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

FORM 20-F/A
(Amendment No. 1)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

Or

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report.....

For the transition period from to

Commission File No.

TOWER SEMICONDUCTOR LTD.
(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's
name into English)

ISRAEL
(Jurisdiction of incorporation
or organization)

Ramat Gavriel Industrial Park, P.O. Box 619, Migdal Haemek 23105, Israel
(Address of principal executive offices)

Nati Somekh, +972 4-650-6109, natso@towersemi.com;
Ramat Gavriel Industrial Park, P.O. Box 619, Migdal Haemek 23105, Israel
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class
Ordinary Shares, par value New Israeli Shekels 15.00 per share

Name of Each Exchange on which Registered
NASDAQ Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 47,869,150

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing

U.S GAAP

International Financial Reporting Standards as issued
by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17

Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company.

Yes

No

Explanatory Note

This Amendment No. 1 (this "Amendment") to our annual report on Form 20-F for the fiscal year ended December 31, 2013 (the "Form 20-F"), filed on May 14, 2014 (the "Original Filing Date"), is being filed solely to replace Exhibits 4.63, 4.64, 4.65 and 4.66 with the attached Exhibits 4.63, 4.64, 4.65 and 4.66 (the "Exhibits") to reflect additions of previously omitted portions of such exhibits in connection with our request for confidential treatment of portions of such exhibits. These additions were made in response to comments that we received from the Securities and Exchange Commission regarding our confidential treatment request.

Except for the revised Exhibits, this Amendment does not amend any other information set forth in the Form 20-F. This Amendment speaks as of the Original Filing Date, does not reflect any events that may have occurred subsequent to the Original Filing Date, and does not modify or update in any way any disclosures made in the Form 20-F.

ITEM 19. EXHIBITS

- 1.1 Articles of Association of the Registrant, approved by shareholders on November 14, 2000, as amended (incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form F-1, File No. 333-126909, "Form F-1 No. 333-126909").
- 1.2 Amendment to Articles of Association of the Registrant (incorporated by reference to exhibit 4.2 to the Registration Statement on Form S-8 No. 333-117565 ("Form S-8 No. 333-117565")).
- 1.3 Amendment to the Articles of Association of the Registrant (approved by shareholders on September 28, 2006) (incorporated by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form S-8, File No. 333-138837 (the "2006 Form S-8").
- 1.4 Amendment to Articles of Association of Registrant (approved by shareholders on September 24, 2008) (incorporated by reference to Exhibit 3.4 of the Registrant's Registration Statement on Form S-8, File No. 333-153710 (the "2008 Form S-8").
- 1.5 Amendment to Articles of Association of Registrant (approved by shareholders on August 11, 2011) (incorporated by reference to exhibit 99.1 of the Form 6-K furnished to the SEC on January 17, 2012).
- 1.6 Amendment to Articles of Association of Registrant (approved by shareholders on August 2, 2012) (incorporated by reference to proposals 1 and 2 of the proxy statement filed on Form 6-K furnished to the SEC on June 12, 2012, and the Form 6-k furnished to the SEC on August 2, 2012).
- 1.7 Amendment to Articles of Association of Registrant (approved by shareholders on May 23, 2013) (incorporated by reference to Proposal 5 of the proxy statement filed on Form 6-K furnished to the SEC on April 16, 2013).
- 2.1 Registration Rights Agreement, dated January 18, 2001, by and between SanDisk Corporation, Israel Corporation, Alliance Semiconductor Ltd. and Macronix International Co., Ltd. (incorporated by reference to exhibit 2.2 to the 2000 Form 20-F).
- 4.1 Form of Grant Letter for Non-Employee Directors Share Option Plan 2001/4 (incorporated by reference to exhibit 4.9 to the Form S-8 No. 333-83204).
- 4.2 Investment Center Agreement related to Fab 1, dated November 13, 2001 (English translation of Hebrew original) (incorporated by reference to exhibit 10.2 to the Registrant's Registration Statement on Form F-2, No. 333-97043).
- 4.3 Employee Share Option Plan 2004 (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-8 No. 333-117565 ("Form S-8 No. 333-117565").

- 4.4 Form of Grant Letter to Israeli Employees (incorporated by reference to Exhibit 4.4 to Form S-8 No. 333-117565).
- 4.5 Form of Grant Letter to US Employees (incorporated by reference to Exhibit 4.5 to Form S-8 No. 333-117565).
- 4.6 Employee Share Option Plan 2005, as amended (incorporated by reference to Exhibit 4.1 of the 2008 Form S-8).
- 4.7 Form of Grant Letter to Israeli Employees (incorporated by reference to Exhibit 4.4 of the 2006 Form S-8).
- 4.8 Form of Grant Letter to US Employees (incorporated by reference to Exhibit 4.5 of the 2006 Form S-8).
- 4.9 Form of Grant Letter for grants to Jazz employees under the Employee Share Option Plan 2005 (incorporated by reference to Exhibit 4.4 of the 2008 Form S-8).
- 4.10 Jazz Technologies, Inc. 2006 Equity Incentive (incorporated by reference to Exhibit 4.5 of the 2008 Form S-8).
- 4.11 Form of Assumption Letter from the Registrant to holders of Jazz Technologies, Inc. 2006 Equity Incentive Plan options (incorporated by reference to Exhibit 4.6 of the 2008 Form S-8).
- 4.12 Form of Option Agreement under the Jazz Technologies, Inc. 2006 Equity Incentive Plan (incorporated by reference to Exhibit 4.7 of the 2008 Form S-8).
- 4.13 CEO Share Option Plan 2005 (incorporated by reference to Exhibit 4.6 of the 2006 Form S-8).
- 4.14 Option Grant Letter Agreement - CEO Share Option Plan 2005 from the Registrant to our CEO, dated July 15, 2005 (incorporated by reference to Exhibit 4.7 of the 2006 Form S-8).
- 4.15 Option Grant Letter Agreement - CEO Share Option Plan 2005 from the Registrant to our CEO, dated September 28, 2006 (incorporated by reference to Exhibit 4.8 of the 2006 Form S-8).
- 4.16 Option Grant Letter Agreement - CEO Share Option Plan 2005 from Tower Semiconductor USA, Inc. to our CEO, dated July 15, 2005 (incorporated by reference to Exhibit 4.9 of the 2006 Form S-8).
- 4.17 Equity Convertible Capital Note, dated September 28, 2006, issued to Israel Corporation Ltd. (incorporated by reference to Exhibit 99.4 of the Form 6-K for the month of November 2006 No. 6 filed on November 7, 2006 (the "November 2006 Form 6-K")).
- 4.18 2009 Chairman Share Incentive Plan (incorporated by reference to Exhibit 4.20 to the 2010 20-F).

- 4.19 Registration Rights Agreement, dated September 28, 2006, with Israel Corporation Ltd. (incorporated by reference to Exhibit 99.5 of the November 2006 Form 6-K).
- 4.20 Conversion Agreement, dated September 28, 2006, with Bank Hapoalim B.M. (incorporated by reference to Exhibit 99.8 of the November 2006 Form 6-K).
- 4.21 Conversion Agreement, dated September 28, 2006, with Bank Leumi Le-Israel B.M. (incorporated by reference to Exhibit 99.9 of the November 2006 Form 6-K).
- 4.22 Registration Rights Agreement, dated September 28, 2006, with Bank Hapoalim B.M. (incorporated by reference to Exhibit 99.10 of the November 2006 Form 6-K).
- 4.23 Registration Rights Agreement, dated September 28, 2006, with Bank Leumi Le-Israel B.M. (incorporated by reference to Exhibit 99.11 of the November 2006 Form 6-K).
- 4.24 Equity Convertible Capital Note, dated September 28, 2006, issued to Bank Hapoalim B.M. (incorporated by reference to Exhibit 99.12 of the November 2006 Form 6-K).
- 4.25 Equity Convertible Capital Note, dated April 13, 2014, issued to Bank Leumi Le-Israel B.M. †
- 4.26 Form of Securities Purchase Agreement (incorporated by reference to Exhibit 99.2 of the Form 6-K for the month of March 2007 No.1 filed on March 15, 2007 (the “March 2007 Form 6-K”)).
- 4.27 Form of Registration Rights Agreement (incorporated by reference to Exhibit 99.4 of the March 2007 Form 6-K).
- 4.28 Agreement and Plan of Merger and Reorganization, dated May 19, 2008, between the Registrant, Jazz Technologies, Inc. and Armstrong Acquisition Corp. (incorporated by reference to Exhibit 2.1 of the May 20, 2008 Form 6-K).
- 4.29 Facility Agreement, as amended and restated by the parties through September 29, 2008. (incorporated by reference to Exhibit 4.86 to the 2008 20-F).
- 4.30 Conversion Agreement, dated September 25, 2008, with Bank Hapoalim B.M. (incorporated by reference to Exhibit 4.87 to the 2008 20-F).
- 4.31 Conversion Agreement, dated September 25, 2008, with Bank Leumi Le-Israel B.M. (incorporated by reference to Exhibit 4.88 to the 2008 20-F).
- 4.32 Conversion Agreement, dated September 25, 2008, with the Israel Corporation Ltd. (incorporated by reference to Exhibit 4.89 to the 200820-F).

- 4.33 Pledge Agreement, dated September 25, 2008, with Bank Hapoalim B.M. and Bank Leumi Le-Israel B.M. (incorporated by reference to Exhibit 4.90 to the 2008 20-F).
- 4.34 Amended and Restated Registration Rights Agreement, dated September 25, 2008, with Bank Hapoalim B.M. (incorporated by reference to Exhibit 4.91 to the 2008 20-F).
- 4.35 Amended and Restated Registration Rights Agreement, dated September 25, 2008, with Bank Leumi Le-Israel B.M. (incorporated by reference to Exhibit 4.92 to the 2008 20-F).
- 4.36 Undertaking by Israel Corporation Ltd., dated September 25, 2008. (incorporated by reference to Exhibit 4.93 to the 2008 20-F).
- 4.37 Securities Purchase Agreement, dated September 25, 2008, with the Israel Corporation Ltd. (incorporated by reference to Exhibit 4.94 to the 2008 20-F).
- 4.38 Equity Convertible Capital Note, dated October 29, 2012, issued to Bank Hapoalim B.M. (incorporated by reference to Exhibit 4.38 to the 2012 20-F).
- 4.39 Equity Convertible Capital Note, dated July 30, 2013, issued to Bank Hapoalim B.M. †
- 4.40 Equity Convertible Capital Note, in the principal amount of \$30 million, dated September 25, 2008, issued to the Israel Corporation Ltd. in connection with the conversion of debt. (incorporated by reference to Exhibit 4.97 to the 2008 20-F).
- 4.41 Equity Convertible Capital Note, in the principal amount of \$20 million, dated September 25, 2008, issued to the Israel Corporation Ltd. in connection with the conversion of debt. (incorporated by reference to Exhibit 4.98 to the 2008 20-F).
- 4.42 Equity Convertible Capital Note, in the principal amount of \$20 million, dated September 25, 2008, issued to the Israel Corporation Ltd. in connection with the investment. (incorporated by reference to Exhibit 4.99 to the 2008 20-F).
- 4.43 Equity Convertible Capital Note, in the principal amount of \$20 million, dated January 7, 2008, issued to the Israel Corporation Ltd. in connection with the investment. (incorporated by reference to Exhibit 4.100 to the 2008 20-F).
- 4.44 Amended and Restated Registration Rights Agreement, dated September 25, 2008, with the Israel Corporation Ltd. (incorporated by reference to Exhibit 4.101 to the 2008 20-F).
- 4.45 Amendment to Undertaking by the Israel Corporation Ltd., dated January 6, 2009 (incorporated by reference to Exhibit 4.102 to the 2008 20-F).
- 4.46 Standby Equity Purchase Agreement between Tower and YA Global Master SPV Ltd., dated August 11, 2009, Amendment No. 1 dated August 27, 2009 and Amendment No. 2 dated February 4, 2010 (incorporated by reference to Exhibits 99.1, 99.2 and 99.3, respectively, of the February 5, 2010 Form 6-K).

- 4.47 Amendment No. 3 to Standby Equity Purchase Agreement between Tower and YA Global Master SPV Ltd., dated August 11, 2009 (incorporated by reference to Exhibit 99.1 to the April 23, 2010 6-K).
- 4.48 Amendment No. 4 to Standby Equity Purchase Agreement between Tower and YA Global Master SPV Ltd., dated November 15, 2010 (incorporated by reference to Exhibit 99.1 to the December 12, 2010 6-K).
- 4.49 Amendment No. 5 to Standby Equity Purchase Agreement between Tower and YA Global Master SPV Ltd., dated April 8, 2011 (incorporated by reference to Exhibit 99.1 to the April 28, 2011 6-K).
- 4.50 Exchange Agreement dated July 9, 2010 by and among Jazz Technologies, Inc., Tower Semiconductor, Ltd., Jazz Semiconductor, Inc., Newport Fab, LLC, Zazove Associates, LLC and certain holders of Jazz Technologies, Inc.'s 8% Senior Notes due 2011 (incorporated by reference to Exhibit 10.48 to Jazz Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010).
- 4.51 Indenture dated July 15, 2010 by and among Jazz Technologies, Inc., Jazz Semiconductor, Inc., Newport Fab, LLC and U.S. Bank National Association (incorporated by reference to Exhibit 4.15 to Jazz Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010).
- 4.52 Warrant Agreement dated July 15, 2010 between Tower Semiconductor, Ltd. and American Stock Transfer & Trust Company, LLC as warrant agent (incorporated by reference to Exhibit 4.54 to 2010 20-F).
- 4.53 Form of Series J Warrant (incorporated by reference to Exhibit 4.55 to 2010 20-F).
- 4.54 Master Agreement by and among Micron Technology, Inc., Micron Japan, Ltd. and Tower Semiconductor Ltd. dated May 25, 2011 (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form F-3 (No. 333-178166)).
- 4.55 Credit Support and Subordination Agreement, by and among Micron Technology, Inc., Micron Japan, Ltd., Tower Semiconductor Ltd., TowerJazz Japan, Ltd., and TowerJazz Japan, Ltd. dated June 3, 2011 (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form F-3 (No. 333-178166)).
- 4.56 Shareholder Rights and Restrictions Agreement between Micron Technology, Inc. and Tower Semiconductor Ltd. dated June 3, 2011 (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form F-3 (No. 333-178166)).
- 4.57 2013 option plans. †

- 4.58 The Compensation Policy of the Company, filed by us as Annex A to Proposal 1 found in Exhibit 99.1 to the Form 6-K as furnished to the Securities and Exchange Commission on July 30, 2013, and incorporated herein by reference.
- 4.59 Exchange Agreement dated as of March 19, 2014 by and among Jazz Technologies, Inc., Tower Semiconductor, Ltd., Jazz Semiconductor, Inc., Newport Fab, LLC and certain holders of the Jazz Technologies, Inc. 8% Senior Notes due 2015. †
- 4.60 Purchase Agreement dated as of March 19, 2014 by and among Jazz Technologies, Inc., Tower Semiconductor, Ltd., Jazz Semiconductor, Inc., Newport Fab, LLC and certain holders of the Jazz Technologies, Inc. 8% Senior Notes due 2015. †
- 4.61 Indenture dated as of March 25, 2014 by and among Jazz Technologies, Inc., Tower Semiconductor, Ltd., Jazz Semiconductor, Inc., Newport Fab, LLC and U.S. Bank National Association. †
- 4.62 Registration Rights Agreement dated as of March 25, 2014 by and among Tower Semiconductor, Ltd., and holders of the Jazz Technologies, Inc. 8% Convertible Senior Notes due 2018 (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form F-3 (No. 333-195200)).
- 4.63 Joint Venture Formation Agreement among Tower Semiconductor Ltd. and Panasonic Corporation, dated as of December 20, 2013. #
- 4.64 Shareholders Agreement between Tower Semiconductor Ltd., Panasonic Corporation and TowerJazz Panasonic Semiconductor Co., Ltd., dated as of April 1, 2014. ##
- 4.65 Business Transfer Agreement between Panasonic Corporation and TowerJazz Panasonic Semiconductor Co., Ltd., dated as of April 1, 2014. #
- 4.66 Manufacturing Agreement between Panasonic Corporation and TowerJazz Panasonic Semiconductor Co., Ltd., dated as of April 1, 2014. ##
- 8.1 List of Subsidiaries. †
- 12.1 Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. #
- 12.2 Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. #
- 13.1 Certification by Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †
- 13.2 Certification by Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †

15.1 Consent of Brightman Almagor Zohar & Co., Certified Public Accountants, a member of Deloitte Touche Tohmatsu. †

101 The following financial information from Tower Semiconductor Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2013, formatted in XBRL (eXtensible Business Reporting Language): †

- (i) Consolidated Balance Sheets at December 31, 2013 and 2012;
- (ii) Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and 2011;
- (iii) Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2013, 2012 and 2011;
- (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011; and
- (v) Notes to Consolidated Financial Statements, tagged as blocks of text.

