FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

For the month of December 2003

TOWER SEMICONDUCTOR LTD.
(Translation of registrant's name into English)

P.O. BOX 619, MIGDAL HAEMEK, ISRAEL 10556
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F___

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes [ ] No [x]

As previously announced and reported, on November 11, 2003, the Registrant entered into amendment agreements with its banks and its major investors for the continued funding of the Fab 2 project.

On December 16, 2003, the Registrant announced receipt of the fifth and final Fab 2 milestone payment from its strategic partners and the closing of the aforementioned amendment to its credit facility for the continued financing of Fab 2.

Annexed as Exhibits 99.1 through 99.5 are copies of the amendment agreements and the press release:

99.1. Seventh Amendment to the Facility Agreement dated November 11, 2003.

99.2. Undertaking of The Israel Corporation Ltd. dated November 11, 2003.

99.3. Undertaking of the Registrant dated November 11, 2003.

99.4. Letter Agreement dated November 11, 2003 by and among the Registrant, Israel Corporation Technologies, SanDisk Corporation, Alliance Semiconductor Corporation and Macronix International Co., Ltd.

99.5. Press Release

This Form 6-K is being incorporated by reference into (i) the Registrant's Registration Statement on Form F-3 filed with the Commission on November 14, 2003 (File No. 333-110486) and (ii) all currently effective registration statements of the Registrant under the Securities Act of 1933.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TOWER SEMICONDUCTOR LTD.

Date: December 17, 2003

By: /s/ Tamar Cohen

Tamar Cohen
Corporate Secretary

SEVENTH AMENDMENT
TO THE FACILITY AGREEMENT

Made and entered into on this 11th day of November, 2003, by and between:

(1) TOWER SEMICONDUCTOR LTD. ("THE BORROWER")

and

(2) BANK LEUMI LE-ISRAEL B.M. AND BANK HAPOALIM B.M. ("THE BANKS")

WHEREAS: the Borrower, on the one hand, and the Banks, on the other hand, are parties to a Facility Agreement dated January 18, 2001, as amended pursuant to a letter dated January 29, 2001 ("THE FIRST AMENDMENT"), a Second Amendment dated January 10, 2002 ("THE SECOND AMENDMENT"), a letter dated March 7, 2002 ("THE THIRD Amendment"), a letter dated April 29, 2002 ("THE FOURTH AMENDMENT"), a letter dated September 18, 2002, as amended on October 22, 2002 ("THE FIFTH AMENDMENT") and a letter dated June 10, 2003 ("THE SIXTH AMENDMENT") (the Facility Agreement, as amended as aforesaid, hereinafter "THE FACILITY AGREEMENT"); and

WHEREAS: the Borrower and the Banks have agreed to amend the Facility Agreement in the manner set out below ("THIS SEVENTH AMENDMENT"),

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. INTERPRETATION

1.1. Terms defined in the Facility Agreement shall have the same meanings when used in this Seventh Amendment.

1.2. References herein to clauses and paragraphs, are to clauses and paragraphs of the Facility Agreement.

1.3. References herein to sections, are to sections of this Seventh Amendment.

2. AMENDMENT

Subject to the fulfilment of the conditions precedent referred to in section 3 below, the Facility Agreement shall, with effect from the date upon which the Banks shall, pursuant to section 3.2 below, have confirmed in writing fulfilment of all of the conditions precedent set out in section 3 below (if fulfilled) (such date hereinafter being referred to as the "SEVENTH AMENDMENT CLOSING DATE"), be amended in the manner set out below:

2.1. Clause 1 (Interpretation) shall be amended as follows:

2.1.1. clause 1.1.4 ("Advance") shall be amended by the insertion of the following, after the words "clause 5.2 below":

"(including, for the removal of doubt, in respect of the Safety Net Loans);"

2.1.2. clause 1.1.16 ("Business Plan") shall be amended by deleting the words "January 2001" and substituting the words "No. 75, October 2003" therefor;

2.1.3. clause 1.1.18 ("a Change of Ownership") shall be amended as follows:

(i) in paragraph (a) thereof, by deleting the words "3 (three)" and substituting therefor the words "5 (five)"; and

(ii) in paragraph (a)(ii) thereof, by replacing the current language with the following:

"TIC ceases to hold the higher of:

(1) at least 8,000,000 (eight million) shares of the Borrower; or

(2) 16.5% (sixteen point five percent) of the total outstanding issued share capital of the Borrower; provided, however, that: (A) the sale by TIC of up to 2,000,000 (two million) shares (the "FREE Shares") shall not be taken into account, inter alia, for the purposes of this clause 1.1.18(a)(ii)(2), nor be deemed as a `Change of Ownership', provided

that TIC continues to hold at least 8,000,000 (eight million) shares of the Borrower; (B) if TIC's percentage ownership of the Borrower as required in this clause 1.1.18(a)(ii)(2) above is reduced below 16.5% (sixteen point five percent) as a result of additional issuances after the Seventh Amendment Closing Date by the Borrower of shares ((i) whether before or after sales by TIC of Free Shares or (ii) after sales of shares by TIC that did not bring the shareholdings of TIC under 16.5% (sixteen point five percent) of the total outstanding issued share capital of the Borrower), such reduction below 16.5% (sixteen point five percent) shall not be deemed a `Change of Ownership'; and (C) shares acquired by TIC after the Seventh Amendment Closing Date shall not be taken into account, inter alia, for the purposes of this clause 1.1.18(a)(ii)(2) and the sale of such shares shall not be deemed a `Change of Ownership' and TIC shall be permitted to sell such acquired shares at any time; and"

(iii) in paragraphs (a)(iii) and (b) thereof, the words "timeous fulfilment of all the Milestones and" shall be deleted and the following shall be added to the end thereof and the following shall be taken into account for the purposes of the definition of Committed Minimum Shareholdings in paragraph (c) thereof:

"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."

(iv) in paragraph (d)(i) thereof, by replacing the current language thereof with the following:

"For the purposes of this paragraph, the "Number of Shares" shall mean the number of shares of Tower held by TIC on January 29, 2006, less (i) the Free Shares not sold by

TIC since the date of the Seventh Amendment, (ii) the number of shares that were purchased after the date of the Seventh Amendment but before January 29, 2006 and not yet sold, and (iii) the number of shares that are held by TIC on January 29, 2006 above 16.5% (sixteen point five percent) of the total outstanding issued share capital of the Borrower; provided that for purposes of determining the number of shares in this (iii), the number of shares described in (i) and (ii) above shall not be taken into account and provided further that the Number of Shares shall not be less than 8,000,000 (eight million) shares of the Borrower;

TIC holds in any period below less than that Number of Shares specified for such period below: (1) the period commencing on January 29, 2006 and ending on January 28, 2007--75% of the Number of Shares; (2) the period commencing on January 29, 2007 and ending on January 28, 2008--45% of the Number of Shares; and (3) the period commencing on January 29, 2008 and ending on January 28, 2009-10% of the Number of Shares".

and

(v) in paragraph (e) thereof, by deleting the words "the planned date for the achievement of the Fifth Milestone (as referred to in Schedule 1.1.104 hereto)" and substituting therefor the words "June 30, 2004";

2.1.4. the following shall be added to the end of clause 1.1.22 ("Commitment"):

"Notwithstanding the aforegoing, in the event that the Banks exercise, in their sole discretion, their option under clause 16.34.1 below to require a Safety Net Investment in the Borrower in accordance therewith and such Safety Net Investment is in fact made pursuant to clause 16.34.1 below, then each Bank's Commitment under the Facility shall, at the time of such Safety Net Investment, be increased by its Proportion (excluding in relation to the Safety Net Investment) of an amount equal to US $43 (forty-three United States Dollars) for every US $50 (fifty

United States Dollars) of Safety Net Investments actually made by Safety Net Investors pursuant to clause 16.34.1 below, all as set out in clause 16.34 below."

2.1.5. the words "the Initial Loans" in clause 1.1.34 ("Credit") in the third line shall be deleted and the words "the Reborrowed Loans and the Safety Net Loans" substituted therefor;

2.1.6. in clause 1.1.49A ("Equity Convertible Debentures"), the words "issued by no later than May 31, 2002 and that they" shall be deleted;

2.1.6A in clause 1.1.51 ("Event of Default"), the words "17.2-17.20A (inclusive)" shall be replaced with "17.2-17.20B (inclusive)";

2.1.7. clause 1.1.60 ("Final Maturity Date") shall be amended to read as follows:

"`FINAL MATURITY DATE' - means December 31, 2010; provided, however, that if a Safety Net Investment is made, the Final Maturity Date shall be June 30, 2011;"

2.1.8. clause 1.1.74 ("Initial Loans") shall be deleted and the words "[Intentionally Deleted]" substituted therefor;

2.1.9. in clause 1.1.77 ("Insurance Report"), there shall be inserted after the word "Borrower", the words:

"including all revisions thereto in the form to be prepared by the Insurance Adviser and addressed to the Banks and the Borrower;"

2.1.10. in clause 1.1.84(c) ("Interest Periods"), the words "during the Availability Period" shall be deleted;

2.1.11. clause 1.1.96 ("Loan") shall be amended by deleting the words "or the Initial Loans" and substituting the words "or the Reborrowed Loans or the Safety Net Loans, if any", therefor;

2.1.12. clause 1.1.97 ("Loan Maturity Date") shall be amended to read as follows:

"`LOAN MATURITY DATE' - means, in respect of:

(a) all Loans outstanding on December 31, 2003 (including, for the removal of doubt, all Advances consolidated into a Loan in accordance with clause 5.2.4 below, on the last Business Day of the Quarter ending on December 31, 2003), December 31, 2003;

(b) the Reborrowed Loans, December 31, 2009;

(c) each Loan (other than a Safety Net Loan) made after December 31, 2003, the 6th (sixth) anniversary of the date on which the Advances constituting such Loan are consolidated into such Loan in accordance with clause 5.2.4 below; and

(d) each Safety Net Loan, if any, the earlier of December 31, 2007 and the 3rd (third) anniversary of the date on which the Advances constituting such Safety Net Loan are consolidated into such Safety Net Loan in accordance with clause 5.2.4 below;"

2.1.13. clause 1.1.106 ("Net Cash Flow") shall be amended as follows:

(i) by inserting the words, "or during the period described in the final paragraph of clause 16.29 below only, as specified in Schedule 1.1.106A hereto" after the words "in Schedule 1.1.106 hereto"; and

(ii) by deleting the words "1.5% (one and-a-half percent)" and substituting "2.5% (two and-a-half percent)" therefor;

2.1.14. clause 1.1.113 ("Permitted Distribution") shall be amended as follows:

(i) the date "January 1, 2006" in paragraph (a) thereof shall be deleted and the date "January 1, 2008" substituted therefor; and

(ii) in subparagraph (b)(ii) thereof, the words "(that is, on the basis that the SDPP shall have fallen within Q3'03)" shall be deleted;

2.1.15. clause 1.1.114(d) ("Permitted Encumbrances") shall be deleted;

2.1.16. in clause 1.1.115 ("Permitted Financial Indebtedness"):

(i) in the first sentence of paragraph (c) thereof, the words "(which may be secured by way of a first-ranking fixed charge (only) over the items of equipment listed in SCHEDULE 1.1.115(C)(1) hereto)" shall be deleted; and

(ii) the second sentence of paragraph (c) thereof shall be deleted;

2.1.17. in clause 1.1.118 ("Permitted Subordinated Debt"):

(i) paragraph (e) thereof shall be amended to read as follows:

(a) the first sentence shall be deleted and replaced by the following:

"the Borrower shall procure that, at all times, an amount equal to 20% (twenty percent) of the outstanding principal amount of all convertible debentures (as may be increased from time to time through the issuance of additional convertible debentures and as may be decreased from time to time through repayment by the Borrower of outstanding principal of some or all of the convertible debentures) shall be deposited in an account with either Bank Hapoalim or Bank Leumi (`THE

RESERVE ACCOUNT') which account shall be duly pledged in favour of the Banks, by way of a first-ranking fixed charge under the Debenture, as security for the payment of all amounts by the Borrower under the Finance Documents."

(b) in the second sentence, the amount US $396,000,000 (three hundred and ninety-six million United States Dollars)" shall be deleted and replaced by "US $544,000,000 (five hundred and forty-four million United States Dollars)" and "50% (fifty percent)" wherever it appears shall be deleted and replaced by "20% (twenty percent)"; and

(c) following the second sentence, the following shall be added:

"This clause 1.1.118(e) shall not apply to convertible debentures issued to Safety Net Investors within the framework of a Safety Net Investment."

(ii) paragraph (g) shall be amended as follows:

(a) by deleting the date "July 1, 2005" in subparagraph (i) thereof and substituting therefor the date "July 1, 2007";

(b) the year "2006" in subparagraph (ii) thereof shall be deleted wherever it appears and the year "2008" substituted therefor;

(c) the date "January 1, 2007" in subparagraph (iii) thereof shall be deleted and the date "January 1, 2009" substituted therefor; and

(d) the following shall be added at the end thereof:

"Provided that: (1) the aforegoing provisions of this paragraph (g) shall not apply in respect of those Equity Convertible Debentures issued in January 2002 (`THE 2002 EQUITY CONVERTIBLE DEBENTURES'), in respect of which the cumulative amounts on

account of principal of approximately US $24,000,000 (twenty-four million United States Dollars) which are to be repaid shall be repayable in 4 (four) instalments on January 20 of the years 2006-2009; and (2) the amount specified in (i) above of this paragraph (g) shall be reduced by the amount of any principal repaid on account of the 2002 Equity Convertible Debentures prior to July 1, 2007; and the amount referred to in (ii) above of this paragraph (g) shall be reduced by the amount of any principal repaid on account of the 2002 Equity Convertible Debentures prior to 2008 not already applied to reduce the amount under (i) above of this paragraph (g), i.e., to the extent exceeding US $20,000,000 (twenty million United States Dollars) in aggregate."

2.1.18. clause 1.1.132 ("SDPP") shall be deleted and replaced by the following:

"`SDPP' - means the date on which the Banks receive written notice signed by the Consulting Engineer certifying that Fab 2 has a production capacity of 10,000 (ten thousand) wafer starts per month based on the parameters set forth in SCHEDULE 1.1.132 hereto;

2.1.19. clause 1.1.133 ("Security Documents") shall be amended by adding thereto new paragraphs (f) and (g), as follows:

"(f) the Safety Net Undertaking; and

(g) Outside Investment Undertakings;"

2.1.20. clause 1.1.137 ("Termination Date") shall be amended to read as follows:

"`TERMINATION DATE'	-	means December 31, 2004; provided that, if a Safety Net Investment is made, `the Termination Date' shall mean June 30, 2005;"

2.1.21. there shall be inserted at the end of clause 1.1.147 (Warrants"), before the semi-colon, the following words:

"as well as any other warrants to acquire shares of the Borrower issued by the Borrower to the Banks from time to time;"

2.1.22. in clause 1.3.14, the word "Sales" shall be inserted after the words "`Excess Cash Flow';".

and

2.1.23. the following new definitions shall be added:

(i) as new clause 1.1.9A:

"`BANK ADVISER'	-	shall bear the meaning assigned to such term in clause 16.16.3 below;"

(ii) as new clause 1.1.13A:

"`BORROWER OFFERING UNDERTAKING'	-	means the undertaking of the Borrower, inter alia, to complete a rights offering in the event a Contribution Notice (as defined in clause 16.34.1 below), is delivered to it, such undertaking to be in the form of SCHEDULE 1.1.13A hereto;"

(iii) as new clause 1.1.111A:

"`OUTSIDE INVESTMENT UNDERTAKING'	-	shall bear the meaning assigned to such term in clause 16.35.1 below;"

(iv) as new clause 1.1.127A:

"`SAFETY NET INVESTMENT'	-	means the amount actually received by the Borrower from Safety Net Investors for Units, as defined in Schedule 1.1.13A hereof, purchased from the Borrower in a public offering or a private placement following, and in accordance with, a Contribution Notice (as defined in clause 16.34.1 below) delivered in the sole discretion of the Banks to the Borrower (with a copy to the Safety Net Obligor) by the Banks. For the removal of doubt, amounts invested pursuant to clauses 4.5, 4.6 and 16.27.1 below shall not constitute Safety Net Investments;"

(v) as new clause 1.1.127B:

"`SAFETY NET INVESTOR AUDITOR'	-	means the respective auditors of the Safety Net Investors, provided that each such auditor is one of the "big four" internationally recognised firms of auditors (or a local country affiliate thereof, in the case of Safety Net Investors incorporated outside of the United States);"

(vi) as new clause 1.1.127C:

"`SAFETY NET INVESTORS'	-	means TIC, Israel Corporation Technologies (ICTech) Ltd. (`ICTech'), Sandisk, Alliance, Macronix, QuickLogic, Etgar and any other shareholder of the Borrower

which holds at the date hereof or at the time the relevant Contribution Notice is delivered by the Banks no less than 6% (six percent) of the issued and outstanding share capital of the Borrower;"

(vii) as new clause 1.1.127D:

"`SAFETY NET LOANS' - means Loans, if any, not to exceed in the aggregate an amount equal to US $43,000,000 (forty-three million United States Dollars), made by the Banks to the Borrower following receipt of Safety Net Investments made by Safety Net Investors, all in accordance with and subject to the provisions of clause 16.34 below;"

(viii) as new clause 1.1.127E:

"`SAFETY NET OBLIGOR' - means TIC;"

(ix) as new clause 1.1.127F:

"`SAFETY NET OBLIGOR'S AUDITORS' - means KPMG Somekh Chaikin or another leading firm of independent Israeli auditors affiliated to one of the "big four" internationally recognised firms of auditors;"

(x) as new clause 1.1.127G:

"`SAFETY NET UNDERTAKING' - means the undertaking in the form of SCHEDULE 1.1.127G hereto to be executed by TIC in

accordance with clause 16.34 below and to be delivered to the Banks;"

(xi) as new clause 1.1.133A:

"`SEVENTH AMENDMENT CLOSING DATE'	-	shall bear the meaning assigned to such term in the Seventh Amendment to this Agreement;" and

(xii) as new clause 1.1.133B:

"`SEVENTH AMENDMENT FEE LETTER'	-	means the fee letter of the date hereof between the Borrower and the Banks;"

2.2. Clause 2 (The Facility) shall be amended as follows:

2.2.1. clause 2.1 (Grant of Facility) shall be amended by adding the following as a second paragraph thereof:

"In addition, in the event that the Banks shall (in their sole discretion) have exercised their option to require the making of Safety Net Investments pursuant to clause 16.34 below, and provided such Safety Net Investments are in fact made by Safety Net Investors in accordance with the relevant Contribution Notice (as defined in clause 16.34.1 below) and otherwise in accordance with clause 16.34 below, the Banks agree to increase the Facility by an aggregate amount equal to US $43 (forty-three United States Dollars) for every US $50 (fifty United States Dollars) of Safety Net Investment made by Safety Net Investors pursuant to clause 16.34.1 below (but not to exceed an amount equal to US $43,000,000 (forty-three million United States Dollars)), such increased amount of the Facility to be made available by way of Safety Net Loans, all as set out in, and subject to the terms and conditions of, clause 16.34 below."

and

2.2.2. in clause 2.2.1, the words "or of the Initial Loans" shall be deleted.

2.3. Clause 3 (Purpose) shall be amended as follows:

2.3.1. in clause 3.1.6, the words "in respect of the Availability Period" shall be deleted; and

2.3.2. a new clause 3.1.10 shall be added as follows:

> "to utilise, for the purpose of Fab 1, monies in an amount not exceeding the aggregate amounts which were generated by Fab 1, but were applied for the purposes of Fab 2 (all as recorded as such in the books of the Borrower)."

2.4. Clause 5 (Availability of Credits) shall be amended as follows:

2.4.1. clause 5.1.1(ii) shall be amended to read as follows:

"5.1.1. (ii) the Total Outstandings shall at no time exceed the product of 1.11 (one point one one) (or, in the event, and only in the event, any Safety Net Loans shall be made, then 1.29 (one point two nine)) and the aggregate amount of investments in Paid-in Equity (including a deemed amount of US $493,331 (four hundred and ninety three thousand, three hundred and thirty-one United States Dollars) from Etgar), proceeds, net of taxes paid and related expenses from the sale of shares in accordance with clause 16.27.2(b) below, wafer prepayments (including credits), MEI Proceeds (other than any MEI Proceeds constituting wafer prepayments and which are taken into account as such under this clause 5.1.1(ii) above) and principal (net of discounts) of Equity Convertible Debentures or Permitted Subordinated Debt issued to Safety Net Investors within the framework of a Safety Net Investment, in all cases actually received by the Borrower

prior to such time and taken into account for the purposes of the US $544,000,000 (five hundred and forty-four million United States Dollars) investment, all as required pursuant to clauses 16.27.1-16.27.2 below;"

2.4.2. clause 5.1.2 shall be deleted and the words "[Intentionally Deleted]" substituted therefor;

2.4.3. clause 5.1.4 shall be amended as follows:

"5.1.4. Credits shall be made available during the Availability Period only (except that Safety Net Loans, if any, may be provided after the Availability Period pursuant to clause 16.34 below), and then only, if all the following conditions (in addition to those specific conditions for each type of Credit specified hereunder in this clause 5 and, with respect to Safety Net Loans, also in addition to those conditions specified in clause 16.34 below), are fulfilled; provided that, only clauses 5.1.4.2, 5.2.3, 5.2.4, 5.2.5, 5.2.6 and 5.2.7 below and the delivery of a Drawdown Request in respect thereof shall constitute conditions for the making of Safety Net Loans."

