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

SCHEDULE 13D

Under the Securities Exchange Act of 1934
(Amendment No. 2)

Tower Semiconductor Ltd.

(Name of Issuer)

Ordinary Shares, NIS 1.00 par value per share

(Title of Class of Securities)

M87915-10-0

(CUSIP Number)

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

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

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

September 29, 2008

(Date of Event which Requires Filing of this Statement)

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

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

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

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

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

1. Names of Reporting Persons.

Bank Hapoalim B.M.

I.R.S. Identification Nos. of above persons (entities only).

Not applicable.

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

3. SEC Use Only

4. Source of Funds (See Instructions)

OO

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

6. Citizenship or Place of Organization -

Israel

Number of Shares Beneficially Owned by Each Reporting Person With	7. Sole Voting Power -	102,012,197
	8. Shared Voting Power -	448,298
	9. Sole Dispositive Power -	102,012,197
	10. Shared Dispositive Power -	448,298

11. Aggregate Amount Beneficially Owned by Each Reporting Person -

102,460,495

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

13. Percent of Class Represented by Amount in Row (11) - 39.1% (1)

14. Type of Reporting Person (See Instructions)

BK

(1) Based on ordinary shares outstanding as at July 31, 2008, as adjusted to reflect the issuance of ordinary shares to former shareholders of Jazz Technologies, Inc., as reported by the Issuer in its 424(b)(3) Prospectus filed on August 12, 2008 under Registration Statement No. 333-151919 and calculated in accordance with Rule 13d-3(d)(1)(i).

1. Names of Reporting Persons.

Tarshish Hahzakot Vehashkaot Hapoalim Ltd.

I.R.S. Identification Nos. of above persons (entities only).

Not applicable.

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

3. SEC Use Only

4. Source of Funds (See Instructions)

OO

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

6. Citizenship or Place of Organization -

Israel

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

11. Aggregate Amount Beneficially Owned by Each Reporting Person -

448,298

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

13. Percent of Class Represented by Amount in Row (11) - less than 0.01% (1)

14. Type of Reporting Person (See Instructions)

CO

(1) Based on ordinary shares outstanding as at July 31, 2008, as adjusted to reflect the issuance of ordinary shares to former shareholders of Jazz Technologies, Inc., as reported by the Issuer in its 424(b)(3) Prospectus filed on August 12, 2008 under Registration Statement No. 333-151919 and calculated in accordance with Rule 13d-3(d)(1)(i).

1. Names of Reporting Persons.

Bank Leumi le-Israel B.M.

I.R.S. Identification Nos. of above persons (entities only).

Not applicable.

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

3. SEC Use Only

4. Source of Funds (See Instructions)

OO

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

6. Citizenship or Place of Organization -

Israel

Number of Shares Beneficially Owned by Each Reporting Person With	7. Sole Voting Power -	101,989,907
	8. Shared Voting Power -	0
	9. Sole Dispositive Power -	101,989,907
	10. Shared Dispositive Power -	0

11. Aggregate Amount Beneficially Owned by Each Reporting Person -

101,989,907

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

13. Percent of Class Represented by Amount in Row (11) - 39.0% (1)

14. Type of Reporting Person (See Instructions)

BK

(1) Based on ordinary shares outstanding as at July 31, 2008, as adjusted to reflect the issuance of ordinary shares to former shareholders of Jazz Technologies, Inc., as reported by the Issuer in its 424(b)(3) Prospectus filed on August 12, 2008 under Registration Statement No. 333-151919 and calculated in accordance with Rule 13d-3(d)(1)(i).

Item 2. Identity and Background

See Schedules A and B below, which Schedules have been amended to read in their entirety as set forth below.

Item 3. Source and Amount of Funds or Other Consideration

The following paragraph is hereby added to this Item 3:

This Amendment No. 2 to this Statement relates to a further debt restructuring that became effective on September 9, 2008 (the **"2008 Debt Restructuring"**) whereby each of Hapoalim and Leumi converted all US $15,000,000 of loans separately made by each Bank to Tower pursuant to separate equipment finance facilities and approximately US $85,000,000 of loans made to Tower pursuant to the Facility Agreement (which was further amended and restated effective September 29, 2008) (the **"2008 Restated Facility Agreement"**) into a Capital Note in the principal amount of US $100,000,000, each such Capital Note being convertible into 70,422,535 Ordinary Shares.

Item 4. Purpose of Transaction

The following paragraph is hereby added to this Item 4:

The purpose of the acquisition of the Capital Notes was to effectuate the 2008 Debt Restructuring.

Item 5. Interest in Securities of the Issuer

The following paragraphs (a)(1) and (a)(2) of this Item 5 are hereby amended to read in their entirety as follows:

(a) (1) Leumi is the beneficial owner of 101,989,907 Ordinary Shares, consisting of 96,409,377 Ordinary Shares issuable upon conversion of its currently convertible Capital Notes and 5,580,530 Ordinary Shares issuable upon exercise of its currently exercisable warrants. Leumi's ownership represents approximately 39.0% of the Ordinary Shares outstanding based on the most recently available filing with the Securities and Exchange Commission (the **"Commission"**) by Tower and calculated in accordance with rule 13d-3(d)(1)(i).

(2) Hapoalim is the beneficial owner of 102,460,495 Ordinary Shares, consisting of 96,409,377 Ordinary Shares issuable upon conversion of its currently convertible Capital Notes and 6,051,118 Ordinary Shares issuable upon exercise of currently exercisable warrants (including warrants to purchase 5,602,820 Ordinary Shares held by Hapoalim and a warrant to purchase 448,298 Ordinary Shares held by Tarshish, its wholly-owned subsidiary). Hapoalim (and Tarshish's ownership, as aforesaid) represents approximately 39.1% of the Ordinary Shares outstanding based on the most recently available filing with the Commission by Tower and calculated in accordance with rule 13d-3(d)(1)(i).

The following paragraphs (b)(1) and (b)(2) of this Item 5 are hereby amended to read in their entirety as follows:

(b) (1) Leumi has sole voting and dispositive power over 101,989,907 Ordinary Shares consisting of 96,409,377 Ordinary Shares issuable upon conversion of currently convertible Capital Notes and 5,580,530 Ordinary Shares issuable upon exercise of currently exercisable warrants to purchase Ordinary Shares.

(2) Hapoalim has sole voting and dispositive power over 102,012,197 Ordinary Shares consisting of 96,409,377 Ordinary Shares issuable upon conversion of currently convertible Capital Notes and 5,602,820 Ordinary Shares issuable upon exercise of currently exercisable warrants and Hapoalim and Tarshish share voting and dispositive power over 448,298 Ordinary Shares issuable upon exercise of a currently exercisable warrant held by Tarshish.

The following paragraphs are hereby added to the end of this Item 5:

Neither the filing of this Amendment No. 2 to this Statement nor any of its contents shall be deemed to constitute an admission by any Reporting Person (as defined above) that any such Reporting Person and any other persons or entities constitute a "group" for purposes of Section 13(d) of the Exchange Act and the rules promulgated thereunder. Further, the filing of this Amendment No. 2 to this Statement shall not be construed as an admission that any Reporting Person is, for the purposes of Section 13(d) or 13(g) of the Exchange Act, or for any other purpose, the beneficial owner of any Ordinary Shares other than those Ordinary Shares over which the Reporting Person has voting and dispositive power, as reported herein. Other than Hapoalim's interest in Tarshish, each Reporting Person disclaims any pecuniary interest in any securities of Tower owned by any other Reporting Person, and expressly disclaims the existence of a group.

Without limiting the generality of the foregoing, although each Bank entered into an Amendment No. 1 to its Tag Along Agreement with Israel Corporation Ltd. (**"TIC"**), Tower's largest shareholder, each as described in Item 6 below, each of the Reporting Persons expressly disclaims the existence of a group with TIC. Based on Amendment No. 7, dated September 25, 2008, to TIC's Statement on Schedule 13D with respect to the Ordinary Shares, TIC may be deemed to have voting and dispositive control over approximately 63.2% of the Ordinary Shares. Leumi owns ordinary shares in TIC representing 17.96% of TIC's issued share capital (18.16% of the voting rights) and a representative of Leumi is a member of TIC's board of directors.

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

The seventh paragraph of this Item 6 is hereby amended to read in its entirety as follows:

As part of the 2008 Debt Restructuring, the spread over LIBOR applicable to Tower's quarterly interest payments on its remaining approximately $200 million of loans to the Banks was increased by 1.4 percentage points back to 2.5% from 1.1%, effective September 29, 2008. The 2008 Restated Facility Agreement provides that, subject to the conditions described below, Tower will issue to the Banks on January 30, 2011 such number of shares (or Capital Notes or convertible debentures) that equals the aggregate amount of interest that would have been payable but for the decrease in the spread over LIBOR applicable to Tower's quarterly interest payments on its loans during the period of May 17, 2006 through September 29, 2008 to the Banks (the **"2008 Decreased Amount"**) divided by the average closing price of the Ordinary Shares during the fourth quarter of 2010 (the **"Fourth Quarter 2010 Price"**). If, during the second half of 2010, the closing price of Tower's Ordinary Shares on every trading day during this period exceeds $3.49, then the Banks will only be granted such number of

Ordinary Shares (or Capital Notes or convertible debentures) that equals the 2008 Decreased Amount divided by 200% of the Fourth Quarter 2010 Price. If, during the period ending December 31, 2010, the Banks sell a portion of the Capital Notes issued to the Banks on September 28, 2006 (or shares issuable upon the conversion of such Capital Notes) at a price per share in excess of $3.49, then the consideration payable for the interest rate reduction will be reduced proportionately. The adjusted 2008 Decreased Amount is $12,086,670, subject to downward adjustment as set forth above.

The first two paragraphs under the heading "Restated Facility Agreement" are hereby amended to read in their entirety as follows:

2008 Restated Facility Agreement

The 2008 Restated Facility Agreement imposes a number of restrictions on Tower, including restrictions on debt, investments, mergers, acquisitions, disposals, prohibitions on the payment of dividends and changes in ownership.

A change of ownership will be deemed to occur if (a) the Lead Investors shall, directly or indirectly through subsidiaries, cease to nominate, in aggregate, more than 50% of the board of directors of Tower (excluding, for this purpose, external directors (*Dahaz*), 1 (one) independent director under Nasdaq Marketplace Rules, officers of Tower (including the chief executive officer) who are ex-officio directors of Tower and any directors appointed by a purchaser of the Banks' shares); or (b) at any time TIC shall cease to hold (directly or indirectly through subsidiaries) in the aggregate at least 48,164,483 Ordinary Shares and/or capital notes convertible into Ordinary Shares.

The following is hereby added to the end of this Item 6:

2008 Conversion Agreements and 2008 Capital Notes

On September 25, 2008, each of Leumi and Hapoalim entered into a Conversion Agreement (the **"2008 Conversion Agreement"**) with Tower pursuant to which each Bank converted $100 million of its loans to Tower into a Capital Note (the **"2008 Capital Note"**) in the principal amount of $100,000,000 which, in turn, is fully convertible, at any time and from time to time, in whole or in part, into an aggregate of 70,422,535 Ordinary Shares, at an initial conversion price of $1.42 per Ordinary Share. The initial conversion price was 200% of the average of the closing prices of the Ordinary Shares on the NASDAQ Stock Market for the ten trading days prior to August 7, 2008, the date of Tower's public announcement with respect to its negotiations with the Banks regarding the debt restructuring.