Users of this data are advised, in accordance with Rule 406T of Regulation S-T promulgated by the SEC, that this Interactive Data File is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

* Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request.

† Previously filed with the Registrant's Annual Report on Form 20-F filed on May 14, 2014.

Filed herewith.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and this amendment thereto and that it has duly caused and authorized the undersigned to sign this Amendment No. 1 to Form 20-F on its behalf.

November 17, 2014

TOWER SEMICONDUCTOR LTD.

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

JOINT VENTURE FORMATION AGREEMENT

PANASONIC CORPORATION

TOWER SEMICONDUCTOR LTD.

DECEMBER 20, 2013

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JOINT VENTURE FORMATION AGREEMENT

This Joint Venture Formation Agreement (this "Agreement") is made and entered into as of December 20, 2013 by and between:

- (1) Panasonic Corporation, a Japanese corporation having its place of business at 1 Kotariyakemachi, Nagaokakyo City, Kyoto, 617-8520, Japan ("Panasonic"); and
- (2) Tower Semiconductor Ltd., an Israeli corporation having its corporate headquarters at Ramat Gavriel Industrial Park, 1 Shaul Amor Avenue, P.O. Box 619, Migdal Haemek 23105, Israel ("Tower") (Tower and Panasonic are collectively referred to as the "Parties" and each is individually referred to as "Party").

WHEREAS, the Parties wish to jointly operate certain fabrication facilities in the Hokuriku area, Japan, which are currently operated by Panasonic (the "Joint Venture").

WHEREAS, in accordance with this Agreement, Panasonic intends to transfer the assets (the "Transferred Business") on or prior to the Closing Date (as defined below) to a company, which shall be established prior to the Closing Date (the "Company"), by an agreement, the working draft of which as of the date hereof is attached hereto as Exhibit A (the "Business Transfer Agreement," and the business transfer (*jigyō-jōto*) of the Transferred Business from Panasonic to the Company, the "Business Transfer"); and

WHEREAS, in order to form the Joint Venture on the terms and subject to the conditions contained herein, Panasonic intends to contribute to Tower a certain number of shares of the Company, representing 51% of all issued and outstanding shares of the Company as of the Closing Date (the "Contribution Shares"), in exchange for certain number of Tower Ordinary Shares (as defined below) to be issued by Tower to Panasonic pursuant to this Agreement.

NOW, THEREFORE, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

Unless otherwise defined herein, the following terms when used in this Agreement shall have the meanings set forth below:

"Affiliate" means, with respect to any specified Person, any Person that, directly or indirectly, controls, is controlled by or is under common control with, such specified Person, through one or more intermediaries. For purposes of this definition, "control" means the possession, directly or indirectly, of a majority of the outstanding or voting shares of the relevant entity.

“Agreement” shall have the meaning ascribed thereto in the preamble of this Agreement.

“Ancillary Agreements” shall have the meaning ascribed thereto in Section 7.10.

“Assets” shall have the meaning ascribed thereto by the Business Transfer Agreement.

“Balance Sheet Date” shall have the meaning ascribed thereto in Schedule 4.1(f).

“Basket” shall have the meaning ascribed thereto in Section 8.3(b).

“Business Transfer” shall have the meaning ascribed thereto in the recitals to this Agreement.

“Business Transfer Agreement” shall have the meaning ascribed thereto in the recitals to this Agreement.

“Calculation Period” shall have the meaning ascribed thereto in Section 2.3(b).

“Carveout Financial Statements” means carveout financial statements for the Transferred Business as of and for the year ending December 31, 2012, December 31, 2013 and as of and for the quarter ending March 31, 2014, prepared in English and in accordance with U.S. GAAP, and, if required by law or regulation, audited or reviewed, as applicable, by accounting auditors.

“Closing” shall have the meaning ascribed thereto in Section 6.1.

“Closing Date” means April 1, 2014 or a date as the Parties may otherwise agree to in writing.

“Company” shall have the meaning ascribed thereto in the recitals to this Agreement.

“Company Material Adverse Effect” means any circumstance, development, occurrence, fact or matter, either individually or in the aggregate with any other circumstance, development, occurrence, fact or matter, that (i) has or would reasonably be expected to have a material adverse effect on the Transferred Business, or (ii) prevents or materially impedes, or would be likely to prevent or materially impede, the ability of Panasonic or the Company to perform its obligations under, or to consummate the transactions contemplated by, this Agreement, or (iii) prevents or materially impedes, or would be likely to prevent or materially impede, the ability of the Company to operate or conduct the Transferred Business in the manner in which it is currently operated or conducted by Panasonic; provided, however, that in no event shall any of the following be taken into account in determining whether there has been or will be a Company Material Adverse Effect: (A) any circumstance, development, occurrence, fact or matter (“Effect”) that is the result of general market or political factors or economic factors affecting the economy as a whole (other than fluctuations in the value of any currency), (B) any Effect that is the result of factors generally affecting the industry or specific markets in which the Transferred Business operates, (C) any Effect that is the result of an outbreak or escalation of hostilities involving Israel or Japan, the declaration by Israel or Japan of a national emergency or war, or the occurrence of any acts of terrorism, (D) any Effect arising out of or resulting from actions contemplated by the Parties in connection with this Agreement or that is attributable to the announcement or performance of this Agreement or the transactions contemplated by this Agreement or (E) any Effect arising from any change in any applicable Law.

“Contamination” shall mean any hazardous material which is present in the soil, groundwater, surface water, air or building materials of a property in a concentration that exceeds the concentration allowed by applicable Environmental Law.

“Contribution Shares” shall have the meaning ascribed thereto in the recitals to this Agreement.

“Deadline” shall have the meaning ascribed thereto in Section 9.1(b).

“Encumbrance” means any lien, encumbrance, mortgage, pledge or any other form of security interest (*tanpo-ken*) or any attachment (*sashiosae*) or provisional attachment (*kari-sashiosae*), or lease (*taishaku*) to or possession (*sen-yū*) by a third party or the Parties.

“Environmental Law” means all Laws relating to the environment or occupational health and safety.

“Exchange Act” shall have the meaning ascribed thereto in Schedule 4.1(f).

“Exchange Rate” means the average of the representative rates of exchange for Japanese Yen/New Israeli Shekels, as published by the Bank of Israel, expressed as a number of Japanese Yen per one New Israeli Shekels on each of the trading days during the Calculation Period.

“Financial Statements” mean the proforma balance sheet of the Transferred Business as of March 31, 2014, in English, a copy of which is attached hereto as Exhibit B hereto.

“Governmental Approval” means any (a) permit, filing, license, certificate, concession, approval, consent, ratification, permission, clearance, order, confirmation, exemption, waiver, franchise, certification, designation, rating, registration, variance, qualification, accreditation or authorization issued, granted, given or otherwise made available or required by any Governmental Authority or any applicable Law; or (b) right granted, given or otherwise made under any contract with any Governmental Authority.

“Governmental Authority” means any domestic, foreign or supranational government, governmental authority, court, tribunal, agency or other regulatory, administrative or judicial agency, commission or organization (including self-regulatory organizations), tribunal or arbitral body, central bank, stock exchange, and any subdivision, branch or department of any of the foregoing.

“Governmental Order” means any order, judgment, injunction, decree, writ, stipulation, determination or award, in each case, entered by or with any Governmental Authority.

“Indemnified Party” shall have the meaning ascribed thereto in Section 8.4(a).

“Indemnifying Party” shall have the meaning ascribed thereto in Section 8.4(a).

“Intellectual Property” means all (i) trade names, (ii) copyrights, (iii) patents, and (iv) other proprietary rights relating to any of the foregoing, whether registered or unregistered.

“ISA” shall have the meaning ascribed thereto in Schedule 4.1(f).

“Israeli Securities Law” shall have the meaning ascribed thereto in Schedule 4.1(f).

“Law” means all (i) constitutions, treaties, statutes, laws (including common law), codes, rules, regulations, ordinances or orders of any Governmental Authority, (ii) orders, decisions, injunctions, judgments, awards and decrees of or agreements with any Governmental Authority and (iii) rules and policies of any self-regulatory body.

“Long Term Corporate Bond” shall have the meaning ascribed thereto under the Business Transfer Agreement.

“Losses” mean direct losses and costs, and does not include any loss of production, loss of profit, loss of revenue, loss of contract, loss of goodwill, loss of claim or any indirect or consequential losses.

“Material Contracts” shall have the meaning ascribed thereto in Schedule 3.1(h).

“Material Permits” shall have the meaning ascribed thereto in Schedule 3.1(r).

“NDA” shall have the meaning ascribed thereto in Section 10.10.

“New Israeli Shekels” or “NIS” means the lawful currency of Israel.

“New Tower Shares” shall have the meaning ascribed thereto in Section 2.3(a).

“Japanese GAAP” means generally accepted accounting principles in Japan.

“Japanese Yen” or the symbol “¥” means the lawful currency of Japan.

“Joint Venture” shall have the meaning ascribed thereto in the recitals to this Agreement.

“Panasonic” shall have the meaning ascribed thereto in the preamble of this Agreement.

“Panasonic Disclosure Letter” means the letter dated on the date of this Agreement from Panasonic to Tower disclosing (a) information constituting exceptions to Panasonic’s Warranties, and (b) details of other matters referred to in this Agreement.

“Panasonic IP License Agreement” shall have the meaning ascribed thereto in Section 7.10(ii).

“Panasonic Lease Agreement” shall have the meaning ascribed thereto in Section 7.10(viii).

“Panasonic Pre-Closing Actions” shall have the meaning ascribed thereto in Section 2.1.

“Panasonic Warranty Breach” shall have the meaning ascribed thereto in Section 8.1.

“Panasonic’s Knowledge” shall mean, in respect of the Panasonic’s Warranties which are qualified by Panasonic’s Knowledge, the best of the knowledge, information and belief of Mr. Keiji Fujimoto, Mr. Kazuhiro Koyama, Mr. Kunio Tanaka, Mr. Toru Nishiwaki and Mr. Katsumi Nishimoto, after having conducted reasonable enquiry as to the accuracy of such Panasonic’s Warranties. Without limiting the foregoing, Panasonic shall be deemed to have “Knowledge” of a particular fact or other matter if any member of its board of directors or any officer or director of Panasonic has knowledge of such fact or other matter.

“Panasonic’s Warranties” shall have the meaning ascribed thereto in Section 3.2.

“Party” and “Parties” shall have the meanings ascribed thereto in the preamble of this Agreement.

“Person” means any individual, firm, corporation, joint venture, enterprise, partnership, trust, unincorporated association, limited liability company, government (or agency or political subdivision thereof) or other entity of any kind, whether or not having a separate legal personality.

“Registration Rights Agreement” shall have the meaning ascribed thereto in Section 2.3(c).

“Registration Statement” shall have the meaning ascribed thereto in Section 2.3(c).

“SEC” means the United States Securities Exchange Committee.

“Securities Act” shall have the meaning ascribed thereto in Schedule 3.1(w).

“Share Contribution” shall have the meaning ascribed thereto in Section 2.3(a).

“Shareholders Agreement” shall have the meaning ascribed thereto in Section 6.2 (c).

“Short Term Corporate Bond” shall have the meaning ascribed thereto under the Business Transfer Agreement.

“SIAC Rules” shall have the meaning ascribed thereto in Section 10.5(b).

“Tax” means all taxes, charges, fees, duties, levies, social security contributions or other assessments imposed by any Governmental Authority or applicable Law, including any interest, penalties or additions to tax related thereto imposed by any Governmental Authority or applicable Law.

“Tax Return” means any return, report, declaration, form, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Tower” shall have the meaning ascribed thereto in the preamble of this Agreement.

“Tower Disclosure Letter” means the letter from Tower to Panasonic disclosing (a) information constituting exceptions to Tower’s Warranties, and (b) details of other matters referred to in this Agreement.

“Tower Interim Financials” shall have the meaning ascribed thereto in Schedule 4.1(f).

“Tower Israel Reports” shall have the meaning ascribed thereto in Schedule 4.1(f).

“Tower Material Adverse Effect” means any circumstance, development, occurrence, fact or matter, either individually or in the aggregate with any other circumstance, development, occurrence, fact or matter, that (i) has or would reasonably be expected to have a material adverse effect on the business, financial condition, or results of operation of Tower or (ii) prevents or materially impedes, or would be likely to prevent or materially impede, the ability of Tower to perform its obligations under, or to consummate the transactions contemplated by, this Agreement; provided, however, that in no event shall any of the following be taken into account in determining whether there has been or will be a Tower Material Adverse Effect: (A) any circumstance, development, occurrence, fact or matter (“Effect”) that is the result of general market or political factors or economic factors affecting the economy as a whole (other than fluctuations in the value of any currency), (B) any Effect that is the result of factors generally affecting the industry or specific markets in which Tower operates, (C) any Effect that is the result of an outbreak or escalation of hostilities involving Israel or Japan, the declaration by Israel or Japan of a national emergency or war, or the occurrence of any acts of terrorism, (D) any Effect arising out of or resulting from actions contemplated by the Parties in connection with this Agreement or that is attributable to the announcement or performance of this Agreement or the transactions contemplated by this Agreement or (E) any Effect arising from any change in any applicable Law.

“Tower Ordinary Shares” shall mean Tower’s ordinary shares, par value NIS 15.00.

“Tower Pre-Closing Actions” shall have the meaning ascribed thereto in Section 2.2.

“Tower Reports” shall have the meaning ascribed thereto in Schedule 4.1(f).

“Tower SEC Documents” shall have the meaning ascribed thereto in Schedule 4.1(f).

“Tower Warranty Breach” shall have the meaning ascribed thereto in Section 8.2.

“Tower’s Required Approvals” mean the approvals listed in Schedule A hereto.

“Tower’s Warranties” shall have the meaning ascribed thereto in Section 4.2.

“Transferred Business” shall have the meaning ascribed thereto in the recitals to this Agreement.