2.4.4. clause 5.1.4.2 shall be amended by adding the following words:

", except that a Safety Net Loan may be made after the Termination Date;"

2.4.5. in clause 5.1.4.4, there shall be inserted at the beginning thereof, the following words:

"save only with respect to the Credit to be made pursuant to clause 6.1.1 below,..."

2.4.6. in clause 5.1.4.6, the words "save with respect to the Initial Loans", in the first line shall be deleted;

2.4.7. the opening paragraph of clause 5.2 shall be amended by adding the following after the words "during the Availability Period only":

"(except that Safety Net Loans, if any, may be provided after the Availability Period pursuant to clause 16.34 below),"

2.4.8. clause 5.2.2 shall be amended by adding the following words to the beginning thereof:

"except with respect to Safety Net Loans,"

2.4.9. in clause 5.2.7, there shall be inserted at the beginning thereof, the following words:

"save only with respect to the Credit to be made pursuant to clause 6.1.1 below,..."

and

2.4.10. clause 5.2.8 shall be deleted and replaced by the following:

"5.2.8. for the removal of doubt, the Borrower shall not be entitled to obtain any Advances in respect of that part of the Facility comprising the Safety Net Loans, unless and until the Banks shall, in their discretion, have exercised their option to require the making of Safety Net Investments and the relevant Safety Net Investments shall in fact have been received from Safety Net Investors in accordance with the relevant Contribution Notice (as defined in clause 16.34.1 below) and otherwise in accordance with clause 16.34 below."

2.5. Clause 6 (Repayment) shall be amended as follows:

2.5.1. clause 6.1 (Repayment of Loans) shall be amended to read as follows:

"6.1. REPAYMENT OF LOANS

6.1.1. On December 31, 2003, or, if not a Business Day, on the immediately preceding Business Day, the Borrower shall repay the Total Outstandings in respect of Loans and Advances as at such date in

accordance with this clause 6.1.1 below. The Borrower shall deliver to each of the Banks an irrevocable Drawdown Request for a Loan in the amount of each Bank's Proportion of the Total Outstandings in respect of Loans and Advances of the Borrower, such Loan to be drawn down by the Borrower on December 31, 2003, or, if not a Business Day, on the immediately preceding Business Day, together with instructions to each Bank to apply such Loan towards repayment in full of all then outstanding Loans and Advances, together with all accrued and unpaid Interest thereon (such Loans to be made on December 31, 2003, or, if not a Business Day, on the immediately preceding Business Day, in accordance with the aforegoing, hereinafter `THE REBORROWED Loans'). Subject to all the conditions for an Advance under this Agreement being met, each Bank shall make available its Proportion of the Reborrowed Loans in accordance with the aforegoing, to be applied in repayment in accordance with this clause 6.1.1.

The Borrower shall repay to each Bank its Proportion of the Reborrowed Loans by way of 12 (twelve) equal consecutive quarterly instalments, payable on the last Business Day of each Quarter, the first such instalment in respect of the Reborrowed Loans to be paid on March 31, 2007 and the last such instalment to be paid on December 31, 2009.

6.1.2. With respect to all Advances made after December 31, 2003 (other than Safety Net Loans), the Borrower shall repay to each Bank its Proportion of each such Loan by way of 12 (twelve) equal consecutive quarterly instalments, payable on the last Business Day of each Quarter,

the first such instalment in respect of each such Loan to be paid on the date falling 36 (thirty-six) months after the Consolidation Date for such Loan (in any event all Advances and Loans to be fully repaid by no later than the Final Maturity Date).

6.1.3. With respect to Safety Net Loans, if any, the Borrower shall repay to each Bank its Proportion of each such Safety Net Loan by way of a lump sum payment made on the earlier of: (a) December 31, 2007; and (b) the 3rd (third) anniversary of the Consolidation Date for such Safety Net Loan. Notwithstanding the aforegoing, the Borrower shall use its best efforts to voluntarily prepay the Safety Net Loan, in accordance with clause 7 below, as soon as practicable."

2.5.2. in clause 6.5 (No Reborrowing), the following shall be added to the beginning thereof:

"Except only as otherwise provided in clause 6.1.1, ...".

2.5.3. in clause 6.6 (Cancellation of Commitments), the words " of the Initial Loans pursuant to clause 5.2.8.3 above" shall be deleted and replaced by:

"on December 31, 2003 (or, if not a Business Day, on the immediately preceding Business Day), as referred to in clause 6.1.1 above."

2.6. Clause 7 (Voluntary Prepayment) shall be amended as follows:

2.6.1. by deleting, in the third line of clause 7.1, the words "after the Availability Period";

2.6.2. by deleting in clause 7.4, the words "or for amounts applied in repayment of the Initial Loans pursuant to clause 5.2.8.3 above)";

2.6.3. by adding to the beginning of clause 7.5:

"Except with respect to prepayment of Safety Net Loans,"

and

2.6.4. by adding a new clause 7.12 thereto, as follows:

"7.12. PREPAYMENT PURSUANT TO CLAUSE 6.1.1

Notwithstanding anything to the contrary in this clause 7 above, the provisions of clauses 7.1, 7.2, 7.3, 7.4, 7.5, 7.8, 7.9 and 7.11 above shall not apply to the prepayment on December 31, 2003 and to the making of the Reborrowed Loans in accordance with the provisions of clause 6.1.1 above."

2.7. Clause 9 (Interest) shall be amended as follows:

2.7.1. clause 9.1 (Interest Rate) shall be deleted and replaced with the following:

"9.1. INTEREST RATE

The rate of Interest applicable to each of the Advances and each Loan (including the Reborrowed Loans) in respect of each Interest Period shall be:

9.1.1. with respect to all Advances and Loans (other than Safety Net Loans), the sum of: (a) the rate per annum determined by the Banks to be LIBOR on the Interest Determination Date for such Interest Period; and (b) 2.5% (two point five percent) per annum; and

9.1.2. with respect to Safety Net Loans, the sum of: (a) the rate per annum determined by the Banks to be LIBOR on the Interest Determination Date for such Interest Period; and (b) 2.5% (two point five percent) per annum."

and

2.7.2. clause 9.2 (Accrual of Interest) shall be amended by deleting the words "and 5.2.8.2" in the first line thereof.

2.8. Clause 11 (Commissions, Fees and Expenses) shall be amended as follows:

2.8.1. clause 11.1 shall be amended to read as follows:

"11.1. SEVENTH AMENDMENT FRONT-END FEE

The Borrower shall pay to each of the Banks, on the earlier of: (a) the Seventh Amendment Closing Date; and (b) December 31, 2003, the fees set out in paragraph 1 of the Seventh Amendment Fee Letter."

2.8.2. clause 11.2 (Commitment Commission) shall be amended as follows:

(i) the first sentence of clause 11.2 shall be replaced by the following:

"The Borrower shall, from and after the date of signature of the Seventh Amendment to this Agreement through the end of the Availability Period, pay to each of the Banks a Commitment commission at the rate per annum as specified in paragraph 2 of the Seventh Amendment Fee Letter on such Bank's Available Loan Commitment (other than in respect of that part of the Commitment, if any, which may relate to Safety Net Loans) from time to time as from the date of the Seventh Amendment to this Agreement until the last day of the Availability Period."

(ii) the following shall be inserted before the sentence commencing " `Available Loan Commitment' means ...":

"If the Termination Date is extended until June 30, 2005 as a result of the exercise by the Banks of their option to call for the making of Safety Net Investments pursuant to clause 16.34 below, then, with respect to such extended period the Commitment commission shall be payable for the period

commencing from the date the Contribution Notice exercising such option was delivered to the Safety Net Obligor and ending on the Termination Date (as extended)."

and

2.8.3. clause 11.4 (Consultants) shall be amended to read as follows:

"11.4. CONSULTANTS

The Borrower shall, in accordance with the letters of engagement referred to in clauses 4.8-4.10 (inclusive) above and, in the case of the Bank Adviser, the letter described in section 3.1.11 of the Seventh Amendment to this Agreement, retain the following experts: the Consulting Engineer, the Insurance Adviser, the Consulting Economist and the Bank Adviser, to advise and act on behalf of the Banks and the Borrower in respect of the Project, including to perform on behalf of the Banks such financial, economic, insurance and technical due diligence inquiries, review, analysis and monitoring as the Banks may require in connection with the Project, as well as, in the case of the Consulting Engineer, to perform all those functions referred to in this Agreement, in the case of the Insurance Adviser, to provide the Insurance Report, in the case of the Consulting Economist, to provide an opinion as to the economic viability of the Project and in the case of the Bank Adviser, to monitor, review and analyse the financial information received by the Banks from the Borrower pursuant to this Agreement and any of the Finance Documents. The Borrower shall pay all fees of such experts, such fees to be payable in accordance with the tariffs agreed to between the Borrower and such experts."

2.9. Clause 16 (Undertakings) shall be amended as follows:

2.9.1. the following subclauses shall be added at the end of clause 16.7.2:

"(v) payments permitted by clause 16.27.3.1 below;

(vi) payments in connection with the Borrower's indemnification obligations as contemplated by the Borrower Offering Undertaking;

(vii) warrants to TIC or TIC's Subsidiary, ICTech, in consideration for the provision by TIC of the Safety Net Undertaking, the value of which warrants not to exceed US $500,000 (five hundred thousand United States Dollars) plus 5% (five percent) of the Safety Net Investments actually made by TIC or IC Tech."

2.9.2. the following shall be added in the second line of clause 16.14.2, after the word "Banks", wherever it appears: "(and with the Bank Adviser)";

2.9.3. clause 16.16.1 shall be amended as follows:

(i) in the second line, the words "(including the Bank Adviser)" shall be inserted after the words "professional adviser"; and

(ii) the words ", the Bank Adviser" shall be added after the words "the Consulting Engineer".

2.9.4. a new clause 16.16.3 shall be added to read as follows:

"16.16.3. For the avoidance of doubt, no information or access provided to any of the Banks' professional advisors, including, the adviser to the Banks on financial and accounting matters (`THE BANK ADVISER'), pursuant to this Agreement shall release the Borrower from its obligations to make and provide, and to be fully responsible for, all reports and notices as shall be required under this Agreement, or in any way place any responsibility on the Banks with respect to the Borrower or to any third parties with respect to such information and access, including, any claim that any knowledge obtained by the Banks' professional advisors (including the Bank Advisor), constitutes any waiver of any nature or

acceptance by the Banks of any such matter or matters as to which the Banks' professional advisors (including the Bank Advisor) obtain knowledge."

2.9.5. clause 16.27 (Investments in the Borrower) shall be amended as follows:

(i) clause 16.27.1 shall be amended to read as follows:

"16.27.1 procure that, notwithstanding anything to the contrary in the Finance Documents, the balance of the aggregate amount of all investments in Paid-in Equity of the Borrower to be invested and all wafer prepayments, including credits, under Qualifying Wafer Prepayment Contracts to be made (other than by QuickLogic), all as described in the undertakings (other than by QuickLogic) referred to in clause 4.6 above (such balance being US $24,635,440 (twenty-four million six hundred and thirty-five thousand, four hundred and forty United States Dollars) such balance, broken down as amongst each counterparty to such undertakings, as detailed in SCHEDULE 16.27.1 hereto) are invested and received (into one of the Project Accounts or into the Foreign Paid-in Equity Account) in full, by not later than 3 (three) Business Days following the date the Borrower's shareholders approve the Amendment No. 3 to Payment Schedule of Series A-5 Additional Purchase Obligations, Waivers of Series A-5 Conditions, Conversion of Series A-4 Wafer Credits and all other provisions pursuant to which, inter alia, the Lead Investors (other than QuickLogic) give their written consents, as referred to in section 3.1.5 of the Seventh Amendment to this Agreement (`THE AMENDMENT NO. 3 LETTER').

The Borrower shall, on or prior to 5 (five) days after such 3 (three) Business Days, submit to the Banks a certificate from the Auditors, in the form of Schedule 16.1.1(v)(B) hereto, confirming receipt by the Borrower of all such sums."

(ii) clause 16.27.2 shall be amended to read as follows:

"16.27.2. procure that (in addition to the investments already made prior to the date of execution of the Seventh Amendment to this Agreement pursuant to this clause 16.27.2 (the aggregate amount of which investments the Borrower declares amounts to US $86,000,000 (eighty-six million United States Dollars)), there shall have been: (a) invested in the Paid-in Equity of the Borrower, by way of private placement or public offering (including exercise of employee share options or any other warrants issued by the Borrower); and/or (b) received by the Borrower proceeds, net of taxes paid and related expenses, generated from the sale of shares of the Borrower in Saifun, Azalea Microelectronics Corporation, Chip Express Corporation and/or Virage Logic Corporation; provided that, the Borrower shall have undertaken in writing to the Banks to capitalise the amount of such proceeds, which comprises a net capital gain, into Paid-in Equity by way of share issue, by no later than September 30, 2005 (to the extent necessary to satisfy

the Borrower's obligations on such date pursuant to the last sentence of this clause 16.27.2) and that such capital gains are recognised as additional paid-up share capital by the Investment Centre in accordance with the terms of the Investment Centre Fab 2 Grants (to the extent necessary to satisfy the Borrower's obligations pursuant to the last sentence of this clause 16.27.2) (such net capital gains, when duly capitalised and recognised as aforesaid, hereinafter `THE RECOGNISED INVESTMENTS'); and/or (c) received by the Borrower wafer prepayments (including credits) under Qualifying Wafer Prepayment Contracts; and/or (d) received by the Borrower an amount (net of discounts, but not net of commissions, fees and other issuance costs) in respect of the principal amount of Equity Convertible Debentures (subject to the terms of clause 1.1.118 above) or Permitted Subordinated Debt issued to Safety Net Investors within the framework of a Safety Net Investment. (For the purposes of this clause 16.27.2 only, Safety Net Investments shall also include investments made by shareholders of the Borrower who are not Safety Net Investors within the framework of an investment made pursuant to the Borrower Offering Undertaking); and/or (e) received by the Borrower MEI Proceeds (excluding any MEI Proceeds comprising wafer prepayments under Qualifying Wafer Prepayment Contracts which are taken into account under (c) above, all the above in an aggregate amount of not less than US $152,000,000 (one hundred and fifty-two million United States Dollars) to be invested and/or received as aforesaid, as to US $28,000,000 (twenty-eight million United States Dollars) by not later than 4 (four) months after the date of execution of the Seventh Amendment to this Agreement; as to an additional US $25,500,000 (twenty-five million, five hundred thousand United States Dollars), by not later

than June 30, 2004; as to an additional US $25,500,000 (twenty-five million, five hundred thousand United States Dollars) by not later than December 31, 2004; as to an additional US $36,500,000 (thirty-six million five hundred thousand United States Dollars), by not later than June 30, 2005; and as to an additional US $36,500,000 (thirty-six million, five hundred thousand United States Dollars), by not later than December 31, 2005 (such amount of US $152,000,000 (one hundred and fifty-two million United States Dollars) being in addition to the amount of US $86,000,000 (eighty-six million United States Dollars) already invested pursuant to this clause 16.27.2 prior to the date of execution of the Seventh Amendment pursuant to this Agreement and in addition to the investment of US $306,323,000 (three hundred and six million, three hundred and twenty-three thousand United States Dollars) to be invested in accordance with clauses 4.5 and 4.6 above. Notwithstanding anything to the contrary in this Agreement, the aggregate investments in Paid-in Equity as referred to in clauses 4.5 and 4.6 above together with the aggregate proceeds pursuant to this clause 16.27.2 above (other than from wafer prepayments (including Credits)) shall not be less than US $459,000,000 (four hundred and fifty-nine million United States Dollars). Accordingly, in the event that at any date for receipt of an investment under Schedule 4.6 it becomes apparent that the amount received by the Borrower in respect of wafer prepayments (including credits) under Qualifying Wafer Prepayment

Contracts (it being recorded that all amounts of MEI Proceeds in excess of US $8,000,000 (eight million United States Dollars) in aggregate shall, for this purpose, be deemed to constitute wafer prepayments under Qualifying Wafer Prepayment Contracts as aforesaid) is in excess of US $85,000,000 (eighty-five million United States Dollars), the Borrower shall, within 41/2 (four and-a-half) months from the date the capacity of Fab 2 is 15,000 (fifteen thousand) wafer starts, procure that there shall have been invested in the Borrower in Paid-in Equity an amount equal to the excess of such wafer prepayments over US $85,000,000 (eighty-five million United States Dollars) as aforesaid (in addition to all other Paid-in Equity to be invested pursuant to this Agreement). The Borrower shall within 7 (seven) days of receipt of each investment, proceeds from the sale of shares, wafer prepayment, payment on account of Equity Convertible Debentures or Safety Net Investments or MEI Proceeds, submit to the Banks a confirmation by the Auditors of each investment in Paid-in Equity, proceeds and net capital gains referred to in paragraph (b) above, wafer payment, payment on account of Equity Convertible Debentures or Safety Net Investments or MEI Proceeds referred to in this clause 16.27.2 above, together, with respect to net capital gains as referred to in paragraph (b) above, with the undertaking by the Borrower to capitalise same as aforesaid. In addition, by no later than September 30, 2005, the aggregate investments in Paid-in Equity as referred to in clauses 4.5 and 4.6 above and as

described above in paragraph (a) above and the Recognised Investments of the Borrower under Schedule 4.6 shall not be less than US $345,000,000 (three hundred and forty-five million United States Dollars);"

(iii) clause 16.27.3 shall be amended as follows:

(a) the existing clause 16.27.3 shall be renumbered "16.27.3.2" and shall commence with the words "With effect from January 1, 2007 ..."; and

(b) a new clause 16.27.3.1 shall be inserted as follows:

"16.27.3.1 The Borrower shall cause all Qualifying Wafer Prepayment Contracts to which it is a party as at the date of execution of the Seventh Amendment to this Agreement to be amended to the effect (and all Qualifying Wafer Prepayment Contracts which the Borrower shall enter into after the date of execution of the Seventh Amendment to this Agreement shall provide) that no prepayments made to the Borrower with respect to the purchase of wafers may be reimbursed or refunded to, or utilised by, or credited in favour of, the wafer customer and/or designer party to the Qualifying Wafer Prepayment Contract providing such prepayment, except with respect to: (a) the utilisation of such prepayments towards the purchase price of wafers which were ordered prior to the date of execution of the Seventh Amendment to this Agreement and

which were or will be manufactured and delivered by the Borrower for such wafer customer and/or designer in an aggregate amount not to exceed US $1,100,000 (one million one hundred thousand United States Dollars); (b) the utilisation of such prepayments towards the purchase price of wafers manufactured and delivered by the Borrower to such wafer customer and/or designer after December 31, 2006; and (c) the utilisation of such prepayments to purchase shares of the Borrower. The Borrower shall be entitled to pay quarterly, in arrears, to the counterparty to any Qualifying Wafer Prepayment Contract in effect as of the date of execution of the Seventh Amendment to this Agreement which is amended in accordance with the aforegoing in this clause 16.27.3.1, Interest in respect of the amount of any prepayment to a counterparty which is a party as aforesaid, in respect of the period commencing on the date stipulated for utilisation thereof pursuant to such Qualifying Wafer Prepayment Contract prior to such amendment as aforesaid in this clause 16.27.3.1 and ending on January 1, 2007, such Interest to be at a rate not higher than that payable by the Borrower to the Banks

pursuant to clause 9.1.1 above, during such period and the Borrower shall be further entitled to pay to any such counterparty under any such Qualifying Wafer Prepayment Contract the principal of such prepayment in cash after June 30, 2007; provided that, at the date of payment of any such Interest or principal as aforesaid, the Banks shall not have declared an Event of Default to have occurred or to have made any other declarations under clause 17.21 below."