The terms of each 2008 Conversion Agreement and each 2008 Capital Note are substantially similar to those of the comparable Conversion Agreement and Capital Note entered into and issued, respectively, in 2006 except that only the Conversion Agreements in 2006 apply to the issuance of securities by Tower to the Banks in January 2011 with respect to the 2008 Decreased Amount.

The foregoing summary of the 2008 Capital Notes is qualified in its entirety by reference to the form of Capital Note attached as Exhibit 1 to each of the 2008 Conversion Agreements. The 2008 Conversion Agreement entered into between Tower and Hapoalim is included as Exhibit 17 to this Schedule 13D and the Conversion Agreement entered into between Tower and Leumi is included as Exhibit 18 to this Schedule 13D. Each of these Agreements in their entirety is incorporated herein by reference and the summary herein with respect to the 2008 Conversion Agreements is qualified in its entirety by such reference.

Amended and Restated Registration Rights Agreements

The Registration Rights Agreements entered into by Tower with each of the Banks in 2006 were amended and restated principally to provide each Bank with demand registration rights from time to time with respect to all or any portion of such Bank's Registratable Securities, including Ordinary shares issuable upon conversion of the 2008 Capital Notes. The Amended and Restated Registration Rights Agreements replace and supersede the Registration Rights Agreements entered into on September 28, 2006.

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

Amendments to Tag Along Agreements

On September 25, 2008, each Bank and TIC entered into an Amendment No. 1 to each Tag Along Agreement entered into in 2006, so as to include the 2008 Capital Note and the Ordinary Shares issuable on conversion thereof within the tag-along right granted by TIC to each Bank pursuant to each Tag Along Agreement entered into in 2006.

The foregoing summary of Amendment No. 1 to each Tag Along Agreement is qualified in its entirety by reference to Amendment No. 1 to the Tag Along Agreement entered into between TIC and Hapoalim which is included as Exhibit 19 to this Schedule 13D and Amendment No. 1 to the Tag Along Agreement entered into between TIC and Leumi which is included as Exhibit 20 to this Schedule 13D. Each of these Amendments in their entirety is incorporated hereby by reference.

Item 7. Material to Be Filed as Exhibits

1. Conversion Agreement, dated September 28, 2006, between Tower Semiconductor Ltd. and Bank Hapoalim B.M.*
2. Conversion Agreement, dated September 28, 2006, between Tower Semiconductor Ltd. and Bank Leumi le-Israel B.M.*
3. Amended and Restated Registration Rights Agreement, dated September 25, 2008, between Tower Semiconductor Ltd. and Bank Leumi le-Israel B.M.
4. Amended and Restated Registration Rights Agreement, dated September 25, 2008, between Tower Semiconductor Ltd. and Bank Hapoalim B.M.
5. Warrants, each dated August 4, 2005, granted by Tower Semiconductor Ltd. to Bank Leumi le-Israel B.M. and Bank Hapoalim B.M. (incorporated by reference to Exhibit 4.47 to the Annual Report on Form 20-F of Tower Semiconductor Ltd. for the Fiscal Year ended December 31, 2005 (Commission File No: 0-24790)).
6. First Amendment, dated September 28, 2006, between Tower Semiconductor Ltd. and Tarshish Hahzaka Vehashkaot Hapoalim Ltd. to Warrant dated December 11, 2003.*
7. First Amendment, dated September 28, 2006, between Tower Semiconductor Ltd. and Bank Leumi le-Israel B.M. to Warrant dated December 11, 2003.*
8. First Amendment, dated September 28, 2006, between Tower Semiconductor Ltd. and Bank Leumi le-Israel B.M. to Warrant dated August 4, 2005.*
9. First Amendment, dated September 28, 2006, between Tower Semiconductor Ltd. and Bank Hapoalim B.M. to Warrant dated August 4, 2005.*
10. Tag Along Agreement, dated September 28, 2006, between Israel Corporation Ltd. and Bank Hapoalim B.M.*
11. Tag Along Agreement, dated September 28, 2006, between Israel Corporation Ltd. and Bank Leumi le-Israel B.M.*
12. Agreement, dated September 28, 2006, among Bank Hapoalim B.M., Israel Corporation Ltd., SanDisk Corporation, Alliance Semiconductor Corporation and Macronix International Co. Ltd.*
13. Agreement, dated September 28, 2006, among Bank Leumi le-Israel B.M., Israel Corporation Ltd., SanDisk Corporation, Alliance Semiconductor Corporation and Macronix International Co. Ltd.*

14. Joint Filing Agreement among Bank Leumi le-Israel B.M., Bank Hapoalim B.M. and Tarshish Hahzaka Vehashkaot Hapoalim Ltd.*
15. Warrant, dated September 10, 2007, granted by Tower Semiconductor Ltd. to Bank Hapoalim B.M.**
16. Warrant, dated September 10, 2007, granted by Tower Semiconductor Ltd. to Bank Leumi le-Israel B.M.**
17. Conversion Agreement, dated September 25, 2008, between Tower Semiconductor Ltd. and Bank Hapoalim B.M.
18. Conversion Agreement, dated September 25, 2008, between Tower Semiconductor Ltd. and Bank Leumi le-Israel B.M.
19. Amendment No. 1, dated September 25, 2008, to Tag Along Agreement, dated September 28, 2006, between Israel Corporation Ltd. and Bank Hapoalim B.M.
20. Amendment No. 1, dated September 25, 2008, to Tag Along Agreement, dated September 28, 2006, between Israel Corporation Ltd. and Bank Leumi le-Israel B.M.

* Previously filed with the original filing of this Statement on Schedule 13D

** Previously filed with the filing of Amendment No. 1 to this Statement on Schedule 13D

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Amendment No. 2 to this statement is true, complete and correct.

October 30, 2008
Date

	/s/ Anat Golan	/s/ Jennifer Janes
Signature	Anat Golan Senior Manager Customer Relationship Manager	Jennifer Janes, Adv. Executive Vice President Group Secretary

Bank Leumi le-Israel B.M.
Name/Title

October 30, 2008
Date

	/s/ Ofer Levy	/s/ Eyal Issaharov
Signature	Ofer Levy Chief Accountant	Eyal Issaharov Deputy Department Manager

Bank Hapoalim B.M.
Name/Title

October 30, 2008
Date

	/s/ Ofer Levy	/s/ Haim Messing
Signature	Ofer Levy Comptroller	Haim Messing Deputy Department Manager

Tarshish Hahzakot ve Hashkaot Hapoalim Ltd.
Name/Title

SCHEDULE A

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

Board of Directors

Name	Address	Principal Occupation	Citizenship
Dan Dankner	63 Yehuda Halevi St., Tel Aviv, Israel	Chairman of the Board of Bank Hapoalim B.M.; Chairman of the board of: Israel Salt Industries Ltd., Isracard Ltd., Poalim Capital Markets Ltd.	Israeli
Yair Orgler	63 Yehuda Halevi St., Tel Aviv, Israel	Director in various companies	Israeli
Joseph Dauber	63 Yehuda Halevi St., Tel Aviv, Israel	Director in various companies	Israeli
Ido Joseph Dissentshik	63 Yehuda Halevi St., Tel Aviv, Israel	Director in various companies and Journalist	Israeli
Nira Dror	63 Yehuda Halevi St., Tel Aviv, Israel	Director in various companies	Israeli
Pnina Dvorin	63 Yehuda Halevi St., Tel Aviv, Israel	Lawyer and Companies Director	Israeli
Irit Izakson	63 Yehuda Halevi St., Tel Aviv, Israel	Director in various companies	Israeli
Moshe Koren	63 Yehuda Halevi St., Tel Aviv, Israel	Banking and Financial Advisor	Israeli
Jay Pomrenze	63 Yehuda Halevi St., Tel Aviv, Israel	Director in various companies	USA
Mali Baron	63 Yehuda Halevi St., Tel Aviv, Israel	Director in various companies	Israeli
Nir Zichlinskey	63 Yehuda Halevi St., Tel Aviv, Israel	Director in various companies	Israeli
Leslie Littner	63 Yehuda Halevi St., Tel Aviv, Israel	Independent Adviser on Risk Management	Israeli
Efrat Peled	63 Yehuda Halevi St., Tel Aviv, Israel	CEO – Arison Holdings (1998) Ltd.	Israeli
Oded Sarig	63 Yehuda Halevi St., Tel Aviv, Israel	Director in various companies	Israeli
Ronen Israel	63 Yehuda Halevi St., Tel Aviv, Israel	Director in various companies	Israeli

Senior Officers

Name	Business Address	Principal Occupation	Citizenship
Zvi Ziv	63 Yehuda Halevi St., Tel Aviv, Israel	President and Chief Executive Officer	Israeli
Ofer Levy	63 Yehuda Halevi St., Tel Aviv, Israel	Senior Deputy Managing Director and Chief Accountant	Israeli
David Luzon	63 Yehuda Halevi St., Tel Aviv, Israel	Senior Deputy Managing Director and Head of Information Technology and Operations	Israeli
Ilan Mazur	63 Yehuda Halevi St., Tel Aviv, Israel	Senior Deputy Managing Director and Chief Legal Adviser to the Bank	Israeli
Hanna Pri-Zan	63 Yehuda Halevi St., Tel Aviv, Israel	Senior Deputy Managing Director and Head of Client Asset Management	Israeli
Zion Keinan	63 Yehuda Halevi St., Tel Aviv, Israel	Deputy CEO and Head of Commercial Banking	Israeli
Barry Ben-Zeev	63 Yehuda Halevi St., Tel Aviv, Israel	Senior Deputy Managing Director, Head of Finance (CFO) and Head of Banking Subsidiaries	Israeli
Doron Klausner	63 Yehuda Halevi St., Tel Aviv, Israel	Senior Deputy Managing Director and Head of Human Resources, Logistics and Procurement	Israeli
Alberto Garfunkel	63 Yehuda Halevi St., Tel Aviv, Israel	Senior Deputy Managing Director and Head of International Activity	Israeli
Mario Szuszan	63 Yehuda Halevi St., Tel Aviv, Israel	Senior Deputy Managing Director and Global Treasurer	Israeli
Lilach Asher-Topilsky	63 Yehuda Halevi St., Tel Aviv, Israel	Senior Deputy Managing Director, Head of the Centre for Strategic Management	Israeli
Dan Alexander Koller	63 Yehuda Halevi St., Tel Aviv, Israel	Senior Deputy Managing Director, Head of Risk Management	Israeli
Orit Lerer	63 Yehuda Halevi St., Tel Aviv, Israel	Senior Deputy Managing Director and Chief Internal Auditor of the Bank	Israeli
Yoram Weissbrem	63 Yehuda Halevi St., Tel Aviv, Israel	Secretary of the Bank	Israeli