“Transferred Employees” shall mean the employees of Panasonic and SANYO Electric Co., Ltd., Panasonic Industrial Devices Optical Semiconductor Co., Ltd. and Panasonic Industrial Devices Discrete Semiconductor Co., Ltd. up to one thousand nine hundred and fifty (1,950) who are engaged in the Company Business (as defined in the Shareholders Agreement) as of the date of this Agreement, and contemplated to be employed by the Company after the completion of the transactions contemplated hereby, and a list of whom, which is reasonably acceptable to Tower shall be delivered to Tower prior to Closing.

“Transferred Lease Agreements” means the lease agreements listed in Schedule B hereto.

“U.S. GAAP” means generally accepted accounting principles in the United States of America.

“2013 Tower Annual Report” shall have the meaning ascribed thereto in Schedule 4.1(d).

Unless the context of this Agreement otherwise requires, (i) words of any gender include each gender; (ii) words using the singular or plural number also include the plural or singular number; (iii) the terms "hereof," "herein," "hereby" and derivative or similar words refer to this entire Agreement and not merely to the specific article, section, paragraph or clause where such terms may appear, unless the context clearly indicates otherwise; (iv) the terms "Article," "Section," "Exhibit" or "Schedule" refer to the specified Article or Section of, or Exhibit or Schedule to, this Agreement; (v) the term "including" shall mean "including, but not limited to"; (vi) the term "or" shall not be exclusive; (vii) references to statutes, laws, regulations or provisions are to be construed as including all statutory or regulatory provisions consolidating, amending, replacing, succeeding or supplementing such statute, regulation or provision; (viii) headings are for ease of reference only and shall not affect the interpretation of this Agreement and (ix) references to a Person are also to its permitted successors and assignees.

ARTICLE II

PRE-CLOSING ACTIONS; SHARE CONTRIBUTION

2.1 Panasonic Pre-Closing Actions.

Following execution of this Agreement and prior to the Closing, Panasonic shall implement, and/or cause the Company to implement, the following actions (the "Panasonic Pre-Closing Actions"):

- (a) Following the execution of this Agreement but no later than a month before the Closing Date, Panasonic shall duly establish the Company and Tower shall review and approve (such approval shall not be unreasonably withheld or refused and shall be made by March 1, 2014) all formation documents;
- (b) Following the establishment of the Company but no later than the Closing Date, Panasonic shall enter into the Business Transfer Agreement with the Company;
- (c) Following the establishment of the Company but no later than the Closing Date, Panasonic shall cause the Company to issue the Long Term Corporate Bond and the Short Term Corporate Bond to Panasonic; and
- (d) Panasonic shall transfer the Transferred Business to the Company on or prior to the Closing Date in accordance with the Business Transfer Agreement and the Business Transfer shall be completed on or prior to the Closing Date.

2.2 Tower Pre-Closing Actions.

Following execution of this Agreement and prior to the Closing, Tower shall implement the following actions (the "Tower Pre-Closing Actions"):

- (a) Tower shall provide written instructions to its stock transfer agent to issue the New Tower Shares such that the stock transfer agent will be able to issue a physical stock certificate of the New Tower Shares in Panasonic's name to Panasonic at the Closing pursuant to Section 6.2(a) and deliver them to Panasonic's representative at such time.

2.3 Share Contribution.

- (a) Upon the terms and subject to the conditions of this Agreement, on the Closing Date, Panasonic shall contribute the Contribution Shares to Tower and Tower shall issue such number of Tower Ordinary Shares as calculated in accordance with Section 2.3(b) (the “New Tower Shares”) to Panasonic (the “Share Contribution”).
- (b) The number of New Tower Shares to be issued to Panasonic on the Closing Date shall be the integer obtained by dividing (i) 765 million Japanese Yen (¥765,000,000) by (ii) (A) the average (rounded to nearest 1/100) of the closing trading prices of Tower Ordinary Shares on the Tel Aviv Stock Exchange for the trailing fifteen (15) trading days ending on and including the second trading day prior to the Closing Date (the “Calculation Period”) times (B) the Exchange Rate, rounded to the nearest whole number.
- (c) On or prior to the Closing Date, Tower and Panasonic shall enter into a registration rights agreement in form and substance reasonably satisfactory to the Parties (the “Registration Rights Agreement”), which registration rights agreement shall include the following terms: 1) an obligation by Tower to file a resale registration statement on Form F-3 (the “Registration Statement”) with the SEC and the Tel Aviv Stock Exchange, if required, no later than 45 days after the Closing Date to register for resale all New Tower Shares on NASDAQ and the Tel Aviv Stock Exchange, 2) an obligation by Tower to use reasonable best efforts to cause the Registration Statement to be declared effective as soon as possible after filing, but in no event later than 120 days after the Closing Date, 3) an obligation by Tower to use reasonable best efforts to maintain the effectiveness of the Registration Statement, subject to grace periods reasonably acceptable to Panasonic, 4) Panasonic will be granted one demand registration right, which right will enable Panasonic to require Tower to conduct one underwritten offering of the New Tower Shares on behalf of Panasonic, all on terms reasonably acceptable to Panasonic, and 5) Panasonic will be granted piggy back registration rights reasonably acceptable to Panasonic. Tower’s obligation to file the Registration Statements within 45 days is subject to Panasonic providing the Carveout Financial Statements and any other necessary reports and account auditors’ reports as may be required to satisfy the SEC requirements to such filings. Panasonic will fully and reasonably cooperate with Tower to address any reasonable request from the SEC following the filing of the Registration Statement; for avoidance of doubt, Tower shall file the Registration Statement with the SEC and, if required, the Tel Aviv Stock Exchange, as soon as possible after Panasonic provides the Carveout Financial Statement to Tower.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PANASONIC

- 3.1 Panasonic represents and warrants to Tower that the statements set forth in Schedule 3.1 are true and correct as of the date of this Agreement (or if any specific date is referred to in any representation or warranty, as of such specific date).
- 3.2 Panasonic's representations and warranties in Section 3.1 (the "Panasonic's Warranties") are subject to the following matters:
- (a) any matter that is expressly contained or described as an exception to Panasonic's Warranties in the Panasonic Disclosure Letter and only to the extent that such matter is readily apparent from the disclosure set forth in the Panasonic Disclosure Letter; and
 - (b) all matters clearly disclosed, provided or noted (to the extent so disclosed, provided or noted) in the Financial Statements.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF TOWER

- 4.1 Tower represents and warrants to Panasonic that the statements set forth in Schedule 4.1 are true and correct as of the date of this Agreement (or if any specific date is referred to in any representation or warranty, as of such specific date).
- 4.2 Tower's representations and warranties in Section 4.1 (the "Tower's Warranties") are subject to the following matters:
- (a) any matter that is expressly contained or described as an exception to Tower's Warranties in the Tower Disclosure Letter and only to the extent that such matter is readily apparent from the disclosure set forth in the Tower Disclosure Letter; and
 - (b) all matters clearly disclosed, provided or noted (to the extent so disclosed, provided or noted) in Tower's public filings with the SEC.

ARTICLE V

CONDITIONS PRECEDENT

5.1 Conditions Precedent.

(a) Conditions to Panasonic's Obligations.

Panasonic's obligation to consummate the Closing is conditional upon (1) receipt by Panasonic of a certificate executed by an officer of Tower confirming that each of the conditions specified in clauses (i) to (iii) below is satisfied in all respects, or (2) a written waiver by Panasonic, of the following conditions:

- (i) Tower's Warranties set forth in Section 4.1 shall be true and correct on the date hereof and shall be true and correct in all material respects as of the Closing Date (provided that those warranties that address matters only as of a particular date shall have been true and correct only as of such date);
- (ii) Tower shall not have breached, in any material respect, any covenant or other obligation contained in this Agreement that is required to be performed by Tower at or prior to the Closing; and
- (iii) All of the Tower Pre-Closing Actions have been duly completed in accordance with this Agreement.

(b) Conditions to Tower's Obligations.

Tower's obligation to consummate the Closing is conditional upon (1) receipt by Tower of a certificate executed by an officer of Panasonic to the effect that each of the conditions specified in clauses (i) to (iv) below is satisfied in all respects, or (2) a written waiver by Tower, of the following conditions:

- (i) Panasonic's Warranties set forth in Section 3.1 shall be true and correct on the date hereof and shall be true and correct in all material respects as of the Closing Date (provided that those warranties that address matters only as of a particular date shall have been true and correct only as of such date);
- (ii) Panasonic shall not have breached, in any material respect, any covenant or other obligation contained in this Agreement that is required to be performed by Panasonic at or prior to the Closing;
- (iii) All of the Panasonic Pre-Closing Actions have been duly completed in accordance with this Agreement;

- (iv) There shall not have occurred or be continuing a Company Material Adverse Effect; and
 - (v) With regard to the Transferred Lease Agreements, Panasonic shall have obtained from the lessors consent of the Company continuing the use of the leased properties under the Transferred Lease Agreements after the Business Transfer.
- (c) Conditions to Panasonic's and Tower's Obligations.

The Parties' obligation to consummate the Closing is conditional upon the satisfaction, or written waivers by both Parties, of the following conditions:

- (i) All of Tower's Required Approvals shall remain in full force and effect and any applicable mandatory waiting periods shall have expired; and
- (ii) There shall not be any Governmental Order, statute, rule or regulation enjoining or prohibiting the consummation of the transactions contemplated by this Agreement (including the Panasonic Pre-Closing Actions and the Tower Pre-Closing Actions) as of the Closing Date.

ARTICLE VI

CLOSING

- 6.1 The closing of the Share Contribution (the "Closing") shall take place at the office of Nishimura & Asahi, Ark Mori Building, 1-12-32 Akasaka, Minato-ku, Tokyo, Japan at 5:00 p.m. (Tokyo time) or such other place and time as agreed by the Parties on the Closing Date, subject to the satisfaction or waiver of all conditions set forth in Article V hereof (other than those conditions that, by their terms, are not capable of being satisfied or waived until the Closing Date, but subject to the satisfaction or waiver of such conditions at the Closing Date). All proceedings required to be taken and all documents required to be executed and delivered by all Parties on the Closing Date in accordance with this Article VI will be deemed to have been taken and executed simultaneously and no such proceedings will be deemed to have been taken nor such documents executed or delivered until all have been taken, executed and delivered.
- 6.2 At the Closing:
- (a) Tower shall deliver to Panasonic (i) a share certificate representing all of the New Tower Shares duly endorsed in ownership in favor of Panasonic, (ii) shall perform any and all actions reasonably requested by Panasonic in connection with having Panasonic listed as the owner of the New Tower Shares; and (iii) an opinion of Tower's legal counsel that the New Tower Shares are duly and validly issued.

- (b) Panasonic shall transfer the Contribution Shares to Tower, and shall perform any and all actions reasonably requested by Tower in connection with having the name of Tower listed as the registered owner of the Contribution Shares in the Company's stock ledger;
- (c) the Parties shall and shall cause the Company to enter into a shareholders' agreement, the working draft of which as of the date hereof is attached hereto as Exhibit 6.2(c) (the "Shareholders Agreement");
- (d) the Parties shall cause the Company to hold its general meeting of shareholders and approve (i) the amendment of the Company's articles of incorporation as separately agreed by the Parties and (ii) the appointment of the persons recommended by Panasonic and Tower, as applicable, in accordance with the Shareholders Agreement as directors and statutory auditors of the Company;
- (e) Panasonic shall deliver to Tower a certificate dated as of the Closing Date and signed by duly authorized officer of Panasonic, certifying as to the matters set forth in Section 5.1(b);
- (f) Tower shall deliver to Panasonic a certificate dated as of the Closing Date and signed by duly authorized officer of Tower, certifying as to the matters set forth in Section 5.1(a); and
- (g) the Parties shall enter into the Registration Rights Agreement.

For the avoidance of doubt, neither Party is or will be required to provide any guarantees for the Company or for the Company's liabilities and obligations to any third parties.

ARTICLE VII

COVENANTS

7.1 Conduct of Transferred Business.

Except as (A) contemplated by this Agreement, (B) required by applicable Law, or (C) otherwise agreed to in writing by Tower (whose consent shall not be unreasonably conditioned, withheld, delayed or denied), from the date of this Agreement to the Closing Date, Panasonic (a) shall carry out the Transferred Business in the ordinary course consistent with past practice and in substantially the same manner in which such Transferred Business was being conducted as of the date of this Agreement, (b) shall use its best efforts to ensure that (A) its business relationship with all material existing trade suppliers of the Transferred Business (including materials, parts, software, hardware, lease agreements, outsourcing, consultants) is maintained such that such suppliers shall continue to provide supplies and services to the Company following the Closing under at least the same or substantially similar terms and manner, and (B) the Company will have the benefit of all of the material contracts which are not transferred to the Company in accordance with the Business Transferred Agreement but will be necessary for the Company to perform the Transferred Business on the same or substantially similar terms and conditions and (c) without detracting from the aforementioned, shall cause the Company and the Transferred Business not to:

- (i) amend its articles of incorporation or other organizational documents;

- (ii) issue or authorize issuance any new shares or other securities convertible or exchangeable for or rights to acquire any shares of the Company;
- (iii) declare or pay any dividend or distribution with respect to any shares of the Company;
- (iv) implement any repurchase of any shares of the Company;
- (v) liquidate, dissolve, or wind-up the Company;
- (vi) change any material accounting principle, method or practice of the Company, except as may be required by a concurrent change in Japanese GAAP or applicable Law;
- (vii) be party to (A) any merger, acquisition, consolidation, stock-for-stock exchange, recapitalization or similar transaction involving the Company or (B) any purchase of all or any substantial portion of the assets of the Company;
- (viii) increase the compensation or fringe benefits of, or modify the employment terms and benefits of, any Transferred Employee, other than immaterial changes that occur following the date hereof in the ordinary course of business;
- (ix) establish or adopt any new employee benefit (including health) or pension plans or employment agreements, other than new hire employment agreements on standard forms;
- (x) hire any new officer;
- (xi) sell, lease, license, exchange, transfer, place an Encumbrance on, or dispose of any Asset (as defined in the Business Transfer Agreement) or any nontransferred asset or leased assets located in the Company;
- (xii) terminate (except pursuant to its terms) or modify or amend any Contract (as defined in the Business Transfer Agreement);

- (xiii) cancel or compromise any material debt or claim or waive or release any material rights of the Transferred Business;
- (xiv) authorize or enter into an agreement to take any of the actions described above;
- (xv) terminate, modify, or not renew existing insurance coverage; or
- (xvi) maintain inventories, stock items and work in process at conditions which are not in the ordinary course of business.

From the date of this Agreement to the Closing Date, Panasonic will immediately notify Tower of the occurrence of any Company Material Adverse Effect.