2.9.6. clause 16.29 (Financial Undertakings) shall be amended as follows:

(i) the opening paragraph will be deleted and replaced by the following:

"The Borrower will procure that: (a) with respect to clauses 16.29.1 and 16.29.2 below, at all times during the period of this Agreement; (b) with respect to clause 16.29.9 and clause 16.29.11 below, with effect from June 30, 2004 (including for the Quarter ending on June 30, 2004), at all times during this Agreement; and (c) with respect to clauses 16.29.3-16.29.8 and clause 16.29.10 below, with effect from June 30, 2005 (including for the Quarter ending on June 30, 2005), at all times during this Agreement, the Borrower shall comply with the Financial Undertakings set out below:"

(ii) in clause 16.29.1, the words "30% (thirty percent)" should be deleted and replaced with the words "the applicable ratio set out in Schedule 16.29";

(iii) in clause 16.29.2, the words "1.5 (one point five)" should be deleted and replaced with the words "1.3 (one point three)";

(iv) a new clause 16.29.11 shall be inserted to read as follows:

"16.29.11 for any Quarter, Sales (determined on the same basis as the term `Sales' appearing in the audited consolidated annual financial statements of the Borrower) for such Quarter for Fab 2, shall not be less than the amount for such Quarter as set out in Schedule 16.29 hereto."

and

(v) the following paragraph shall be added at the end of clause 16.29:

"Notwithstanding the aforegoing in this clause 16.29 above, in the event and only in the event that Contribution Notices (as defined in clause 16.34.1 below) are or have been delivered by the Banks and Safety Net Investments are duly made in accordance with the provisions of clause 16.34 below, then, in respect of the period commencing on the date of the confirmation of the making of Safety Net Investments in accordance with the provisions of clause 16.34 below and until the earliest of the following 3 (three) dates: (a) June 30, 2006 (or, in the event a Contribution Notice is made within 3 (three) months prior to June 30, 2006, the date corresponding to the date Safety Net Investments are made pursuant to such Contribution Notice or, if earlier, 3 (three) months after the date of such Contribution Notice); (b) the date on which the Borrower shall have fulfilled all of its obligations under clause 16.27.2 above; and (c) the date on which the Total Outstandings shall first equal or exceed US $500,000,000 (five hundred million United States Dollars) (disregarding, for this purpose only, Safety Net Loans) and in respect of such period only, all references in this clause 16.29 above to `Schedule 16.29' shall be deemed to be replaced by SCHEDULE 16.29A hereto and in determining LLCR for the purposes of this clause 16.29 above, the Net Cash Flow shall

be that as specified in SCHEDULE 1.1.106A hereto (rather than the Net Cash Flow as specified in Schedule 1.1.106 hereto)."

2.9.7. clause 16.31.2 shall be amended by adding the words "MEI Proceeds", after the words "proceeds of Permitted Subordinated Debt";

2.9.8. clause 16.31.3 shall be amended by adding the words "MEI Proceeds", after the words "Wafer Prepayment Contracts";

2.9.9. a new clause 16.34 shall be added to read as follows:

"16.34. SAFETY NET UNDERTAKING

16.34.1. The parties record that the Safety Net Obligor has provided a Safety Net Undertaking in favour of the Banks (such undertaking, for the removal of doubt, being only to the Banks and not to the Borrower, its shareholders or any third party) that may be called upon at the option of the Banks (the Banks being under no obligation to exercise said option), in the event that the Borrower shall fail to fulfil any of its finance raising obligations under clause 16.27.2 above (such obligations under clause 16.27.2 above, hereinafter `THE BORROWER'S EQUITY RAISING OBLIGATIONS'). The Borrower acknowledges, for the removal of doubt, that: (a) such Safety Net Undertaking is in addition to, and does not in any way derogate from, the obligations and undertakings of the Borrower described in clauses 4.5, 4.6 and 16.27 above; and (b) subject to clause 16.34.4 below, in the event of any Default under clause 16.27.2 above, the Banks shall have available to them all remedies under the Finance Documents (including pursuant to clauses 17.21, 17.22, 17.23, 17.24 and 17.25 below) and nothing in this clause 16.34 nor the fact of the giving of the Safety Net Undertaking shall derogate from the Banks' rights and remedies as aforesaid. The

maximum aggregate amount of Safety Net Investments that the Banks may require the Safety Net Obligor to make pursuant to the Safety Net Undertaking shall not exceed an amount equal to US $50,000,000 (fifty million United States Dollars).

It is further recorded that the Borrower has delivered a Borrower Offering Undertaking to TIC and the Banks and that pursuant to the Borrower Offering Undertaking and the Safety Net Undertaking (and subject to the terms and conditions of each such Undertaking), in the event that the Borrower shall fail to meet any of the Borrower's Equity Raising Obligations under clause 16.27.2 above (by the relevant date provided therefor pursuant to clause 16.27.2 above), then, at any time thereafter, subject to the terms of the Safety Net Undertaking, the Banks shall be entitled (but shall not be obliged) to exercise (not more than twice in any 1 (one) calendar year) their option to call upon the Borrower by way of sending a contribution notice, in the form of SCHEDULE 16.34.1 hereto (`THE CONTRIBUTION NOTICE') to the Borrower, with a copy to the Safety Net Obligor, to make a rights offering in accordance with the Borrower Offering Undertaking in an amount equal to the difference between the aggregate of the Borrower's Equity Raising Obligations which, pursuant to clause 16.27.2 above were required to have been performed by the date of the Contribution Notice and the aggregate amounts actually invested in the Borrower or received by the Borrower (after the Seventh Amendment Closing Date) pursuant to clause 16.27.2 above, as at the date of such Contribution Notice (`THE DEFICIENT AMOUNT') (or such lesser amount as may be required to be raised by the Contribution Notice)

(the amount which is required to be raised by the Contribution Notice, hereinafter, `THE AMOUNT TO BE Raised'). In the event a Contribution Notice will be delivered as aforesaid, the Safety Net Obligor shall, within 3 (three) months of such Contribution Notice, make, or procure the making by the Safety Net Investors of Safety Net Investments in an amount equal to 50/93 of the Amount to be Raised by no later than 3 (three) months from the date of such Contribution Notice, all in accordance with the terms of the Safety Net Undertaking. Pursuant to the Safety Net Undertaking, inter alia, with respect to each Contribution Notice, in the event that during the Relevant Period ending immediately prior to the date of such Contribution Notice, there shall have been made Additional Investments, then, for the purposes of calculating the amount of the Safety Net Investments required to be made pursuant to such Contribution Notice: (i) the aggregate amount of the Recognised Additional Investments during such Relevant Period shall be deemed to be added to the Amount to be Raised; and (ii) the Safety Net Obligor shall be deemed to have provided Safety Net Investments in respect of such Contribution Notice in an amount equal to the aggregate Recognised Additional Investments for such Relevant Period.

In this clause 16.34.1:

(1) `ADDITIONAL INVESTMENT' means, in respect of any Relevant Period (as defined below), the aggregate of the amount of Paid-in Equity and Permitted Subordinated Debt, in each case, actually received by the Borrower from the Safety Net Obligor during such Relevant Period within the framework of a public offering

or private placement by the Borrower of Paid-in Equity and/or Permitted Subordinated Debt, as such amount shall be certified by the Safety Net Obligor's Auditors or the Auditors (such certificate to be in a form satisfactory to the Banks), but excluding any Safety Net Investment and the investments that TIC is required to make as referred to in clauses 4.6 and 16.27.1 above. It is recorded that it is a term of the Safety Net Undertaking that the Safety Net Obligor shall, within 10 (ten) days after each Relevant Period, submit to the Banks a certificate from the Safety Net Obligor's Auditors or the Auditors (such certificate to be in a form satisfactory to the Banks), confirming the amount and receipt of all such amounts received, as aforesaid, during such Relevant Period;

(2) `RECOGNISED ADDITIONAL INVESTMENT' means, with respect to any Additional Investment, an amount equal to the lowest of:

(aa) the amount of the Additional Investment;

(bb) US $10,000,000 (ten million United States Dollars); and

(cc) 20% (twenty percent) of the amount actually invested in the Borrower within the framework of the relevant public offering or private placement in which such Additional Investment is made;

(3) `A RELEVANT PERIOD' means the period commencing from the date a Contribution Notice is

made by the Banks pursuant to clause 16.34.1 above and ending on the date before the next Contribution Notice is made, as aforesaid, save that the period of the first Relevant Period shall commence from the date of the Safety Net Undertaking and shall end on the date before the first Contribution Notice is made.

By way of example only, and without derogating from the generality of the aforegoing, if the Deficient Amount is US $41,500,000 (forty-one million five hundred thousand United States Dollars) and the aggregate of the Recognised Additional Investments made in the Relevant Period is US $5,000,000 (five million United States Dollars), then the Banks could require the Safety Net Obligor to contribute US $20,000,000 (twenty million United States Dollars)--representing the amount found by subtracting the amount of the Recognised Additional Investment (i.e., US $5,000,000 (five million United States Dollars)) from US $25,000,000 (twenty-five million United States Dollars), which latter amount represents the amount found by multiplying the sum of the Deficient Amount and the Recognised Additional Investment (i.e., US $46,500,000 (forty-six million five hundred thousand United States Dollars)) by 50/93.

Any failure by the Borrower to perform timeously all of the Borrower's obligations under the Borrower Offering Undertaking shall constitute an Event of Default.

For the removal of doubt, the option granted to the Banks pursuant to this clause 16.34.1 above is exercisable each time that the Borrower shall fail to meet any of the Borrower's Equity Raising Obligations and at any time after such failure, subject to the terms of the Safety Net Undertaking.

16.34.2. Should the Banks exercise their option, from time to time, to require Safety Net Investments in the Borrower and such Safety Net Investments are in fact made pursuant to the terms of the Safety Net Undertaking as referred to in clause 16.34.1 above by Safety Net Investors, and the Safety Net Investor Auditors shall have delivered a certificate in a form satisfactory to the Banks confirming same or the Auditors shall have confirmed receipt thereof by the Borrower, the Borrower shall be entitled, subject to delivery of a Drawdown Request and fulfilment of the condition as set forth in clause 5.1.4.2 above and in accordance with the conditions set out in clauses 5.2.3, 5.2.4, 5.2.5, 5.2.6 and 5.2.7 above, to obtain from the Banks Safety Net Loans in an aggregate amount equal to 86% (eighty-six percent) of the amount of Safety Net Investments actually received from Safety Net Investors as aforesaid (including, for the removal of doubt, the amount of Recognised Additional Investments deemed as Safety Net Investments by the Safety Net Obligor as referred to in clause 16.34.1(ii) above, if any, taken into account for the purposes of the relevant Contribution Notice) (based on a ratio of US $43 (forty-three United States Dollars) of Safety Net Loans for every US $50 (fifty United States Dollars) constituting a Safety Net Investment), but not more than US $43,000,000 (forty-three million United States Dollars) in the aggregate. For the removal of

doubt, only Safety Net Investments made by Safety Net Investors (and not any other person) shall be taken into account for the purposes of this clause 16.34.2. Subject to the aforegoing, the Safety Net Loans shall be available for drawdown by the Borrower from the date of confirmation of receipt of the relevant Safety Net Investment, as aforesaid.

16.34.3. At any time after delivery of a Contribution Notice (but not later than 1 (one) day prior to the date on which the relevant rights offering prospectus or private placement is due to become effective), the Banks may, at their sole discretion and without any liability to the Safety Net Obligor or the Borrower arising therefrom, by notice in writing to the Safety Net Obligor and the Borrower, withdraw a Contribution Notice. Without derogating from the foregoing, in the event that, if after delivery of a Contribution Notice, the Banks are of the view that, due to a legal impediment, they would not be in a position to make Safety Net Loans available to the Borrower, the Banks shall so notify the Safety Net Obligor and the Borrower, and the Contribution Notice shall be withdrawn. Notwithstanding the aforegoing, the Banks shall be entitled to send a Contribution Notice once they are of the view that they would be in a position to make Safety Net Loans.

16.34.4. In the event that Safety Net Investments shall be duly made in accordance with the Safety Net Undertaking and this clause 16.34, then the Banks agree that: (a) they shall not be entitled to exercise their rights pursuant to clauses 17.21-17.25 below nor shall the Banks be entitled to refrain from making Credits pursuant to clause 5 above, by reason only of the Borrower's Default in failing to comply with

clause 16.27.2 above, and (b) until the earlier of: (i) the date on which the Safety Net Undertaking expires; and (ii) the date on which the Total Outstandings shall first reach or exceed US $500,000,000 (five hundred million United States Dollars) (disregarding, for this purpose only, Safety Net Loans), with respect only to Defaults or Events of Defaults listed in (1)-(3) hereunder, the Banks shall not be entitled to exercise their rights pursuant to clauses 17.21-17.25 below nor shall the Banks be entitled to refrain from making Credits pursuant to clause 5 above, by reason only of such Default or Events of Default (without derogating from the requirement that all other conditions for the making of a particular Credit will still have to be complied with):

(1) an Event of Default constituted by the receipt by the Borrower of a Credit, in breach of clauses 2.3 or 5.1 above. For the removal of doubt, the aforegoing shall not entitle the Borrower to a Credit if at the time of the request of same, it does not comply with clauses 2.3 or 5.1 above (however, if a Credit is made despite such non-compliance, the mere fact of the making of such Credit, despite non-compliance, shall not prevent the making of further Credits); or

(2) a Default constituted by a failure by the Borrower to make payments to suppliers on the due date for payment; or

(3) a Default specifically waived pursuant to the Waiver Notice, or the Additional Waiver Notice (each as defined below) as set forth in clause 16.34.5 below.

16.34.5. After a Contribution Notice is made, the Borrower may, no later than 25 (twenty-five) Business Days before the date corresponding to 3 (three) months after the date of such Contribution Notice, or, if earlier, before the date a Safety Net Investor makes a Safety Net Investment pursuant to such Contribution Notice (the earlier of the aforegoing, `THE SAFETY NET INVESTMENT DATE'), send a written notice to the Banks expressly setting out and particularising all actually existing Defaults or Events of Default, including all relevant facts, and the steps being taken to remedy the same (`THE DEFAULT NOTICE'), that have occurred and are continuing as at the date of such Default Notice. In connection therewith, the Borrower shall not be entitled to set out and particularise in any Default Notice any Default or Event of Default arising from any act or omission by, or under the control of, the Safety Net Obligor. In the event the Banks agree, within 15 (fifteen) Business Days after the receipt of such Default Notice to waive such Defaults or Events of Default by way of a waiver notice (`THE WAIVER NOTICE') in substantially the same form as set out in SCHEDULE 16.34.5 hereto, then, subject to the Banks receiving certificates from each applicable Safety Net Investor Auditor or a certificate from the Auditors (in a form or forms satisfactory to the Banks), confirming that all Safety Net Investments to be made by the Safety Net Investors in respect of such Contribution Notice pursuant to clause 16.34.1 above have actually been made, with effect from the date such Safety Net Investments are made, the Banks shall be deemed to have waived those actually existing Defaults or Events of Default expressly set out and particularised in such Default Notice as aforesaid.

For the avoidance of doubt: (i) any such waiver shall only relate to the period prior to the making of such Safety Net Investments by the Safety Net Investors, as aforesaid, and shall not be interpreted in any event as a waiver by the Banks of any representation, warranty or obligation (including, under clause 16.29 above) of the Borrower included in the Finance Documents, or of any Default or Event of Default not actually existing and not expressly set out and particularised in such Default Notice, as aforesaid; and (ii) in the event the Banks do not send a Waiver Notice within such 15 (fifteen) Business Day period, or if the Safety Net Investors do not actually make all of the Safety Net Investments, as aforesaid, as required under the relevant Contribution Notice, or if the Banks do not receive such certificates from the Safety Net Investor Auditors or the Auditors (in a form satisfactory to the Banks), as aforesaid, then the Banks shall not be deemed to have waived any rights they have or may have arising from the Defaults or Events of Default set out and particularised in such Default Notice as aforesaid. In the event the Banks do not send a Waiver Notice to the Banks within 15 (fifteen) Business Days after receipt of the relevant Default Notice from the Borrower, then the relevant Contribution Notice shall be deemed to have been withdrawn by the Banks and the Safety Net Obligor shall not be required to make, or procure to be made, Safety Net Investments in accordance with said Contribution Notice and the Borrower shall not be required to fulfil its undertakings under the Borrower Offering Undertaking with respect, only, to such withdrawn Contribution Notice. If after a Waiver Notice is sent by the Banks to the Borrower, but no later than 8 (eight) Business Days prior to

the Safety Net Investment Date, the Borrower sends a written notice to the Banks expressly setting out and particularising additional actually existing Defaults or Events of Default not listed on the Default Notice (or adds more detail to the ones detailed in the Default Notice) and the steps being taken to remedy same (`THE ADDITIONAL DEFAULT NOTICE'), that have occurred and are continuing as at the date of such Additional Default Notice (the above provisions applicable to the Default Notice to be equally applicable to the Additional Default Notice, mutatis mutandis), the Banks shall have 7 (seven) Business Days after the receipt of such Additional Default Notice to decide whether to waive such additional Defaults or Events of Default by way of an additional waiver notice (`THE ADDITIONAL WAIVER NOTICE') (the above provisions applicable to the Waiver Notice to be equally applicable to the Additional Waiver Notice, mutatis mutandis). In the event the Banks do not send an Additional Waiver Notice to the Borrower within 7 (seven) Business Days after receipt of the relevant Additional Default Notice from the Borrower, then the relevant Contribution Notice shall be deemed to have been withdrawn by the Bank and the Safety Net Obligor shall not be required to make, or procure to be made, Safety Net Investments in accordance with said Contribution Notice and the Borrower shall not be required to fulfil its undertakings under the Borrower Offering Undertaking with respect, only, to such withdrawn Contribution Notice. For the removal of doubt, notwithstanding anything to the contrary in this clause, any waiver granted as aforesaid, shall not apply in the event of any change or development occurring after the date of the relevant Default Notice or Additional Default Notice (as

the case may be) in the circumstances described in the relevant Default Notice or Additional Default Notice (as the case may be), including in the event that any "Default" included in a Default Notice or Additional Default Notice (as the case may be) becomes an "Event of Default", other than a change or development occurring after the date of the relevant Default Notice or Additional Default Notice (as the case may be), which does not have any adverse effect on the interests of the Banks."

and

2.9.10. a new clause 16.35 shall be added to read as follows:

"16.35. OUTSIDE INVESTMENT

16.35.1. The Borrower shall procure that each of the Lead Investors provide an undertaking, in the form of SCHEDULE 16.35.1 hereto ("THE OUTSIDE INVESTMENT UNDERTAKINGS"), that obligates each such Lead Investor to cooperate with an Outside Investment Offer, all subject to the terms and conditions of Schedule 16.35.1. For purposes of this clause 16.35 `AN OUTSIDE INVESTMENT OFFER' means a binding offer by a person or persons (acceptable to the Banks in their sole discretion) having sufficient assets, or having available to it a binding financial commitment in an amount sufficient from one or more reputable financial institutions, to make the Outside Investment Offer (`THE OUTSIDE Offeror') to subscribe for shares from the Borrower at a price specified in such offer, which offer is: (a) made after the commencement and continuation for 60 (sixty) days after the institution thereof of bankruptcy or receivership proceedings against the Borrower which are ordered by a court of competent jurisdiction or the prior

determination of an arbitrator, mutually appointed by the Banks and the Borrower, that a bankruptcy or receivership order would be issued by a court against the Borrower were a petition to be filed with a court of competent jurisdiction or, an order providing for creditor protection in favour of the Borrower pursuant to the request therefor by the Borrower is issued by a court of competent jurisdiction shall have occurred and be continuing (`THE TRIGGERING EVENT'); and (b) in an amount sufficient, at least, to enable the Borrower (after deduction of all attendant expenses) to cure and remedy the Triggering Event.

16.35.2. Upon the happening of a Triggering Event, the Borrower shall take all steps to cooperate with any Outside Offeror (or potential Outside Offerors), including, by permitting persons seeking to become an Outside Offeror (and their representatives) the opportunity to conduct a due diligence examination of the Borrower and of its assets, liabilities, business and prospects (provided that such persons enter into a confidentiality agreement in a reasonable and customary form with the Borrower). If the Outside Investment Offer is made and accompanied by an opinion of a reputable investment banking firm that the Outside Investment Offer is fair to the Borrower, the Borrower shall procure that a rights offering (`THE RIGHTS OFFERING') be made to its shareholders to invest up to 60% (sixty percent) of the amount proposed to be invested by the Outside Offeror in the Borrower at the same price per share and the other terms and conditions set forth in the Outside Investment Offer. Notwithstanding the aforegoing, if the Outside Investment Offer is conditioned on the Outside Offeror acquiring at least 51% (fifty-one

percent) of the shares of the Borrower, the maximum number of shares that may be purchased in the Rights Offering shall be limited to that number of offered shares which, together with the number of then outstanding shares not owned by the Outside Offeror, shall not exceed a maximum of 49% (forty-nine percent) of the shares of the Borrower, unless the Lead Investors agree to invest an amount at least equal to, and at a price per share no less than, the Outside Investment Offer (`THE ALTERNATIVE OUTSIDE OFFER') and further agree, in addition to exercising all rights offered to them in the Rights Offering, to exercise in a subsequent private placement all rights not exercised by the other shareholders of the Borrower in such rights offering, so as to ensure that the full amount of the Outside Investment Offer is invested in the Borrower; in such case, the Alternative Outside Offer shall be made the subject of the Rights Offering and the Lead Investors shall ensure that the full amount of the Alternative Outside Offer is invested in the Borrower and, to the extent required, used to cure and remedy the Triggering Event.

16.35.3. For the removal of doubt: (a) nothing in this clause 16.35 above (or in the Outside Investment Undertakings) shall prevent the Banks from enforcing any and all of their rights or remedies under this Agreement (including in the case of the occurrence of a Triggering Event) at any time, even if such enforcement does not permit, or in any way adversely affects the possibility of, an Outside Investment Offer, or an Alternative Outside Offer, as the case may be, to be made, or if made, to be completed and, for the further removal of doubt, even after an Outside Investment Offer has already been made; and (b) in the

event an Outside Investment Offer is conditional on the Outside Offeror acquiring at least 51% (fifty-one percent) of the shares of the Borrower and, pursuant thereto, the Outside Offeror subscribes for shares from the Borrower as contemplated in clause 16.35.1 above and the shares subscribed, as aforesaid, confer on such Outside Offeror at least 51% (fifty-one percent) of the shares of the Borrower, then, with effect upon the occurrence of such event, clauses 16.1.3(vii) and 16.32 above shall cease to have any effect."

