materials to be Filed as Exhibits.

The following exhibits are filed herewith:

Exhibit No.	Description
1.	Share Purchase Agreement, dated as of December 12, 2000, between Israel Corporation Ltd. and Tower Semiconductor Ltd.*
2.	Additional Purchase Obligation Agreement, dated as of December 12, 2000, between Israel Corporation Ltd. and Tower Semiconductor Ltd.*
3.	Registration Rights Agreement, dated as of January 18, 2001, by and among Israel Corporation Ltd., SanDisk Corporation, Alliance Semiconductor Ltd., Macronix International Co., Ltd. and QuickLogic Corporation.*
4.	Consolidated Shareholders Agreement, dated as of January 18, 2001, by and among Israel Corporation Ltd., SanDisk Corporation, Alliance Semiconductor Ltd. and Macronix International Co., Ltd.*
5.	Trustee Nomination Letter, dated January 25, 2001, between Zvi Ephrat and Israel Corporation Ltd.*
6.	Amendment to Payment Schedules of Series A-3 and Series A-4 Additional Purchase Obligations, dated March 26, 2002.*
7.	Letter, dated July 23, 2002, regarding Participation in Rights Offering, executed by Israel Corporation Technologies (ICTech) Ltd., SanDisk Corporation, Alliance Semiconductor Corporation and Macronix (BVI) Co., Ltd.*
8.	Joint Filing Agreement, dated December, 2002.*

Exhibit No.	Description
9.	Amendment to Payment Schedules of Series A-5 Additional Purchase Obligations, dated February 24, 2003.*
10.	Amendment to Payment Schedules of Series A-5 Additional Purchase Obligations, dated February 24, 2003.*
11.	Side Letter for Amendment to Payment Schedules of Series A-5 Additional Purchase Obligations, dated April 14, 2003.*
12.	Amendment No.3 to Payment Schedule of Series A-5 Additional Purchase Obligations, Waiver of Series A-5 Conditions, Conversion of Series A-4 Wafer Credits and Other Provisions, dated November 11, 2003. *
13.	Securities Purchase Agreement, dated as of August 24, 2006, between Israel Corporation Ltd. and Tower Semiconductor Ltd.*
14.	Registration Rights Agreement, dated as of September 28, 2006, between Israel Corporation Ltd. and Tower Semiconductor Ltd.*
15.	Voting Agreement, dated as of September 28, 2006, by and among Israel Corporation Ltd., SanDisk Corporation, Alliance Semiconductor Ltd., Macronix International Co., Ltd. and Bank Hapoalim B.M.*
16.	Voting Agreement, dated as of September 28, 2006, by and among Israel Corporation Ltd., SanDisk Corporation, Alliance Semiconductor Ltd., Macronix International Co., Ltd. and Bank Leumi Le-Israel B.M.*
17.	Tag-Along Agreement, dated as of September 28, 2006, between Israel Corporation Ltd., and Bank Hapoalim B.M.*
18.	Tag-Along Agreement, dated as of September 28, 2006, between Israel Corporation Ltd., and Bank Leumi Le-Israel B.M.*
19.	Securities Purchase Agreement, dated as of September 25, 2008, by and between Israel Corporation Ltd. and Tower Semiconductor Ltd. *
20.	Amended and Restated Registration Rights Agreement, dated as of September 25, 2008, by and between Israel Corporation Ltd. and Tower Semiconductor Ltd. *
21.	Conversion Agreement, dated as of September 25, 2008, by and between Israel Corporation Ltd. and Tower Semiconductor Ltd. *

Exhibit No.	Description
22.	Amendment No. 1 to Tag-Along Agreement, dated September 25, 2008, by and between Israel Corporation Ltd. and Bank Hapoalim B.M.*
23.	Amendment No. 1 to Tag-Along Agreement, dated September 25, 2008, by and between Israel Corporation Ltd. and Bank Leumi Le-Israel B.M.*
24.	Safety Net Undertaking of Israel Corporation Ltd. to Tower Semiconductor Ltd., dated September 25, 2008. *
25.	Equity Capital Notes of Tower Semiconductor Ltd. received by Israel Corporation Ltd., dated September 25, 2008. *
26.	Fee Letter, dated September 25, 2008, from Tower Semiconductor Ltd. to Israel Corporation Ltd. *
99-1.	Amendment to Safety Net Undertaking, dated January 6, 2009.
99-2.	Equity Equivalent Convertible Capital Note of Tower Semiconductor Ltd. dated January 7, 2009.

*Previously filed.

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.

Dated: January 13, 2009

ISRAEL CORPORATION LTD.

By: /s/ Nir Gilad
Name: Nir Gilad
Title: President and Chief Executive Officer

By: /s/ Avisar Paz
Name: Avisar Paz
Title: Chief Financial Officer

Exhibit Index

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9.	Amendment to Payment Schedules of Series A-5 Additional Purchase Obligations, dated February 24, 2003.*
10.	Amendment to Payment Schedules of Series A-5 Additional Purchase Obligations, dated February 24, 2003.*
11.	Side Letter for Amendment to Payment Schedules of Series A-5 Additional Purchase Obligations, dated April 14, 2003.*
12.	Amendment No.3 to Payment Schedule of Series A-5 Additional Purchase Obligations, Waiver of Series A-5 Conditions, Conversion of Series A-4 Wafer Credits and Other Provisions, dated November 11, 2003. *
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- 99-1. Amendment to Safety Net Undertaking, dated January 6, 2009.
- 99-2. Equity Equivalent Convertible Capital Note of Tower Semiconductor Ltd. dated January 7, 2009.

*Previously filed.

Tower Semiconductor Ltd.