7.2 Conduct of Tower's Business.

Except as (A) contemplated by this Agreement, (B) required by applicable Law, (C) already planned by Tower and set forth in Schedule 7.2, or (D) otherwise agreed to in writing by Panasonic (whose consent shall not be unreasonably conditioned, withheld, delayed or denied), during the Calculation Period (with respect to (xii)), during the term from the date of this Agreement to the day when all New Tower Shares will be sold by Panasonic), Tower shall carry out its business in the ordinary course consistent with past practice and in substantially the same manner in which such business was being conducted as of the date of this Agreement, and without detracting from the aforementioned shall not to:

- (i) amend its articles of incorporation or other organizational documents;
- (ii) declare or pay any dividend or distribution with respect to any of its shares
- (iii) implement any repurchase of any of its shares;
- (iv) liquidate, dissolve, or wind-up;
- (v) change any material accounting principle, method or practice, except as may be required by a concurrent change in U.S. GAAP or applicable Law;
- (vi) be party to (A) any merger, acquisition, consolidation, stock-for-stock exchange, recapitalization or similar transaction or (B) any purchase of all or any substantial portion of its assets;
- (vii) material increases to the compensation or fringe benefits of, or modify the employment terms and benefits of, any of its employees, other than immaterial changes that occur during the Calculation Period in the ordinary course of business;

- (viii) establish or adopt any new material employee benefit (including health) or pension plans or employment agreements, other than new hire employment agreements on standard forms or in the ordinary course of business such as renewal of plans;
- (ix) hire any new officer;
- (x) sell, lease, license, place an Encumbrance on, or dispose of any of its material assets;
- (xi) cancel or compromise any material debt or claim or waive or release any material rights;
- (xii) act to voluntarily delist the Tower Ordinary Shares from NASDAQ and/or the Tel Aviv Stock Exchange; or
- (xiii) authorize or enter into an agreement to take any of the actions described above.

7.3 Transferred Employees.

Prior to the Closing Date, Panasonic shall obtain, and submit a copy to Tower of, written agreements from the Transferred Employees to become employees of the Company by September 2014 and accept their new positions as employees of the Company. With respect to the Transferred Employees currently not engaged with the Hokuriku fabs, as soon as practical and prior to the Closing Date, Panasonic shall provide Tower with details with respect to such employees' role in the Company Business (as defined in the Shareholders Agreement) and the reason for their transfer to the Company.

7.4 Governmental Filings and Notifications.

In connection with the transactions contemplated hereby, the Parties shall, at the earliest practicable date, make all filings with, and notifications to, any Governmental Authorities as may be required under any applicable Law including antitrust or competition laws.

7.5 Further Assurances.

On and after the Closing Date, upon the reasonable request of a Party, the other Party shall prepare, execute and deliver such other and further agreements, instruments, certificates, and other documents, and take, do and perform such other and further actions, as may be reasonably necessary or appropriate in order to effectuate the purposes and intent of this Agreement and to consummate the transactions contemplated hereby.

7.6 Access to Information.

- (a) During the period commencing with the execution and delivery of this Agreement until the earlier to occur of the termination of this Agreement pursuant to its terms and the Closing, Panasonic shall afford Tower and its respective officers, authorized employees, accountants, counsel and other authorized representatives reasonable access at reasonable time during normal business hours and in a manner so as not to interfere with the normal business operation of the Transferred Business, to the Transferred Business as Tower may reasonably request, and make available to Tower: (i) copies of the organizational documents of the Company, including, if applicable, all amendments thereto; (ii) the stock records of the Company; and (iii) copies of the minutes of the meetings at which actions were taken or any actions taken by written consent without a meeting of the stockholders of the Company, the board of directors of the Company and all committees of the board of directors of the Company (if any), to the extent, in the case of the documents described in clauses (i) through (iii), such documents are required to be prepared and maintained under applicable Law. Panasonic shall afford access to an appraiser of the fabs to inspect the transferred Assets and Panasonic will provide all necessary documents and evidence pertaining to the Assets.
- (b) During the period commencing with the execution and delivery of this Agreement until the earlier to occur of the termination of this Agreement pursuant to its terms and the Closing, Tower shall afford Panasonic and its respective officers, authorized employees, accountants, counsel and other authorized representatives reasonable access at reasonable time during normal business hours and in a manner so as not to interfere with the normal business operation of Tower, to Tower as Panasonic may reasonably request.

7.7 Employee Liabilities.

Any liability accrued before the Closing Date concerning the Transferred Employees, whether funded or not, including provisions for bonuses, change of control payments, special retirement allowances, reserve for retirement allowances, severance compensation, reorganization payment and any other payments that are incurred prior to the Closing Date or triggered by the Business Transfer and agreed by the Parties, even if actually paid after the date of the Business Transfer, shall be borne by Panasonic.

7.8 Taxes.

Panasonic shall pay all applicable stamp and real estate registration Taxes that may be imposed, assessed or payable by reason of the Business Transfer and for all recording, filing and registration fees that may be imposed, assessed or payable by reason of the operation or as a result of this Agreement (except for the Taxes related to the issuance and delivery of the New Tower Shares and any incidental procedures thereto) and the Ancillary Agreements to which Panasonic is a party, and the transactions contemplated hereby including the sales, transfers, leases, rentals, licenses, and assignments contemplated hereby and thereunder.

7.9 Tower Consolidation.

Panasonic acknowledges Tower's position that consolidation of the Company's operation into its financial statements is crucial for Tower in this transaction. Panasonic shall fully cooperate with Tower so that Tower is able to consolidate the Company's operation into its financial statements. Panasonic undertakes to have a good faith discussion with Tower if any modification is required, to the extent practically possible, in this Agreement or any other Ancillary Agreements, so as to enable Tower to consolidate the financial result of the Company in the financial statement of Tower.

7.10 Ancillary Agreements.

From the date hereof to the Closing Date, the Parties shall hold good faith discussions regarding the terms and conditions of the following agreements (the "Ancillary Agreements");

- (i) The transition service agreement between Panasonic and the Company;
- (ii) The IP license agreement between Panasonic and the Company (the "Panasonic IP License Agreement");
- (iii) The IP license agreement between Panasonic and Tower to grant Tower the right to use certain Panasonic IP and technologies for third party foundry business;
- (iv) The subcontract agreements between Panasonic and the Company;
- (v) The manufacturing agreement between Panasonic and the Company;
- (vi) The secondment agreement between Panasonic and the Company;
- (vii) The memorandum concerning transfer of employees between Panasonic and the Company;
- (viii) The lease agreement between Panasonic and the Company ("Panasonic Lease Agreement");
- (ix) The IP license agreement between Tower and the Company;
- (x) The transition service agreement between Tower and the Company; and
- (xi) The outsourcing agreement between Tower and the Company.

ARTICLE VIII
INDEMNIFICATION

8.1 Indemnification by Panasonic.

Subject to the limitations set forth in Section 8.3 or other provisions hereof, Panasonic shall indemnify Tower from and against any and all Losses to the extent arising out of or resulting from (i) any inaccuracy of any Panasonic's Warranty (the "Panasonic Warranty Breach") or (ii) any breach of Panasonic's obligations under this Agreement.

8.2 Indemnification by Tower.

Subject to the limitations set forth in Section 8.3 or other provisions hereof, Tower shall indemnify Panasonic from and against any and all Losses to the extent arising out of or resulting from (i) any inaccuracy of any Tower's Warranty (the "Tower Warranty Breach") or (ii) any breach of Tower's other obligations under this Agreement.

8.3 Limitation of Liability.

(a) Time Limitation for Certain Claims.

Panasonic shall not be liable under this Agreement in respect of any claim with respect to a Panasonic Warranty Breach unless a notice of the claim is given by Tower specifying the matters set forth in Section 8.4 within two (2) years following the Closing Date; provided, however, that Panasonic shall continue to be liable for claims relating to a Panasonic Warranty Breach of the warranties specified in Sections (m) Tax, (o) Environmental Matters, and (w) Investment Representations of Schedule 3.1 until the end of the applicable statute of limitation relating to such breach, and that Panasonic shall continue to be liable indefinitely with respect to a Panasonic Warranty Breach of the warranties specified in Section (e) Ownership of Contribution Shares and Transferred Business, (f) Capitalization of the Company of Schedule 3.1.

Tower shall not be liable under this Agreement in respect of any claim with respect to a Tower Warranty Breach unless a notice of the claim is given by Panasonic specifying the matters set forth in Section 8.4 within two (2) years following the Closing Date; provided, however, that Tower shall continue to be liable indefinitely with respect to a Tower Warranty Breach of the warranties specified in Sections (a) Organization and Corporate Power, (b) Authorization of Transaction, (d) Capitalization, (e) New Tower Shares of Schedule 4.1.

(b) Basket.

No indemnification shall be payable by Panasonic for any Panasonic Warranty Breach unless and until the amount of all Losses due to any Panasonic Warranty Breach against Tower exceeds 10 million Japanese Yen (¥10,000,000) (the "Basket"); whereupon, subject to [Section 8.3\(c\)](#), indemnification by Panasonic shall be payable for all such Losses (including the Basket amount).

No indemnification shall be payable by Tower for any Tower Warranty Breach unless and until the amount of all Losses due to any Tower Warranty Breach exceeds the Basket; whereupon, subject to [Section 8.3\(c\)](#), indemnification by Tower shall be payable for all such Losses (including the Basket amount).

(c) Maximum Liability.

The aggregate amount of the liability of a Party in respect of all claims under this Agreement other than claims resulting from an intentional breach of this Agreement shall not exceed 1 billion Japanese Yen (¥1,000,000,000). The Parties acknowledge and understand that the maximum liability amount was agreed based on the current draft of the Business Transfer Agreement attached hereto and may be conformed to reflect the form of the final version of the Business Transfer Agreement through good-faith discussion between the Parties, as the case may be.

8.4 Claims.

(a) Notification of Potential Claims.

If either Party (the "Indemnified Party") becomes aware of any matter or circumstance that may give rise to a claim against the other Party (the "Indemnifying Party") under this Agreement, then the Indemnified Party shall as soon as reasonably practicable provide notice in writing to the Indemnifying Party, setting out the legal and factual basis of the claim including the information available to and known by the Indemnified Party, as is reasonably necessary to enable the Indemnifying Party to assess the merits of the claim, to act to preserve evidence and to make such provision as it may consider necessary or useful. Failure to provide such notice will not restrict the Indemnified Party from making the relevant claims under this Agreement, unless such failure adversely impacted the Indemnifying Party's ability to defend itself from such claim.

(b) Notification of Claims under this Agreement.

Notices of claims under this Agreement shall be given promptly by the Indemnified Party to the Indemnifying Party within the time limits specified in [Section 8.3\(a\)](#), specifying the legal and factual basis of the claim as provided in [Section 8.4\(a\)](#), and, if practicable, an estimate of the amount of Losses which are, or are to be, the subject of the claim (including any Losses which are contingent on the occurrence of any future event).

ARTICLE IX

TERMINATION

9.1 This Agreement may be terminated at any time prior to the consummation of the Closing under the following circumstances:

- (a) by mutual written consent of Panasonic and Tower;
- (b) prior to the consummation of the Closing, by written notice from Panasonic to Tower if (i) there is any material breach of any representation, warranty, covenant or agreement of Tower set forth in this Agreement, except that, if such breach is curable by Tower, then, for a period of thirty (30) days after receipt by Tower of the notice from Panasonic of such breach, such termination shall not be effective, and such termination shall become effective only if the breach is not cured within the thirty (30) day period, (ii) the Closing has not occurred on or before June 30, 2014, (the "Deadline") (other than as a result of a material breach of this Agreement by Panasonic), or (iii) the consummation of any of the transactions contemplated hereby (including the Panasonic Pre-Closing Actions and the Tower Pre-Closing Actions) is permanently enjoined, prohibited or otherwise restrained by the terms of a final, non-appealable Governmental Order; or
- (c) prior to the consummation of the Closing, by written notice from Tower to Panasonic if (i) there is any material breach of any representation, warranty, covenant or agreement of Panasonic set forth in this Agreement, except that, if such breach is curable by Panasonic, then, for a period of thirty (30) days after receipt by Panasonic of the notice from Tower of such breach, such termination shall not be effective, and such termination shall become effective only if the breach is not cured within the thirty (30) day period, (ii) the Closing has not occurred on or before the Deadline (other than as a result of a material breach of this Agreement by Tower) or (iii) the consummation of any of the transactions contemplated hereby (including the Panasonic Pre-Closing Actions and the Tower Pre-Closing Actions) is permanently enjoined, prohibited or otherwise restrained by the terms of a final, non-appealable Governmental Order.

Neither Panasonic nor Tower shall terminate this Agreement by any manner other than as set forth in this Agreement. Neither Panasonic nor Tower shall terminate this Agreement after the consummation of the Closing.

9.2 In the event of the termination of this Agreement pursuant to Section 9.1, this Agreement shall, subject to the last sentence of this Section 9.2, forthwith become void and have no effect, without any liability on the part of any Party or its respective Affiliates, officers, directors or stockholders, other than any claim arising from a breach of any obligation of this Agreement where such breach occurred prior to such termination. Notwithstanding the foregoing, the provisions of Articles I and VIII, this Section 9.2 and Article X shall survive any termination of this Agreement.

ARTICLE X

MISCELLANEOUS PROVISIONS

10.1 Expenses.

Each party shall bear its own expenses with respect to this Agreement and the transactions contemplated hereby, including the preparation, negotiation and execution of this Agreement.

10.2 Amendment.

This Agreement may be amended, modified or supplemented only by a writing signed by the Parties.

10.3 Notices.

Any notice, request, instruction or other document to be given hereunder by a Party shall be in writing and in English, and shall be deemed to have been given, (i) when received if given in person, (ii) on the date of transmission if sent by telex, telecopy, or e-mail or other wire transmission (provided that a written confirmation of receipt is obtained) or (iii) seven days after it is mailed by certified or registered first class air mail postage prepaid:

(a) If to Panasonic, addressed as follows:

Panasonic Corporation
1 Kotariyakemachi, Nagaokakyo City, Kyoto, 617-8520, Japan
Attention: Akihiro Yamamoto
General Manager
Business Development
Semiconductor Business Division
Automotive & Industrial Systems Company
Email: yamamoto.aki@jp.panasonic.com

with a copy (which shall not constitute notice) to:
Nishimura & Asahi
Ark Mori Building
1-12-32 Akasaka
Minato-ku, Tokyo 107-6029, Japan
Attention: Yuji Shiga, Esq.
Email: y_shiga@jurists.co.jp

(b) If to Tower, addressed as follows:

Tower Semiconductor Ltd.
Ramat Gavriel Industrial Park, 1 Shaul Amor Avenue, P.O. Box 619, Migdal Haemek 23105, Israel
Email: natiso@towersemi.com
Attention: Nati Somekh
Chief Legal Officer

with a copy (which shall not constitute notice) to:
Yigal Arnon & Co.
Law Firm
1 Azrieli Center,
Tel Aviv 67021, Israel
Attention: David H. Schapiro, Esq.
Eliran Furman, Esq.
Email: davids@arnon.co.il, eliranf@arnon.co.il

or to other individuals or addresses as a Party may designate for itself by delivering a notice as provided herein.

10.4 Waivers.

No waiver by a Party of any condition or of any breach of any term, covenant, representation or warranty contained in this Agreement shall be effective unless in writing, and no waiver in any one or more instances shall be deemed to be a further or continuing waiver of any such condition or breach in other instances or a waiver of any other condition or breach of any other term, covenant, representation or warranty. All remedies, either under this Agreement, by Law or otherwise afforded, will be cumulative and not alternative.

10.5 Applicable Law; Dispute Resolution.

- (a) This Agreement shall be governed by and construed in accordance with the laws of Japan without giving effect to any choice or conflict of law provision or rules.
- (b) Any dispute, action or proceeding arising out of or in connection with this Agreement, including any question regarding its existence, validity, binding effect, breach, amendment or termination, which cannot be resolved amicably between the Parties shall be settled by arbitration in Singapore under the rules of the Singapore International Arbitration Centre (“SIAC Rules”) by a single arbitrator to be appointed by the Parties or, failing agreement within fourteen (14) days after either Party has given to the other Party a written request to concur in the appointment of an arbitrator, a single arbitrator to be appointed on the request of either Party by the President of the Court of Arbitration of the Singapore International Arbitration Centre and such submission shall be a submission to arbitration in accordance with the SIAC Rules as then in force by which the Parties in dispute agree to be so bound. The arbitration shall be conducted wholly in the English language.