2.10. Clause 17 (Default) shall be amended as follows:

2.10.1A in clause 17.1, the words "clause 17.20A" shall be deleted and replaced with the words "clause 17.20B";

2.10.1. in clause 17.3, the following new clause 17.3.3 shall be inserted:

"17.3.3. No breach in respect only of Permitted Financial Indebtedness as referred to in clause 1.1.115(c) above shall constitute an Event of Default provided the conditions set forth in clauses 17.6.6(a) and (b) below are met."

2.10.2. in clause 17.6, the following clause 17.6.6 shall be inserted:

"17.6.6. The aforegoing in this clause 17.6 shall not be applicable in respect only of Permitted Financial Indebtedness as referred to in clause 1.1.115(c) above and only, and for so long as, the following 2 (two) conditions are both met:

(a) such Permitted Financial Indebtedness is to one or both of the Banks; and

(b) such Permitted Financial Indebtedness is secured in full by deposits (in amounts to be not less than the amount of such

Permitted Financial Indebtedness) placed with the relevant Banks and duly charged by first-ranking floating charge in favour of the Banks."

2.10.3. clause 17.10.3 shall be amended such that the number "16,000 (sixteen thousand)" shall be replaced by "15,733 (fifteen thousand seven hundred and thirty-three)";

2.10.4. clause 17.15 (Completion of Fab 2) shall be amended as follows:

"Any of the following occur: (a) SDPP is not achieved within 71/2 (seven and-a-half) months after the date specified therefor in the Forecast (such specified date being June 30, 2004); (b) construction of Fab 2 is not completed (completion constituting for this purpose the reaching of wafer capacity for Fab 2 of 33,000 (thirty-three thousand) wafer starts per month in accordance with the Business Plan) by December 31, 2007; or (c) it becomes apparent that, save as a result of any action by a Bank in breach of this Agreement, SDPP shall not be achieved by the date referred to in (a) above or construction of Fab 2 shall not be completed by the date referred to in (b) above."

and

2.10.5. a new clause 17.20B shall be inserted, as follows:

"17.20B SAFETY NET UNDERTAKING AND OUTSIDE INVESTMENT UNDERTAKINGS

17.20B.1 (a) If within 3 (three) months after any Contribution Notice is sent by the Banks, the Amount to be Raised (as defined in clause 16.34.1) under such Contribution Notice shall not have been invested in the Borrower by way of Additional Capital (as defined in the Safety Net Undertaking).

(b) The Safety Net Undertaking shall cease to be in full force and effect in any material respect or shall cease to constitute the legal, valid, binding and enforceable obligation of the Safety Net Obligor or it shall be unlawful for the Safety Net Obligor to perform any of its material obligations under the Safety Net Undertaking, unless it expires in accordance with its terms.

(c) The Safety Net Obligor repudiates the Safety Net Undertaking.

(d) There occurs with respect to the Safety Net Obligor any of the events or circumstances referred to in clauses 17.7-17.9 above, such clauses to be read as if references to `the Borrower' therein were instead references to `the Safety Net Obligor'.

Notwithstanding the provisions of this clause 17.20B.1, for the removal of doubt, the Safety Net Undertaking does not create any rights or obligations in favour of the Borrower or any of its shareholders.

17.20B.2. (a) Any of the representations and warranties by any Lead Investor in any Outside Investment Undertaking to which it is a party are incorrect or misleading in any material respect when made or deemed to be made or repeated.

(b) Any Lead Investor fails to comply with any undertaking or obligation contained in any Outside Investment Undertaking to which it is a party and, if such default is capable of remedy within

such period, within 7 (seven) days after the earlier of the Lead Investor becoming aware of such default and receipt by the Lead Investor of written notice from the Banks requiring the failure to be remedied, that Lead Investor shall have failed to cure such default.

(c) Any Outside Investment Undertaking shall cease to be in full force and effect in any material respect or shall cease to constitute the legal, valid, binding and enforceable obligation of any Lead Investor party to it or it shall be unlawful for any Lead Investor to perform any of its material obligations under any of the Outside Investment Undertakings, unless it expires in accordance with its terms.

(d) Any Lead Investor repudiates the Outside Investment Undertaking to which it is a party."

2.11. Clause 18.2 (Default Interest) shall be amended to read as follows:

"18.2. DEFAULT INTEREST

During each such Interest Period as is mentioned in clause 18.1 above, an Unpaid Sum shall bear Interest at the rate per annum which is the sum from time to time of: (a) 3% (three percent); and (b) the Interest rate in respect of such Interest Period as would have been determined in accordance with clauses 9.1.1 or 9.1.2 above (namely, 2.5% (two point five percent)) (provided that, if, for any such Interest Period LIBOR cannot be determined, the rate of Interest applicable to such Unpaid Sum shall be the rate per annum which is the sum of: (i) 3% (three percent); and (ii) 2.5% (two point five percent) plus a rate as certified by the Banks in accordance with clause 9 above."

2.12. Each of the following Schedules shall be replaced by updated Schedules as referred to in section 3.1.28 below (the updated Schedules, for the removal of doubt, to bear the same heading (Schedule number) as those replaced): Schedule 1.1.16 (Business Plan); Schedule 1.1.42 (Form of Drawdown Request); Schedule 1.1.64 (Borrower's Forecast); Schedule 1.1.101 (List of Material Contracts); Schedule 1.1.105 (List of Named Directors and Officers); Schedule 1.1.106 (Net Cash Flow); Schedule 1.1.115(c)(2) (Description of Financial Indebtedness Exceeding US $40,000,000); Schedule 1.1.115(j) (Other Permitted Financial Indebtedness); Schedule 4.11.2 (Indebtedness of the Group); all Schedules required by clause 15; and Schedule 16.29 (Financial Undertakings); provided that Schedules 1.1.42, 1.1.101, 1.1.105, 1.1.115(c)(2), 1.1.115(j) and 4.11.2 (in form and substance satisfactory to the Banks in their sole discretion), may be delivered by the Borrower following the date hereof by no later than the Seventh Amendment Closing Date.

2.13. New Schedules 16.27.1 (Breakdown of Amounts Owing to the Borrower pursuant to Undertakings referred to in clause 4.6, as at the Seventh Amendment Closing Date) and 16.29A (Financial Undertakings applicable during Safety Net Period) in the forms respectively attached as APPENDIX A and APPENDIX B hereto; new Schedules 1.1.13A (Borrower Offering Undertaking); 1.1.132 (SDPP); 1.1.106A (Net Cash Flow); 1.1.127G (Form of Safety Net Undertaking); 16.34.1 (Contribution Notice); 16.34.5 (Form of Waiver Notice); 16.35.1 (Form of Outside Investment Undertakings); and Appendices C-M (inclusive) hereto shall be added to and form part of the Facility Agreement; provided that, Schedules 16.34.5, 16.35.1 and Appendices D, F, G, I, J, K and L (in form and substance satisfactory to the Banks in their sole discretion), may be delivered following the date hereof but by no later than the Seventh Amendment Closing Date and the legal opinions to be attached hereto as Appendices J, K and L shall be delivered as of the Seventh Amendment Closing Date.

2.14. Schedule 1.1.104 (Description of Milestones) shall be deleted.

3. CONDITIONS PRECEDENT

3.1. This Seventh Amendment, other than section 3.3 below, is subject to the conditions precedent that the Banks shall have received, by not later than December 21, 2003 (or such earlier date expressly set out with respect thereto below), the following documents, information, matters and things in form and substance satisfactory to the Banks:

3.1.1. a copy, certified a true copy by a duly authorised officer of the Safety Net Obligor of the Organisational Documents of the Safety Net Obligor;

3.1.2. copies of resolutions of the Board of Directors of the Safety Net Obligor and of each other Lead Investor and, to the extent applicable, its audit committee and shareholders evidencing approval of the Finance Documents to which the Safety Net Obligor and such other Lead Investor, as aforesaid (as applicable) is a party and authorising named officers of the Safety Net Obligor and such other Lead Investor, as aforesaid (as applicable) to execute, deliver and perform each of such Finance Documents and to give all notices and take all other action required to be given or taken by the Safety Net Obligor and such other Lead Investor, as aforesaid (as applicable) under such Finance Documents;

3.1.3. the Safety Net Undertaking (in the form of APPENDIX C hereto), duly executed by TIC and a certification by TIC as set forth in section 8A of the Safety Net Undertaking;

3.1.4. the Outside Investment Undertakings (in form satisfactory to the Banks in their sole discretion and to be attached hereto as APPENDIX D), duly executed by each of the Lead Investors;

3.1.5. written consents by each of the Lead Investors (other than QuickLogic): (i) to make, in accordance with clause 16.27.1, those investments in Paid-in Equity and/or prepayments under Qualifying Wafer Prepayment Contracts required to be made pursuant to clause 16.27.1; (ii) to the execution of the Safety Net Undertaking by the Safety Net Obligor; (iii) to the amendments to the Qualifying Wafer Prepayment Contracts to be made pursuant to clause 16.27.3.1; (iv) to the giving of the Outside Investment Undertakings and (v) to this Seventh Amendment;

3.1.6. the Seventh Amendment Fee Letter executed as at the date hereof by the Borrower;

3.1.7. the Borrower Offering Undertaking (in the form attached hereto as APPENDIX E), duly executed by the Borrower;

3.1.8. the Borrower shall procure that the Debenture is updated (and such updates are duly registered with the Registrar of

Companies and the Registrar of Pledges), such that all Material Contracts entered into by it and all assets and rights acquired by it, after January 18, 2001 (including, any lease with the ILA flowing from the development agreement with the ILA described in clause 4.17 and the two new development agreements with the ILA, any new Intellectual Property Assets, any immovable property, any new machinery and equipment and any new Insurance Policies), are duly pledged to the Banks by way of first-ranking fixed charge (or, as applicable, assigned by way of charge) under the Debenture, and that such updates are otherwise perfected in accordance with its terms and the Borrower shall deliver to the Banks all documents as referred to in clause 3.2 of the Debenture (mutatis mutandis) and shall sign all such other documents and forms required for the purposes of the aforegoing);

3.1.9. the Borrower shall procure that the Borrower's shares in Tower Semiconductor USA, Inc. and all Intellectual Property Assets held outside the State of Israel be duly pledged to the Banks by way of first-ranking fixed charge (or its equivalent under the laws of the relevant jurisdiction) under a debenture (or appropriate security agreement) and otherwise perfected in accordance with its terms;

3.1.10. execution of amendments to the existing Warrants, in the form satisfactory to the Banks in their sole discretion and to be attached hereto as APPENDIX F and execution of additional warrants in favour of the Banks, to acquire shares of the Borrower, in the form satisfactory to the Banks in their sole discretion and to be attached hereto as APPENDIX G, such amendments and additional warrants to reflect the principles set out in APPENDIX H hereto;

3.1.11. duly executed letter of engagement of the Bank Adviser in the form satisfactory to the Banks in their sole discretion and to be attached hereto as APPENDIX I;

3.1.12. the Borrower paying the fees set out in section 5 below by the earlier of: (a) the Seventh Amendment Closing Date; and (b) December 31, 2003;

3.1.13. copies of resolutions of the Board of Directors, audit committee and shareholders of the Borrower, evidencing approval of this Seventh Amendment (including, specifically, of the Borrower Offering Undertaking, the Safety Net Undertaking, the Outside

Investment Undertakings, the Amendment No. 3 Letter (as defined in section 2.9.5(i) above) (together with a copy of the certificate delivered to each of the parties thereto as referred to in the last sentence of Section 1 of the Amendment No. 3 Letter), as referred and of the Borrower's obligations pursuant to clause 16.34) and authorising designated officers of the Borrower to execute, deliver and perform this Seventh Amendment and to give all notices and take all other action required to be given or taken by the Borrower under this Seventh Amendment;

3.1.14. payment on the date of signature of this Seventh Amendment of the fees and costs referred to in section 5 below, that are payable on or before such date;

3.1.15. an opinion of Yigal Arnon & Co., Advocates, the Borrower's external legal counsel, addressed to the Banks, in the form to be attached hereto as APPENDIX J and an opinion from the Borrower's external foreign counsel addressed to the Banks in respect of the pledges referred to in section 3.1.9 above, to be attached hereto as APPENDIX K;

3.1.16. opinions addressed to the Banks by the external legal counsel of the Safety Net Obligor and of the other Lead Investors in the form satisfactory to the Banks in their sole discretion and to be attached hereto as APPENDIX L;

3.1.17. copies, certified by the external legal counsel of the Borrower, of the amendments to the Wafer Prepayment Contracts in accordance with clause 16.27.3.1 (as it will be amended, if amended, by this Seventh Amendment);

3.1.18. a copy, certified as a true copy by the external legal counsel of the Borrower, of all amendments to the Certificate of Incorporation, Memorandum of Association and Articles of Association of the Borrower since January 18, 2001;

3.1.19. copies of the MEI Agreement;

3.1.20. copies of all amendments to the Organisational Documents of each of the Subsidiaries of the Borrower since January 18, 2001;

3.1.21. copies of all amendments and restatements and documentation in connection therewith since January 18, 2001 (in English or in

Hebrew or, if the original is in another language, translated into English by a certified translator), certified by the Borrower's external legal counsel, as being true, complete and up-to-date, of all the Material Contracts referred to in clause 4.25;

3.1.22. copies (in English or in Hebrew or, if the original is in another language, translated into English by a certified translator), certified by the Borrower's external legal counsel, as being true, complete (including all amendments thereto and documentation in connection therewith) and up-to-date of all Material Contracts entered into after January 18, 2001;

3.1.23. an updated certificate by the Auditors confirming investments made pursuant to clauses 4.5, 4.6 and 16.27 in Paid-in Equity and/or credits (wafer prepayments) through and as of the Seventh Amendment Closing Date;

3.1.24. a certificate of the Auditors and a certificate of the Chief Financial Officer of the Borrower certifying that, as of the Seventh Amendment Closing Date, the Borrower has no Indebtedness, save for Permitted Financial Indebtedness;

3.1.25. all other amendments to Take-or-Pay Contracts and/or Wafer Prepayment Contracts and/or if the other party to an agreement is one of the Lead Investors (other than TIC) or another Equity Wafer Partner, agreements providing for a right on the part of such other party to order wafers from the Borrower;

3.1.26. all the Material Contracts described in sections 3.1.17, 3.1.19 3.1.20 and 3.1.22 above shall be in full force and effect and shall not have been breached by any party thereto (save for any breach which: (a) is not material; and (b) cannot constitute (including with the passage of time or the giving of notice) a cause of action permitting termination of any such Material Contract or any variation thereof adverse to the Borrower);

3.1.27. an amended Insurance Report;

3.1.28. updated Schedules to replace each of the Schedules referred to in section 2.12 above and each of the new Schedules referred to in section 2.13 above;

3.1.29. evidence that this Seventh Amendment and all documentation pursuant thereto, including, the Safety Net Undertaking, required, if required, to be stamped for stamp duty purposes,

has been stamped and the relevant duty payable has been paid; and

3.1.30. all of the Borrower's representations and warranties given pursuant to this Seventh Amendment shall be accurate in all material respects as of the Seventh Amendment Closing Date, as if made on the Seventh Amendment Closing Date.

3.2. In the event that the aforegoing conditions precedent are not all fulfilled by December 21, 2003, then, save for sections 3.3 and 5 below, this Seventh Amendment shall no longer be of any force or effect and the Facility Agreement shall remain unaltered and in full force and effect and, save as aforesaid, no party shall have any claim arising out of or in connection with this Seventh Amendment. The Banks undertake that promptly following the fulfilment to the satisfaction of the Banks of all the conditions precedent referred to in section 3.1 above, the Banks shall confirm to the Borrower in writing that the conditions precedent have been fulfilled and this Seventh Amendment has become effective.

3.3. Subject to the fulfilment by the Borrower of the conditions precedent set out in sections 3.1.3, 3.1.5, 3.1.6 and 3.1.7 above ("THE BRIDGE CONDITIONS PRECEDENT") to the Banks' satisfaction, the Banks shall, upon fulfilment of the Bridge Conditions Precedent, if fulfilled, notwithstanding that the Banks are not obliged as at the date hereof to make any Advance under the Facility, make available Credits to the Borrower under the Facility in the amount of US $60,000,000 (sixty million United States Dollars), subject to compliance with the terms and conditions for making a Credit under clause 5 (other than clause 5.2.1). It is hereby agreed that the making of such Credit shall not constitute a waiver by the Banks of any Event of Default referred to in APPENDIX M hereto. The Borrower shall immediately utilise US $10,000,000 (ten million United States Dollars) of such Credits to repay the Banks on account of Indebtedness of the Borrower to the Banks on account of Fab 1, in accordance with clause 3.1.10.

4. REPRESENTATIONS AND WARRANTIES

The Borrower acknowledges that the Banks have agreed to this Seventh Amendment in full reliance on the representations and warranties referred to in clause 15. Without derogating from the provisions of clause 15, all of those representations and warranties which are demanded to be repeated pursuant to clause 15.30 shall be deemed to be repeated on the date of signature of this Seventh Amendment, on the Seventh Amendment

Closing Date and on the date of drawdown of the Reborrowed Loans and, notwithstanding anything to the contrary in clause 15.30, the Borrower shall be deemed also to have repeated, on each of the aforegoing dates, the following further representations and warranties: the second sentence of clause 15.2 (excluding with regard to a Default comprising only of the commencement of negotiations by the Borrower with individual suppliers of the Borrower to make an adjustment or rescheduling of its Indebtedness to such suppliers); all of clause 15.3, clause 15.4, clause 15.5, the last two sentences of clause 15.6, clause 15.13, clause 15.8.2 (but with respect to audited consolidated Accounts of the Borrower, for the period ending December 31, 2002 and with respect to unaudited reviewed consolidated Accounts, for the periods ending March 31, 2003, June 30, 2003 and September 30, 2003), clause 15.14, clause 15.16 (but the words "1999 Balance Sheet" shall be replaced by "December 31, 2002" and save for those changes since December 31, 2002 expressly referred to in the Borrower's annual report on Form 20-F for 2002 filed with the Securities Exchange Commission and in the registration statement on Form F-3 filed with the Securities Exchange Commission in September 2003, clause 15.18, clause 15.21 and clause 15.24, subject only to the specific disclosures set out in APPENDIX N hereto).

For the removal of doubt, the term "Finance Documents" when referred to in the representations and warranties set out in clause 15, includes also this Seventh Amendment.

5. FEES AND EXPENSES

Without derogating from the obligations of the Borrower to pay the Banks commissions, fees and expenses pursuant to the Facility Agreement and in addition thereto, and for the removal of doubt, the Borrower shall pay to the Banks on the date of signature of this Seventh Amendment and thereafter on demand all costs and expenses (including legal fees for external counsel and out-of-pocket expenses) incurred by the Banks in connection with the negotiation, preparation and execution of this Seventh Amendment (including, with respect to all Appendices thereto and all Schedules attached, or to be delivered pursuant, thereto to the Facility Agreement) and the completion of the transactions herein contemplated and with respect to all further amendments to the Facility Agreement, as to any Permitted Subordinated Debt to be issued by the Borrower, all subject, with respect to legal fees, to such tariffs as have been agreed between the Banks and the Borrower in writing.

6. LIMITED WAIVER

The Banks agree that, with effect from the Seventh Amendment Closing Date, the Banks waive those Defaults and Events of Default actually existing and expressly set out in APPENDIX M hereto. For the removal of doubt, the aforegoing waiver shall not be interpreted in any event as a waiver by the Banks of any representation, warranty or obligation (including under clause 16.29) of the Borrower included in the Finance Documents or of any Default or Event of Default not expressly set out in Appendix M or, for the removal of doubt, of any Default or Event of Default occurring after the date of signature of this Seventh Amendment. The aforegoing waiver shall not apply in the event of any change or development occurring after the date of signature of this Seventh Amendment in the circumstances described in said Appendix M (including in the event any "Default" included in Appendix M becomes an "Event of Default"), other than a change or development occurring after the date of signature of this Seventh Amendment, which does not have any adverse effect on the interests of the Banks.

The Banks further agree that they shall not, during the period commencing from the date hereof and ending 40 (forty) days after the date hereof, or, subject to the preceding sentence of this section 6, if earlier, ending on the Seventh Amendment Closing Date, exercise any rights they may have under clause 17.21 as a result of the Defaults and Events of Default actually existing and expressly set out in Appendix M, as aforesaid. The aforegoing shall not apply in the event of any change or development occurring after the date of signature of this Seventh Amendment in the circumstances described in said Appendix M (including in the event any "Default" included in Appendix M becomes an "Event of Default"), other than a change or development occurring after the date of signature of this Seventh Amendment, which does not have any adverse effect on the interests of the Banks. For the avoidance of doubt, in the event the conditions precedent referred to in section 3.1 above are not fulfilled within such 40 (forty) day period, then the Banks shall be entitled to exercise any rights they have under clause 17.21 as a result of such Defaults or Events of Default, as aforesaid, and the provisions of this section 6 shall neither constitute, nor be construed, as a waiver of such Defaults or Events of Default or of any rights the Banks may have against the Borrower in connection therewith.