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

NAME	% OF CAPITAL
ARISON HOLDINGS (1998) LTD	20.02%
ISRAEL SALT INDUSTRIES LTD	5.75%

Arison Holdings (1998) Ltd. - Director Information

Name	Address	Citizenship	Principal Occupation
Irit Izakson	63 Yehuda Halevi St., Tel-Aviv, Israel	Israeli	Director of: Bank Hapoalim B.M., IDB Development B.M., Israel Corporation Ltd.[1], Chemical Industries Ltd.
Shari Arison-Glazer	23 Shaul Hamelech Blvd., Tel-Aviv, Israel	Israeli & USA	Chairman of the Board of Directors - Arison Holdings (1998) Ltd.
James M. Dubin	c/o Paul Weiss, 1285 Avenue of the Americas, New York, NY	USA	Attorney - Paul Weiss
Michael M. Arison	3655 N.W. 87 Avenue Miami, FL 33178	USA	Chairman and CEO of Carnival Corporation
Jason Arison	23 Shaul Hamelech Blvd., Tel-Aviv, Israel	Israeli & USA	Vice-Chairman, The Ted Arison Family Foundation (Israel) Ltd.
David Arison	23 Shaul Hamelech Blvd., Tel-Aviv, Israel	Israeli & USA	Student

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

Israel Salt Industries Ltd. - Director Information

Name	Address	Citizenship	Principal Occupation
Dan Dankner	63 Yehuda Halevi St., Tel-Aviv, Israel	Israeli	Chairman of the Board of Bank Hapoalim B.M.
Efrat Peled	23 Shaul Hamelech Blvd., Tel-Aviv, Israel	Israeli	CEO – Arison Holdings (1998) Ltd.
Nir Zichlinskey	23 Shaul Hamelech Blvd., Tel-Aviv, Israel	Israeli	Vice President – Arison Holdings (1998) Ltd.
Alon Dankner	P.O box 7 Atlit, Israel	Israeli	Chairman
Iris Dror	15 Tomer St., Reut, Israel	Israeli	Manager at Arison Group
Daliah Rabin	5 Harav Ashi St., Tel-Aviv, Israel	Israeli	Chairman – Rabin Center
Eli Ovadia	69 Sharet St., Afula, Israel	Israeli	Chairman – Airports Authority
Nechama Ronen	Moshav Beit-Herut, Israel	Israeli	Chair – Maman Cargo Terminals and Handling Ltd.
Haim Erez	9A Mendes St., Ramat-Gan, Israel	Israeli	Director in Various Companies

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

Board of Directors

Name	Address	Principal Occupation	Citizenship
Alberto Garfunkel	63 Yehuda Halevi St., Tel Aviv, Israel	Head of International Activity - Bank Hapoalim B.M.	Israeli
Yoram Weissbrem	63 Yehuda Halevi St., Tel Aviv, Israel	Secretary of Bank Hapoalim B.M.	Israeli
Yossi Rubinstein	63 Yehuda Halevi St., Tel-Aviv, Israel	Business development and operation at the Global treasury Division - Bank Hapoalim B.M.	Israeli

SCHEDULE B

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

Board of Directors

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

Name	Business Address	Principal Occupation	Citizenship
Efraim Sadka	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Professor of Economics, Tel Aviv University	Israeli
Nurit Segal	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Business and Economic Consultant, Company Director	Israeli
Moshe Vidman	34 Yehuda Halevi Street, Tel Aviv 65546, Israel	Company Director, Representative in Israel of Revlon, Director of Israel Corporation Ltd.[1]	Israeli

1) Israel Corporation is the largest holder of the Issuer's ordinary shares

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

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

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

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

The Government of Israel on behalf of the State of Israel is currently the only shareholder of the Bank holding 10% or more of the means of control, with 11.48% of the issued share capital of the Bank (14.22% of the voting rights). Pursuant to Israeli law, the Government is required to avoid involvement in the ongoing management of the Bank's affairs, and the Bank shall not be deemed to be a corporation with governmental participation in its management for the purposes of any law and for all intents and purposes.

Further, under Israeli banking legislation, since September 2004 no person may control a banking corporation without receiving a control permit from the Bank of Israel, and no person may hold 5% or more of the means of control of a banking corporation without receiving a holding permit from the Bank of Israel (until that date, 10%). As of the date of this report, no such control permit has been granted to any of the Bank's shareholders.

AMENDED AND RESTATED
REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this **"Agreement"**) originally made on September 28, 2006 by and between TOWER SEMICONDUCTOR LTD. (the **"Company"** or **"Tower"**), a company organized under the laws of the State of Israel, and BANK LEUMI LE-ISRAEL B.M., a banking corporation organized under the laws of the State of Israel (the **"Bank"**), is hereby amended and restated by the parties on September 25, 2008.

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

WHEREAS, the Bank and Bank Hapoalim B.M. (collectively, the **"Banks"**) and Tower are parties to a Facility Agreement dated January 18, 2001, as amended, as amended and restated on August 24, 2006, as further amended by Amendment No. 1 thereto dated September 10, 2007, as amended (the **"Facility Agreement"**); and

WHEREAS, the Bank and the Company are parties to a Conversion Agreement dated September 28, 2006 (the **"2006 Conversion Agreement"**); and

WHEREAS, at the request of Tower, the Banks and Tower have entered into an Amending Agreement to the Facility Agreement dated September 25, 2008 (the **"Amending Agreement"**), the conditions to the effectiveness of which include, *inter alia*, the issuance to each of the Banks or its nominee, of an equity-equivalent convertible capital note which will in turn be convertible, in whole or in part, by the Bank at any time and from time to time into shares of Tower and the entering into by the Bank and Tower of a conversion agreement (the **"2008 Conversion Agreement"**) and the amendment and restatement of this Agreement, in each case, on or prior to the date of the effectiveness of the Amending Agreement (the **"Amendment Closing Date"**); and

WHEREAS, clause 9.4 of the Facility Agreement, including as amended by the Amending Agreement, obligates the Company, under certain circumstances, to make a payment to the Banks which, subject to said clause 9.4 and the 2006 Conversion Agreement, can be paid in the form of shares, capital notes or convertible debentures (the **"Clause 9.4 Equity Issuances"**); and

WHEREAS the parties intend that the registration rights set forth in this Agreement be applicable with respect to all shares issuable upon conversion or exercise of any and all capital notes issued or issuable pursuant to the 2006 and 2008 Conversion Agreements and warrants held by the Bank or its affiliate, as well as with respect to the Clause 9.4 Equity Issuances; and

WHEREAS, the parties wish to amend and restate this Agreement in its entirety,

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

1. DEFINITIONS AND INTERPRETATION.

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

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

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

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

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

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

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

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

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

(i) **"Registration Statement"** means registration statements of the Company covering Registrable Securities filed from time to time with (a) the SEC under the 1933 Act, including the Form F-3 Registration Statement No. 333-131315 previously filed by the Company covering ordinary shares issuable upon the exercise of the 2003 Warrants and the 2005 Warrants, and (b) the ISA under the Israel Securities Law, to the extent required under the Israel Securities Law, so as to allow the Holder to freely resell the Registrable Securities in Israel, including on the TASE.

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

(k) **"2003 Warrant"** means the warrant granted in 2003 to the Bank to purchase 448,298 (subject to adjustment in accordance with such warrant) shares of Tower.

(l) **"2005 Warrant"** means the warrant granted in 2005 to the Bank to purchase 4,132,232 (subject to adjustment in accordance with such warrant) shares of Tower.

(m) **"2007 Warrant"** means the warrant granted in 2007 to the Bank to purchase 1,000,000 (subject to adjustment in accordance with such warrant) shares of Tower.

(n) **"Warrant"** means the 2003 Warrant, the 2005 Warrant and the 2007 Warrant, or any of them or any portion thereof as any of such Warrants may be amended at any time or from time to time.

In this Agreement:

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

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

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

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

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

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

2. DEMAND REGISTRATION.

(a) The Company shall prepare, and, as soon as practicable but in no event later than 45 days after each date on which the Company receives a written request

from the Bank from time to time, file with the SEC a Registration Statement on Form F-3 and make all required filings with the ISA covering the resale of all, or at the request of the Bank, any portion of the then Registrable Securities that are not already registered. The Company shall use its best efforts to have the Registration Statement declared effective by the SEC and the ISA as soon as possible after such filing with the SEC and the ISA.

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

3. RELATED OBLIGATIONS.

(a) Following the filing and effectiveness of each Registration Statement with the SEC pursuant to Section 2(a), the Company shall keep the Registration Statement effective pursuant to Rule 415 of the 1933 Act and under the Israel Securities Law at all times until the earlier of (i) the date as of which all of the Holders confirm to the Company in writing that they may sell all of the Registrable Securities covered by such Registration Statement without restriction pursuant to all of the following: (x) Rule 144(k) under the 1933 Act, (y) the Israel Securities Law and (z) other securities or "blue sky" laws of each jurisdiction in which the Company obtained a registration or qualification in accordance with Section 3(d) below or (ii) the date on which the Holders shall have sold all the Registrable Securities covered by such Registration Statement (A) in accordance with such Registration Statement (except to another Holder pursuant to Section 9) or (B) to the public pursuant to Rule 144 under the 1933 Act (the "**Registration Period"**), the Company to ensure that such Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, subject to Section 3(e) below.

(b) The Company shall prepare and file with the SEC and the ISA (to the extent required) such amendments (including post-effective amendments) and supplements to each Registration Statement and the prospectus used in connection with such Registration Statement, which prospectus is to be filed pursuant to Rule 424 under the 1933 Act or under the Israel Securities Law, as may be necessary to keep such Registration Statement effective at all times during the Registration Period, and, during such period, comply with the provisions of the 1933 Act and the Israel Securities Law with respect to the disposition of all Registrable Securities of the Company covered by such Registration Statement until such time as all of such Registrable Securities shall have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in such Registration Statement,

which, for the avoidance of doubt, shall include sales on the Nasdaq Stock Market and the TASE, as well as sales not made on such exchanges. In the case of amendments and supplements to a Registration Statement which are required to be filed pursuant to the Agreement (including pursuant to this Section 3(b) by reason of the Company filing a report on Form 20-F, Form 6-K or any analogous report under the 1934 Act), the Company shall have incorporated such report by reference into the Registration Statement, if applicable, or shall file such amendments or supplements with the SEC and the ISA on the same day on which the 1934 Act report is filed which created the requirement for the Company to amend or supplement the Registration Statement.

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

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

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

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

(g) The Company shall cause all the Registrable Securities covered by a Registration Statement to be listed on each securities exchange on which securities of the same class or series issued by the Company are then listed, including the NASDAQ and the TASE. The Company shall deliver to the Holders a copy of the approvals of the TASE and the NASDAQ (and/or any other exchange, if applicable) to the listing of the Registrable Securities covered by such Registration Statement on such exchange, in the case of the TASE, by not later than the Amendment Closing Date, and in the case of the NASDAQ (and/or other applicable exchanges) not later than the effective date of such Registration Statement .

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

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

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

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

(l) The Company shall afford the Holder and its representatives (including counsel) the opportunity at any time and from time to time during the Registration Period to make such examinations of the business affairs and other material financial and corporate documents of the Company and its subsidiaries as the Holder may reasonably deem necessary to satisfy itself as to the accuracy of the Registration Statement (subject to a reasonable confidentiality undertaking on the part of the Holder and its representatives).