10.6 Binding Nature: Assignment.

This Agreement shall be binding upon and inure to the benefit of the Parties, but neither this Agreement nor any of the rights, interest or obligations hereunder shall be assigned by any of the Parties (by operation of law or otherwise) without the prior written consent of the other Party.

10.7 No Third Party Beneficiaries.

This Agreement is solely for the benefit of the Parties and no provision of this Agreement shall be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or any other right in excess of those existing without reference to this Agreement. Nothing contained herein shall be deemed to give rise to any personal obligation of any director, officer, stockholder, partner, member, manager, principal or any employee of any Party by reason of any breach or violation of any of the provisions hereof or otherwise, and no Party shall have any right against, or be entitled to sue or seek any recovery from, any such Persons.

10.8 Entire Understanding.

This Agreement sets forth the entire agreement and understanding of the Parties in respect to the transactions contemplated hereby and supersedes all prior agreements, arrangements and understandings relating to the subject matter hereof (including the letter of intent entered into by the Parties on September 25, 2013 and the memorandum of understanding entered into by the Parties on October 29, 2013).

10.9 Language.

This Agreement is entered into in the English language. In the event of any dispute concerning the construction or meaning of this Agreement, the text of the Agreement as written in the English language shall prevail over any translation of this Agreement that may have been made.

10.10 Confidentiality.

The parties agree that (i) the terms and conditions of this Agreement shall be governed by the terms of the MUTUAL NON-DISCLOSURE AGREEMENT which became effective as of June 6, 2013, between TowerJazz Japan, Ltd. and Panasonic (the "NDA"), and (ii) the provisions of the NDA shall apply mutatis mutandis to the Parties. For the avoidance of doubt, except as required by applicable Law, any disclosures by either Party about the existence of this Agreement, its terms and conditions, or any transactions contemplated hereby are subject to the disclosing Party obtaining the prior written approval of the other Party. Notwithstanding the foregoing, the Parties may disclose the other Party's Confidential Information (defined in the NDA) to financial entities, and financial and legal advisors, who have a need to know such information to accomplish the transactions contemplated hereby and who (i) are bound by confidentiality terms substantially similar to those in the NDA or (ii) are otherwise under a binding professional obligation of confidentiality.

10.11 Counterparts.

This Agreement may be executed simultaneously in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, this Agreement has been duly executed.

SIGNED by
Keiji Fujimoto
TITLE: Director
on behalf of Panasonic Corporation
DATE: December 20, 2013

SIGNED by
Russell Ellwanger
TITLE: CEO
on behalf of Tower Semiconductor Ltd.
DATE: December 20, 2013

SIGNED by
Dr. Itzhak Edrei
TITLE: President
on behalf of Tower Semiconductor Ltd.
DATE: December 20, 2013

PORTIONS OF THIS AGREEMENT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24b-2 OF THE SECURITIES EXCHANGE ACT OF 1934; *** DENOTES OMISSIONS.

EXECUTION VERSION

SHAREHOLDERS AGREEMENT

PANASONIC CORPORATION

TOWER SEMICONDUCTOR LTD.

TOWERJAZZ PANASONIC SEMICONDUCTOR CO., LTD

APRIL 1, 2014
JAPAN

SHAREHOLDERS AGREEMENT

This Shareholders Agreement (this "Agreement") is made and entered into as of April 1, 2014, 1:00 am Japan time by and between:

- (A) Panasonic Corporation, a Japanese corporation having its place of business at 1 Kotariyakemachi, Nagaokakyo City, Kyoto, 617-8520, Japan ("Panasonic");
- (B) Tower Semiconductor Ltd., an Israeli corporation having its principal place of business at Ramat Gavriel Industrial Park, 1 Shaul Amor Avenue, P.O. Box 619, Migdal Haemek 23105, Israel ("Tower", Tower and Panasonic are collectively referred to as the "Shareholders" and each is individually referred to as a "Shareholder"); and
- (C) TowerJazz Panasonic Semiconductor Co., Ltd., a Japanese corporation having its principal place of business at 800 Higashiyama, Uozu City, Toyama 937-8585, Japan (the "Company"; the Shareholders and Company will be referred to individually as a "Party" and collectively as the "Parties").

RECITALS

WHEREAS, Panasonic conducts development, manufacture and sale of semiconductor products;

WHEREAS, Tower conducts wafer fabrication and manufacturing operations worldwide;

WHEREAS, the Shareholders desire to jointly operate the Company to manufacture integrated circuits for Panasonic captive business as well as third party foundry business;

WHEREAS, Tower and Panasonic entered into the joint venture formation agreement dated December 20, 2013 (the "JV Formation Agreement") to memorialize their agreement on the terms and conditions set forth therein; and

WHEREAS, the Parties desire to enter into this Agreement to set forth the terms of their agreement with respect to the capitalization, management, control, shareholding and certain other matters relating to the Company as set forth herein.

NOW, THEREFORE, the Parties, intending to be legally bound, hereby agree as follows:

**ARTICLE I
CERTAIN DEFINITIONS**

Unless otherwise defined herein, the following terms when used in this Agreement shall have the meanings set forth below:

“Accounting Auditor” means the Company’s accounting auditor (*kaikei-kansa-nin*).

“Affiliate” means any Person that is controlled by, controls, or is under common control with a Shareholder, for so long as such control continues. For purposes of this definition, “control” means the possession, directly or indirectly, of a majority of the outstanding or voting shares of the relevant entity. For purposes of this Agreement only, the Company shall not be deemed an Affiliate of any Shareholder.

“Agreement” shall have the meaning ascribed thereto in the preamble of this Agreement.

“Annual Financial Statements” shall have the meaning ascribed thereto in Section 5.1(c).

“Arai A” means the logistics facilities, located at 4-5-1 Kurihara, Myokyo, Niigata Prefecture, Japan.

“Arai B” means the assembly and test facilities for analog products, located at 4-5-1 Kurihara, Myokyo, Niigata Prefecture, Japan.

“Arai C” means the wafer process facilities for on-chip-filter and the assembly and test facilities for medical CCD and other products, located at 4-5-1 Kurihara, Myokyo, Niigata Prefecture, Japan.

“Arai D” means the assembly and test facilities for inlet products, located at 4-5-1 Kurihara, Myokyo, Niigata Prefecture, Japan.

“Arai E” means the wafer process facilities for 8 inch Si and Cu RDL Process facilities, located at 4-5-1 Kurihara, Myokyo, Niigata Prefecture, Japan.

“Articles of Incorporation” means the Company’s articles of incorporation (*teikan*).

“Authority” means any governmental, regulatory, or administrative body, agency, subdivision, or authority, any court of judicial authority, any public, private, or industry regulatory authority, whether national, local or otherwise, or any Person lawfully empowered by any of the foregoing to enforce or seek compliance with any Law. Authority shall also include any relevant stock exchange or stock quotation service.

“Board” means the Company’s board of directors (*torishimari-yaku-kai*).

“Board of Director Rules” means the rules of the Board (*torishimari-yaku-kai-kisoku*).

“Business for Panasonic” shall have the meaning ascribed thereto in Section 2.1.

“Business Report” means business report (*jigyō hōkoku*) as set forth in Article 435, Paragraph 2 of the Companies Act and Article 118 of the Enforcement Order of the Companies Act.

“Business Transfer Agreement” means the agreement to be entered into between Panasonic and the Company on or prior to the Closing Date to transfer the Transferred Business (as defined in the JV Formation Agreement) from Panasonic to the Company.

“Capital Notice” shall have the meaning ascribed thereto in Section 3.3(b).

“Capital Response Notice” shall have the meaning ascribed thereto in Section 3.3(b).

“CEO” means the chief executive officer of the Company who will serve as a representative director (*daihyo-torishimari-yaku*) of the Company recommended by Tower hereunder from among the Tower Nominee and nominated by the Board and whose duties and responsibilities shall include (i) operating and managing the day-to-day business and affairs of the Company in a manner consistent with the Company Business Plan, the Articles of Incorporation, applicable Law and other provisions of this Agreement, and (ii) implementing the Company Business Plan as approved by the Board or attached to this Agreement, as the case may be.

“CFO” means the chief financial officer of the Company recommended by Tower hereunder from among the Tower Nominee and nominated by the Board and shall report to the CEO, and whose duties and responsibilities shall include, under the supervision of the CEO, (i) closely collaborating with the CEO and the COO (President) with respect to operating and managing the financial affairs of the Company and (ii) such other matters as the CEO shall reasonably request. The CFO shall share all the information relating to the financial affairs under its management with the CEO and the COO (President) in a timely manner.

“Change Ratio” shall have the meaning ascribed thereto in Section 6.1(a).

“Closing Date” shall mean April 1, 2014, 1:00am Japan time or such other date and time as agreed in writing by Tower and Panasonic for the closing of the transactions contemplated by the JV Formation Agreement.

“Closure Cost” means any cost mainly required for termination of employment in relation to certain facility that will be closed or resulting from closure thereof in accordance with this Agreement. For the avoidance of doubt, the Closure Cost shall not include any loss of production, loss of profit, loss of revenue, loss of contract, loss of goodwill, loss of claim or any consequential losses.

“Companies Act” means the Companies Act of Japan (*kaisha-ho*) (Act No. 86 of 2005).

“Company” shall have the meaning ascribed thereto in the preamble of this Agreement.

“Company Business” shall have the meaning ascribed thereto in Section 2.1.

“Company Business Plan” shall have the meaning ascribed thereto in Section 4.1(b).

“Confidential Information” shall have the meaning ascribed thereto in Section 13.10(a).

“COO (President)” means the chief operating officer of the Company who is recommended by Panasonic hereunder from among the Panasonic Nominee and nominated by the Board and shall report to the CEO, and whose duties and responsibilities shall include, under the supervision of the CEO, (i) closely collaborating with the CEO with respect to managing the Company on a day-to-day basis, (ii) managing and supervising the operation of facilities and the technology affairs of the Company (including the Business for Panasonic) in a manner consistent with the Company Business Plan, the Articles of Incorporation, applicable Law and other provisions of this Agreement, (iii) operating and innovating the Company’s general business and manufacturing, and (iv) such other matters as the CEO shall reasonably request.

“Corporate Bonds” means the JPY 5,800,000,000 Unsecured Bonds First Series (Private Placement for a Small Number of Investors with Special Agreement on Limited Equal Priority among Bonds and Restrictions on Division) due on March 31, 2016, and the JPY 3,000,000,000 Unsecured Bonds Second Series (Private Placement for a Small Number of Investors with Special Agreement on Limited Equal Priority among Bonds and Restrictions on Division) due on March 29, 2019 issued by the Company.

“CTO” means the chief technology officer of the Company who is recommended by Panasonic hereunder from among the Panasonic Nominee and nominated by the Board and shall report to the CEO and whose duties/ and responsibilities shall include, under the supervision of the CEO, (i) closely collaborating with the CEO and the COO (President) with respect to operating, supervising and managing the technology affairs of the Company (e.g., process and manufacturing technology constituting core competence of semiconductor products), (ii) developing advanced technologies for products and business renovation and (iii) such other matters as the CEO shall reasonably request. The CTO shall share all the information relating to the technology affairs under its management with the CEO and the COO (President) in a timely manner.

“Decision for Closure” shall have the meaning ascribed thereto in Section 6.4(c).

“Designated Transferee” shall have the meaning ascribed thereto in Section 8.2(b).

“Director for the Panasonic Account” means an officer of the Company who is recommended by Panasonic and nominated by the Board hereunder from among the Panasonic Nominee and shall report to the CEO and whose duties and responsibilities shall include (i) collaborating with the CEO and the COO (President) with respect to managing the Business for Panasonic on a day-to-day basis and (ii) such other matters as the CEO shall reasonably request.

“Division Head” shall have the meaning ascribed thereto in Section 7.1.

“Encumbrances” means any and all liens, charges, security interests, mortgages, pledges, options, preemptive rights, rights of first refusal or first offer, drag along or tag along rights, proxies, levies, voting trusts or agreements, or other adverse claims or restrictions on title or Transfer of any nature whatsoever.

“Equipment Purchase Agreement” shall have the meaning ascribed thereto in Section 6.1(g).

“Equity Security” means any Share or other equity interests of the Company, however described or whether voting or non-voting and any stock acquisition rights or other securities convertible into or exchangeable for, and options, warrants or other rights to acquire, any equity interests in the Company.

“Exiting Shareholder” shall have the meaning ascribed thereto in Section 8.2(a).

“Failure to Complete a Purchase Offer” shall have the meaning ascribed thereto in Section 8.2(c).

“First Refusal Right” shall have the meaning ascribed thereto in Section 8.2(b).

“Fiscal Quarter” means a period of three months commencing on January 1, April 1, July 1, or October 1 of each year.

“Fiscal Year” means (i) the period beginning the date of establishment of the Company and ending on December 31 immediately following such date, and (ii) each subsequent period of twelve calendar months beginning on January 1 of each year and ending on December 31 of the same year.

“Foundry Business” shall have the meaning ascribed thereto in Section 2.1.

“Foundry Business Development General Manager” means an officer of the Company recommended by Tower hereunder from among the Tower Nominee and nominated by the Board and shall report to the CEO, and whose duties and responsibilities shall include (i) collaborating with the CEO and the COO (President) with respect to managing the Foundry Business on a day-to-day basis, (ii) coordinating with Tower’s global sales network as described in Section 6.11(a); and (iii) such other matters as the CEO shall reasonably request.

“Foundry Lines” shall have the meaning ascribed thereto in Section 2.1.

“Foundry Line Employees” shall have the meaning ascribed thereto in Section 6.4(b).

“Indemnified Person” shall have the meaning ascribed thereto in Section 12.1.

“Indemnifying Party” shall have the meaning ascribed thereto in Section 12.1.

“Initial Business Plan” shall have the meaning ascribed thereto in Section 4.1(a).

“Japanese GAAP” means generally accepted accounting principles in Japan.

“JPY” means Japanese Yen, the lawful currency of Japan.

“JV Formation Agreement” shall have the meaning ascribed thereto in the recitals to this Agreement.

“Law” means any (i) applicable law, statute, regulation, directive, treaty, code, ordinance, decree, judgment, rule (internal or otherwise), or license, and (ii) any rule, regulation or policy statement of any stock exchange or automated quotation system over which the securities of the relevant Shareholder trade or are quoted.

“Nishiwaki Plant” means Tower’s manufacturing facility located in Nishiwaki, Japan.

“Non-Exiting Shareholder” shall have the meaning ascribed thereto in Section 8.2(a).

“Secoded Nishiwaki Employees” shall have the meaning ascribed thereto in Section 6.6.

“Panasonic” shall have the meaning ascribed thereto in the preamble of this Agreement.

“Panasonic Call Notice” shall have the meaning ascribed thereto in Section 10.3(a).

“Panasonic Call Right” shall have the meaning ascribed thereto in Section 10.3.

“Panasonic Clients” shall have the meaning ascribed thereto in Section 6.7.