For the avoidance of doubt, although the Banks are waiving the fact that a total of approximately $95,506,000 (ninety five million five hundred and six thousand United States Dollars) in Investment Centre Fab 2 Grants that were to be made to the Borrower by October 31, 2003 in accordance with the previous Business Plan and Forecast were not made on schedule, the

Banks are not waiving the receipt of these grants in the future in accordance with the new Business Plan and Forecast attached hereto. Accordingly, even though the Borrower has informed the Banks that it neither expects to complete its investment program by 2005 as required by the certificate of approval regarding, nor expects to achieve the levels of revenues and employees that it forecasted to the Investment Centre in connection with, Investment Centre Fab 2 Grants, failure by the Borrower in the future to actually receive Investment Centre Fab 2 Grants in accordance with the new Business Plan and Forecast or any actual breach by the Borrower of any material condition of such approvals or cancellation or reduction of such Investment Centre Fab 2 Grants or any part thereof (save to the extent that such Investment Centre Fab 2 Grants may be, and are in fact, replaced by Paid-in Equity pursuant to and subject to the conditions set out in clause 16.27) or the Investment Centre informing the Borrower that it is not continuing its funding of the Project, shall be considered an Event of Default and nothing herein shall be deemed to constitute a waiver in advance of such Default. The aforegoing shall apply, mutatis mutandis, to any waiver arising from any Waiver Notice or any Additional Waiver Notice.

7. AMENDMENT TO THE FACILITY AGREEMENT

Subject to the fulfilment of the conditions precedent set out in section 3.1 above and with effect from the Seventh Amendment Closing Date, the Facility Agreement is hereby amended as expressly set out in this Seventh Amendment above. This Seventh Amendment shall be read together with the Facility Agreement as one agreement and, save as expressly amended by this Seventh Amendment, the Facility Agreement shall remain unaltered and in full force and effect.

[remainder of this page intentionally left blank]

IN WITNESS WHEREOF, THE PARTIES HAVE SIGNED THIS SEVENTH AMENDMENT ON THE DATE FIRST MENTIONED ABOVE.

for: TOWER SEMICONDUCTOR LTD.

By: _____

Title: _____

for: BANK LEUMI LE-ISRAEL B.M.

By: _____

Title: _____

for: BANK HAPOALIM B.M.

By: _____

Title: _____

November 11, 2003

Bank Hapoalim B.M.
Bank Leumi Le-Israel B.M.

Re: UNDERTAKING

1. General Provisions

1.1. This undertaking (hereinafter: "THIS UNDERTAKING") has been furnished by The Israel Corporation Ltd. (hereinafter: the "COMPANY") as part of arrangements that were requested by Bank Hapoalim B.M. and Bank Leumi Le-Israel B.M. (hereinafter: the "Banks") in order to facilitate, and as a condition to, their continued financing of Tower Semiconductor Ltd. (hereinafter: "TOWER") pursuant to the Facility Agreement (as defined in Section 2 below) that was executed between the Banks and Tower with respect to the financing of the construction of Tower's Fab 2 facility. This Undertaking shall neither confer any rights or remedies upon, nor create any obligations by the Company to, any person (including, for the avoidance of doubt, Tower or any of its shareholders), other than the Banks.

1.2. The obligations in this Undertaking are related to Tower's obligation under the Facility Agreement to raise Additional Capital (as defined in Section 2 below) of US $152 (one hundred and fifty-two) million on or prior to December 31, 2005.

1.3. The maximum aggregate amount of the Safety Net Investments, as defined in Section 2 below, that the Banks may require pursuant to this Undertaking is limited to US $50 (fifty) million. Safety Net Investments actually made will be considered a portion of the raising of Additional Capital by Tower as described above in Section 1.2. The Banks confirm that the Facility Agreement provides that in the event the Banks, in their sole discretion, exercise their option to require Safety Net Investments, and such Safety Net Investments are actually made, then the Banks will, subject to Section 4.1 below, make available additional financing to Tower (in addition to the US $500 (five hundred) million Facility provided pursuant to the Facility Agreement), in a maximum aggregate amount of up to US $43 (forty-three) million, the terms and conditions of the Facility Agreement to apply to such additional financing, if and when made. The Banks undertake to the Company that, subject to the foregoing, they will make available such additional financing.

1.4. Pursuant to this Undertaking, the Company shall be obliged, in accordance with the provisions of this Undertaking below, to make Safety Net Investments in amounts not to exceed 50/93 of the amount of Additional Capital that Tower is required to raise, but has not yet raised on or prior to the relevant date, as required by clause 16.27.2 of the Facility Agreement, a copy of which clause is attached hereto as SCHEDULE 1, such Safety Net Investments not to exceed the maximum aggregate amount set forth in

Section 1.3 above. The Banks confirm that the Facility Agreement provides that should the Safety Net Investments be made by the Safety Net Investors and the Banks shall have received confirmation of such receipt by the relevant Safety Net Investor Auditor or the Auditors, then, subject to Section 4.1 below, the Banks shall make available additional financing to Tower (up to the maximum aggregate amount set forth in Section 1.3 above), in an amount equal to 86% (eight-six percent) of the amount of Safety Net Investments received from the Safety Net Investors (based on a ratio of US $43 (forty-three) of additional loan availability for every US $50 (fifty) constituting a Safety Net Investment), the terms and conditions of the Facility Agreement to apply to such loans if and when made.

1.5. For the avoidance of doubt, this Undertaking will be decreased proportionally to the extent that the amount of Additional Capital that remains to be raised by Tower is less than US $93 (ninety three) million. In this event, the ratios will not change, however, the remaining commitment represented by this Undertaking shall not exceed 50/93 of the remaining Additional Capital to be raised by Tower.

2. Definitions

With regard to this Undertaking, the terms below shall have the following meanings:

2.1. "ADDITIONAL CAPITAL" shall mean the funds which Tower is required to raise pursuant to clause 16.27.2 of the Facility Agreement, a copy of which clause is attached hereto as Schedule 1, as aforesaid.

2.2. "CONTRIBUTION NOTICE" means a notice substantially in the form set out in SCHEDULE 2 hereto pursuant to which the Banks request a Safety Net Investment to be made pursuant to Section 3 below.

2.3. "EXPIRY DATE" means the earliest of: (i) the date on which Tower shall have fulfilled all of its obligations under clause 16.27.2 of the Facility Agreement; (ii) June 30, 2006 or such later date as may be required by operation of the provisos to Section 5.2 below; and (iii) the date on which Safety Net Investments in an amount of US $50 (fifty) million are made, without derogating from Section 1.5 above.

2.4. "FACILITY AGREEMENT" shall mean the Facility Agreement that was executed between the Banks and Tower on January 18, 2001 including all amendments made from time to time thereto, including, without limitation, the Seventh Amendment thereto.

2.5. "PROJECT ACCOUNTS" means: (i) account number 545454 at Bank Hapoalim, Migdal Haemek Branch, No. 728, in the name of Tower; and (ii) account number 13030062 at Bank Leumi, Haifa Branch, in the name of Tower.

2.6. "SAFETY NET INVESTMENTS" means the amount actually received by Tower from Safety Net Investors for Units, as defined in Schedule 3 hereto, purchased from Tower in a public offering or private placement following, and in accordance with, a Contribution Notice delivered in the sole discretion of the Banks to Tower (with a copy to the Company) by the Banks. For the removal of doubt, amounts invested pursuant to clauses 4.5, 4.6 and 16.27.1 of the Facility Agreement shall not constitute Safety Net Investments.

2.7. "SAFETY NET INVESTOR AUDITOR" means an auditor of a Safety Net Investor, provided that such auditor is one of the "big four" internationally recognised firms of auditors (or a local country affiliate thereof, in the case of Safety Net Investors incorporated outside of the United States).

2.8. "SAFETY NET INVESTORS" means the Company, Israel Corporation Technologies (ICTech) Ltd. (a subsidiary of the Company), Sandisk Corporation, a Delaware corporation, Alliance Semiconductor Corporation, a Delaware corporation, Macronix International Co. Ltd., a Taiwan corporation, QuickLogic Corporation, a Delaware corporation, Challenge Fund-Etgar L.P. and any other shareholder of Tower which holds, at the date of this Undertaking or at the time the relevant Contribution Notice is delivered by the Banks, no less than 6% (six percent) of the issued and outstanding share capital of Tower.

2.9. "SAFETY NET LOANS" means Loans, if any, not to exceed an aggregate of US $43 (forty-three) million, made by the Banks to Tower following receipt of Safety Net Investments made by the Safety Net Investors, all in accordance with Section 4.1 below, and the provisions of the Facility Agreement shall be applicable to such Loans, if and when made.

2.10. For purposes of convenience only, and without in any way deeming the Company to be a party to the Facility Agreement, capitalised terms, words and expressions defined in the Facility Agreement not otherwise defined herein shall bear the same meaning as in the Facility Agreement.

3. The Undertaking

3.1. In the event that at any time and from time to time Tower shall fail to fulfil any of Tower's obligations to raise Additional Capital by the relevant date set out in clause 16.27.2 of the Facility Agreement, then, at any time thereafter, but, subject to Section 5 below, the Banks may, at their option (the Banks being under no obligation to exercise said option), send a Contribution Notice (but not more than twice in any 1 (one) calendar year) to Tower (with a copy to the Company) requiring Tower to make a rights offering in accordance with its undertaking, a copy of which is set out in SCHEDULE 3 hereto (hereinafter: the "TOWER OFFERING UNDERTAKING"), in an amount equal to the difference between the aggregate of Tower's obligations to raise Additional Capital which, pursuant to clause 16.27.2 of

the Facility Agreement, were required to have been performed by the date of the Contribution Notice and the amount of Additional Capital in fact raised by Tower by such date (hereinafter: the "DEFICIENT AMOUNT") or such lesser amount as may be set forth in the Contribution Notice (the amount, subject of the Contribution Notice, hereinafter: the "THE AMOUNT TO BE Raised"). The Company irrevocably undertakes that in the event that a Contribution Notice will be delivered as aforesaid, the Company will make, or procure the making by the Safety Net Investors of, a Safety Net Investment in Tower in an amount equal to 50/93 of the Amount to be Raised, by no later than 3 (three) months from the date of such Contribution Notice, all in accordance with this Section 3 below.

With respect to each Contribution Notice, in the event that during the Relevant Period ending immediately prior to the date of such Contribution Notice there shall have been made Additional Investments, then, for the purposes of calculating the amount of the Safety Net Investments required to be made pursuant to such Contribution Notice as aforesaid: (i) the aggregate amount of the Recognised Additional Investments during such Relevant Period shall be deemed to be added to the Amount to be Raised; and (ii) the Company shall be deemed to have provided Safety Net Investments in respect of such Contribution Notice in an amount equal to the aggregate Recognised Additional Investments for such Relevant Period.

By way of example only, and without derogating from the generality of the aforegoing, if the Deficient Amount is US $41,500,000 (forty-one million five hundred thousand) and the aggregate of the Recognised Additional Investments made in the Relevant Period is US $5 (five) million, then the Banks could require the Company to contribute US $20 (twenty) million--representing the amount found by subtracting the amount of the Recognised Additional Investment (i.e., US $5 (five) million) from US $25 (twenty-five) million), which latter amount represents the amount found by multiplying the sum of the Deficient Amount and the Recognised Additional Investment (i.e., US $46,500,000 (forty-six million five hundred thousand)) by 50/93.

In this Section 3.1:

3.1.1. "ADDITIONAL INVESTMENT" means, in respect of any Relevant Period (as defined below), the aggregate of the amount of Paid-in Equity and Permitted Subordinated Debt, in each case, actually received by Tower from the Company during such Relevant Period within the framework of a public offering or private placement by Tower of Paid-in Equity and/or Permitted Subordinated Debt, as such amount shall be certified by the applicable Safety Net Investor Auditor or the Auditors (such certificate to be in a form satisfactory to the Banks), but excluding any Safety Net Investment and the investments that the Company is required to make as referred to in clauses 4.6 and 16.27.1 of the Facility Agreement. The Company shall, within 10 (ten) days

after each Relevant Period, submit to the Banks a certificate from the applicable Safety Net Investor Auditor or the Auditors (such certificate to be in a form satisfactory to the Banks), confirming the amount and receipt of all such amounts received, as aforesaid, during such Relevant Period;

3.1.2. "RECOGNISED ADDITIONAL INVESTMENT" means, with respect to any Additional Investment, an amount equal to the lowest of:

(a) the amount of the Additional Investment;

(b) US $10 (ten) million; and

(c) 20% (twenty percent) of the amount actually invested in Tower within the framework of the relevant public offering or private placement in which such Additional Investment is made;

3.1.3. "A RELEVANT PERIOD" means the period commencing from the date a Contribution Notice is made by the Banks pursuant to this Section 3.1 and ending on the day before the next Contribution Notice is made, as aforesaid, save that the period of the first Relevant Period shall commence from the date of this Undertaking and shall end on the day before the first Contribution Notice is made.

3.2.

3.2.1. In the event that following a Contribution Notice, Tower, in accordance with its obligations under the Tower Offering Undertaking, publishes a rights offering of Units, then the Company irrevocably and unconditionally undertakes: (i) to invest in Tower that proportion of the Amount to be Raised equal to the proportion of its holdings (and the holdings of any company in which it owns more than 50% (fifty percent) of the share capital or voting rights) in Tower at the time of the making of such rights offering; and (ii) to invest in, or procure the investment by Safety Net Investors in, Tower the remainder of the then Amount to be Raised (not raised pursuant to such rights offering) by way of private placement of Units, but in any event not in excess of 50/93 of the Amount to be Raised.

3.2.2. Should Tower fail to file a registration statement with the United States Securities and Exchange Commission (hereinafter: the "SEC") within 12 (twelve) Business Days of the date a Contribution Notice is given by the Banks as described in Section 3.1 above, or fail promptly to respond, to the satisfaction of the staff of the SEC, to SEC staff comments with respect to said registration statement, or fail promptly to take all actions required by all applicable jurisdictions in which shareholders of Tower are resident to qualify said rights offering in such jurisdiction, including, without limitation, Israel and applicable states within the United States, or otherwise fail to diligently proceed

with the rights offering, and any such failure is attributed by Tower or its counsel to one or more legal impediments, then any of Tower, the Company or the Banks may request that Aaron Lampert, Adv. (or failing him Cliff Felig, Adv.) (hereinafter: the "EXPERT"), within 2 (two) weeks of the date requested to do so by any of Tower, the Company or the Banks, confirm whether or not the rights offering may legally proceed, notwithstanding the legal impediment or impediments cited by Tower. The parties record that if the Expert confirms that the rights offering may legally proceed, Tower undertakes, pursuant to the Tower Offering Undertaking, to promptly cure such failures, in consultation with the Expert, and complete the rights offering in accordance with Tower's undertaking set forth in Schedule 3 hereto. The parties further record that in accordance with the Tower Offering Undertaking, Tower shall bear the reasonable fees of, and reasonable costs incurred by, the Expert in providing his confirmation.

3.2.3. Notwithstanding the foregoing, if for any reason the rights offering as referred to above is not completed within 3 (three) months of the Contribution Notice, the Company shall make, or procure to be made, Safety Net Investments in an amount of at least 50/93 of the Amount to be Raised within 3 (three) months of the Contribution Notice by purchasing, or procuring the purchase by Safety Net Investors of, the Units in a private placement with Tower.

3.2.4. Accordingly, and for the removal of doubt, if a Contribution Notice in accordance with Section 3.1 above is delivered to Tower, the Company unconditionally and irrevocably undertakes to invest in Tower, either in such a rights offering as referred to in Section 3.2.1 above or, failing such rights offering, by way of private placement as referred to in Section 3.2.3 above, 50/93 of the Amount to be Raised under such Contribution Notice, subject to the first sentence of Section 1.3 above and, for the removal of doubt, without derogating from Section 3.1 above in relation to Recognised Additional Investments. For the removal of doubt, for the purposes of determining the Company's obligation as aforesaid, the Amount to be Raised shall be deemed to be reduced by any funds invested by shareholders other than the Safety Net Investors in said rights offering or private placement, as the case may be. For the removal of doubt, amounts invested by the Safety Net Investors (other than the Company) in said rights offering or private placement, as the case may be, shall also be counted as Safety Net Investments procured to be made by the Company for purposes of this Undertaking.

3.3. The Company acknowledges, for the removal of doubt, that: (i) this Undertaking is in addition to, and does not in any way derogate from, the obligations and undertakings: (a) described in clauses 4.5, 4.6 and 16.27 of the Facility Agreement; and (b) of the Outside Investment Undertakings

which the Company and other Lead Investors are providing to the Banks; (ii) in the event of any Default under clause 16.27.2 of the Facility Agreement, the Banks shall have available to them all remedies under the Finance Documents (including pursuant to clauses 17.21-17.25 of the Facility Agreement) and nothing in clause 16.34 of the Facility Agreement nor the fact of the execution and delivery of this Undertaking by the Company shall derogate from the Banks' rights and remedies as aforesaid, subject only to the express provisions of clause 16.34.4 of the Facility Agreement (which are described in Section 4.2 and Section 4.3 below and shall be applicable in the event, and only in the event, that the requested Safety Net Investment is duly made pursuant to the terms hereof and thereof); (iii) the Banks shall be under no obligation to exercise their option to require a Safety Net Investment to be made; and (iv) the option granted to the Banks to require a Safety Net Investment to be made is exercisable each time that Tower shall fail to meet any of Tower's obligations to raise Additional Capital and any time after such failure, but, subject to Section 5 below, and no more than twice during any one calendar year.

3.4. Payments made in respect of any Safety Net Investment pursuant to this Section 3 shall be made only by way of cash deposit in Dollars into one of the Project Accounts or into the Foreign Paid-in Equity Account.

4. Obligations of the Banks

4.1. The Banks confirm that the Facility Agreement provides that should the Banks exercise their option, from time to time, to require Safety Net Investments to be made in Tower and such Safety Net Investments are in fact made by the Safety Net Investors pursuant to the terms of this Undertaking, and the Safety Net Investor Auditors or the Auditors shall have delivered certificates (in a form satisfactory to the Banks confirming the same), Tower shall be entitled, subject to delivery of a Drawdown Request (in a form satisfactory to the Banks) and fulfilment of the condition set forth in clause 5.1.4.2 of the Facility Agreement requiring that the Safety Net Loan be made on a Business Day, to obtain from the Banks Safety Net Loans in an aggregate amount equal to 86% (eighty-six percent) of the amount of Safety Net Investments actually received as aforesaid (including, for this purpose, the amount of Recognised Additional Investments deemed as Safety Net Investments by the Company as referred to in Section 3.1 above, if any, taken into account for the purposes of the relevant Contribution Notice) (based on a ratio of US $43 (forty-three) of Safety Net Loans for every US $50 (fifty) constituting a Safety Net Investment), but not more than US $43 (forty-three) million in the aggregate. The Banks undertake to the Company to act in accordance with the foregoing. For the removal of doubt, only Safety Net Investments made by the Safety Net Investors (and not any other person) shall be taken into account for the purposes of this Section 4.1. The Safety Net Loans shall (subject to the fulfilment of the conditions described in this Section 4.1 above), be available for drawdown by Tower (in accordance with clauses 5.2.3, 5.2.4,

5.2.5, 5.2.6 and 5.2.7 of the Facility Agreement) from the date of confirmation of receipt of the relevant Safety Net Investment.

4.2. The Banks confirm that the Facility Agreement provides, and the Banks agree, that in the event that Safety Net Investments shall be duly made in accordance with this Undertaking and clause 16.34 of the Facility Agreement, then:

4.2.1. the Banks shall not be entitled to exercise their rights pursuant to clauses 17.21-17.25 of the Facility Agreement nor shall the Banks be entitled to refrain from making Credits pursuant to clause 5 of the Facility Agreement, by reason only of an Event of Default constituted by Tower's failure to comply with the finance raising obligations of clause 16.27.2 of the Facility Agreement; and

4.2.2. until the earlier of: (a) the date this Undertaking expires in accordance with Section 5 below; and (b) the date on which the Total Outstandings shall first reach or exceed US $500 (five hundred) million (disregarding, for this purpose only, Safety Net Loans), with respect only to the Defaults or Events of Default listed in (i)-(iii) of this Section 4.2.2 below, the Banks shall not be entitled to exercise their rights pursuant to clauses 17.21-17.25 of the Facility Agreement nor shall the Banks be entitled to refrain from making Credits pursuant to clause 5 of the Facility Agreement, by reason only of such Default or Event of Default (without derogating from the requirement that all other conditions for the making of a particular Credit will still have to be complied with):

(i) an Event of Default constituted by the receipt by Tower of a Credit, in breach of clauses 2.3 or 5.1 of the Facility Agreement. For the removal of doubt, the foregoing shall not entitle Tower to a Credit if at the time of the request of same, it does not comply with clauses 2.3 or 5.1 of the Facility Agreement (however, if a Credit is made despite such non-compliance, the mere fact of the making of such Credit, despite non-compliance, shall not prevent the making of further Credits);

(ii) a Default constituted by a failure by Tower to make payments to suppliers on the due date for payment; or

(iii) a Default specifically waived pursuant to the Waiver Notice or the Additional Waiver Notice (each as defined in Section 4.3 below) as set forth in Section 4.3 below.