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

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

4. OBLIGATIONS OF THE HOLDERS.

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

5. EXPENSES OF REGISTRATION.

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

6. INDEMNIFICATION.

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

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

Registration Statement, preliminary prospectus, final prospectus or "free writing prospectus" (as such term is defined in Rule 405 under the 1933 Act) or any amendment or supplement to any such prospectus or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading, (iii) any violation or alleged violation by the Company of the 1933 Act, the 1934 Act, any other law, including, without limitation, any state securities law, the Israel Securities Law or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities pursuant to a Registration Statement or (iv) any material violation of this Agreement (the matters in the foregoing clauses (i) through (iv) being, collectively, **"Violations"**). Subject to Section 6(c), the Company shall reimburse the Indemnified Persons promptly as such expenses are incurred and are due and payable, for any legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a): (i) shall not apply to a Claim by an Indemnified Person arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by such Indemnified Person expressly for inclusion in any such Registration Statement, preliminary prospectus, final prospectus or free writing prospectus or any such amendment thereof or supplement thereto and (ii) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Securities by the Holders pursuant to Section 9.

(b) In connection with any Registration Statement in which a Holder is participating, each such Holder agrees, severally and not jointly, to indemnify, hold harmless and defend, to the same extent and in the same manner as is set forth in Section 6(a), the Company, each of its directors, each of its officers who signs the Registration Statement, each Person, if any, who controls the Company within the meaning of the 1933 Act or the 1934 Act (each an **"Indemnified Party"**), against any Claim or Indemnified Damages to which any of them may become subject, under the 1933 Act, the 1934 Act or otherwise, insofar as such Claim or Indemnified Damages arise out of or are based upon any Violation, in each case to the extent, and only to the extent, that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by such Holder expressly for inclusion in Registration Statement, preliminary prospectus, final prospectus or free writing prospectus and, subject to Section 6(c), such Holder will reimburse any legal or other expenses reasonably incurred by an Indemnified Party in connection with investigating or defending any such Claim; provided, however, that the indemnity agreement contained in this Section 6(b) and the agreement with respect to contribution contained in Section 7 shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Holder; provided, further, however, that the Holder shall be liable under this Section 6 for only that amount of a Claim or Indemnified Damages as does not exceed the net proceeds to such Holder as a result of the sale of Registrable

Securities pursuant to such Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of the Registrable Securities by the Holders pursuant to Section 9.

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

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

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

7. CONTRIBUTION.

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

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

8. REPORTS UNDER THE 1934 ACT.

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

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

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

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

9. ASSIGNMENT OF REGISTRATION RIGHTS.

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

10. AMENDMENT OF REGISTRATION RIGHTS.

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

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

(a) From and after the time of filing of any Registration Statement filed pursuant hereto and prior to the effectiveness thereof, the Company shall not file a registration statement (including any shelf registration statements) (other than on Form S-8) with the SEC with respect to any securities of the Company, provided that nothing herein shall limit the filing of any registration statement demanded to be filed pursuant to a "demand" right granted by the Company prior to the filing of any such Registration Statement. For the purposes of this Section 11(a) only, Registration Statement shall mean a Registration Statement that is filed for an amount of Registrable Securities, that the Holder believes in good faith can be reasonably sold pursuant to such Registration Statement.

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

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

12. MISCELLANEOUS.

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

to the Borrower at:	Tower Semiconductor Ltd. P.O. Box 619 Migdal Haemek Israel Facsimile: (04) 604 7242 Attention: Oren Shirazi Acting Chief Financial Officer
with a copy to (which shall *not constitute notice):* Yigal	Arnon & Co. 1 Azrieli Center 46th Floor, The Round Tower Tel-Aviv 67021 Israel Facsimile: (03) 608 7714 Attention: David H. Schapiro, Adv.

to the Bank at:	Corporate Division 34 Yehuda Halevi Street Tel-Aviv Israel Fax. 972-3-5149278 Attn: Head of Corporate Division
to any other Holder at:	such address as shall be notified to the Company pursuant to Section 9 above.

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

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

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

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

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

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

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

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

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

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

TOWER SEMICONDUCTOR LTD.

By: /s/ Oren Shirazi
Name: Oren Shirazi
Its: Acting VP & CFO

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

BANK LEUMI LE–ISRAEL B.M.

By: /s/ Anat Golan
Name: Anat Golan
Its: Senior Relationship Manager

By: /s/ Rina Vahaba
Name: Rina Vahaba
Its: Head of Technology Sector

Exhibit 4

AMENDED AND RESTATED
REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this **"Agreement"**) originally made on September 28, 2006 by and between TOWER SEMICONDUCTOR LTD. (the **"Company"** or **"Tower"**), a company organized under the laws of the State of Israel, and BANK HAPOALIM B.M., a banking corporation organized under the laws of the State of Israel (the **"Bank"**), is hereby amended and restated by the parties on September 25, 2008.

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

WHEREAS, the Bank and Bank Leumi Le–Israel B.M. (collectively, the **"Banks"**) and Tower are parties to a Facility Agreement dated January 18, 2001, as amended, as amended and restated on August 24, 2006, as further amended by Amendment No. 1 thereto dated September 10, 2007, as amended (the **"Facility Agreement"**); and

WHEREAS, the Bank and the Company are parties to a Conversion Agreement dated September 28, 2006 (the **"2006 Conversion Agreement"**); and

WHEREAS, at the request of Tower, the Banks and Tower have entered into an Amending Agreement to the Facility Agreement dated September 25, 2008 (the **"Amending Agreement"**), the conditions to the effectiveness of which include, *inter alia*, the issuance to each of the Banks or its nominee, of an equity-equivalent convertible capital note which will in turn be convertible, in whole or in part, by the Bank at any time and from time to time into shares of Tower and the entering into by the Bank and Tower of a conversion agreement (the **"2008 Conversion Agreement"**) and the amendment and restatement of this Agreement, in each case, on or prior to the date of the effectiveness of the Amending Agreement (the **"Amendment Closing Date"**); and

WHEREAS, clause 9.4 of the Facility Agreement, including as amended by the Amending Agreement, obligates the Company, under certain circumstances, to make a payment to the Banks which, subject to said clause 9.4 and the 2006 Conversion Agreement, can be paid in the form of shares, capital notes or convertible debentures (the **"Clause 9.4 Equity Issuances"**); and

WHEREAS the parties intend that the registration rights set forth in this Agreement be applicable with respect to all shares issuable upon conversion or exercise of any and all capital notes issued or issuable pursuant to the 2006 and 2008 Conversion Agreements and warrants held by the Bank or its affiliate, as well as with respect to the Clause 9.4 Equity Issuances; and

WHEREAS, the parties wish to amend and restate this Agreement in its entirety,

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

1. DEFINITIONS AND INTERPRETATION.

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

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

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

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

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

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

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

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

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

(i) **"Registration Statement"** means registration statements of the Company covering Registrable Securities filed from time to time with (a) the SEC under the 1933 Act, including the Form F-3 Registration Statement No. 333-131315 previously filed by the Company covering ordinary shares issuable upon the exercise of the 2003 Warrants and the 2005 Warrants, and (b) the ISA under the Israel Securities Law, to the extent required under the Israel Securities Law, so as to allow the Holder to freely resell the Registrable Securities in Israel, including on the TASE.

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

(k) **"2003 Warrant"** means the warrant granted in 2003 to Tarshish to purchase 448,298 (subject to adjustment in accordance with such warrant) shares of Tower.

(l) **"2005 Warrant"** means the warrant granted in 2005 to the Bank to purchase 4,132,232 (subject to adjustment in accordance with such warrant) shares of Tower.

(m) **"2007 Warrant"** means the warrant granted in 2007 to the Bank to purchase 1,470,588 (subject to adjustment in accordance with such warrant) shares of Tower.

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

(o) **"Warrant"** means the 2003 Warrant, the 2005 Warrant and the 2007 Warrant, or any of them or any portion thereof as any of such Warrants may be amended at any time or from time to time.

In this Agreement:

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

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

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

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

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

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

2. DEMAND REGISTRATION.

(a) The Company shall prepare, and, as soon as practicable but in no event later than 45 days after each date on which the Company receives a written request from the Bank from time to time, file with the SEC a Registration Statement on Form F-3 and make all required filings with the ISA covering the resale of all, or at the request of the Bank, any portion of the then Registrable Securities that are not already registered. The Company shall use its best efforts to have the Registration Statement declared effective by the SEC and the ISA as soon as possible after such filing with the SEC and the ISA.

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

3. RELATED OBLIGATIONS.

(a) Following the filing and effectiveness of each Registration Statement with the SEC pursuant to Section 2(a), the Company shall keep the Registration Statement effective pursuant to Rule 415 of the 1933 Act and under the Israel Securities Law at all times until the earlier of (i) the date as of which all of the Holders confirm to the Company in writing that they may sell all of the Registrable Securities covered by such Registration Statement without restriction pursuant to all of the following: (x) Rule 144(k) under the 1933 Act, (y) the Israel Securities Law and (z) other securities or "blue sky" laws of each jurisdiction in which the Company obtained a registration or qualification in accordance with Section 3(d) below or (ii) the date on which the Holders shall have sold all the Registrable Securities covered by such Registration Statement (A) in accordance with such Registration Statement (except to another Holder pursuant to Section 9) or (B) to the public pursuant to Rule 144 under the 1933 Act (the "**Registration Period"**), the Company to ensure that such Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, subject to Section 3(e) below.

(b) The Company shall prepare and file with the SEC and the ISA (to the extent required) such amendments (including post-effective amendments) and supplements to each Registration Statement and the prospectus used in connection with such Registration Statement, which prospectus is to be filed pursuant to Rule 424 under the 1933 Act or under the Israel Securities Law, as may be necessary to keep such Registration Statement effective at all times during the Registration Period, and, during such period, comply with the provisions of the 1933 Act and the Israel Securities Law with respect to the

disposition of all Registrable Securities of the Company covered by such Registration Statement until such time as all of such Registrable Securities shall have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in such Registration Statement, which, for the avoidance of doubt, shall include sales on the Nasdaq Stock Market and the TASE, as well as sales not made on such exchanges. In the case of amendments and supplements to a Registration Statement which are required to be filed pursuant to the Agreement (including pursuant to this Section 3(b) by reason of the Company filing a report on Form 20-F, Form 6-K or any analogous report under the 1934 Act), the Company shall have incorporated such report by reference into the Registration Statement, if applicable, or shall file such amendments or supplements with the SEC and the ISA on the same day on which the 1934 Act report is filed which created the requirement for the Company to amend or supplement the Registration Statement.

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

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

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

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

(g) The Company shall cause all the Registrable Securities covered by a Registration Statement to be listed on each securities exchange on which securities of the same class or series issued by the Company are then listed, including the NASDAQ and the TASE. The Company shall deliver to the Holders a copy of the approvals of the TASE and the NASDAQ (and/or any other exchange, if applicable) to the listing of the Registrable Securities covered by such Registration Statement on such exchange, in the case of the TASE, by not later than the Amendment Closing Date, and in the case of the NASDAQ (and/or other applicable exchanges) not later than the effective date of such Registration Statement .

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

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

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

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

(l) The Company shall afford the Holder and its representatives (including counsel) the opportunity at any time and from time to time during the Registration Period to make such examinations of the business affairs and other material financial and corporate documents of the Company and its subsidiaries as the Holder may reasonably deem necessary to satisfy itself as to the accuracy of the Registration Statement (subject to a reasonable confidentiality undertaking on the part of the Holder and its representatives).