“Panasonic Contribution Amount” means JPY 3 billion which was contributed by Panasonic to the Company in accordance with the Business Transfer Agreement.

“Panasonic Default Event” means the occurrence of any of the following:

- (a) Panasonic (i) seeks to have itself adjudicated insolvent under any reorganization, liquidation, dissolution, or similar law relating to bankruptcy, insolvency, or other relief for debtors of Panasonic, (ii) seeks the appointment of any trustee, receiver, or other similar official for Panasonic or for all or any substantial part of its property or assets, or (iii) makes any general assignment for the benefit of its creditors, admits in writing its inability to pay its debts generally as they become due, or declares or effects a moratorium on its debt or takes any action in furtherance of any proscribed action;
- (b) Panasonic is dissolved or liquidated;
- (c) Panasonic is in material breach of any of its representations and warranties made under this Agreement; or
- (d) Panasonic commits a material breach of this Agreement and, if such material breach is curable, fails to cure such material breach within thirty (30) days.

“Panasonic Designee” means any one Person designated by Panasonic in writing upon the exercise of the Panasonic Call Right or Tower Put Right, in either case, in order to purchase the Shares held by Tower pursuant to and in accordance with Article X.

“Panasonic IP License Agreement” means the IP License agreement dated April 1, 2014 between Panasonic and the Company.

“Panasonic Manufacturing Agreement” means the manufacturing agreement dated April 1, 2014 between Panasonic and the Company regarding the production and supply of the Panasonic Products (Captive Business).

“Panasonic Nominee” shall have the meaning ascribed thereto in Section 4.5(a).

“Panasonic Outsourcing Agreement” means the outsourcing agreement dated April 1, 2014 between Panasonic and the Company regarding the production and supply of the Panasonic Products (Outsourcing).

“Panasonic Outsourcing Lines” shall have the meaning ascribed thereto in Section 2.1.

“Panasonic Outsourcing Line Employees” shall have the meaning ascribed thereto in Section 6.3(b).

“Panasonic Products” shall collectively refer to the Panasonic Products (Captive Business) and Panasonic Products (Outsourcing).

“Panasonic Products (Captive Business)” means the Company’s products manufactured at Arai E, Uozu E, Tonami B, C and D in accordance with Panasonic’s manufacturing orders.

“Panasonic Products (Outsourcing)” means the Company’s products manufactured in the Panasonic Outsourcing Lines for Panasonic.

“Panasonic Put Notice” shall have the meaning ascribed thereto in Section 10.4(a).

“Panasonic Put Right” shall have the meaning ascribed thereto in Section 10.4.

“Panasonic Request for Closure” shall have the meaning ascribed thereto in Section 6.5(a).

“Panasonic Third Party Foundry Customer” means each third party customer listed in Schedule 6.7 hereto which orders semiconductor device wafer products directly from the Company.

“Party” and “Parties” shall have the meaning ascribed thereto in the preamble of this Agreement.

“Person” means an individual, a corporation, a limited liability company, a partnership, an association, a trust, or any other entity or organization, including any Authority.

“Planned Purchase Date” shall have the meaning ascribed thereto in Section 8.2(b).

“Price Table” shall have the meaning ascribed thereto in Section 6.1(a).

“Product Category” shall mean the groups of products for each of the categories set forth in the Price Table.

“Proposed Transferee” shall have the meaning ascribed thereto in Section 8.2(a).

“Purchase Offer” shall have the meaning ascribed thereto in Section 8.2(b).

“Quarterly Financial Statements” shall have the meaning ascribed thereto in Section 5.1(d).

“RDL Site” means the redistributing layer of Arai E.

“Response Period” shall have the meaning ascribed thereto in Section 8.2(b).

“Restructuring Measures” shall have the meaning ascribed thereto in Section 6.8(b).

“Share” means shares in the capital of the Company.

“Shareholder” and “Shareholders” shall have the meaning ascribed thereto in the preamble of this Agreement.

“Shareholder Reserved Protective Matter” shall have the meaning ascribed thereto in Section 4.4.

“SIAC Rules” shall have the meaning ascribed thereto in Section 13.5(b).

“Statutory Auditor” means the statutory auditor (*kansa-yaku*) of the Company.

“Subsequent Business Plan” shall have the meaning ascribed thereto in Section 4.1(b).

“Subsidiary” means (i) any entity which would be considered to be a subsidiary in Article 8, Paragraph 3 of the Regulation Concerning Terminology, Forms and Method of Preparation of Financial Statements, etc. (Ministry of Finance Ordinance No. 59 of 1963) and (ii) any entity which would be considered to be an affiliate in Article 8, Paragraph 5 of the same Regulation.

“Tonami A” means office space, defect inspection room and empty space, located at 271 Higashi-kaihotsu, Tonami, Toyama Prefecture, Japan.

“Tonami B” means wafer process facilities for 8 inch Si, located at 271 Higashi-kaihotsu, Tonami, Toyama Prefecture, Japan.

“Tonami C” means wafer process facilities for 8 inch Si, located at 271 Higashi-kaihotsu, Tonami, Toyama Prefecture, Japan.

“Tonami D” means wafer process facilities for 8 inch Si, located at 271 Higashi-kaihotsu, Tonami, Toyama Prefecture, Japan.

“Tonami E” means stockrooms and empty space, located at 271 Higashi-kaihotsu, Tonami, Toyama Prefecture, Japan.

“Tower” shall have the meaning ascribed thereto in the preamble of this Agreement.

“Tower Ancillary Agreement” shall collectively refer to (i) Tower IP License Agreement and (ii) Tower Service Agreement.

“Tower Call Notice” shall have the meaning ascribed thereto in Section 10.1(a).

“Tower Call Right” shall have the meaning ascribed thereto in Section 10.1.

“Tower Default Event” means the occurrence of any of the following:

- (a) Tower (i) seeks to have itself adjudicated insolvent under any reorganization, liquidation, dissolution, or similar law relating to bankruptcy, insolvency, or other relief for debtors of Tower, (ii) seeks the appointment of any trustee, receiver, or other similar official for Tower or for all or any substantial part of its property or assets, which for avoidance of doubt shall not include the Nishiwaki Plant or TowerJazz Japan Ltd., or (iii) makes any general assignment for the benefit of its creditors, admits in writing its inability to pay its debts generally as they become due, or declares or effects a moratorium on its debt or takes any action in furtherance of any proscribed action;
- (b) Tower is dissolved or liquidated;
- (c) Tower is in material breach of any of its representations and warranties made under this Agreement; or
- (d) Tower or the Company commits a material breach of this Agreement and, if such material breach is curable, fails to cure such material breach within thirty (30) days.

“Tower Designee” means any one Person designated by Tower in writing (excluding TowerJazz Japan) upon the exercise of the Tower Call Right or Panasonic Put Right, in either case, in order to purchase the Shares held by Panasonic pursuant to and in accordance with Article X.

“Tower Nominee” shall have the meaning ascribed thereto in Section 4.5(a).

“Tower Put Notice” shall have the meaning ascribed thereto in Section 10.2(a).

“Tower Put Right” shall have the meaning ascribed thereto in Section 10.2.

“Tower IP License Agreement” means the IP license agreement dated April 1, 2014 between Tower and the Company.

“Tower Service Agreement” means the sales, finance and other services agreement dated April 1, 2014 between Tower and the Company.

“Tower Third Party Foundry Customer” means any third party customer which has directly ordered semiconductor device wafer products from the Company.

“TowerJazz Japan” means TowerJazz Japan, Ltd., a Japanese corporation having its place of business at 302-2, Oikenoue, Aza, Hirano-cho, Nishiwaki-shi, Hyogo and any of its successors or assigns.

“Transfer” means (a) any transfer or other disposition of Shares or voting interests or any interest therein, including by operation of law, by court order, by judicial process, or by foreclosure, levy, or attachment, (b) any sale, assignment, gift, donation, or other disposition of Shares or any interest therein, pursuant to an agreement, arrangement, instrument, or understanding by which legal title to or beneficial ownership of Shares or any interest therein passes from one Person to another Person or the same Person in a different legal capacity, whether or not for value, (c) the granting of any Encumbrance in or extending or attaching to Shares or interest therein, or (d) other disposition or attempted disposition of any Shares or interest therein whatsoever, whether voluntary, or involuntary.

“Transfer Conditions” shall have the meaning ascribed thereto in [Section 8.2\(a\)](#).

“Transfer Date” shall have the meaning ascribed thereto in [Section 8.2\(a\)](#).

“Transfer Notice” shall have the meaning ascribed thereto in [Section 8.2\(a\)](#).

“Transfer Restriction Period” shall have the meaning ascribed thereto in [Section 8.1\(a\)](#).

“Transferred Shares” shall have the meaning ascribed thereto in [Section 8.2\(a\)](#).

“Uozu A” means the test facilities, located at 800 Higashiyama, Uozu, Toyama Prefecture, Japan.

“Uozu B” means the facilities for 6 inch Epi for GaAs&GaN, located at 800 Higashiyama, Uozu, Toyama Prefecture, Japan.

“Uozu C” means the wafer process facilities for 6 inch Si, located at 800 Higashiyama, Uozu, Toyama Prefecture, Japan.

“Uozu D” means the wafer process facilities for 6 inch GaAs&GaN, located at 800 Higashiyama, Uozu, Toyama Prefecture, Japan.

“Uozu E” means the wafer process facilities for 12 inch Si, located at 800 Higashiyama, Uozu, Toyama Prefecture, Japan.

“U.S. GAAP” means generally accepted accounting principles in the United States of America.

Unless the context of this Agreement otherwise requires, (i) words of any gender include each gender; (ii) words using the singular or plural number also include the plural or singular number; (iii) the terms “hereof,” “herein,” “hereby” and derivative or similar words refer to this entire Agreement and not merely to the specific article, section, paragraph or clause where such terms may appear; (iv) the terms “Article,” “Section,” “Exhibit” or “Schedule” refer to the specified Article or Section of, or Exhibit or Schedule to, this Agreement; (v) the term “including” shall mean “including, but not limited to”; (vi) the term “or” shall not be exclusive; (vii) references to statutes, laws, regulations or provisions are to be construed as including all statutory or regulatory provisions consolidating, amending, replacing, succeeding or supplementing such statute, regulation or provision; (viii) headings are for ease of reference only and shall not affect the interpretation of this Agreement and (ix) references to a Person are also to its permitted successors and assignees.

ARTICLE II PURPOSE

2.1 Company Business and Use of Facilities. The Company shall operate the business of manufacturing the Panasonic Products (Captive Business) and the Panasonic Products (Outsourcing) (collectively, the “Business for Panasonic”) and gaining third party foundry business (the “Foundry Business”, and together with the Business for Panasonic, the “Company Business”). The Company shall use the wafer process lines and testing lines of Uozu A to D, testing lines of Tonami C, assembly lines, testing lines and on-chip-filter lines of Arai A to D, and the RDL Site (collectively, the “Panasonic Outsourcing Lines”) primarily for the production of the Panasonic Products (Outsourcing), and, if the Panasonic Outsourcing Lines still have any additional production capacity, the Company may use the Panasonic Outsourcing Lines for the other Company Business. The Company shall use the wafer process lines of Uozu E, Tonami C and D and Arai E (the “Foundry Lines”) for the Company Business (other than manufacturing the Panasonic Products (Outsourcing)).

2.2 Company Name. The Company's corporate name shall be "TowerJazz Panasonic Semiconductor Co., Ltd" in English and "パナソニック・タワージャズセミコンダクター株式会社" in Japanese.

**ARTICLE III
CAPITAL, ETC.**

3.1 Capital Amount. The capital amount (*shihonkin no gaku*) of the Company as of the Closing Date shall be JPY 750,000,000.

3.2 Initial Shareholding. As of the Closing Date, Panasonic shall hold 14,700 Shares, which shall represent forty nine percent (49%) of the issued and outstanding Shares as of the Closing Date, and Tower shall hold 15,300 Shares, which shall represent fifty one percent (51%) of the issued and outstanding Shares as of the Closing Date.

3.3 Funding.

(a) The Company shall procure the funds necessary for the operation of the Company Business on its own. Other than as explicitly set forth in this Agreement or in the JV Formation Agreement, no Shareholder shall owe the Company any duty to make any additional contribution or to otherwise support procurement of the necessary funds, or make any guarantee of obligation regarding funds that the Company raises.

(b) If the Company determines that the Company should issue any Equity Securities, it shall deliver a written notice (the "Capital Notice") to each Shareholder offering, on the same terms, the right to subscribe for such number of Equity Securities as equals their respective shareholding ratio (prior to such issuance) of the total number of Equity Securities being offered. The Capital Notice shall contain reasonable detail of such issuance and expressly state that it constitutes a Capital Notice under this Section 3.3(b). Each Shareholder shall deliver, within thirty (30) days of receipt of the Capital Notice, a written notice (the "Capital Response Notice") to the Company confirming whether or not it (or a designated Affiliate) wishes to exercise its right to subscribe for the Equity Securities offered to it under the Capital Notice. If a Shareholder does not deliver a Capital Response Notice to the Company within such thirty (30) day-period, it shall be deemed to have (i) consented to such issuance, and (ii) waived its right to subscribe for the Equity Securities offered to it under the Capital Notice.

3.4 Dividends. Unless and until all accrued interest and principal of the Corporate Bonds are paid in full, the Company shall not declare or pay any dividend or distribution with respect to any Shares. Subject to the completion of the payment of all accrued interest and principal of the Corporate Bonds and subject to compliance with its other financial indebtedness terms and conditions, the Company shall, on an annual basis, make dividend payments to the Shareholders from the distributable amount stipulated under the Companies Act up to fifty percent (50%) of its net profit in the Fiscal Year.

ARTICLE IV MANAGEMENT AND GOVERNANCE

4.1 Business Plan.

(a) The Shareholders agree that the initial business plan for the Company from Fiscal Year 2014 through the first quarter of 2019 that includes (i) the Company's revenue targets for the foundry business for third parties, (ii) the Company's revenue targets for the business relating to the Panasonic Products, (iii) the Company's cost structure, (iv) the Company's investment strategies and (v) the Company's human resource plan (the "Initial Business Plan") shall be as set forth in Exhibit 4.1(a) hereto.

(b) By the end of Fiscal Year 2016, the Board shall revise the Company's business plan for Fiscal Year 2019 and the same shall apply for the subsequent Fiscal Years (the "Subsequent Business Plan", together with the Initial Business Plan, the "Company Business Plan").

(c) In addition to (a) and (b) above, each Fiscal Quarter the Board shall review the degree to which the Company Business Plan targets have been attained.

4.2 Articles of Incorporation and Board of Directors Rules.

(a) The Shareholders agree that, as of the Closing Date, the Company's corporate name, main office address, method of public notice, authorized number of Shares, types of Shares, Fiscal Year, accounts and all other matters stipulated in the Articles of Incorporation shall be as set forth in Exhibit 4.2(a) hereto. The Shareholders agree that within one year from the Closing Date, the Articles of Incorporation shall be amended to replace the chair of the board with a Tower Nominee.

(b) The Shareholders agree that, as of the Closing Date, the Board of Directors Rules shall be as set forth in Exhibit 4.2(b) hereto.

4.3 Shareholder Actions. Unless otherwise specified herein, the Company shall convene and conduct the meetings of shareholders in accordance with the Companies Act, all other applicable Laws and the provisions of the Articles of Incorporation.