4.3. The Banks confirm, and the Company acknowledges and agrees, that the Facility Agreement provides that after a Contribution Notice is made, Tower may, no later than 25 (twenty-five) Business Days before the date corresponding to 3 (three) months after the date of such Contribution

Notice, or, if earlier, before the date any of the Safety Net Investors makes a Safety Net Investment pursuant to such Contribution Notice (the earlier of the foregoing, hereinafter: the "SAFETY NET INVESTMENT DATE"), send a written notice to the Banks expressly setting out and particularising all actually existing Defaults or Events of Default, including all relevant facts, and the steps being taken to remedy the same (hereinafter: the "DEFAULT NOTICE"), that have occurred and are continuing as at the date of such Default Notice. In connection therewith, Tower shall not be entitled to set out and particularise in any Default Notice any Defaults or Events of Default arising from any act or omission by, or under the control of, the Company. In the event the Banks agree, within 15 (fifteen) Business Days after the receipt of such Default Notice to waive such Defaults or Events of Default by way of a waiver notice (hereinafter: the "WAIVER NOTICE") in substantially the same form as set out in Schedule 16.34.5 to the Facility Agreement, then, subject to the Banks receiving certificates from each applicable Safety Net Investor Auditor or a certificate from the Auditors (in a form or forms satisfactory to the Banks), confirming that all Safety Net Investments to be made by the Safety Net Investors in respect of such Contribution Notice pursuant to clause 16.34.1 of the Facility Agreement have actually been made, with effect from the date such Safety Net Investments are made, the Banks shall be deemed to have waived those actually existing Defaults or Events of Default expressly set out and particularised in such Default Notice as aforesaid. For the avoidance of doubt: (i) any such waiver shall only relate to the period prior to the making of such Safety Net Investments by the Safety Net Investors, as aforesaid and shall not be interpreted in any event as a waiver by the Banks of any representation, warranty or obligation (including, under clause 16.29 of the Facility Agreement) of Tower included in the Finance Documents, or of any Default or Event of Default not actually existing or not expressly set out and particularised in such Default Notice, as aforesaid; and (ii) in the event the Banks do not send a Waiver Notice within such 15 (fifteen) Business Day period, or if the Safety Net Investors do not actually make all of the Safety Net Investments, as aforesaid, as required under the relevant Contribution Notice, or if the Banks do not receive such certificates from all of the Safety Net Investor Auditors or the Auditors (in a form satisfactory to the Banks), as aforesaid, then the Banks shall not be deemed to have waived any rights they have or may have arising from the Defaults or Events of Default set out and particularised in such Default Notice as aforesaid. In the event the Banks do not send a Waiver Notice to Tower within 15 (fifteen) Business Days after receipt of the relevant Default Notice from Tower, then the relevant Contribution Notice shall be deemed to have been withdrawn by the Banks and the Company shall not be required to make, or procure to be made, Safety Net Investments in accordance with said Contribution Notice and Tower shall not be required to fulfil its undertaking under Schedule 3 hereto with respect only to such withdrawn Contribution Notice. If after a Waiver Notice is sent by the Banks to Tower, but no later than 8 (eight) Business Days prior to the Safety Net Investment Date, Tower sends a written notice to the Banks expressly setting out and particularising

additional actually existing Defaults or Events of Default not listed on the Default Notice (or adds more detail to the ones detailed in the Default Notice) and the steps being taken to remedy same (hereinafter: the "ADDITIONAL DEFAULT NOTICE"), that have occurred and are continuing as at the date of such Additional Default Notice (the above provisions applicable to the Default Notice to be equally applicable to the Additional Default Notice, mutatis mutandis), the Banks shall have 7 (seven) Business Days after the receipt of such Additional Default Notice to decide whether to waive such additional Defaults or Events of Default by way of an additional waiver notice (hereinafter: the "ADDITIONAL WAIVER NOTICE") (the above provisions applicable to the Waiver Notice to be equally applicable to the Additional Waiver Notice, mutatis mutandis). In the event the Banks do not send an Additional Waiver Notice to Tower within 7 (seven) Business Days after receipt of the relevant Additional Default Notice from Tower, then the relevant Contribution Notice shall be deemed to have been withdrawn by the Bank and the Company shall not be required to make, or procure to be made, Safety Net Investments in accordance with said Contribution Notice and Tower shall not be required to fulfil its undertaking under Schedule 3 hereto with respect, only, to such withdrawn Contribution Notice. For the removal of doubt, notwithstanding anything to the contrary in this Section, any waiver, shall not apply in the event of any change or development occurring after the date of the relevant Default Notice or Additional Default Notice (as the case may be), including in the event that any "Default" included in a Default Notice or Additional Default Notice (as the case may be) becomes an "Event of Default", in the circumstances described in the relevant Default Notice or Additional Default Notice (as the case may be), other than a change or development occurring after the date of the relevant Default Notice or Additional Default Notice (as the case may be), which does not have any adverse effect on the interests of the Banks.

4.4. At any time after delivery of a Contribution Notice (but not later than 1 (one) day prior to the date on which the relevant rights offering prospectus or private placement is due to become effective), the Banks may, at their sole discretion and without any liability to the Company or Tower arising therefrom, by notice in writing to the Company and Tower, withdraw a Contribution Notice. Without derogating from the foregoing, in the event that after delivery of a Contribution Notice the Banks are of the view that, due to a legal impediment, they would not be in a position to make Safety Net Loans available to Tower, the Banks shall so notify the Company and Tower and the Contribution Notice shall be withdrawn. Notwithstanding the foregoing in this Section 4.4, the Banks shall be entitled to send a Contribution Notice once they are of the view that they would be in a position to make Safety Net Loans.

4.5. The Banks confirm that the Facility Agreement provides that in the event and only in the event that Contribution Notices are delivered by the Banks and Safety Net Investments are duly made in accordance with the provisions of clause 16.34 of the Facility Agreement, then, in respect of the period

commencing on the date of the confirmation of the making of such Safety Net Investments by the Safety Net Investor Auditors or the Auditors, as aforesaid, and until the earliest of the following 3 (three) dates: (a) June 30, 2006 (or, in the event a Contribution Notice is made within 3 (three) months prior to June 30, 2006, the date corresponding to the date Safety Net Investments are made pursuant to such Contribution Notice or, if earlier, 3 (three) months after the date of such Contribution Notice); (b) the date on which Tower shall have fulfilled all of its obligations under clause 16.27.2 of the Facility Agreement; and (c) the date on which the Total Outstandings shall first equal or exceed US $500 (five hundred) million (disregarding, for this purpose only, Safety Net Loans) and in respect of such period only: (i) all references in clause 16.29 of the Facility Agreement to "Schedule 16.29" shall be deemed to be replaced by Schedule 16.29A to the Facility Agreement; and (ii) "Schedule 1.1.106" shall be replaced by "Schedule 1.1.106A". Copies of said Schedules 16.29A and 1.1.106A are attached to this Undertaking as SCHEDULES 4 and 5, respectively.

5. Termination of the Undertaking

5.1. The Company will have the right to terminate this Undertaking in the event of: (a) any amendment: (i) to clauses 16.27.2 and 16.34 of the Facility Agreement (as such clauses are set out in the Seventh Amendment thereto, a copy of clause 16.34 being attached hereto as SCHEDULE 6) that purports to increase the Company's obligations to make Safety Net Investments or that purports to derogate from the obligations of the Banks to make Safety Net Loans or that would make the Units purchased by the Safety Net Investors from Tower pursuant to Section 3 hereof not be considered Additional Capital under the Facility Agreement; (ii) to clause 5.1.1 of the Facility Agreement whereby the maximum ratio of Total Outstandings applicable after any Safety Net Loans are made shall be reduced below 1.29; (iii) to the definition of Equity Convertible Debentures or (iv) to the Facility Agreement (for the removal of doubt, as amended by the Seventh Amendment thereto), reducing the Banks' Commitments (excluding, for the removal of doubt, any reduction thereof permitted under the terms of the Facility Agreement) or materially bringing forward the repayment schedule (excluding, for the removal of doubt, any voluntary reduction by Tower of the Commitments or any voluntary or mandatory prepayment) in each case of (i), (ii), (iii) and (iv) above, without the Company's written consent; or (b) the completion of an Outside Investment Offer relating to at least 51% (fifty-one percent) of the shares of Tower, all as referred to in clause 16.35.2 of the Facility Agreement. The termination of this Undertaking will take effect immediately upon notification by the Company unless otherwise provided in the notice.

5.2. The term of this Undertaking shall expire on the Expiry Date, provided, however, that: (a) if the Banks give a Contribution Notice on June 30, 2006 or during the 3 (three) months prior to June 30, 2006, this Undertaking shall remain in effect with regard to the Amount to be Raised that is the subject of such

Contribution Notice; and (b) if the Banks give a Contribution Notice on or prior to June 30, 2006 and prior to the making of Safety Net Investments within 3 (three) months after the date of delivery of the Contribution Notice, the provisions of clause 17.8 of the Facility Agreement shall be applicable to Tower (other than in the case of a solvent re-organisation or proceedings with respect to less than all of Tower's revenues or assets), the Contribution Notice and Tower's obligations under Schedule 3 hereto shall be suspended for the period during which such provisions of clause 17.8 as aforesaid shall be applicable and if such provisions of cause 17.8 as aforesaid shall be applicable for more than 9 (nine) months, this Undertaking and the Tower Offering Undertaking shall expire at the end of such 9 (nine) month period; provided that: (i) this Section 5.2(b) shall not apply, and this Undertaking or the Tower Offering Undertaking shall not expire, in the event clause 17.8 of the Facility Agreement shall apply to Tower, as aforesaid, as a result of any steps that are taken or Proceedings that are commenced, or as a result of the appointment of a liquidator, receiver, administrator, administrative receiver or similar officer, as referred to in clause 17.8 of the Facility Agreement, that is made, commenced, taken or appointed, as applicable, by the Company or any of its affiliates; and (ii) if the provisions of clause 17.8 of the Facility Agreement shall be applicable to Tower (other than in the case of a solvent re-organisation or proceedings with respect to less than all of Tower's revenues or assets), as a result of Proceedings instituted by the Banks, this Undertaking and the Tower Offering Undertaking shall expire upon the date on which such provision becomes applicable to Tower.

5A. Entry of this Undertaking into Effect

This Undertaking will become effective upon the fulfilment of the conditions precedent set out in section 3 of the Seventh Amendment to the Facility Agreement and confirmation thereof by the Banks and Tower pursuant to section 3.2 of the Seventh Amendment to the Facility Agreement, provided that, for the purpose of this Section 5A, any condition precedent which is waived by the Banks, shall not be considered a condition precedent set out in said section 3 and further provided that the Seventh Amendment to the Facility Agreement and Amendment No. 3 Letter (as defined in the Seventh Amendment to the Facility Agreement) have received all necessary approval of the Tower audit committee, board of directors and shareholders. Without limiting the generality of the foregoing, the foregoing conditions precedent shall be deemed to be fulfilled in the event that the Banks shall, pursuant to the last sentence of section 3.2 of the Seventh Amendment to the Facility Agreement, have notified Tower in writing that they regard the conditions precedent as having been fulfilled. Notwithstanding the aforegoing, the Company acknowledges that the Banks are making Credits available to Tower after the date of signature of this Undertaking by the Company, which may be made available even prior to the effectiveness of this Undertaking as set forth above, in full reliance on the representations and

warranties of the Company set out in Section 8 below and, accordingly, the Company agrees that, subject to Section 8.8 below, the representations and warranties set out in Section 8 below are in full force and effect on the date of signature by the Company of this Undertaking.

6. Primary Obligation

The obligations of the Company under this Undertaking constitute the irrevocable, unconditional and primary obligation of the Company and neither such obligations nor the rights, powers and remedies conferred in respect of the Company upon the Banks by this Undertaking or by law shall be:

6.1. dependent upon the legality or validity of any of the other Finance Documents, other than the Facility Agreement; or

6.2. discharged, released or otherwise affected or prejudiced by any time or indulgence afforded to Tower or to any of the other parties under any of the other Finance Documents or by any other act, event or omission which (but for this clause) would or might otherwise discharge, release, affect or prejudice any of the obligations of the Company herein contained or any of the rights, powers or remedies conferred upon the Banks by this Undertaking or by law, subject to Section 5.1 above.

7. No Set-Off Or Counterclaim

All payments required to be made by the Company hereunder shall be calculated without reference to any set-off or counterclaim and shall be made free and clear of and without any deduction for or on account of any set-off or counterclaim and free and clear, and without deduction, of, or withholding for, or on account of, any Tax of any nature now or subsequently imposed by any country or any subdivision or Taxation authority of any country or any federation or organisation of which any country is a member.

8. Representations and Warranties

8.1. The Company makes the representations and warranties set out in Sections 8.2 to 8.7 (inclusive) below on the date hereof and on the date on which this Undertaking becomes effective pursuant to Section 5A above. The Company acknowledges that each of the Banks has entered into the Seventh Amendment to the Facility Agreement and this Undertaking in reliance on these representations and warranties.

8.2. It is a company limited by shares, duly incorporated and validly existing under the laws of the place of its incorporation and has the power to own its property and assets and carry on its business as it is now being and will be conducted. No administrator, examiner, receiver, liquidator or similar officer has been appointed with respect to it or any material part of its assets nor (so far as it is aware) is any petition or proceeding for such appointment pending.

8.3. It has the power to enter into and perform this Undertaking and the transactions to be implemented pursuant thereto and has taken all necessary action to authorise the entry into and performance thereof.

8.4. This Undertaking constitutes its legal, valid, binding and enforceable obligations.

8.5. The entry into and performance of this Undertaking and the transactions to be implemented pursuant thereto do not conflict with:

8.5.1. any law or regulation or any official or judicial order applicable to it in any respect, or

8.5.2. its constitutional documents or any of its resolutions (having current effect) in any respect, or

8.5.3. any agreement or instrument to which it is a party or which is binding upon it or on any of its assets.

8.6. All authorisations, actions, conditions, approvals, consents, licences, exemptions, filings, registrations and other matters required by law for or in consequence of the entry into and performance by it of and/or the validity of this Undertaking and the transactions to be implemented pursuant thereto have been obtained or effected or will be obtained or effected.

8.7. It is not in breach of or in default under any agreement to which it is a party or which is binding on it or any of its assets to an extent or in a manner which might reasonably be expected to have a material adverse effect on its ability to meet or perform the obligations expressed to be assumed by it pursuant to this Undertaking.

8.8 For the avoidance of doubt, the parties to this Undertaking are aware that the Company could be required to convene a shareholders meeting for the approval of this Undertaking at the request of any shareholder or shareholders who holds at least 1% of the shares of the Company within 7 (seven) days from the date of the publication of an immediate report describing inter alia, this Undertaking.

8A. The Company irrevocably undertakes to the Banks to deliver, in accordance with the second sentence of this Section 8A below, a certification by the Company, to the satisfaction of the Banks, that section 8.8 of this Undertaking is not relevant and that said section 8.8 and the reference thereto in section 5A, are deleted from this Undertaking and that all of the representations and the warranties made by the Company herein (other than those made in said section 8.8) are true and accurate and in full force and effect as of the date of said certification and on the date on which this Undertaking becomes effective pursuant to Section 5A above. Such certificate shall be delivered to the Banks (with a copy to Tower) (i) within

9 (nine) days of the date of this Undertaking if no demand for the convening of a shareholders meeting during the 7 (seven) day period, as aforesaid in section 8.8, has been made, or (ii) if a demand referred to in section 8.8 as aforesaid has been made and this Undertaking has been duly approved by the Company's shareholders, then, within 1 (one) business day of such approval.

9. Binding Agreement; No Transfer

This Undertaking shall be binding on and enure to the benefit of each party hereto and its or any subsequent permitted successors, transferees or assigns. The Company shall not assign all or any of its rights, benefits and obligations under this Undertaking.

10. Costs and Expenses

The Company shall, from time to time, on demand of the Banks, reimburse the Banks for all costs and expenses (including legal fees and expenses) together with any VAT thereon incurred in or in connection with the preservation and/or enforcement against it of any of the rights of the Banks under this Undertaking.

11. Remedies and Waivers; Default Interest

11.1. No failure to exercise, nor any delay in exercising on the part of the Banks, on the one hand, or the Company, on the other hand, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

11.2. Any amount due to be paid by the Company to one of the Project Accounts, or otherwise pursuant to the provisions of this Undertaking, which is not paid when due under this Undertaking shall bear interest (after as well as before judgement and payable on demand) at the same rate, as if such sum was an Unpaid Sum for the purposes of clause 18 of the Facility Agreement, from the due date for such payment until the date such amount is unconditionally and irrevocably paid and discharged in full.

12. Notices

12.1. Notices to be given hereunder shall be in writing and may be given personally, by facsimile or, if not available, as required by Section 12.2 below. Any notice to be given to a Bank or by a Bank must be given during normal banking hours of such Bank to the person and at the address designated below. If notice is sent by facsimile during normal banking hours as aforesaid, it shall be deemed to have been served when confirmation of receipt by the intended recipient has been received. All

notices given by facsimile shall be confirmed by letter despatched in the manner provided in Section 12.2 within 24 (twenty-four) hours of transmission.

12.2. Any other notices to be given hereunder shall be served on an entity by prepaid express registered letter (or nearest equivalent) to its address given below or such other address as may from time to time be notified for this purpose and any notice so served shall be deemed to have been served within 5 (five) days after the time at which such notice was posted and in proving such service, it shall be sufficient to prove that the notice was properly addressed and posted:

12.2.1. to the Company:

The Israel Corporation Ltd.
23 Arania St.
Millennium Tower
Tel-Aviv
Facsimile: 03-684-4574
Attention: Avisar Paz, CFO

with a copy to:

I. Gornitzky &Co.
45 Rothschild Blvd.
Tel-Aviv, 65784
Facsimile: 03-560-6555
Attention: Zvi Ephrat, Adv.

12.2.2. to Bank Hapoalim at:

Corporate Division
Zion Building
45 Rothschild Boulevard
Tel-Aviv
Facsimile: (03) 567 3728
Attention: Head of
Corporate Division

12.2.3. to Bank Leumi at:

Corporate Division
32 Yehuda Halevi Street
Tel-Aviv
Facsimile: (03) 514 9017
Attention: Manager of Hi-Tech
Industries Section

12.3. A copy of any notices sent under this Section 12 shall be sent to Tower at:

Tower Semiconductor Ltd.
P.O. Box 619
Migdal Haemek
Israel
Facsimile: (04) 654 7788
Attention: Chief Executive Officer

with a copy to: Yigal Arnon & Co.
1 Azrieli Center
Tel-Aviv 67021
Facsimile: (03) 608 7714
Attention: David H. Schapiro, Adv.

13. Amendments

Any addition, variation, modification or amendment to this Undertaking shall not be effective unless any such addition, variation, modification or amendment is in writing and signed by the authorised signatories of the Company and the Banks. For the removal of doubt, no addition, variation, modification or amendment hereto shall increase Tower's obligations under the Facility Agreement or the Tower Offering Undertaking.

14. Counterparts

This Undertaking may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

15. Governing Law And Jurisdiction

This Undertaking 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 Banks shall be entitled to sue the Company in any jurisdiction in which it has an office or holds assets.

16. Entire Agreement

This Undertaking constitutes the entire agreement between the parties with respect to the subject-matter hereof and supersedes any prior agreement, or arrangement amongst the parties.

[remainder of this page intentionally left blank]

17. Partial Invalidity

If any provision of any of this Undertaking is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

Sincerely,

The Israel Corporation Ltd.

_____

By: _____

Title: _____

Confirmed and Acknowledged:

Bank Hapoalim B.M.

By: _____

Title: _____

Bank Leumi Le-Israel B.M.

By: _____

Title: _____

ACKNOWLEDGMENT BY TOWER

The undersigned hereby acknowledges and agrees to the execution and delivery of the above Undertaking by the Company to the Banks and confirms and acknowledges its obligations to the Company and the Banks under its undertaking attached to the above Undertaking as Schedule 3.

Tower Semiconductor Ltd.

By: _____
Title: _____

November 11, 2003

The Israel Corporation Ltd. (the "Safety Net Obligor")
Bank Hapolaim B.M.
Bank Leumi Le-Israel B.M.

Dear Sir or Madam,

Re: Undertaking to Complete Rights Offering

We irrevocably undertake that should we fail to meet any of our financing obligations under clause 16.27.2 of the Facility Agreement by and among Bank Hapoalim B.M. and Bank Leumi Le-Israel B.M. (together: "the Banks") and us, dated January 18, 2001, as amended (the "Facility Agreement") and should the Banks send a Contribution Notice (as defined in the Facility Agreement), as amended by the Seventh Amendment thereto and subject to the terms of the Facility Agreement, provided that the Safety Net Undertaking has not been terminated, we will complete a rights offering (subject to compliance with applicable laws) (a "Rights Offering") within three months of the date of the Contribution Notice on the following terms:

- The amount of a Rights Offering shall not be less than the amount required under the Contribution Notice, which amount shall not exceed the difference between what we were obliged to raise under clause 16.27.2 through the date of said Contribution Notice and the amount actually raised (the "Amount to be Raised").