Re: Amendment to Undertaking

Reference is made to the Undertaking dated September 25, 2008 (the "Undertaking"), furnished by Israel Corporation Ltd. (hereinafter: the "Company" or the "Safety Net Investor") to Tower Semiconductor Ltd. (hereinafter: "Tower"). Each of the undersigned agrees and consents that the Undertaking shall be amended as follows:

1. The following shall be added to the end of the definition of Capital Notes in Section 2.3 of the Undertaking:
 " , provided that such amount per share shall not be lower than the par value per share of Tower's ordinary shares as converted to US Dollars on the date on which such Safety Net Investment is made at the representative rate of exchange of New Israeli Shekels to US Dollars, last published by the Bank of Israel."
2. Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Undertaking.
3. Other than the amendments to the Undertaking specifically mentioned herein, all other provisions of the Undertaking shall remain unchanged and in full force and effect.
4. This Amendment may be executed in any number of counterparts and by facsimile signature, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

ISRAEL CORPORATION LTD.

By: _____
 Title: _____

We hereby confirm and agree to the above

TOWER SEMICONDUCTOR LTD.

By: _____
 Title: **Open Shirazi, C.P.A.**
 VP & CFO
 Tower Semiconductor Ltd.

By: **Yoram Giat**
 Treasurer
 Tower Semiconductor Ltd.

We hereby consent to the above amendment

for **BANK HAPUAL M.B.M.** for **BANK LEUMI LE-ISRAEL B.M.**
 By: _____ By: _____
 Title: **FRANZIS FERT** Title: **Liat Korfury**

Tower Semiconductor Ltd.

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Reference is made to the Undertaking dated September 25, 2008 (the "Undertaking"), furnished by Israel Corporation Ltd. (hereinafter: the "Company" or the "Safety Net Investor") to Tower Semiconductor Ltd. (hereinafter: "Tower"). Each of the undersigned agrees and consents that the Undertaking shall be amended as follows:

1. The following shall be added to the end of the definition of Capital Notes in Section 2.3 of the Undertaking:
 " provided that such amount per share shall not be lower than the par value per share of Tower's ordinary shares as converted to US Dollars on the date on which such Safety Net Investment is made at the representative rate of exchange of New Israeli Shekels to US Dollars, last published by the Bank of Israel."
2. Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Undertaking.
3. Other than the amendments to the Undertaking specifically mentioned herein, all other provisions of the Undertaking shall remain unchanged and in full force and effect.
4. This Amendment may be executed in any number of counterparts and by facsimile signature, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

ISRAEL CORPORATION LTD.

By: _____
Title: _____

We hereby confirm and agree to the above

TOWER SEMICONDUCTOR LTD.

By: _____
Title: Open Shirazi, C.P.A. Yoram Glatt
V.P. & CFO Treasurer
Tower Semiconductor Ltd.

We hereby consent to the above amendment

for BANK HAPOLIM B.M.

By: _____
Title: _____

for BANK LEUMI LE-ISRAEL B.M.

By: Anat Golan
Title: ANAT GOLAN
3245

Eilat Greenberg

גלית גרינברג
4807

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 REGULATIONS UNDER THE ACT.

EQUITY EQUIVALENT CONVERTIBLE CAPITAL NOTE

(Principal Amount of US \$20,000,000)

THIS EQUITY EQUIVALENT CONVERTIBLE CAPITAL NOTE (“**this Capital Note**”) in the principal amount of US \$20,000,000 (“**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 Israel Corporation Ltd. (“**the Holder**”). This Capital Note was originally issued by the Company pursuant to an undertaking furnished by Israel Corporation Ltd. to the Company on September 25, 2008, in a principal amount equal to 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 Following the effective date of any Registration Statement covering the Conversion Shares or any of them, bracketed language to be removed from Capital Notes relating to such Conversion Shares and, at the request of the Holder, a substitute Capital Note omitting the bracketed language will promptly be delivered to the Holder.

- 1.1. **“Company”** includes any person that shall succeed to or assume the obligations of the Company under this Capital Note.
- 1.2. **“Holder”** shall mean any person who at the time shall be the registered holder of this Capital Note or any part thereof.
- 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 \$0.26, 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.

² Following the effective date of any Registration Statement covering the Conversion Shares or any of them, bracketed language to be removed from all future Capital Notes to be issued with respect to such Conversion Shares 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 any Registration Statement covering the Conversion Shares or any of them,, 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 with respect to such Conversion Shares, and, at the request of the Holder, a substitute Capital Note having such replacement language will promptly be delivered to the Holder.

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.

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, 2023, 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:	Israel Corporation Ltd. Millennium Tower 23 Aranha St. Tel-Aviv, Israel 61070 <i>Attention: Chief Financial Officer</i> <i>Facsimile: 972-3-684-4574:</i>
<i>with a copy to:</i>	Gornitzky & Co. 45 Rothschild Blvd. Tel Aviv, Israel 65784 <i>Attention: Zvi Ephrat, Adv.</i> <i>Facsimile: (03) 560 6555</i>
If to the Company:	Tower Semiconductor Ltd. P.O. Box 619 Ramat Gabriel Industrial Zone Migdal Haemek 23105 Israel <i>Attention: Oren Shirazi, Acting Chief Financial Officer</i> <i>Facsimile: (04) 604 7242</i>
<i>with a copy to:</i>	Yigal Arnon & Co. 1 Azrieli Center Tel Aviv Israel <i>Attention: David H. Schapiro, Adv.</i> <i>Facsimile: (03) 608 7714</i>

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: January 7, 2009

for **TOWER SEMICONDUCTOR LTD.**

By: Tziona Shriki Oren Shirazi

Title: VP Finance & Vice CFO CFO