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

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

4. OBLIGATIONS OF THE HOLDERS.

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

5. EXPENSES OF REGISTRATION.

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

6. INDEMNIFICATION.

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

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

qualification of the offering under the securities or other "blue sky" laws of any jurisdiction in which Registrable Securities are offered (**"Blue Sky Filing"**), or the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, preliminary prospectus, final prospectus or "free writing prospectus" (as such term is defined in Rule 405 under the 1933 Act) or any amendment or supplement to any such prospectus or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading, (iii) any violation or alleged violation by the Company of the 1933 Act, the 1934 Act, any other law, including, without limitation, any state securities law, the Israel Securities Law or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities pursuant to a Registration Statement or (iv) any material violation of this Agreement (the matters in the foregoing clauses (i) through (iv) being, collectively, **"Violations"**). Subject to Section 6(c), the Company shall reimburse the Indemnified Persons promptly as such expenses are incurred and are due and payable, for any legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a): (i) shall not apply to a Claim by an Indemnified Person arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by such Indemnified Person expressly for inclusion in any such Registration Statement, preliminary prospectus, final prospectus or free writing prospectus or any such amendment thereof or supplement thereto and (ii) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Securities by the Holders pursuant to Section 9.

(b) In connection with any Registration Statement in which a Holder is participating, each such Holder agrees, severally and not jointly, to indemnify, hold harmless and defend, to the same extent and in the same manner as is set forth in Section 6(a), the Company, each of its directors, each of its officers who signs the Registration Statement, each Person, if any, who controls the Company within the meaning of the 1933 Act or the 1934 Act (each an **"Indemnified Party"**), against any Claim or Indemnified Damages to which any of them may become subject, under the 1933 Act, the 1934 Act or otherwise, insofar as such Claim or Indemnified Damages arise out of or are based upon any Violation, in each case to the extent, and only to the extent, that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by such Holder expressly for inclusion in Registration Statement, preliminary prospectus, final prospectus or free writing prospectus and, subject to Section 6(c), such Holder will reimburse any legal or other expenses reasonably incurred by an Indemnified Party in connection with investigating or defending any such Claim; provided, however, that the indemnity agreement contained in this Section 6(b) and the agreement with respect to contribution

contained in Section 7 shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Holder; provided, further, however, that the Holder shall be liable under this Section 6 for only that amount of a Claim or Indemnified Damages as does not exceed the net proceeds to such Holder as a result of the sale of Registrable Securities pursuant to such Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of the Registrable Securities by the Holders pursuant to Section 9.

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

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

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

7. CONTRIBUTION.

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

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

8. REPORTS UNDER THE 1934 ACT.

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

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

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

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

9. ASSIGNMENT OF REGISTRATION RIGHTS.

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

10. AMENDMENT OF REGISTRATION RIGHTS.

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

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

(a) From and after the time of filing of any Registration Statement filed pursuant hereto and prior to the effectiveness thereof, the Company shall not file a registration statement (including any shelf registration statements) (other than on Form S-8) with the SEC with respect to any securities of the Company, provided that nothing herein shall limit the filing of any registration statement demanded to be filed pursuant to a "demand" right granted by the Company prior to the filing of any such Registration Statement. For the purposes of this Section 11(a) only, Registration Statement shall mean a Registration Statement that is filed for an amount of Registrable Securities, that the Holder believes in good faith can be reasonably sold pursuant to such Registration Statement.

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

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

12. MISCELLANEOUS.

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

to the Borrower at:	Tower Semiconductor Ltd. P.O. Box 619 Migdal Haemek Israel Facsimile: (04) 604 7242 Attention: Oren Shirazi Acting Chief Financial Officer
with a copy to (which shall not constitute notice):	Yigal Arnon & Co. 1 Azrieli Center 46th Floor, The Round Tower Tel-Aviv 67021 Israel Facsimile: (03) 608 7714 Attention: David H. Schapiro, Adv.

to the Bank at:	Corporate Division Migdal Levenstein 23 Menachem Begin Road Tel-Aviv Israel Facsimile: (03) 567 2995 Attention: Head of Corporate Division
to any other Holder at:	such address as shall be notified to the Company pursuant to Section 9 above.

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

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

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

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

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

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

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

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

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

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

TOWER SEMICONDUCTOR LTD.

By:	/s/ Oren Shirazi
Name:	Oren Shirazi
Its:	Acting VP & CFO
By:	/s/ Yoram Glatt
Name:	Yoram Glatt
Its:	Treasurer

BANK HAPOALIM B.M.

By:	/s/ Erez Francis
Name:	Erez Francis
Its:	Customer Relations Manager
By:	/s/ Liat Konforty
Name:	Liat Konforty
Its:	

Exhibit 17

CONVERSION AGREEMENT

This Conversion Agreement (this "**Agreement**") is made and entered into effective as of September 25 2008 by and between TOWER SEMICONDUCTOR LTD. (the "**Company**" or "**Tower**"), a company organized under the laws of the State of Israel and BANK HAPOALIM B.M., a banking corporation organized under the laws of the State of Israel (the "**Bank**").

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

WHEREAS, the Bank and Bank Leumi Le-Israel B.M. (collectively, the "**Banks**") and Tower are parties to a Facility Agreement dated January 18, 2001, as amended and restated on August 24, 2006 and as further amended by Amendment No. 1 thereto dated September 10, 2007 (the "**Facility Agreement**"); and

WHEREAS, at the request of Tower, the Banks and Tower have entered into an Amending Agreement dated September 25, 2008 (the "**Amending Agreement**"), the conditions to the effectiveness of which include, *inter alia*, the conversion by each Bank of US $100,000,000 (one hundred million US dollars) of its loans made to Tower pursuant to the Facility Agreement and pursuant to an Equipment Facility Agreement dated September 10, 2007 (the "**Loans**") into a convertible capital note to be issued to the Bank (a "**Capital Note**") in the amount of US $100,000,000 (one hundred million US dollars) which will in turn be convertible, in whole or in part, by the Bank at any time and from time to time into 70,422,535 (seventy million, four hundred and twenty-two thousand, five hundred and thirty-five) ordinary shares of Tower at a conversion price of US $1.42 (one US dollar and forty-two cents) per share (such number of shares and conversion price, in each case, subject to adjustment from time to time as provided in the Capital Note) and the entering into by the Bank and Tower of a Registration Rights Agreement (the "**Registration Rights Agreement**") and of this Agreement, in each case, on the date of the effectiveness of the Amending Agreement (the "**Amendment Closing Date**"); and

WHEREAS, prior to the date hereof, Jazz Technologies, Inc. and its subsidiaries have become subsidiaries (as defined below), of Tower,

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

1. Interpretation.

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

1.1.1. "**control**" (including the terms "**controlling**", "**controlled by**" or **"under common control with**", means: (i) direct or indirect ownership of, or power to vote, 25% (twenty-five percent) or more of a class of voting securities of a person; (ii) the power to elect a majority of the directors or trustees of a person; or (iii) the possession direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise; and

1.1.2. "**subsidiary**" of a person means any company which is otherwise directly or indirectly controlled by such person. For the avoidance of doubt, a subsidiary need not be consolidated for financial statement purposes with such person in order to be deemed a subsidiary in this Agreement.

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

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

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

The Company hereby:

2.1. with effect as of the Amendment Closing Date, issues to the Bank, and the Bank hereby receives from the Company, in conversion of US $100,000,000 (one hundred million US dollars) of the Loans (being US $84,779,607 (eighty-four million, seven hundred and seventy-nine thousand, six hundred and seven US dollars) of Loans under the Facility Agreement and US $15,220,393 (fifteen million, two hundred and twenty thousand, three hundred and ninety-three US dollars) of Loans under the Equipment Facility Agreement), an executed Capital Note in the principal amount of US $100,000,000 (one hundred million US dollars) in the form attached as **Exhibit 1** hereto. For the avoidance of doubt (i) as of the Amendment Closing Date, the principal amount of Loans outstanding and owed by Tower to the Banks shall be as set forth in the second sentence of clause 2.1 of the Restated Facility Agreement and (ii) there shall be no further amounts (principal or interest) payable by the Company under the Equipment Facility Agreement referred to above and the Equipment Facility Agreement shall be terminated as at the Amendment Closing Date;

2.2. furnishes to the Bank a copy of the approval of the TASE for listing the 70,422,535 (seventy million, four hundred and twenty-two thousand, five hundred and thirty-five) shares issuable upon conversion of said Capital Note; and

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

3. Representations and Warranties of the Company.

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

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

3.2. Share Capital. All issued and outstanding share capital of the Company has been duly authorized and is validly issued. The shares to be issued upon conversion of any Capital Note issued pursuant to this Agreement (the "**Conversion Shares**") are duly authorized and reserved for issuance by the Company and, when issued in

accordance with the terms of such Capital Note will be validly issued, fully paid, nonassessable and not subject to any pledge, lien or restriction on transfer, except for restrictions on transfer imposed by applicable securities laws. The entering into and performance of this Agreement and the issuance of any shares, or Capital Notes hereunder do not, and the issuance of any Conversion Shares will not, conflict with the Memorandum of Association or the Articles of Association of the Company nor with any outstanding convertible security, warrant, option, call, preemptive right or commitment of any type relating to the Company's capital stock (collectively, "**Equity Rights**"). The entering into and performance of this Agreement, the issuance of any shares or Capital Notes hereunder and the issuance of the Conversion Shares do not require, or give any holder of Equity Rights the right to have made, any adjustments to be made in the conversion or exercise price, the number of shares issuable upon conversion or exercise or any other provision of the aforegoing Equity Rights.

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

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

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

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

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

3.8. Activities in the United States.

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

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

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

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

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

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

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

4. Representations and Warranties of the Bank.

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

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

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

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

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

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

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

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

[1] Following the effective date of any registration statement covering the Conversion Shares or any of them, if applicable, bracketed language to be removed from future Capital Notes relating to such Conversion Shares and, at the request of the holder, a substitute Capital Note or Notes omitting the bracketed language will promptly be delivered to the holder.

5. <u>Undertakings by the Company</u>.

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

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

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

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

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

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

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

5.1.7. furnish to the Bank, as soon as practicable (and, in any event, within thirty (30) days after the end of each calendar year), a certificate of the Chief Financial Officer of the Company, in a form reasonably satisfactory to the Bank (i) confirming whether the Company is in compliance with each of the Asset Test, the Revenue Test, the Same Line of Business Test, the Financial

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

5.1.8. furnish promptly to the Bank, such other information as such person may reasonably request in order to satisfy their obligations to file certain reports or assess its compliance with applicable legal or regulatory requirements relating to the transactions contemplated herein.

5.2. The Company shall fulfil all of its obligations under the Equity Documents, including the Capital Notes issued pursuant hereto and the under any registration rights agreement.

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

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

5.5. The Company undertakes not to issue Shares or Securities (as defined in the Securities Law, 1968) of the Company, save on market terms and conditions.