- We will offer convertible securities to all of our shareholders in units comprised of convertible debentures ("CD" or "CDs", as applicable) convertible into, and warrants (the "Warrants" and, together with the CDs the "Units") exercisable for, our ordinary shares such that the Warrants included in each unit will be exercisable for a number of shares equal to 45% of the number of shares which may be issued on the basis of an assumed conversion of the CDs included in such units.

- The CDs will contain such terms and conditions so as to constitute Equity Convertible Debentures (as defined in the Facility Agreement), save that clause 1.118(a) of the Facility Agreement shall not apply and no deposit shall be required to be made pursuant to clause 1.118(e) of the Facility Agreement, and, for the removal of doubt, the amount of which shall not be limited, and subject to such other terms as set forth in the Facility Agreement. We shall pay all stamp tax (if due), VAT on interest and linkage differentials relating to the CD's.

- Each CD will bear interest at the rate of 6% per year; 1% interest will be payable once a year and the balance of such interest (5%) will accrue until the maturity of the CDs on a compound basis, which maturity shall be a date no earlier than December 31, 2009, any such payment of principal and interest to be subject to the terms and conditions of the Facility Agreement.

- The CDs will be convertible into our ordinary shares (principal and compounded interest) at a rate equal to the Amount to be Raised plus

the accumulated unpaid interest at such time of conversion divided by the lower of: (a) 50% discount of the trading price for the ordinary shares of Tower on Nasdaq (or such other stock exchange or quotation system on which Tower's ordinary shares are listed in the event that they cease to be traded on Nasdaq) (Nasdaq or such alternative stock exchange or quotation system, the "Stock Exchange") at the close of trading on the trading day immediately prior to the date of the prospectus relating to the Rights Offering or (b) 50% discount of the average trading price for the ordinary shares of Tower on the Stock Exchange during the fifteen (15) consecutive trading days preceding the date of the prospectus relating to the Rights Offering.

- Each Warrant will be exercisable into one of our ordinary shares at such exercise price which is equivalent to 80% of the lower of: (a) the trading price for the ordinary shares of Tower on the Stock Exchange at the close of trading on the trading day immediately prior to the date of the prospectus relating to the Rights Offering or (b) the average trading price for the ordinary shares of Tower on the Stock Exchange during the fifteen (15) consecutive trading days preceding the date of the prospectus relating to the of the Rights Offering.

- The Warrants shall expire five years from their date of issuance.

- In consideration of the Safety Net Obligor's commitment to execute the Safety Net Investment, we shall pay such Safety Net Obligor a fee to be agreed to between us and the Safety Net Obligor, provided that (a) the terms of such fee are approved by our audit committee and board of directors and (b) said fee shall be satisfied only by the issue of Warrants exercisable into shares of the Company.

We understand and agree that the Safety Net Obligor will procure that it or Safety Net Investors will invest in Tower in accordance with Section 3.2 of the Safety Net Undertaking (as defined in the Facility Agreement) addressed to the Banks and agree to take all actions to facilitate compliance by the Safety Net Obligor with the Safety Net Undertaking, including but not limited to, if necessary, increasing the authorized capital and completing a private placement on substantially the same terms and conditions that would have applied to the Rights Offering, if necessary. We hereby agree that the giving by the Safety Net Obligor of its Undertaking to the Banks shall not vest any rights in us, our shareholders or any third party nor any obligations in favour of us, our shareholders or any third party.

We confirm that should we fail to file a registration statement with the United States Securities and Exchange Commission ((hereinafter: the "SEC") within 12 (twelve) Business Days of the date a Contribution Notice is given by the Banks as described in Section 3.1 above, or fail promptly to respond, to the satisfaction of the staff of the SEC, to SEC staff comments with respect to said registration statement, or fail promptly to take all actions required by all applicable jurisdictions in which shareholders of Tower are resident to qualify said rights offering in such jurisdiction, including, without limitation, Israel and applicable states within the United States, or otherwise fail to diligently proceed with the rights offering, and any such failure is attributed by us or our counsel to one or more legal impediments, then we or any of, the Company or the Banks may request that Aaron Lampert, Adv. (or failing him Cliff

Felig, Adv.) (hereinafter: the "Expert"), within 2 (two) weeks of the date requested to do so by any of us, the Company and the Banks, confirm whether or not the Rights Offering may legally proceed, notwithstanding the legal impediment or impediments cited by us. We agree that if the Expert confirms that the Rights Offering may legally proceed, we undertake, pursuant to this undertaking, promptly to cure such failures, in consultation with the Expert, and complete the Rights Offering in accordance with this undertaking. We further undertake to bear the reasonable fees of, and reasonable costs incurred by, the Expert in providing his confirmation as aforesaid.

We further agree that we will indemnify the Safety Net Obligor and/or its subsidiary, Israel Corporation Technologies (ICTech) Ltd., jointly but not severally, (the "Indemnified Party"), subject to the Safety Net Undertaking coming into effect, from and against any claims, actions, suits, proceedings, damages and liabilities awarded thereunder and expenses in relation to such claims, actions, suits, or proceedings (including reasonable legal fees) based on a final judgment by a competent court which is not subject to appeal (the "Judgment") incurred by the Indemnified Party arising out of its giving the Safety Net Undertaking or the making of a Safety Net Investment (collectively, "Losses"). We shall not, however, be liable under the foregoing indemnity to the extent that any such Losses result from the gross negligence, willful misconduct, or bad faith of any of the Safety Net Obligor and/or Israel Corporation Technologies (ICTech) Ltd. The foregoing indemnity shall be limited to maximum payments aggregating no more than $100,000,000 (one hundred million US dollars) (the "Maximum Amount"), whose terms of payment are subject to the below conditions, and will be the exclusive monetary remedy of the Indemnified Party.

In addition to the condition that the maximum aggregate payments shall not exceed the Maximum Amount, payments under this indemnity shall be subject to the following conditions:

1) (a) On account of any requirement to make a payment to the Indemnified Party, we will pay to the Indemnified Party, within 60 (sixty) days from the date of the Judgment (the "Period"), in cash, equal to the Losses, up to the maximum aggregate amount of $25,000,000 (twenty five million US dollars) (the "Base Payment").

   (b) If on account of any requirement to make a payment, the Base Payment does not satisfy our indemnification obligation hereunder with respect thereto (the "Completing Amount"), the Completing Amount will accrue interest from the date of the Judgment at a rate per annum equal to three-month LIBOR plus 2.5% (such interest accruing from day to day and calculated on the basis of the actual number of days elapsed and a 360 (three hundred and sixty) day year. Such interest and principal to be paid by us in equal installments, on the dates that we actually pay the Banks in accordance with the repayment schedule for Loans (other than Safety Net Loans) (as such terms are defined in the Facility Agreement) beginning no earlier than the next repayment date following the date of the Judgment and ending on the Final Maturity Date (as such term is defined in the

Facility Agreement) (as amended from time to time).

2) Notwithstanding anything herein, should we have adequate insurance that will cover an amount of any of our indemnification payment obligations, then we have the option to make any such payment in full or any lesser amount that we choose without regard to the conditions set forth in clause 1)(a) above, but at all times, without derogating from the condition that the maximum aggregate payments shall not exceed the Maximum Amount.

If any of the Safety Net Obligor or Israel Corporation Technologies (ICTech) Ltd. becomes aware of any claim, action, suit, or proceeding which may give rise to a liability hereunder, such person will promptly give notice thereof to us in writing. Without our prior written consent, which shall not be unreasonably withheld, the Indemnified Party may not agree to any settlement or compromise of any claim, action, suit, or proceeding involving a payment for which it intends to seek indemnification hereunder. We will make our best commercial efforts to obtain insurance with respect to our aforegoing indemnification undertaking.

We hereby confirm that all corporate action to be taken by us (including by our Board of Directors, Audit Committee and by our shareholders) in order to approve the contents of this undertaking has been duly and properly obtained or will be obtained prior to the Seventh Amendment Closing Date. Notwithstanding the previous sentence, this undertaking, including our indemnification obligations as set forth above, is subject to our obtaining shareholder approval in accordance with law.

This undertaking is being made to you pursuant to clause 16.34 of the Facility Agreement.

[remainder of page intentionally left blank]

Sincerely,

_____

Carmel Vernia, Chairman and Acting CEO
Tower Semiconductor Ltd.

Acknowledged and agreed:

_____

The Israel Corporation Ltd.

By: _____

Title: _____

Acknowledged and agreed:

_____

Bank Hapoalim B.M.

By: _____

Title: _____

Acknowledged and agreed:

_____

Bank Leumi Le-Israel B.M.

By: _____

Title: _____

Date: November 11, 2003

To: Tower Semiconductor Ltd.
P.O. Box 619
Migdal Haemek 23105
Israel
Fax: +972-4-654-7788
Attention: Chief Executive Officer

Re: 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

Dear Sirs,

With regard to the obligation of each party to this letter (a "Party") to exercise its Series A-5 Additional Purchase Obligations, as provided for in its Fab 2 Investment Agreements, as amended through the date hereof, including the MS 5 Agreement attached hereto as Exhibit A (the "Amendment") and the letters dated February 24, 2003 and April 14, 2003 (the "Prior Letters") (the Amendment and the Prior Letters, together, the "Former MS 5 Agreement"), all capitalized terms not defined herein shall be as defined in the Former MS 5 Agreement, each Party to this letter agreement ("Amendment No. 3") hereby agrees as follows, notwithstanding anything to the contrary set forth in the Former MS 5 Agreement:

1. In the event that each of Bank Hapoalim B.M. and Bank Leumi-Le-Israel B.M. (the "Banks") and Tower shall have agreed to amend the terms of the Facility Agreement, dated January 18, 2001, as amended (the "Facility Agreement"), such that, inter alia, Tower's obligation to raise any additional financing pursuant to Section 16.27.2 of the Facility Agreement will be deferred until after December 31, 2003 (it being acknowledged that such obligation shall be increased to approximately $152,000,000 over and above the approximately $86,000,000 already raised pursuant to said Section 16.27.2) (the "Waiver") and all of Tower's Milestones, as such term is defined under the current Facility Agreement, will be waived or adjusted in accordance with the amended Business Plan Tower has adopted and submitted to the Banks, each Party hereto shall advance to the Company in one aggregate lump sum the remaining portion of each Party's respective First Installment and the total portion of each Party's respective Second Installment in the dollar amounts set forth with respect to such Party in Exhibit B hereto (the "Payments"), by no later

than three business days following the date the Company's shareholders approve this Amendment No. 3 (the "Payment Date"); the date the Company's shareholders approve this Amendment No. 3 to be evidenced by a certificate delivered to each of the Parties and executed by Tower's CEO certifying the receipt of shareholder approval and the procurement of the Waiver.

2. With respect to its remaining portion of the First Installment, each Party will be issued fully-paid and non-assessable ordinary shares of Tower equivalent to the aggregate of its remaining portion of the First Installment divided by $2.983 as set forth in the Amendment.

3. With respect to the Second Installment, each Party will be issued fully-paid and non-assessable ordinary shares of Tower equivalent to the aggregate of the Second Installment divided by the price per share in a public offering for which a draft prospectus was filed with the SEC within ninety (90) days from the date hereof (the "Public Offering"; such price per share referred to herein as the "Public Offering Price Per Share"), provided however, that if such public offering is not consummated within one hundred and eighty (180) days from the date hereof, then each Party will be issued fully-paid and non-assessable ordinary shares of Tower equivalent to the aggregate of the Second Installment divided by the average trading price for the ordinary shares of Tower during the fifteen (15) consecutive trading days preceding the Payment Date (the "Second Installment Price Per Share"). Promptly following the transfer of the Payments, shares with respect to the First Installment will be issued as set forth above and, with respect to the Second Installment (assuming the transfer of the Payment with respect thereto), shares will be issued equivalent to the aggregate of the Second Installment divided by the Public Offering Price Per Share, or the Second Installment Price Per Share, as applicable, provided however that the number of shares issued in connection with the Second Installment may later be increased if the price per share with respect to the Second Installment is the Second Installment Price Per Share as described in Section 4 below.

4. Provided that the price per share with respect to the Second Installment is the Second Installment Price Per Share, then following the completion of a Raising (as defined below) by Tower, and provided (1) that the price per share in such Raising is lower than the Second Installment Price Per Share, (the "Raising Price Per Share") and (2) that an Equity Raising shall not include (a) the Public Offering, (b) an offering of securities to all or substantially all of Tower's shareholders, and (c) any offering of securities in connection with a Safety Net Investment (as defined below), each party shall receive additional ordinary shares of Tower equivalent to the aggregate of its Second Installment divided by the Raising Price Per Share less the amount of shares already issued to it in connection with the Second Installment (the "Adjustment"). The term Raising shall mean the receipt of proceeds of at least $28 million from the sale, in one or more public or private offerings, of ordinary shares of the Company or securities convertible into ordinary shares of the Company that close prior to June 30, 2004 (an "Equity Raising"). Should the Raising be achieved through multiple Equity Raisings, the Raising Price Per Share shall be the lowest price per share of the various Equity Raisings, provided that such Equity Raising shall generate proceeds of at least $10 million. Should the price per share not be determinable in the case of a public or private offering of securities convertible into ordinary shares as aforesaid, the parties hereto shall agree on a financial expert to determine the price per share.

5. WAFER CREDITS.

5.1 Each Party that is a Wafer Partner agrees, notwithstanding any conflicting provision in any other agreement in the past, that it shall not be reimbursed or refunded for any credits in its respective Pre-Paid Wafer Accounts (the "Credits") and will only utilize, or be credited against actual orders for Credits made after December 31, 2006, other than as set forth in Section 5.2 below and except with respect to purchase orders issued before the date hereof utilizing wafer credits.

5.2 For each quarterly period commencing on January 1, 2004 and ending December 31, 2006 (the "Credit Period"), Tower shall provide a written report within five business (5) days after the end of each quarter (a "Credit Report") to each Party that is a Wafer

Partner setting forth the amount of Credits that could have been utilized against the actual payment for wafers manufactured at Fab 2 during the relevant quarter (the "Quarterly Credit Amount"). Within five (5) business days from the receipt of a Credit Report, each Party that is a Wafer Partner shall have the option to convert all or a portion of its respective Quarterly Credit Amount (the "Converted Quarterly Credit Amount") into validly issued, fully-paid and non-assessable ordinary shares of Tower equivalent to the aggregate of the Converted Quarterly Credit Amount divided by the average trading price for the ordinary shares of Tower during the fifteen (15) consecutive trading days preceding the last day of the relevant quarter. Any Party that is a Wafer Partner exercising such option shall notify Tower in writing that it is exercising such option and of the Converted Quarterly Credit Amount; such notice shall be irrevocable. All portions of the Quarterly Credit Amount which are not converted as described above (the "Non-Converted Credits"), shall accrue interest at a rate per annum equal to three-month LIBOR plus 2.5% through December 31, 2007 (the "Credit Interest Amount") from the end of the relevant quarter. The Credit Interest Amount shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed and a 360 (three hundred and sixty) day year. The respective quarterly Credit Interest Amount will be paid to each Party who is a Wafer Partner within five (5) business days after the last day of the subsequent quarter following the issuance of the relevant Credit Report, while the aggregate principal amount of the Non-Converted Credits shall be repaid to such Wafer Partner in one lump sum on December 31, 2007.

5.3 Effective as of December 31, 2005, each Wafer Partner that is a Party hereto has an option to convert all of the then remaining Series A-4 Credits (the "Remaining Series A-4 Credits") into validly issued, fully-paid and non-assessable ordinary shares of Tower equivalent to the amount of the Remaining Series A-4 Credits divided by the average trading price for the ordinary shares of the Company during the fifteen (15) consecutive trading days preceding December 31, 2005 (the "Conversion Price"), provided that such Party provides Tower advance written notice to convert all or a portion of the Remaining Series A-4 Credits no earlier than December 31, 2005 and by no later than January 31, 2006 (the "Conversion Notice"). The Conversion Notice shall be irrevocable. Tower hereby agrees to issue to each Wafer Partner that provides it with a Conversion Notice the ordinary shares to be issued in connection with its exercise of the Remaining Series A-4 Credits promptly after its receipt of such Conversion Notice. To the extent that the Remaining Series A-4 Credits which are converted into ordinary shares pursuant to this Section 5.3 above is equivalent to or greater than an aggregate of 5% of Tower's issued and outstanding share capital on January 31, 2006 (not including shares issued pursuant to a Conversion Notice), Tower hereby undertakes to

prepare and file a registration statement, within a reasonable time following the issuance of the ordinary shares to the Wafer Partners in connection with the aforementioned conversion of the Remaining Series A-4 Credits, for the distribution of rights to all of Tower's shareholders other than the Wafer Partners but including Israel Corporation Technologies (IC Tech) Ltd. ("IC Tech"), to purchase additional shares in Tower at a price per share equivalent to the Conversion Price. Tower shall use its reasonable best efforts to cause the registration statement to be declared effective by the Securities and Exchange Commission and the Israel Securities Authority as soon as reasonably practicable after filing thereof with the Securities and Exchange Commission and the Israel Securities Authority.

5.4 For the removal of doubt, the amount of Credits that may be utilized or credited as set forth in Section 5.1 above and the amount of Credits that could have been utilized during the Credit Period as described in Section 5.2 above shall be subject to the conditions that Credits issued in connection with the execution of the Series A-3 Additional Purchase Obligations and the Series A-4 Credits may be credited or utilized against purchases at a rate of 7.5% until June 30, 2005, and, thereafter, 15% with respect to all Credits.

6. EXTENSION OF LOCK-UP PERIOD. Subject to the following sentence, all of the parties to the CSA hereby agree to amend the definition of Initial Restricted Period set forth in the CSA to read as follows: "From the date of this Agreement and until the end of five years from the Closing." Notwithstanding the previous sentence, 30% of the amount of all shares in Tower that each party to the CSA holds at the end of three years from the Closing (the "Third Anniversary Date") (including the 1.2 million shares that may be transferred during this period pursuant to Section 3 of the CSA, all securities purchased by the parties hereto in connection with Tower's rights offering of September 2002, shares issued in connection with the Payments (if issued following the Third Anniversary Date), and all ordinary shares issued to the Wafer Partners upon the conversion of their Credits in accordance with Section 4 above), shall be exempt from the transfer restrictions in effect during the Initial Restricted Period as redefined herein (all capitalized terms in this section as defined in the CSA, unless redefined herein). The Subsequent Restricted Period shall commence five years from the Closing and shall end seven years from the Closing.

7. REGISTRATION RIGHTS. No later than 120 (one hundred and twenty) days from the date Safety Net Investments are made by any of the Parties, Tower shall prepare and file a registration statement on Form F-3 covering a resale offering by such Parties of securities purchased in the framework of a Safety Net Investment and shall use its reasonable efforts to cause the registration statement to be declared effective by the SEC. It is agreed that Section 2.7 of the Registration Rights Agreement, dated January 18, 2001 shall apply to the above mutatis mutandis.

Each Party hereby agrees not to exercise any of the rights granted to it under Sections 2 and 3 of the Registration Rights Agreement, prior to the earlier of (i) December 31, 2005 and (ii) such date that Tower has fulfilled all of its obligations to raise any additional financing pursuant to Section 16.27.2 of the Facility Agreement.

Each Party agrees that notwithstanding Section 13 of the Registration Rights Agreement, they shall not sell, sell any option, or otherwise transfer or dispose of any of Tower's ordinary shares or other securities for a period of 180 days from the date the prospectus in connection with the Public Offering is declared effective, without the prior written consent of Tower and any underwriters of the Public Offering, other than pursuant to a granting of an option to a service provider of such Party to purchase Tower's ordinary shares which are held by a Party, provided that the terms of such grant are that the service provider shall not exercise or sell, or otherwise transfer or dispose of such option during the aforementioned 180 day period Each Party additionally agrees to enter into an agreement with the underwriters to such effect and acknowledge that the underwriters in connection with such registration statement are intended third party beneficiaries of this provision. It is further agreed that in order to enforce the foregoing covenant, Tower may impose stop-transfer instructions with respect to the securities held by each Party until the end of such 180 day period.

8. The advancement of the Payments shall be subject to the satisfaction of the condition set forth in paragraph 1 above and the approval of Tower's shareholders of this Amendment No. 3 and the Investment Center not having informed the Company that it is not continuing its funding of the Fab 2 project.

9. All provisions of the Former MS 5 Agreement not amended or modified hereby shall remain unchanged.

10. In addition to the above, each of The Israel Corporation, IC Tech and the Wafer Partners which are parties hereto acknowledge and consent to the following proposed terms of an amendment to the Facility Agreement summarily outlined in Section 1 above, in this Section 10 below and to the undertaking of Tower set forth in Exhibit C hereto (Exhibit C being incorporated into this Section 10 by reference).

I. Should Tower fail to meet its financing obligations under Section 16.27.2 of the Facility Agreement, the Banks will have the option (the "Option") to require that The Israel Corporation (or IC Tech) invest in Tower an amount equal to 50/93 of the difference actually raised towards such a financing obligation and what was to be raised (up to an aggregate amount of $50 million) (the "Safety Net Investment"). Following the receipt by Tower of the Safety Net Investment, the Banks will increase the total amount which may be drawn under the credit facility by up to $43 million (based on a ratio of $43 made available for every $50 of Safety Net Investments made), which will be repayable no later than the earlier of (i) December 31, 2007 and (ii) three years from the date the loan is drawn.