4.4 Shareholder Reserved Protective Matters. Subject to Section 8.4, any action or activity of the Company set forth in Schedule 4.4 hereto (each a "Shareholder Reserved Protective Matter") shall require the prior written consent of the Shareholders (either directly for matters requiring a shareholder vote or through a Shareholder's nominees serving on the Board for matters requiring the Board's approval), and the Board shall not authorize the Company to engage in any Shareholder Reserved Protective Matter without obtaining the relevant prior written consent.

4.5 Board of Directors.

(a) The Board shall consist of eleven (11) directors. Panasonic shall have the right to nominate five (5) persons (the "Panasonic Nominees"), and Tower shall have the right to nominate six (6) persons (the "Tower Nominees"), to serve as directors on the Board. Panasonic's and Tower's initial nominees to serve as directors on the Board are set forth in Schedule 4.5(a) hereto. Each Shareholder shall submit to the other Shareholder a list of all subsequent nominees to serve as directors on the Board at least thirty (30) days prior to the shareholders' meeting where such nominees may be elected to serve as directors on the Board. In the event of a change in the equity ownership of the Company such that the ratio of shareholdings of Panasonic in the Company is reduced, the Parties will cooperate in amending the Articles of Incorporation and in taking any other actions required so that Panasonic's ability to nominate directors will be reduced in a proportionate manner.

(b) Each Shareholder shall cause its designated directors to conduct the Company Business in a manner consistent with the terms of this Agreement, the Articles of Incorporation, and applicable Laws. The number of directors may only be changed by amendment of the relevant provisions contained in the Articles of Incorporation.

(c) If as a result of the death, disability, retirement, resignation, removal (with or without cause) or other departure of a director, a vacancy on the Board shall exist or arise, then the Shareholder entitled to designate the director whose departure resulted in such vacancy shall designate another individual to serve as a director; provided, however, that the term of office of such successor director shall be limited to the remaining term of the predecessor. In the case of a vacancy on the Board, the Shareholder who appointed the director in question shall nominate a replacement director within ten (10) days of the vacancy.

(d) Unless otherwise set forth herein, meetings of the Board shall convene and be conducted in accordance with the Companies Act, any other applicable Laws, the Articles of Incorporation, and the Board of Directors Rules.

4.6 Statutory Auditors.

(a) The Company at all times shall have two (2) Statutory Auditors of whom one (1) shall be designated by Panasonic and one (1) shall be designated by Tower. The Statutory Auditor as of the Closing Date nominated by Tower shall be Tsuyoshi Kikuchi and the Statutory Auditor as of the Closing Date nominated by Panasonic shall be Hideo Nakano. Each Shareholder shall submit to the other Shareholder its nominee to serve as Statutory Auditor at least thirty (30) days prior to each shareholders' meeting where the Statutory Auditors will be elected.

(b) If as a result of death, disability, retirement, resignation, removal (with or without cause), or other departure, any vacancy of the Statutory Auditor shall exist or arise, the Shareholders will designate another individual to serve as a statutory auditor.

4.7 Accounting Auditor.

(a) The Accounting Auditor as of the Closing Date shall be Deloitte Touche Tohmatsu LLC.

(b) If Deloitte Touche Tohmatsu LLC is unable to serve in such capacity, the Shareholders shall select an internationally recognized accounting firm (or the Japanese affiliate thereof) as the Accounting Auditor.

(c) The Shareholders agree to vote their Shares in favor of the appointment of the Accounting Auditor in accordance with this Section 4.7.

(d) The Shareholders agree that Deloitte Touche in Israel will provide the finance support services regarding preparation of financial statements in accordance with US GAAP.

4.8 Certain Senior Managers.

(a) Tower Nominees. Tower shall have the right to recommend to the Board to nominate (from among the Tower Nominees from time to time) the CEO, the CFO and the Foundry Business Development General Manager.

(b) Panasonic Nominees. Panasonic shall have the right to recommend to the Board to nominate (from among the Panasonic Nominees from time to time) the COO (President), the CTO and the Director for the Panasonic Account.

ARTICLE V
ACCOUNTING AND REPORTING REQUIREMENTS

5.1 Financial Statements.

(a) Accounting Standards. All financial statements, books and records, and periodic statements to be established, maintained, prepared or delivered under this Section 5.1 shall be (i) established, maintained and prepared in accordance with Japanese GAAP in Japanese and (ii) maintained and prepared in accordance with U.S. GAAP in English. All Annual Financial Statements shall be audited by the Accounting Auditor (and accompanied by an audit report of the Accounting Auditor addressed to the Board) and all Quarterly Financial Statements shall be reviewed by the Accounting Auditor.

(b) Books and Records. The Company shall (i) make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) use the accrual basis to maintain its books and records, and (iii) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that:

- (A) transactions are executed and access to assets is given only in accordance with management's authorization;
- (B) transactions are recorded as necessary to permit preparation of periodic financial statements and to maintain accountability for assets;
- (C) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and
- (D) transactions of the Company are recorded in such form and manner as will permit preparation of all required tax returns by the Company and the Shareholders in accordance with this Agreement and as required by applicable Laws.

(c) Annual Statements. As soon as practicable following the end of each Fiscal Year, but in any event within fifty (50) days after the end of each Fiscal Year, the Company shall prepare and deliver to each Shareholder (x) (i) audited financial statements for the Company as of the last day of and for such Fiscal Year, including a balance sheet, profit and loss statement, cash flow statements, and a statement of shareholders' equity as of and for such Fiscal Year and related notes to the financial statements, (ii) Business Report for such Fiscal Year and (iii) such other information that a Shareholder may reasonably request to fulfill its financial reporting requirements for such Fiscal Year (collectively, the "Annual Financial Statements") and (y) a comparison between the actual results achieved and the projections in the Company Business Plan with an explanation for the material variations.

(d) Quarterly Statements. As soon as practicable following the end of each Fiscal Quarter, but in any event within forty (40) days after the end of each Fiscal Quarter, the Company shall prepare and deliver to each Shareholder (x) (i) unaudited financial statements for the Company as of the last day of and for such Fiscal Quarter, including a balance sheet, profit and loss statement, cash flow statements and a statement of shareholders' equity as of and for such Fiscal Quarter and related notes to the financial statements and (ii) such other information that a Shareholder may reasonably request to fulfill its financial reporting requirements for such Fiscal Quarter (collectively, "Quarterly Financial Statements"), and (y) a comparison between the actual results achieved and the projections in the Company Business Plan with an explanation for the material variations.

(e) Monthly Statements. Within fifteen (15) days after each monthly financial closing date, the Company shall prepare and deliver to each Shareholder internal financial statements for the Company as of the monthly financial closing date of and for such month, including a balance sheet, profit and loss statement, as of and for such month.

5.2 Inspection Rights. The Company shall allow each Shareholder and their respective representatives during normal business hours the right to (a) inspect the books and records of the Company, (b) make copies from such books and records, and (c) have reasonable full access to all of the property and assets of the Company; provided, however, that any costs incurred by the Company with respect to the above shall be borne solely by the Shareholder making such request. Each Shareholder shall cause its respective designated directors to comply with this Section 5.2 in a reasonable manner that does not impede the Company Business.

**ARTICLE VI
CERTAIN AGREEMENTS REGARDING
THE OPERATION OF THE COMPANY BUSINESS**

6.1 Panasonic Covenants.

- (a) Loading Targets. Panasonic shall use its reasonable best efforts to achieve the following loading targets in each Fiscal Year from Fiscal Year 2014 to first quarter of 2019:
- (i) Fiscal Year 2014: ***
 - (ii) Fiscal Year 2015: ***
 - (iii) Fiscal Year 2016: ***
 - (iv) Fiscal Year 2017: ***
 - (v) Fiscal Year 2018: ***
 - (vi) Fiscal Quarter 1, 2019: ***

The price per wafer per product ordered (excluding prime wafer cost) (the "Price Table") shall be as set forth on Schedule 6.1(a), as may be amended, which shall be reviewed and negotiated between Panasonic and the Company every Fiscal Year, taking into account the fair market price, relating to the Panasonic Products (Captive Business). Panasonic and the Company shall commence such review and negotiation on the Price Table for the next Fiscal Year in October and the new agreed price for wafer per product (excluding prime wafer cost) for the next and following years shall replace the existing price per wafer per product (excluding prime wafer cost).

In addition to the above, Panasonic and the Company may discuss any possible amendment for the Price Table in case which either party reasonably deems necessary such as significant market changes. Panasonic and the Company shall prepare and agree on an additional price table when Panasonic and the Company introduce a new product line.

The Minimum Loading shall mean the minimum number of Panasonic Products (Captive Business) per Product Category per fab to be ordered by Panasonic per month under the Panasonic Manufacturing Agreement as set forth in the Price Table. Panasonic understands that the number of Panasonic Products (Captive Business) per Product Category per fab to be ordered by Panasonic per month will not be under the Minimum Loading and Panasonic shall make its best efforts to make such number of order above the Minimum Loading.

(b) No-Restriction on the Panasonic's Business. Regardless of the completion of the Business Transfer (as defined in the JV Formation Agreement), Panasonic shall not owe any non-compete obligation under Article 21 of the Companies Act. Panasonic agrees that with respect to Panasonic's captive business, Panasonic shall make its reasonable best efforts to manufacture all products at the Company's facility unless otherwise reasonably required by Panasonic's customers. In the event that the required technology is not available at the Company's facility, the Company and Panasonic shall evaluate the return on investment (ROI) of the proposed business opportunity, including the required investment and timeline for development of said technology. The Company and Panasonic shall discuss in good faith and in the event that the ROI is negative or the Company and Panasonic agree for any other reason, Panasonic may decide to manufacture said products at another facility.

(c) Panasonic shall make its reasonable best efforts to introduce as many Panasonic Third Party Foundry Customers as possible to the Company, by utilizing its existing relationships with its own customers, and in consideration for revenue collected from the Panasonic Third Party Foundry Customers from the sale of semiconductor device wafer products, the Company shall pay a sales commission to Panasonic in accordance with Schedule 6.1(c) hereto, for five (5) years from the Closing Date. Before the fifth anniversary of the Closing Date, the Parties shall discuss whether to extend the payment of commissions and the commission rates to be paid going forward.

The Commission Calculation Date shall mean each (i) March 31st, (ii) June 30th, (iii) September 30th, and (iv) December 31st. Within fourteen (14) days from each Commission Calculation Date, the Company shall calculate the commission due and shall ask Panasonic to submit an invoice with respect to the said amount owed, the Company shall pay to Panasonic within forty-five (45) days from the date of receipt of the invoice from Panasonic in Japanese Yen, by telegraphic or wire transfer to Panasonic's bank account which shall be separately designated by Panasonic, the aggregate commission due to Panasonic pursuant to this Section 6.1(c) for the three (3) month period prior to and including such Commission Calculation Date.

Within fifteen (15) days of each Commission Calculation Date, the Company shall provide to Panasonic a written report in a form acceptable to Panasonic of the Panasonic Third Party Foundry Customers that engaged with the Company in accordance with this Section 6.1(c) during the period in which such commissions were incurred by the Company. Such reports shall be prepared and submitted to Panasonic even if no commission has accrued during the three (3) month period prior to and including such Commission Calculation Date. The Company shall maintain complete and accurate records regarding such reports; and Panasonic or its authorized representatives may, upon prior notice to the Company, examine such records at any time, subject to coordination with the Company and execution of a standard confidentiality undertaking. Such examination shall be conducted at Panasonic's expense, unless errors of reporting or accounting of greater than 5% shall be found to Panasonic's disadvantage, in which case the Company shall, within fifteen (15) days of such examination, pay to Panasonic (x) the amount due to Panasonic, and (y) the reasonable cost of such examination (including the fees and expenses of Panasonic's authorized representatives).

(d) The Company shall purchase from Tower and its Affiliates tools for development of its Foundry Business as hereby agreed by the Parties as specified in Schedule 6.1(g) pursuant to certain sales and purchase agreement (the "Equipment Purchase Agreement") to be executed by and between the Company and Tower and its Affiliates as soon as practically possible after the Closing Date, with no additional board resolution of the Company or other approval of Panasonic required. For the detailed terms and conditions of the Equipment Purchase Agreement, Panasonic will review and give consent to them by April 7, 2014.

(e) It is hereby agreed that the Company shall not bear any liabilities with respect to the government subsidies granted to Panasonic for certain capital investment with respect to the Transferred Business made prior to the Closing Date, and the Company shall not be obligated to repay any such subsidies and in the event any such repayment is required, Panasonic shall make such repayment.

6.2 Tower Covenants. Tower shall make reasonable best efforts to introduce as many Tower Third Party Foundry Customers as possible to the Company, by utilizing its existing relationships with its own customers, and in consideration for revenue collected from such customers from the sale of semiconductor device wafer products, the Company shall pay a sales commission to Tower in accordance with Schedule 6.2 hereto, for five (5) years from the Closing Date. Before the fifth anniversary of the Closing Date, the Parties shall discuss whether to extend the payment of commissions and the commission rates to be paid going forward. Tower shall make reasonable best efforts to achieve the target revenue amounts from such third party customers from Fiscal Year 2014 to first quarter of 2019 as shall be set forth in the Initial Business Plan.

Within fourteen (14) days from each Commission Calculation Date, the Company shall calculate the commission due and shall ask Tower to submit an invoice with respect to the said amount owed, the Company shall pay to Tower within forty-five (45) days from the date of receipt of the invoice from Tower in Japanese Yen, by telegraphic or wire transfer to Tower's bank account which shall be separately designated by Tower, the aggregate commission due to Tower pursuant to this Section 6.2 for the three (3) month period prior to and including such Commission Calculation Date.

Within fifteen (15) days of each Commission Calculation Date, the Company shall provide to Tower a written report in a form acceptable to Tower of the Tower Third Party Foundry Customers that engaged with the Company in accordance with this Section 6.2 during the period in which such commissions were incurred by the Company. Such reports shall be prepared and submitted to Tower even if no commission has accrued during the three (3) month period prior to and including such Commission Calculation Date. The Company shall maintain complete and accurate records regarding such reports; and Tower or its authorized representatives may, upon prior notice to the Company, examine such records at any time, subject to coordination with the Company and execution of a standard confidentiality undertaking. Such examination shall be conducted at Tower's expense, unless errors of reporting or accounting of greater than 5% shall be found to Tower's disadvantage, in which case the Company shall, within fifteen (15) days of such examination, pay to Tower (x) the amount due to Tower, and (y) the reasonable cost of such examination (including the fees and expenses of Tower's authorized representatives).

6.3 Panasonic Outsourcing Lines.

(a) Panasonic Outsourcing business. The Parties understand and confirm that the terms and conditions of the outsourcing transactions between Panasonic and the Company regarding the Panasonic Products (Outsourcing) are as set forth in Panasonic Outsourcing Agreement. The Parties agree that the consideration for the Panasonic Outsourcing business will be set forth in Schedule 6.3(a) and may be negotiated with the Company in March 2015 and March 2016. In case no agreement is reached at any point, the existing Schedule 6.3(a) will prevail.

(b) Retention of Employment. The Company shall use its best efforts to maintain employment of employees engaged in Panasonic Outsourcing Lines (the "Panasonic Outsourcing Line Employees") by redeployment or any other method in the event of the reduction of production volumes of Panasonic Products (Outsourcing). The Company shall provide Panasonic with prior notification regarding layoffs.