6. Miscellaneous.

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

6.2. Successors and Assigns; Assignment. Except as otherwise expressly limited herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors and permitted assigns of the parties hereto. This Agreement may not be assigned by any party without the prior written consent of the other party hereto,

provided that the Bank may assign this Agreement, in whole or in part, to any Affiliate of the Bank or add an Affiliate of the Bank as an additional party hereto, Nothing in this Agreement shall be deemed to restrict the (a) transferability of the shares, and Capital Notes to be issued pursuant to this Agreement or the Conversion Shares, in each case, in whole or in part at any time and from time to time, except for restrictions on transfer imposed by applicable securities laws or (b) the assignability of the registration rights in accordance with the Registration Rights Agreement.

6.3. Expenses. The Company shall bear the expenses and costs of all the parties to the transactions contemplated hereby (including the fees and expenses of counsel to the Bank).

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

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

If to the Bank:	Corporate Division Migdal Levenstein 23 Menachem Begin Road Tel-Aviv, Israel Facsimile: (03) 567 2995 Attention: Head of Corporate Division
If to the Company:	Tower Semiconductor Ltd. Ramat Gavriel Industrial Area P.O. Box 619 Migdal Haemek Israel 23105 Fax. 972-4-6047242 Attn: Oren Shirazi, Acting CFO
with a copy to (which shall not constitute notice):	Yigal Arnon & Co. 1 Azrieli Center 46th Floor Tel-Aviv, Israel, 67021 Fax: 972-3-6087714 Attn: David Schapiro, Adv.

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

6.6. Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party upon any breach or default under this Agreement, shall be

deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. Unless provided otherwise herein, all remedies, either under this Agreement or by law or otherwise afforded to any of the parties, shall be cumulative and not alternative.

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

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

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

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

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

TOWER SEMICONDUCTOR LTD.

By: /s/ Oren Shirazi
Name: Oren Shirazi
Title: Acting VP & CFO

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

BANK HAPOALIM B.M.

By: /s/ Erez Francis
Name: Erez Francis
Title: Customer Relations Manager

By: /s/ Liat Konforty
Name: Liat Konforty
Title:

EXHIBIT 1

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

EQUITY EQUIVALENT CONVERTIBLE CAPITAL NOTE
(Principal Amount of US $100,000,000)

THIS EQUITY EQUIVALENT CONVERTIBLE CAPITAL NOTE (**"this Capital Note"**) in the principal amount of US $100,000,000 (**"the Principal Amount"**) has been issued by Tower Semiconductor Ltd., an Israeli company (**"the Company"**), whose shares are currently traded on The Nasdaq National Market (**"NASDAQ"**) and the Tel-Aviv Stock Exchange (**"TASE"**), to Bank Hapoalim B.M. (**"the Holder"**). This Capital Note was originally issued by the Company in exchange for the conversion by the original Holder of this Capital Note of loans to the Company in a principal amount (including certain accrued and unpaid interest) equal to the Principal Amount and represents the obligation of the Company to pay the Principal Amount to the Holder in accordance with and subject to the terms set forth in this Capital Note.

1. DEFINITIONS

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

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

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

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

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

2. TERMS

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

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

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

3. CONVERSION

3.1. Conversion Right

The Holder of this Capital Note has the right, at the Holder's option, at any time and from time to time, to convert this Capital Note, without payment of any additional consideration, in accordance with the provisions of this clause 3, in whole or in part, into fully-paid and non-assessable Ordinary Shares. The number of Ordinary Shares into which this Capital Note may be converted (**"the Conversion Shares"**) shall be determined by dividing the aggregate Principal Amount of this Capital Note by the conversion price in effect at the

time of such conversion (**"the Conversion Price"**). The Conversion Price initially shall be US $1.42, as adjusted at any time and from time to time in accordance with clause 7 below.

3.2. **Conversion Procedure**

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

4. **FRACTIONAL INTEREST**

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

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

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

6. **ACQUISITION FOR INVESTMENT**

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

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

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

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

7. ADJUSTMENT OF CONVERSION PRICE AND NUMBER OF CONVERSION SHARES

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

7.1. Adjustment for Shares Splits and Combinations

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

7.2. Adjustment for Certain Dividends and Distributions

In the event the Company at any time, or from time to time, makes or fixes a record date for the determination of holders of Ordinary Shares entitled to receive a dividend or other distribution payable in additional Ordinary Shares, then and in each such event, the number of Ordinary Shares issuable upon conversion of this Capital Note shall be increased as of the time of such issuance or, in the event such a record date is fixed, as of the close of business on such record date, by multiplying the number of Ordinary Shares issuable upon conversion of this Capital Note by a fraction: (i) the numerator of which shall be the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, as applicable, plus the number of Ordinary Shares issuable in payment of such dividend or distribution; and (ii) the denominator of which is the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, as applicable; provided, however, that if such record date is fixed and

such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the number of Ordinary Shares issuable upon conversion of this Capital Note shall be recomputed accordingly as of the close of business on such record date and thereafter the number of Ordinary Shares issuable upon conversion of this Capital Note shall be adjusted pursuant to this clause 7.2 as of the time of the actual payment of such dividends or distribution.

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

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

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

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

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

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

7.6. **Other Transactions**

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

7.7. **Rights Offerings**

If the Company, at any time and from time to time, shall fix a record date for, or shall make a distribution to, its shareholders of rights or warrants to subscribe for or purchase any security (collectively, **"Rights"**), then, in each such event, the Company will provide the Holder, concurrently with the distribution of the Rights to its shareholders, identical rights, having terms and conditions identical to the Rights (for the avoidance of doubt, exercisable at the same time as the Rights), in such number to which the Holder would be entitled had the Holder converted this Capital Note into Conversion Shares immediately prior to the record date for such distribution, or if no record date shall be fixed, then immediately prior to such distribution , as applicable. Nothing in this clause 7.7 shall require

the Company to complete any such distribution of Rights to its shareholders, including following the record date thereof, unless required pursuant to the terms of such distribution and, if such distribution of Rights to its shareholders is not completed in conformity with the terms of such distribution, then the Company shall be entitled not to complete the provision of rights to the Holder pursuant to this clause 7.7 above.

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

In the event the Company, at any time or from time to time until September 28, 2023, makes or fixes a record date for the determination of holders of Ordinary Shares entitled to receive a cash dividend or distribution, then and in each such event, the number of Ordinary Shares issuable upon conversion of this Capital Note shall be adjusted (for the avoidance of doubt, never decreased but either shall remain the same or increased), as of the close of business on such record date, by multiplying the number of Ordinary Shares issuable upon conversion of this Capital Note by a fraction: (i) the numerator of which shall be the closing price per share of the Ordinary Shares on the TASE on the determining date ("*Hayom Hakovaya*") for such dividend or distribution; and (ii) the denominator of which shall be the adjusted "ex-dividend" price of the Ordinary Shares as such prices set out in (i) and (ii) are determined in each case by the TASE in accordance with its rules.

7.9. **General Protection**

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

7.10. **Notice of Capital Changes**

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

7.11. **Adjustment of Conversion Price**

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

7.12. **Notice of Adjustments**

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

8. **OTHER TRANSACTIONS**

In the event that the Company or its shareholders receive an offer to transfer all or substantially all of the shares in the Company, or to effect a merger or acquisition or sale of all or substantially all of the assets of the Company, then the Company shall promptly inform the Holder in writing of such offer.

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

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

10. **REPRESENTATIONS, WARRANTIES AND COVENANTS**

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

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

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

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

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

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

Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of any Capital Note or Conversion Shares certificate, and in case of loss, theft or destruction, of indemnity, or security reasonably satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of such Capital Note or Conversion Shares

certificate, if mutilated, the Company will make and deliver a new Capital Note or Conversion Shares certificate of like tenor and dated as of such cancellation, in lieu of such Capital Note or Conversion Shares certificate.

12. **NOTICES**

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

If to the Holder:	Bank Hapoalim B.M. Corporate Division Migdal Levenstein 23 Menachem Begin Road Tel Aviv, Israel *Attention: Head of Corporate Division* *Facsimile: (03) 567 2995*
If to the Company:	Tower Semiconductor Ltd. P.O. Box 619 Ramat Gabriel Industrial Zone Migdal Haemek 23105 *Attention: Oren Shirazi, Acting Chief Financial Officer* *Facsimile: (04) 604 7242*
with a copy to:	Yigal Arnon & Co. 1 Azrieli Center Tel Aviv Israel *Attention: David H. Schapiro, Adv.* *Facsimile: (03) 608 7714*

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

13. **APPLICABLE LAW; JURISDICTION**

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

Dated: September 29, 2008

for **TOWER SEMICONDUCTOR LTD.**

By: _____

Title: _____

Exhibit 18

CONVERSION AGREEMENT

This Conversion Agreement (this "**Agreement**") is made and entered into effective as of September 25, 2008 by and between TOWER SEMICONDUCTOR LTD. (the "**Company**" or "**Tower**"), a company organized under the laws of the State of Israel and BANK LEUMI LE-ISRAEL B.M., a banking corporation organized under the laws of the State of Israel (the "**Bank**").

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

WHEREAS, the Bank and Bank Hapoalim B.M. (collectively, the "**Banks**") and Tower are parties to a Facility Agreement dated January 18, 2001, as amended and restated on August 24, 2006 and as further amended by Amendment No. 1 thereto dated September 10, 2007 (the "**Facility Agreement**"); and

WHEREAS, at the request of Tower, the Banks and Tower have entered into an Amending Agreement dated September 25, 2008 (the "**Amending Agreement**"), the conditions to the effectiveness of which include, *inter alia*, the conversion by each Bank of US $100,000,000 (one hundred million US dollars) of its loans made to Tower pursuant to the Facility Agreement and pursuant to an Equipment Facility Agreement dated September 10, 2007 (the "**Loans**") into a convertible capital note to be issued to the Bank (a "**Capital Note**") in the amount of US $100,000,000 (one hundred million US dollars) which will in turn be convertible, in whole or in part, by the Bank at any time and from time to time into 70,422,535 (seventy million, four hundred and twenty-two thousand, five hundred and thirty-five) ordinary shares of Tower at a conversion price of US $1.42 (one US dollar and forty-two cents) per share (such number of shares and conversion price, in each case, subject to adjustment from time to time as provided in the Capital Note) and the entering into by the Bank and Tower of a Registration Rights Agreement (the "**Registration Rights Agreement**") and of this Agreement, in each case, on the date of the effectiveness of the Amending Agreement (the "**Amendment Closing Date**"); and

WHEREAS, prior to the date hereof, Jazz Technologies, Inc. and its subsidiaries have become subsidiaries (as defined below), of Tower,

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

1. Interpretation.

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

1.1.1. "**control**" (including the terms "**controlling**", "**controlled by**" or **"under common control with**", means: (i) direct or indirect ownership of, or power to vote, 25% (twenty-five percent) or more of a class of voting securities of a person; (ii) the power to elect a majority of the directors or trustees of a person; or (iii) the possession direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise; and

1.1.2. "**subsidiary**" of a person means any company which is otherwise directly or indirectly controlled by such person. For the avoidance of doubt, a subsidiary need not be consolidated for financial statement purposes with such person in order to be deemed a subsidiary in this Agreement.