The parties hereby agree that the giving by TIC of the undertakings to the Banks described in this Section 10(I) shall not vest any rights in Tower, its shareholders or any third party vis-a-vis TIC nor create any obligations in favour of Tower, any of its shareholders or any third party.

II. Following certain triggering events such as the commencement of bankruptcy or receivership proceedings against Tower which are ordered by a court of competent jurisdiction or the prior determination of an arbitrator, mutually appointed by the Banks and Tower, that a bankruptcy or receivership order would be issued by a court against Tower were a petition to be filed with a court of competent jurisdiction or, an order providing for creditor protection is issued, the parties shall cooperate with a firm offer made by a potential investor (the "Outside Offeror") to purchase shares of Tower at a price in the offer (the "Outside Offer"). If the Outside Offer is accompanied by an opinion of a reputable investment banking firm that the Outside Offer is fair to Tower, then Tower shall thereafter procure a rights offering to invest up to 60% of the amount of the Outside Offer on the same terms.

If a condition of the Outside Offer is to purchase at least a majority of Tower's shares (the "Minimum Threshold Amount"), the rights offering will be limited to allow for this, unless Israel Corporation Technologies (ICTech) Ltd. and the Wafer Partners (other than QuickLogic) (the "Investing Parties") agree to exercise all of their rights in a rights offering and to purchase shares in a subsequent private placement so as to ensure that the full amount of the Outside Offer is invested in Tower. If such commitment is not obtained, the rights offering shall be limited to no more than 49% of the Outside Offer (the "Investor Portion"); provided, however, that each of the Investing Parties that exercised its rights in the rights offering shall be entitled to purchase any amounts of the Investor Portion unsubscribed for by the other Investing Parties in an amount which is pro rata to such over-subscribing Investing Party's then holdings in Tower.

Each Party acknowledges that the Banks are willing to enter into an amendment to the Facility Agreement (known as the "Seventh Amendment") and to advance further sums to Tower (notwithstanding that the Banks are not obliged to do so as of the date hereof under the Facility Agreement) upon the execution of the Seventh Amendment (i.e., prior to the closing and effectiveness of said Seventh Amendment) in full reliance upon the Parties consenting to the terms summarily outlined in Sections 1, 10(I) and 10(II) above as well as, the restrictions on the utilization of Credits described in Sections 5.1 and 5.2 above and each Party agreeing to advance its Payment by no later than three business days following the date the Company's shareholders approve this Amendment No. 3. Each Party hereby consents to, and irrevocably undertakes and agrees to vote or cause shares beneficially owned by it to be voted, at any general meeting of Tower in favour of the approval of this Amendment No. 3, the Seventh Amendment, which shall include, inter alia, the aforementioned terms summarily outlined above and described in Exhibit C hereto, and such other documents or transactions that need to be approved in connection therewith. Each Party hereby consents to the provision of an undertaking by The Israel Corporation or IC Tech to provide the Safety Net Investment following the request of the Banks, in the sole discretion of the Banks, upon the terms summarily outlined above and described in Exhibit C hereto. Each Party hereby consents to the giving of undertakings with respect to an Outside Offer upon the terms summarily outlined above. Without derogating from the foregoing, each Party undertakes to perform all actions reasonably required to ensure the implementation of the Option (if exercised), the Safety Net Investments and an Outside Offer.

[end of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Amendment No. 3 as of the date first above written.

_____	_____
TOWER SEMICONDUCTOR LTD.	ISRAL CORPORATION TECHNOLOGIES (ICTECH) LTD.
By: _____	By: _____
_____	_____
SANDISK CORPORATION	ALLIANCE SEMICONDUCTOR CORPORATION
By: _____	By: _____

_____
MACRONIX INTERNATIONAL CO., LTD.

By: _____

For the purposes of Section 10 above:

THE ISRAEL CORPORATION LTD.

By: _____

EXHIBIT A

MS5 AGREEMENT

Date: _____, 2003

To: Tower Semiconductor Ltd.
P.O. Box 619
Migdal Haemek 23105
Israel
Fax: +972-4-654-7788
Attention: Co-Chief Executive Officer

cc: Yigal Arnon & Co.
One Azrieli Center
Tel-Aviv 67021
Israel
Fax: +972-3-608-7714
Attention: David H. Schapiro, Adv.

Re: AMENDMENT 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 (THE "AMENDMENT")

Dear Sirs,

With regard to the obligation of each party to this letter (a "Party") to exercise the Series A-5 Additional Purchase Obligations, as provided for in its Fab 2 Investment Agreements, as amended through the date hereof, all capitalized terms not defined herein shall be as defined therein, each Party hereby agrees that subject to Section 7 of this Amendment, effective upon the receipt by Tower Semiconductor Ltd. (the "Company" or "Tower") of the signatures of each of SanDisk Corporation, Alliance Semiconductor Corporation, Macronix International Co., Ltd. and Israel Corporation Technologies (ICTech) Ltd., its agreements shall be amended as follows:

1. EXERCISE OF SERIES A-5 ADDITIONAL PURCHASE OBLIGATION.

1.1. FIRST INSTALLMENT. Each Party hereby notifies Tower that in accordance with the terms set forth hereunder, and subject to and effective upon Tower obtaining all required approvals as specified in Section 7 hereof, it shall irrevocably exercise sixty percent (60%) of the Series A-5 Additional Purchase Obligation (the "First Installment"), which is the amount identified as the First Installment with respect to such Party as set forth in Exhibit A hereto, without regard to whether the Series A-5 Mandatory Exercise Event occurs or whether any of the conditions to a Mandatory Exercise are satisfied. The First Installment shall be paid no later than five (5) business days following satisfaction of the condition specified in the first sentence above as evidenced by a certificate delivered to each of the parties and executed by Tower's CEO(s) certifying the satisfaction of such condition.

1.2. SECOND INSTALLMENT. Provided the conditions of Section 1.1 are met,

each Party hereby further notifies the Company that in accordance with the terms set forth hereunder, and subject to and conditioned upon the completion of the Minimum Financing (as defined below), it shall irrevocably exercise forty percent (40%) of the Series A-5 Additional Purchase Obligation (the "Second Installment"; the First Installment and the Second Installment shall collectively be referred to as the "Series A-5 APO Installments"), which is the amount identified as the Second Installment with respect to such Party as set forth in Exhibit A hereto, without regard to whether the Series A-5 Mandatory Exercise Event occurs or whether any of the conditions to a Mandatory Exercise are satisfied. The term Minimum Financing shall mean the Raising (as defined below) by the Company of the dollar amount equal to (a) $22,105,730, provided that if either QuickLogic Corp. or The Challenge Fund-Etgar II, LP (each, a "Non-Participating Party") does not become a party to this Amendment, each of Bank Hapoalim B.M. and Bank Leumi-Le-Israel Limited agree to amend the terms of the Facility Agreement to which Tower is a party (the "Facility Agreement") such that the payment of the Series A-5 Additional Purchase Obligation by such Non-Participating Party shall no longer be required pursuant to the Facility Agreement, or (b) $22,105,730 plus the dollar amount represented by the Series A-5 Additional Purchase Obligation of a Non-Participating Party. The term Raising shall mean the receipt of proceeds from (i) the sale, in a public or private offering, of ordinary shares of the Company or debt convertible into ordinary shares of the Company; or (ii) any other form of fund raising which satisfies the requirements for additional financing pursuant to section 16.27.2 of the Facility Agreement, as amended, to which the Company is a party. The Second Installment shall be paid upon satisfaction of the condition specified in the first sentence above as evidenced by a certificate delivered to each of the parties and executed by Tower's CEO(s) certifying the satisfaction of such condition; provided, further, that the Second Installment shall not be due before the later of (i) August 1, 2003, and (ii) five (5) business days following the date upon which the Company has completed the Minimum Financing. Notwithstanding the preceding sentence, the obligation to advance the Second Installment shall terminate, and there shall be no further obligation or liability to pay the Second Installment, if the Minimum Financing shall not have been completed by December 31, 2003.

For the avoidance of all doubt and notwithstanding the provisions set forth in Sections 5 and 6 of the Additional Purchase Obligation Agreement between SanDisk Corp. and Tower dated July 4, 2000 or the Additional Purchase Obligation Agreement between Israel Corporation Technologies (ICTech) Ltd. and Tower dated December 12, 2000 or the Additional Purchase Obligation Agreement between The Challenge Fund-Etgar II, LP and Tower dated February 11, 2001 and as incorporated by reference in all of the other Fab 2 Investment Agreements, as applicable to each Party, each Party's undertaking to pay the First Installment and the Second Installment is, upon satisfaction of all of the conditions specified in this Amendment and subject to the last sentence of the first paragraph of this Section 1.2, completely irrevocable.

2. SHARE ISSUANCES. Immediately following the advancement of the First Installment, each Party will be issued fully-paid and non-assessable ordinary shares of Tower equivalent to the aggregate of the First Installment divided by the average trading price for the ordinary shares of the Company during the thirty (30) consecutive trading days preceding the date that this Amendment is approved by the Board of Directors of the Company. Immediately following the advancement of the

Second Installment, each Party will be issued fully-paid and non-assessable ordinary shares of Tower equivalent to the Second Installment divided by the price per ordinary share of the Company paid in connection with the Minimum Financing (the "Minimum Financing Price"); provided, however, that if the Minimum Financing Price cannot reasonably be calculated from the documents evidencing the Minimum Financing, then the Minimum Financing Price shall be the average trading price for the ordinary shares of the Company during the thirty (30) consecutive trading days preceding the date the Second Installment is paid.

3. CONVERSION OF PORTION OF PRE-PAID Credit Account. Tower hereby grants to each Party who is either SanDisk Corp. ("SNDK"), Alliance Semiconductor Corp. ("ALSC"), Macronix International Co., Ltd. ("MXIC") or QuickLogic Corp. ("QUIK") (SNDK, ALSC, MXIC and QUIK shall each be referred to as a "Wafer Partner" and collectively shall be referred as the "Wafer Partners") an option to convert a number of credits equal to the number of credits in each of its respective Pre-Paid Wafer Accounts that were issued in connection with its advancement of the Series A-4 Additional Purchase Obligation payment in October 2002 and that are held in its Pre-Paid Wafer Account on December 31, 2005 (the "Series A-4 Credits") into fully-paid and non-assessable ordinary shares of Tower equivalent to the amount of the Series A-4 Credits divided by the average trading price for the ordinary shares of the Company during the thirty (30) consecutive trading days preceding December 31, 2005 (the "Conversion Price"), provided that such Party provides Tower advance written notice to convert all or a portion of the Series A-4 Credits no earlier than December 31, 2005 and by no later than January 31, 2006 (the "Conversion Notice"). Tower hereby agrees to issue to each Wafer Partner that provides it with a Conversion Notice the ordinary shares to be issued in connection with its exercise of the Series A-4 Credits promptly after its receipt of such Conversion Notice.

4. RIGHTS OFFERING. To the extent that any of the Wafer Partners shall convert their "Series A-4 Credits" into fully-paid and non-assessable ordinary shares pursuant to paragraph 3, and provided that such amount of converted Series A-4 Credits are equivalent to or greater than an aggregate of 5% of Tower's then outstanding share capital, Tower hereby undertakes to prepare and file a registration statement, within a reasonable time following the issuance of the ordinary shares to the Wafer Partners in connection with their conversion of the Series A-4 Credits, for the distribution of rights to all of Tower's shareholders other than Wafer Partners but including each of the Parties who are either Israel Corporation Technologies (ICTech) Ltd. ("ICTech") or The Challenge Fund-Etgar II, LP ("CF") (ICTech and CF shall each be referred to as an "Equity Partner"), to purchase additional shares in Tower at the Conversion Price to maintain their percentage of ordinary shares held in Tower immediately prior to the conversion of the Series A-4 Credits. Tower shall use its reasonable best efforts to cause the registration statement to be declared effective by the Securities and Exchange Commission and the Israel Securities Authority as soon as reasonably practicable after filing thereof with the Securities and Exchange Commission and the Israel Securities Authority.

5. TERMINATION OF WAFER PARTNER DIFFERENTIAL CONDITION. Upon satisfaction of the condition set forth in the first sentence of Section 1.1, the parties shall irrevocably agree to fully and indefinitely waive Tower's obligation to raise an

additional $50 million from additional wafer partners in connection with the provisions set forth in the Fab 2 Investment Agreements and related letters with respect to the Wafer Partner Differential.

6. RESTRICTION ON TRANSFER OF EQUITY SECURITIES UNDER THE CONSOLIDATED SHAREHOLDERS AGREEMENT; REGISTRATION RIGHTS. All of the parties to the Consolidated Shareholders Agreement dated January 18, 2001 by and between SanDisk, Alliance, Macronix and Israel Corporation Ltd. (the "CSA"), hereby agree that all of the ordinary shares in Tower to be issued to such parties with respect to the Series A-5 Additional Purchase Obligations will be subject to the restrictions on transfer of Equity Securities during the Initial Restricted Period and the Subsequent Restricted Period (all capitalized terms in this section as defined in the CSA). All shares issued or contemplated to be issued to the parties pursuant to Sections 2 and 3 of this Amendment shall be deemed to be Purchaser Group Registrable Securities as defined in and as provided for in the Registration Rights Agreement made as of January 18, 2001, by and among Tower Semiconductor Ltd., SanDisk Corporation, Alliance Semiconductor Corp., Macronix International Co., Ltd, QuickLogic Corporation and The Israel Corporation Ltd.

7. APPROVALS. This Amendment and the parties obligations hereunder are subject to and shall only become effective upon the approval of the Company's audit committee, its board of directors (which approval shall include the unanimous vote of approval of its independent directors), its shareholders, the Office of the Chief Scientist, the Investment Center and, to the extent applicable, the Israel Land Administration. In addition, this Amendment and the parties obligations hereunder is subject to and shall only become effective upon the Company receiving the consent of each of Bank Hapoalim B.M. and Bank Leumi-Le-Israel Limited to amend the terms of the Facility Agreement to (a) postpone the date for Tower to next raise an aggregate of $26 million pursuant to section 16.27.2 of the Facility Agreement, and (b) recognize any of the payment of the First Installment in satisfaction of Tower's obligation to raise funds under section 16.27.2 of the Facility Agreement.

8. FAB 2 INVESTMENT AGREEMENTS. Except as expressly set forth in this Amendment and effective upon payment of the First Installment in full, the Company hereby irrevocably waives, forever excuses and releases the Wafer Partners and their respective officers, directors and employees, from their obligation to exercise the Series A-5 Additional Purchase Obligation as provided for in the Fab 2 Investment Agreements, including without limitation, the Additional Purchase Obligation Agreement. This Amendment supersedes all prior agreements, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof. Notwithstanding the preceding sentence, the provisions of the Parties' Fab 2 Investment Agreements shall remain unchanged to the extent they are not amended by the terms of this Amendment.

[end of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

TOWER SEMICONDUCTOR LTD. By: _____ Title: Co-CEO	ISRAEL CORPORATION TECHNOLOGIES (ICTECH) LTD. By: _____ Title: _____
SANDISK CORPORATION By: _____ Title: _____	ALLIANCE SEMICONDUCTOR CORPORATION By: _____ Title: _____
MACRONIX INTERNATIONAL CO., LTD. By: _____ Title: _____	QUICKLOGIC CORP. By: _____ Title: _____
THE CHALLENGE FUND-ETGAR II, LP By: _____ Title: _____	

WAFER PARTNER OR EQUITY PARTNER	FIRST INSTALLMENT	SECOND INSTALLMENT
SanDisk Corp.	$6,600,420	$4,400,280
Alliance Semiconductor Corp.	$6,600,420	$4,400,280
Macronix International Co., Ltd.	$6,600,420	$4,400,280
QuickLogic Corp.	$2,200,140	$1,466,760
Israel Corporation Technologies (ICTech) Ltd.	$4,400,004	$2,933,336
The Challenge Fund-Etgar II, LP	$440,000.40	$293,333.60

EXHIBIT B

WAFER PARTNER OR EQUITY PARTNER	REMAINDER OF FIRST INSTALLMENT	SECOND INSTALLMENT	TOTAL PAYMENT
SanDisk Corp.	$2,318,670	$4,400,280	$6,718,950
Alliance Semiconductor Corp.	$2,318,670	$4,400,280	$6,718,950
Macronix International Co., Ltd.	$2,318,670	$4,400,280	$6,718,950
Israel Corporation Technologies (ICTech) Ltd.	$1,545,254	$2,933,336	$4,478,590
GRAND TOTAL:			$24,635,440

NEWS RELEASE

TOWER SEMICONDUCTOR RECEIVES FINAL INSTALLMENT FROM STRATEGIC PARTNERS AND CLOSES BANK AGREEMENT

FINAL PAYMENTS FROM PARTNERS TOTAL $25.1 MILLION

CLOSES AMENDMENT TO FAB 2 CREDIT FACILITY

MIGDAL HAEMEK, Israel - December 16, 2003 - Tower Semiconductor (NASDAQ: TSEM, TASE: TSEM) announced today the receipt from its strategic partners of the fifth and final Fab 2 milestone payment in the amount of $25.1 million. In addition, Tower announced today that it has closed the previously announced amendment to its credit facility agreement for the continued financing of Fab 2.

According to the new amendment to the credit facility agreement, the repayment of over $200 million of loans will be deferred and begin in 2007. In addition, a "safety net" of up to an additional $93 million of funding was secured for Tower by Israel Corporation and Tower's banks.

For $8.7 million of the fifth milestone payment received from its strategic partners Tower issued today 2,916,951 ordinary shares at a price per share of $2.983, pursuant to a February 2003 amendment to the investment agreements. These shares were issued as follows: SanDisk Corporation (NASDAQ: SNDK) - 777,295 shares; Alliance Semiconductor (NASDAQ: ALSC) - 777,295 shares; Macronix (NASDAQ: MXICY) - 777,295 shares; Israel Corporation- Technologies (ICTech) Ltd. - - 518,020 shares and The Challenge Fund-Etgar II - 67,046 shares.

The number of ordinary shares to be issued for the additional $16.4 million of the fifth milestone investment received today from the strategic partners will be determined in accordance with the terms of a November 2003 amendment to the investment agreements. The price per share for this portion of the investment will equal the price per share in certain possible future financings, if consummated, or if these financings are not completed, the average trading price during the 15 days preceding the date of actual payment, and subject to certain adjustments

The number of Tower ordinary shares currently issued and outstanding as of December 16, 2003 is 51,696,097.

ABOUT TOWER SEMICONDUCTOR LTD.

Tower Semiconductor Ltd. is a pure-play independent wafer foundry established in 1993. The company manufactures integrated circuits with geometries ranging from 1.0 to 0.18 microns; it also provides complementary technical services and design support. In addition to digital CMOS process technology, Tower offers advanced non-volatile memory solutions, mixed-signal and CMOS image-sensor technologies. To provide world-class customer service, the company maintains two manufacturing facilities: Fab 1 has process technologies from 1.0 to 0.35 microns and can produce up to 16,000 150mm wafers per month. Fab 2 features 0.18-micron and below process technologies, including foundry-standard technology. When complete, Fab 2 is expected to offer full production capacity of 33,000 200mm wafers per month. The Tower Web site is located at www.towersemi.com.

SAFE HARBOR

This press release includes forward-looking statements, which are subject to risks and uncertainties. Actual results may vary from those projected or implied by such forward-looking statements. Potential risks and uncertainties include, without limitation, risks and uncertainties associated with (i) obtaining the approval of the Israeli Investment Center to extend the five-year investment period under the Company's Fab 2 approved enterprise program and of amendments to the Company's modified business plan, (ii) market acceptance and competitiveness of the products to be manufactured by the Company for customers using these technologies, as well as obtaining additional business from new and existing customers, (iii) the Company's ability to obtain additional financing for the Fab 2 project from equity and/or wafer partners, the Israeli Investment Center, the Company's banks, and/or other sources, as required under the Fab 2 business plan and pursuant to the Company's agreements with its wafer and equity partners, banks and the Israeli Investment Center, (iv) ramp-up of production at Fab 2, (v) completion of the development and/or transfer of advanced process technologies to be utilized in Fab 1 and in Fab 2, (vi) initial production difficulties the Company may experience in connection with the functionality of the equipment installed in Fab 2 during its early manufacturing period and (viii) conditions in the market for foundry manufacturing services and for semiconductor products generally. A more complete discussion of risks and uncertainties that may affect the accuracy of forward-looking statements included in this press release or which may otherwise affect the Company's business is included under the heading "Risk Factors" in its most recent Annual Report on Form 20-F, as was filed with the Securities and Exchange Commission and the Israel Securities Authority.

# # #

Investor Relations Contact
Sheldon Lutch
Fusion IR & Communications
+1 (212) 268 1816
sheldon@fusionir.com

PR Agency Contact
Bruce Hokanson
Loomis Group
+1 (360) 574 4000
hokanson@loomisgroup.com

Corporate Contact
Doron Simon
Tower Semiconductor USA
+1 (408) 330 6888
pr@towersemi.com