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

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

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

The Company hereby:

2.1. with effect as of the Amendment Closing Date, issues to the Bank, and the Bank hereby receives from the Company, in conversion of US $100,000,000 (one hundred million US dollars) of the Loans (being US $84,779,607 (eighty-four million, seven hundred and seventy-nine thousand, six hundred and seven US dollars) of Loans under the Facility Agreement and US $15,220,393 (fifteen million, two hundred and twenty thousand, three hundred and ninety-three US dollars) of Loans under the Equipment Facility Agreement), an executed Capital Note in the principal amount of US $100,000,000 (one hundred million US dollars) in the form attached as **Exhibit 1** hereto. For the avoidance of doubt (i) as of the Amendment Closing Date, the principal amount of Loans outstanding and owed by Tower to the Banks shall be as set forth in the second sentence of clause 2.1 of the Restated Facility Agreement and (ii) there shall be no further amounts (principal or interest) payable by the Company under the Equipment Facility Agreement referred to above and the Equipment Facility Agreement shall be terminated as at the Amendment Closing Date;

2.2. furnishes to the Bank a copy of the approval of the TASE for listing the 70,422,535 (seventy million, four hundred and twenty-two thousand, five hundred and thirty-five) shares issuable upon conversion of said Capital Note; and

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

3. Representations and Warranties of the Company.

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

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

3.2. Share Capital. All issued and outstanding share capital of the Company has been duly authorized and is validly issued. The shares to be issued upon conversion of any Capital Note issued pursuant to this Agreement (the "**Conversion Shares**") are duly authorized and reserved for issuance by the Company and, when issued in

accordance with the terms of such Capital Note will be validly issued, fully paid, nonassessable and not subject to any pledge, lien or restriction on transfer, except for restrictions on transfer imposed by applicable securities laws. The entering into and performance of this Agreement and the issuance of any shares, or Capital Notes hereunder do not, and the issuance of any Conversion Shares will not, conflict with the Memorandum of Association or the Articles of Association of the Company nor with any outstanding convertible security, warrant, option, call, preemptive right or commitment of any type relating to the Company's capital stock (collectively, "**Equity Rights**"). The entering into and performance of this Agreement, the issuance of any shares or Capital Notes hereunder and the issuance of the Conversion Shares do not require, or give any holder of Equity Rights the right to have made, any adjustments to be made in the conversion or exercise price, the number of shares issuable upon conversion or exercise or any other provision of the aforegoing Equity Rights.

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

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

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

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

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

3.8. Activities in the United States.

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

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

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

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

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

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

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

4. Representations and Warranties of the Bank.

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

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

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

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

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

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

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

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

[1] Following the effective date of any registration statement covering the Conversion Shares or any of them, if applicable, bracketed language to be removed from future Capital Notes relating to such Conversion Shares and, at the request of the holder, a substitute Capital Note or Notes omitting the bracketed language will promptly be delivered to the holder.

5. <u>Undertakings by the Company</u>.

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

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

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

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

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

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

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

5.1.7. furnish to the Bank, as soon as practicable (and, in any event, within thirty (30) days after the end of each calendar year), a certificate of the Chief Financial Officer of the Company, in a form reasonably satisfactory to the Bank (i) confirming whether the Company is in compliance with each of the Asset Test, the Revenue Test, the Same Line of Business Test, the Financial

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

5.1.8. furnish promptly to the Bank, such other information as such person may reasonably request in order to satisfy their obligations to file certain reports or assess its compliance with applicable legal or regulatory requirements relating to the transactions contemplated herein.

5.2. The Company shall fulfil all of its obligations under the Equity Documents, including the Capital Notes issued pursuant hereto and the under any registration rights agreement.

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

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

5.5. The Company undertakes not to issue Shares or Securities (as defined in the Securities Law, 1968) of the Company, save on market terms and conditions.

6. Miscellaneous.

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

6.2. Successors and Assigns; Assignment. Except as otherwise expressly limited herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors and permitted assigns of the parties hereto. This Agreement may not be assigned by any party without the prior written consent of the other party hereto,

provided that the Bank may assign this Agreement, in whole or in part, to any Affiliate of the Bank or add an Affiliate of the Bank as an additional party hereto, Nothing in this Agreement shall be deemed to restrict the (a) transferability of the shares, and Capital Notes to be issued pursuant to this Agreement or the Conversion Shares, in each case, in whole or in part at any time and from time to time, except for restrictions on transfer imposed by applicable securities laws or (b) the assignability of the registration rights in accordance with the Registration Rights Agreement.

6.3. Expenses. The Company shall bear the expenses and costs of all the parties to the transactions contemplated hereby (including the fees and expenses of counsel to the Bank).

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

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

If to the Bank:	Corporate Division 34 Yehuda Halevi Street Tel-Aviv Israel Fax.: 972-3-5149278 Attn: Head of Corporate Division
If to the Company:	Tower Semiconductor Ltd. Ramat Gavriel Industrial Area P.O. Box 619 Migdal Haemek Israel 23105 Fax.: 972-4-6047242 Attn: Oren Shirazi, Acting CFO
with a copy to (which shall not constitute notice):	Yigal Arnon & Co. 1 Azrieli Center 46th Floor Tel-Aviv, Israel, 67021 Fax: 972-3-6087714 Attn: David Schapiro, Adv.

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

6.6. Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party upon any breach or default under this Agreement, shall be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any

waiver, permit, consent, or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. Unless provided otherwise herein, all remedies, either under this Agreement or by law or otherwise afforded to any of the parties, shall be cumulative and not alternative.

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

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

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

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

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

TOWER SEMICONDUCTOR LTD.

By: /s/ Oren Shirazi
Name: Oren Shirazi
Title: Acting VP & CFO

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

BANK LEUMI LE–ISRAEL B.M.

By: /s/ Anat Golan
Name: Anat Golan
Title: Senior Relationship Manager

By: /s/ Rina Vahaba
Name: Rina Vahaba
Title: Head of Technology Sector

EXHIBIT 1

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

EQUITY EQUIVALENT CONVERTIBLE CAPITAL NOTE

(Principal Amount of US $100,000,000)

THIS EQUITY EQUIVALENT CONVERTIBLE CAPITAL NOTE (**"this Capital Note"**) in the principal amount of US $100,000,000 (**"the Principal Amount"**) has been issued by Tower Semiconductor Ltd., an Israeli company (**"the Company"**), whose shares are currently traded on The Nasdaq National Market (**"NASDAQ"**) and the Tel-Aviv Stock Exchange (**"TASE"**), to Bank Leumi Le-Israel B.M. (**"the Holder"**). This Capital Note was originally issued by the Company in exchange for the conversion by the original Holder of this Capital Note of loans to the Company in a principal amount (including certain accrued and unpaid interest) equal to the Principal Amount and represents the obligation of the Company to pay the Principal Amount to the Holder in accordance with and subject to the terms set forth in this Capital Note.

1. DEFINITIONS

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

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

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1 Following the effective date of any Registration Statement covering the Conversion Shares or any of them, bracketed language to be removed from Capital Notes relating to such Conversion Shares and, at the request of the Holder, a substitute Capital Note omitting the bracketed language will promptly be delivered to the Holder.

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

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

2. **TERMS**

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

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

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

3. **CONVERSION**

3.1. **Conversion Right**

The Holder of this Capital Note has the right, at the Holder's option, at any time and from time to time, to convert this Capital Note, without payment of any additional consideration, in accordance with the provisions of this clause 3, in whole or in part, into fully-paid and non-assessable Ordinary Shares. The number of Ordinary Shares into which this Capital Note may be converted (**"the Conversion Shares"**) shall be determined by dividing the aggregate Principal Amount of this Capital Note by the conversion price in effect at the time of such conversion (**"the Conversion Price"**). The Conversion Price initially shall be US $1.42, as adjusted at any time and from time to time in accordance with clause 7 below.

3.2. **Conversion Procedure**

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

4. **FRACTIONAL INTEREST**

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

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

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

6. **ACQUISITION FOR INVESTMENT**

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

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

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

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

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

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

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

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

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

In the event the Company at any time, or from time to time, makes or fixes a record date for the determination of holders of Ordinary Shares entitled to receive a dividend or other distribution payable in additional Ordinary Shares, then and in each such event, the number of Ordinary Shares issuable upon conversion of this Capital Note shall be increased as of the time of such issuance or, in the event such a record date is fixed, as of the close of business on such record date, by multiplying the number of Ordinary Shares issuable upon conversion of this Capital Note by a fraction: (i) the numerator of which shall be the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, as applicable, plus the number of Ordinary Shares issuable in payment of such dividend or distribution; and (ii) the denominator of which is the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, as applicable; provided, however, that if such record date is fixed and

such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the number of Ordinary Shares issuable upon conversion of this Capital Note shall be recomputed accordingly as of the close of business on such record date and thereafter the number of Ordinary Shares issuable upon conversion of this Capital Note shall be adjusted pursuant to this clause 7.2 as of the time of the actual payment of such dividends or distribution.

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

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

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

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

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

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

7.6. **Other Transactions**

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

7.7. **Rights Offerings**

If the Company, at any time and from time to time, shall fix a record date for, or shall make a distribution to, its shareholders of rights or warrants to subscribe for or purchase any security (collectively, **"Rights"**), then, in each such event, the Company will provide the Holder, concurrently with the distribution of the Rights to its shareholders, identical rights, having terms and conditions identical to the Rights (for the avoidance of doubt, exercisable at the same time as the Rights), in such number to which the Holder would be entitled had the Holder converted this Capital Note into Conversion Shares immediately prior to the record date for such distribution, or if no record date shall be fixed, then immediately prior to such distribution , as applicable. Nothing in this clause 7.7 shall require

the Company to complete any such distribution of Rights to its shareholders, including following the record date thereof, unless required pursuant to the terms of such distribution and, if such distribution of Rights to its shareholders is not completed in conformity with the terms of such distribution, then the Company shall be entitled not to complete the provision of rights to the Holder pursuant to this clause 7.7 above.

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

In the event the Company, at any time or from time to time until September 28, 2023, makes or fixes a record date for the determination of holders of Ordinary Shares entitled to receive a cash dividend or distribution, then and in each such event, the number of Ordinary Shares issuable upon conversion of this Capital Note shall be adjusted (for the avoidance of doubt, never decreased but either shall remain the same or increased), as of the close of business on such record date, by multiplying the number of Ordinary Shares issuable upon conversion of this Capital Note by a fraction: (i) the numerator of which shall be the closing price per share of the Ordinary Shares on the TASE on the determining date ("*Hayom Hakovaya*") for such dividend or distribution; and (ii) the denominator of which shall be the adjusted "ex-dividend" price of the Ordinary Shares as such prices set out in (i) and (ii) are determined in each case by the TASE in accordance with its rules.

7.9. **General Protection**

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

7.10. **Notice of Capital Changes**

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

7.11. **Adjustment of Conversion Price**

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

7.12. **Notice of Adjustments**

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

8. **OTHER TRANSACTIONS**

In the event that the Company or its shareholders receive an offer to transfer all or substantially all of the shares in the Company, or to effect a merger or acquisition or sale of all or substantially all of the assets of the Company, then the Company shall promptly inform the Holder in writing of such offer.

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

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

10. **REPRESENTATIONS, WARRANTIES AND COVENANTS**

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

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

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

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

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

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

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

12. **NOTICES**

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

If to the Holder:
Bank Leumi Le-Israel B.M.
Corporate Division
32 Yehuda Halevi Street
Tel Aviv, Israel
Attention: Manager of Hi-Tech Industries Section
Facsimile: (03) 514 9017

with a copy to (which shall not constitute notice):
Leumi and Co. Investment House Ltd.
25 Kalisher Street
Tel-Aviv 65165
Israel
Attention: Head of Investment Sector
Facsimile: (03) 5141 215

If to the Company:
Tower Semiconductor Ltd.
P.O. Box 619
Ramat Gabriel Industrial Zone
Migdal Haemek 23105
Attention: Oren Shirazi, Acting Chief Financial Officer
Facsimile: (04) 604 7242

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

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

13. **APPLICABLE LAW; JURISDICTION**

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

Dated: September 29, 2008

for **TOWER SEMICONDUCTOR LTD.**

By: _____

Title: _____

Exhibit 19

AMENDMENT NO. 1

to

TAG ALONG AGREEMENT

Made and entered into on this 25th day of September, 2008
(**"this Amendment No. 1"**)

By and Between:

ISRAEL CORPORATION LTD.

a company duly organised under the laws of the State of Israel
(hereinafter, **"TIC"**)

and

BANK HAPOALIM B.M.

a banking corporation organised under the laws of the State of Israel
(hereinafter, **"the Bank"**)

WHEREAS: TIC and the Bank are parties to a Tag Along Agreement dated September 28, 2006 (**"the Tag Along Agreement"**) with respect to the securities of Tower Semiconductor Ltd. (**"Tower"**); and

WHEREAS: the Bank and Bank Leumi le-Israel B.M. (collectively, **"the Banks"**) and Tower are parties to a Facility Agreement dated January 18, 2001, as amended and restated on August 24, 2006 and as further amended by Amendment No. 1 thereto, dated September 10, 2007 (**"the Facility Agreement"**); and

WHEREAS: at the request of Tower, the Banks and Tower have entered into a further Amending Agreement dated September 25, 2008 (**"the 2008 Amending Agreement"**), the conditions to the effectiveness of which include, *inter alia*, the conversion by each Bank of approximately US $85,000,000 (eighty-five million

United States Dollars) of its loans made to Tower pursuant to the Facility Agreement and all US $15,000,000 (fifteen million United States Dollars) of loans made by each Bank to Tower pursuant to each Bank's Equipment Facility Agreement dated September 10, 2007 with Tower, into an equity-equivalent convertible capital note (**"the New Capital Notes"**) to be issued to the Bank or its nominee in the amount of US $100,000,000 (one hundred million United States Dollars) which will in turn be convertible, in whole or in part, at any time and from time to time into 70,422,535 (seventy million four hundred and twenty-two thousand five hundred and thirty-five) shares of Tower (**"the New Shares"**) and the entering into by the Bank and TIC of this Amendment No. 1, so as to include the New Capital Notes and the New Shares issuable upon conversion thereof within the tag along rights granted to the Bank by TIC pursuant to the Tag Along Agreement; and

WHEREAS: the parties wish to amend the Tag Along Agreement as set out below,

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Capitalised terms in this Amendment No. 1 shall bear the meaning ascribed to such terms in the Tag Along Agreement unless the context otherwise requires.

2. The recitals to the Tag Along are hereby amended to add the following as the penultimate "WHEREAS" clause:

"WHEREAS: at the request of Tower, the Banks and Tower have entered into a further Amending Agreement dated September 25, 2008 (**'the 2008 Amending Agreement'**), the conditions to the effectiveness of which include, *inter alia*, the conversion by each Bank of approximately US $85,000,000 (eighty-five million United States Dollars) of its loans made to Tower pursuant to the Facility Agreement and all US $15,000,000 (fifteen million United States Dollars) of loans made by each Bank to Tower pursuant to each Bank's Equipment Facility Agreement dated September 10, 2007 with Tower, into an equity-equivalent convertible capital note **'the New Capital Notes'**) to be issued to the Bank or its nominee in the amount of US $100,000,000 (one hundred million

United States Dollars) which will in turn be convertible, in whole or in part, at any time and from time to time into 70,422,535 (seventy million four hundred and twenty-two thousand five hundred and thirty-five) shares of Tower (**'the New Shares'**) and the entering into by the Bank and TIC of Amendment No. 1 to this Agreement, so as to include the New Capital Notes and the New Shares issuable upon conversion thereof within the tag along rights granted to the Bank by TIC pursuant to the this Agreement; and"

3. Clause 2.3(i) of the Tag Along Agreement is hereby amended to read in its entirety as follows:

"(i) Capital Notes issued pursuant to clause 5.4 of the Amending Agreement and pursuant to clause 5.4 of the 2008 Amending Agreement (collectively, **'the Amending Agreements'**), or Shares received from the conversion of any such Capital Notes issued pursuant to the Amending Agreements;"

4. TIC refers to the representations and warranties made by it in the Tag Along Agreement and hereby confirms that such representations and warranties are true and correct on the date hereof as if all references therein to "this Agreement" were references to "this Amendment No. 1".

5. This Amendment No. 1 shall be read together with the Tag Along Agreement, and save for the changes contained herein, all the terms and conditions contained in the Tag Along Agreement remain unchanged, and in full force and effect.

6. The recitals hereto shall form an integral part of this Amendment No. 1.

7. This Amendment No. 1 may be amended only by a written document signed by both parties hereto.

[Remainder of page intentionally left blank]

[Signature Page to Amendment No. 1 to Bank Hapoalim Tag Along Agreement]

IN WITNESS WHEREOF, the parties have duly executed this Amendment No. 1 to the Tag Along Agreement as of the date hereinbefore mentioned.

for	**ISRAEL CORPORATION LTD**	for	**BANK HAPOALIM B.M.**
By:	/s/ Nir Gilad	By:	/s/ Erez Francis
Name	Nir Gilad	Name:	Erez Francis
Title	CEO	Title:	Customer Relations Manager
By:	/S/ Avisar Paz	By:	/S/ Liat Konforty
Name	Avisar Paz	Name	Liat Konforty
Title	CFO	Title	

Exhibit 20

AMENDMENT NO. 1

to

TAG ALONG AGREEMENT

Made and entered into on this 25th day of September, 2008
(**"this Amendment No. 1"**)

By and Between:

ISRAEL CORPORATION LTD.

a company duly organised under the laws of the State of Israel
(hereinafter, **"TIC"**)

and

BANK LEUMI LE-ISRAELB.M.

a banking corporation organised under the laws of the State of Israel
(hereinafter, **"the Bank"**)

WHEREAS: TIC and the Bank are parties to a Tag Along Agreement dated September 28, 2006 (**"the Tag Along Agreement"**) with respect to the securities of Tower Semiconductor Ltd. (**"Tower"**); and

WHEREAS: the Bank and Bank Hapoalim B.M. (collectively, "**the Banks**") and Tower are parties to a Facility Agreement dated January 18, 2001, as amended and restated on August 24, 2006 and as further amended by Amendment No. 1 thereto, dated September 10, 2007 ("**the Facility Agreement**"); and

WHEREAS: at the request of Tower, the Banks and Tower have entered into a further Amending Agreement dated September 25, 2008 ("**the 2008 Amending Agreement**"), the conditions to the effectiveness of which include, inter alia, the conversion by each Bank of approximately US $85,000,000 (eighty-five million

United States Dollars) of its loans made to Tower pursuant to the Facility Agreement and all US $15,000,000 (fifteen million United States Dollars) of loans made by each Bank to Tower pursuant to each Bank's Equipment Facility Agreement dated September 10, 2007 with Tower, into an equity-equivalent convertible capital note ("**the New Capital Notes**") to be issued to the Bank or its nominee in the amount of US $100,000,000 (one hundred million United States Dollars) which will in turn be convertible, in whole or in part, at any time and from time to time into 70,422,535 (seventy million four hundred and twenty-two thousand five hundred and thirty-five) shares of Tower ("**the New Shares**") and the entering into by the Bank and TIC of this Amendment No. 1, so as to include the New Capital Notes and the New Shares issuable upon conversion thereof within the tag along rights granted to the Bank by TIC pursuant to the Tag Along Agreement; and

WHEREAS: the parties wish to amend the Tag Along Agreement as set out below,

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Capitalised terms in this Amendment No. 1 shall bear the meaning ascribed to such terms in the Tag Along Agreement unless the context otherwise requires.

2. The recitals to the Tag Along are hereby amended to add the following as the penultimate "WHEREAS" clause:

"WHEREAS: at the request of Tower, the Banks and Tower have entered into a further Amending Agreement dated September 25, 2008 ('**the 2008 Amending Agreement**'), the conditions to the effectiveness of which include, inter alia, the conversion by each Bank of approximately US $85,000,000 (eighty-five million United States Dollars) of its loans made to Tower pursuant to the Facility Agreement and all US $15,000,000 (fifteen million United States Dollars) of loans made by each Bank to Tower pursuant to each Bank's Equipment Facility Agreement dated September 10, 2007 with Tower, into an equity-equivalent convertible capital note '**the New Capital Notes**') to be issued to the Bank or its nominee in the amount of US $100,000,000 (one hundred million

United States Dollars) which will in turn be convertible, in whole or in part, at any time and from time to time into 70,422,535 (seventy million four hundred and twenty-two thousand five hundred and thirty-five) shares of Tower ('the New Shares') and the entering into by the Bank and TIC of Amendment No. 1 to this Agreement, so as to include the New Capital Notes and the New Shares issuable upon conversion thereof within the tag along rights granted to the Bank by TIC pursuant to the this Agreement; and"

3. Clause 2.3(i) of the Tag Along Agreement is hereby amended to read in its entirety as follows:

"(i) Capital Notes issued pursuant to clause 5.4 of the Amending Agreement and pursuant to clause 5.4 of the 2008 Amending Agreement (collectively, **'the Amending Agreements'**), or Shares received from the conversion of any such Capital Notes issued pursuant to the Amending Agreements;"

4. TIC refers to the representations and warranties made by it in the Tag Along Agreement and hereby confirms that such representations and warranties are true and correct on the date hereof as if all references therein to "this Agreement" were references to "this Amendment No. 1".

5. This Amendment No. 1 shall be read together with the Tag Along Agreement, and save for the changes contained herein, all the terms and conditions contained in the Tag Along Agreement remain unchanged, and in full force and effect.

6. The recitals hereto shall form an integral part of this Amendment No. 1.

7. This Amendment No. 1 may be amended only by a written document signed by both parties hereto.

[Remainder of page intentionally left blank]

[Signature Page to Amendment No. 1 to Bank Leumi Tag Along Agreement]

IN WITNESS WHEREOF, the parties have duly executed this Amendment No. 1 to the Tag Along Agreement as of the date hereinbefore mentioned.

for	**ISRAEL CORPORATION LTD**	for	**BANK LEUMI LE–ISRAEL B.M.**
By:	/s/ Nir Gilad	By:	/s/ Anat Golan
Name	Nir Gilad	Name:	Anat Golan
Title	CEO	Title:	Senior Relationship Manager
By:	/s/ Avisar Paz	By:	/s/ Rina Vahaba
Name	Avisar Paz	Name	Rina Vahaba
Title	CFO	Title	Head of Technology Sector