6.4 Foundry Lines.

(a) Panasonic Manufacturing Agreement. The Parties understand and confirm that the terms and conditions of the manufacturing transactions between Panasonic and the Company regarding the Panasonic Products (Captive Business) are as set forth in the Panasonic Manufacturing Agreement.

(b) Retention of Employment. The Company shall use its best efforts to maintain employment of employees engaged in Foundry Lines (the “Foundry Line Employees”) by redeployment or any other method in the event of the reduction of production volumes of the products manufactured in Foundry Lines including Panasonic Products (Captive Business). The Company shall provide Panasonic with prior notification regarding layoffs.

6.5 Closure of Facilities. The Parties understand that it takes approximately two (2) years to complete all procedures for closure of any fabrication facilities that Panasonic deems necessary and appropriate.

(a) If, pursuant to this Section 6.5, targets are not achieved based on the evidential materials prepared and submitted to the Shareholders by the Company including a written record of possible transaction(s) evidencing that individual pipelines in ***, have been advanced to the stages where (i) certain customer has confirmed functions of products to be manufactured therein and (ii) the Company has delivered to such customer a written proposal of manufacturing plan that contains timing of manufacture and quantity of products, Panasonic may request a closure of *** to Tower in writing (the “Panasonic Request for Closure”) ***:

(External sales target volumes for Fiscal Year ***)

No such Panasonic Request for Closure can be made in the event that the above thresholds were met.

(b) After the Panasonic Request for Closure, if the Company agrees to close ***, the Company shall close ***, in accordance with such decision. In such case, any Closure Costs arising from the closure *** shall be borne solely by Panasonic, even if the closure of such facilities takes more than two (2) years. The Price Table as it pertains to each remaining product in Schedule 6.1(a) for the period after the end of *** will be adjusted to reflect the Company’s decision.

In case the Company decides not to close *** pursuant to this Section 6.5(b), the Company shall bear any and all Closure Costs (if applicable) except for costs incurred during the period of, with respect to ***, as the case may be, which shall be borne by Panasonic.

(c) During the period ***, the Shareholders shall decide the closure thereof by the end of ***.

(External sales target volumes for the Fiscal Year ***)

No such discussions regarding the closure shall be entered into in the event that the above thresholds were met.

If by the end of year 3 from the date of the Closing, the targets set forth above are reasonably unlikely to be achievable and *** must be closed (the “Decision for Closure”), the Company shall take all necessary procedures for the closure of *** immediately and as long as all such procedures are completed prior to the fifth anniversary of the date of this Agreement, any and all Closure Costs arising therefrom pursuant to this Section 6.4(c) shall be borne by Panasonic.

If the Decision for Closure is not made by *** despite Panasonic’s proposal for closure in the Shareholders’ discussion held ***, such facility shall continue its operations. If the Company determines to close the facility thereafter, it shall bear the delta of the Closure Costs between the end of the *** starting from the date of Panasonic Request for Closure and the date of closure completion. The Price Table as it pertains to each remaining product in Schedule 6.1(a) *** will be adjusted to reflect the Company’s decision.

(d) If (i) Panasonic neither proposes nor agrees on the closure of ***, and (ii) all the procedures required for the closure of such facility(ies) are completed prior to the fifth anniversary of the date of this Agreement, any and all Closure Costs arising from such closure pursuant to this Section 6.5(d) shall be borne by Panasonic.

(e) If by ***, it is decided to close any of ***, Panasonic shall bear all of the Closure Costs associated therewith.

(f) Retention of Employment. The Company shall use its best efforts to maintain employment of employees engaged in *** by redeployment or any other method in the event of the closure of ***.

6.6 Transfer of certain business of Nishiwaki Plant. If Tower proposes to the Company that TowerJazz Japan transfer any part or all of its assets (including contracts with its customers) and/or employees from the Nishiwaki Plant to the Company after the Closing Date, Tower and Panasonic shall discuss in good faith the terms and conditions of such transfer and such transfer shall be approved in accordance with the approval process herein. Said approval process shall not apply with respect to the transfer of a minimum of seventy five (75) employees and up to eighty (80) employees from the Nishiwaki Plant be seconded gradually to the Company from June 1, 2014 and upon the Company's reasonable consent, will be employed by the Company effective from October 1, 2014 (the "Seconded Nishiwaki Employees"), and no further discussion of Panasonic and Tower or approval of Panasonic will be required.

6.7 Conflict Transactions. Any agreement or business engagement between the Company, on one hand, and Panasonic or Tower or any of their Affiliates, on the other hand, (including the transaction with any third party through those Persons except for Panasonic's clients listed in Schedule 6.7 (the "Panasonic Clients")) shall require the approval of the majority of the CEO, the COO (President), the Director for the Panasonic Account and the Foundry Business Development General Manager. Regarding customers that are not existing customers of Tower or Panasonic, and approach the Company directly for the manufacture of products, Tower and Panasonic shall be prohibited from, directly or indirectly, engaging in such manufacture of products with said customers with respect to the manufacture of any products using the technologies that are qualified at the Company.

6.8 Difficulties in Company Business.

(a) If (A) the Company becomes insolvent, (B) the Company significantly fails to achieve the Company Business Plan or (C) the Company has any other difficulties in continuing any of the Company Business, Panasonic and Tower shall discuss in good faith for the resolution of such difficulties, including (i) the sale of all the Shares held by a Shareholder to the other Shareholder (including the price of the Shares and the burden of expenses relating thereto), (ii) dissolution and liquidation of the Company and (iii) divestiture of the Company Business.

(b) If the Company Business Plan for Fiscal Year *** forecasts a net loss for the Company, Panasonic and Tower shall discuss in good faith the measures to improve the profitability of the Company Business, including further cost reduction, further revenue increase and organizational restructurings (the "Restructuring Measures"). If, in spite of the Company's implementation of the Restructuring Measures, the Company suffers a full-year net loss for two consecutive Fiscal Years after Fiscal Year ***, Panasonic and Tower shall enter into a faithful discussion regarding dissolution of the Company.

6.9 Use of Panasonic Contribution Amount. The Company shall use the Panasonic Contribution Amount only for the Foundry Lines in accordance with the Company Business Plan.

6.10 Tower Consolidation. Panasonic shall fully cooperate with Tower so that Tower is able to consolidate the Company's operation into its financial statements.

6.11 Sales Management and Finance Services.

(a) The Company will obtain sales support, including growing its local Japanese as well as global worldwide customer base, from Tower's global sales and marketing team and customer support team and TowerJazz's new Japan sales office, (except for specific customers which Panasonic shall directly engage with), and, in consideration thereof, the Company shall pay the service fees to Tower in accordance with the Tower Service Agreement. The Foundry Business Development General Manager will coordinate with Tower's global sales and marketing team for effective introduction of the Company to Tower's global customer base.

(b) Panasonic will have its own sales unit within Panasonic to cover the Panasonic Clients. If Tower wishes to contact the Panasonic Clients after the Closing Date, Tower, through the Foundry Business Development General Manager, shall first contact the Director for the Panasonic Account and then Panasonic. In order to avoid doubt, no such prior contact with Panasonic will be required with respect to the Panasonic Clients listed in Schedule 6.11(b).

(c) The Company will obtain finance support services regarding US GAAP, SOX, Treasury, Tax, and quarterly closing and in consideration thereof, the Company shall pay the service fees to Tower or its Affiliate in accordance with the Tower Service Agreement.

**ARTICLE VII
DEADLOCK**

7.1 Event of Deadlock. In the event that the approval of each Shareholder is required under Section 4.4 or under the Companies Act, and the requisite approval of such matter is not obtained on or before the expiry of a period of twenty (20) days after approval for such matter is sought, Panasonic and Tower shall discuss the matter proposed, in an effort to agree amicably on a course of action, through their respective heads of the division which has the authority and responsibility over the Shareholder matters of the Company (the "Division Heads"). If the Division Heads do not reach agreement on a course of action with respect to the matter proposed within a period of sixty (60) days after referral to them, there will be deemed to be a "Deadlock."

7.2 Resolution of Deadlock. Upon the occurrence of a Deadlock, Panasonic and Tower shall discuss in good faith and promptly decide the resolution of the Deadlock, including (i) the sale of all the Shares held by a Shareholder to the other Shareholder (including the price of the Shares and the burden of expenses), (ii) dissolution and liquidation of the Company and (iii) divestiture of the Company Business. If, in spite of their good faith discussions, Panasonic and Tower fail to agree on the resolution of the Deadlock, the Parties will submit the issue to the determination of an arbitrator appointed pursuant to Section 13.5(b).

**ARTICLE VIII
SHARE TRANSFER**

8.1 Transfer Restrictions; Transfer Consent Procedures.

(a) For a period of five years from the Closing Date (the "Transfer Restriction Period"), a Shareholder may not, without the prior written consent of the other Shareholder, Transfer any of its Shares to any third party. After the passage of the Transfer Restriction Period, a Shareholder may not, without the prior written consent of the other Shareholder, Transfer any of its Shares held by it to any of the business competitors listed in Schedule 8.1(a).

(b) Notwithstanding anything contained in this Agreement, but subject to Section 8.1(c), the restrictions on Transfer of Shares under this Article VIII shall not be applicable in the case of a Transfer by any Shareholder to any of its Affiliates or a Transfer by way of realization of a pledge over the Shares and the transferor Shareholder shall notify the other Shareholder in writing of such Transfer within ten (10) days of such Transfer; provided, however, that Tower shall not Transfer any Shares to TowerJazz Japan.

(c) If a Shareholder Transfers all or part of its Shares to a third party (including its Affiliates) pursuant to this Agreement, such transferor Shareholder shall cause the transferee to agree to be bound by and comply with the terms and conditions of this Agreement as if it were a party to this Agreement prior to such transfer. In addition, if a Shareholder Transfers only part of its Shares to a third party (including its Affiliates) pursuant to this Agreement, such transferor Shareholder shall fully guarantee the performance by the transferee of the obligations under this Agreement.

(d) If all or part of the Shares are to be Transferred to any third party pursuant to this Section 8.1, each Shareholder shall cause its respective nominee on the Board to vote at the relevant Board meeting in favor of such Transfer.

8.2 Right of First Refusal.

(a) Except as provided in Section 8.1(b), after the passage of the Transfer Restriction Period, if a Shareholder wishes to Transfer all or part of its Shares (the "Transferred Shares") to a third party (the "Proposed Transferee"), such Shareholder shall notify the other Shareholder (the "Non-Exiting Shareholder") at least thirty(30) days prior to the planned date of Transfer of the Shares to the Proposed Transferee (the "Transfer Date") with a written notice (the "Transfer Notice") setting forth (i) the type and number of Transferred Shares, (ii) an identity of the Proposed Transferee, (iii) the Transfer price per Share and any other material terms and conditions of the Transfer (the "Transfer Conditions") and (iv) the Transfer Date (the Shareholder issuing a Transfer Notice will be referred to as the "Exiting Shareholder").

(b) If an Exiting Shareholder has issued a Transfer Notice pursuant to Section 8.2(a), the Non-Exiting Shareholder may, by giving written notice to the Exiting Shareholder, choose to purchase the Transferred Shares by itself, or nominate an Affiliate to purchase the Transferred Shares (the "Designated Transferee"), upon the terms and conditions substantially identical to the Transfer Conditions (the "First Refusal Right") within thirty (30) days after receipt of the Transfer Notice (the "Response Period"). If, within the Response Period, the Non-Exiting Shareholder gives a written notice (the "Purchase Offer") to the Exiting Shareholder, setting forth (i) its intention to exercise the First Refusal Right, (ii) the identity of the Designated Transferee, and (iii) the planned date for purchase of the Transferred Shares which must be within thirty (30) days from the date of receipt of the Transfer Notice (the "Planned Purchase Date"), the Exiting Shareholder must Transfer all of the Transferred Shares to the Non-Exiting Shareholder or the Designated Transferee, as the case may be, upon the terms and conditions substantially identical to the Transfer Conditions on the Planned Purchase Date or another day agreed to by the Shareholders.

(c) If (i) the Non-Exiting Shareholder has not made a Purchase Offer to the Exiting Shareholder within the Response Period or (ii) the Exiting Shareholder or the Designated Transferee, as the case may be, has not paid the full Transfer price for the Transferred Shares to the Exiting Shareholder as agreed between the Shareholders (excluding a case where such non-payment is attributable to the Exiting Shareholder), (either referred to as a "Failure to Complete a Purchase Offer"), the Exiting Shareholder is entitled to Transfer the Transferred Shares to the Proposed Transferee upon the terms and conditions no less favorable to the Exiting Shareholder than the Transfer Conditions within one-hundred and eighty (180) days following the Failure to Complete a Purchase Offer, after which time any Transfer shall once again be subject to a First Refusal Right as set forth above .

8.3 Effect of Prohibited Transfer. Any Transfer of Shares in violation of the provisions of this Agreement shall be void *ab initio* and shall transfer no right, title or interest in or to such Shares.

8.4 **Change in Shareholding Ratio.** No later than the fifth anniversary of the date of this Agreement, Panasonic and Tower shall hold good faith discussions regarding Tower's potential purchase of all or part of the Shares then held by Panasonic. For the avoidance of doubt, Tower shall not be obliged to purchase, and Panasonic shall not be obliged to sell, any Shares unless and until the Panasonic and Tower reach a written agreement on the terms and conditions of the sale of the Shares from Panasonic to Tower. If the shareholding ratio of Panasonic in the Company no longer constitute one third (1/3) or more of the issued and outstanding Shares, then the Shareholders shall (a) change the Company's corporate name to remove the word "Panasonic" and (b) notwithstanding anything contained herein to the contrary, will cooperate in amending the Articles of Incorporation and in taking any other actions required so that the written consent of Panasonic will no longer be required with respect to the Shareholder Reserved Protective Matters.

**ARTICLE IX
REPRESENTATIONS AND WARRANTIES**

Each Shareholder represents and warrants to the other Shareholder as follows:

- 9.1 **Organization.** It is duly organized and validly existing under the laws of its jurisdiction of incorporation, and has all authority and capacity necessary to execute this Agreement and perform all its duties hereunder.
- 9.2 **Authorization.** The execution of this Agreement and the performance of all its duties hereunder are conduct within the range of its corporate purpose, and it has lawfully completed all procedures required under Laws applicable to itself or its internal rules.
- 9.3 **Validity.** The execution of this Agreement and the performance of all its duties hereunder do not contravene or violate any Laws applicable to it, nor do they contravene or breach any duties under any agreement to which it is a party.
- 9.4 **Binding Effect.** This Agreement will constitute its lawful, valid and binding obligation, enforceable against it in accordance with the terms and conditions herein, except as the same may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, or similar laws relating to creditors' rights generally and general principles of laws such as prohibition of abuse of rights and principles of trust.

9.5 Litigation. In regards to the execution of this Agreement or the performance of all duties hereunder, no lawsuit, arbitration, conciliation, mediation or other judicial, administrative or private dispute resolution proceedings that might have an adverse impact thereon is pending or proceeding and no facts exist from which it can be reasonably surmised that in the future any such dispute resolution proceeding may be initiated.

9.6 Consent. No consent, authorization, registration, or approval of, or other action by, any Person, including Authority, is required in connection with its execution, delivery, and performance of this Agreement, or if any such consent, authorization, registration, or approval of, or other action is required, it has satisfied such requirements as of the date of this Agreement.

**ARTICLE X
CALL AND PUT RIGHT**

10.1 Tower Call Right. In addition to Tower's other rights and benefits under this Agreement (including the indemnification provisions under Article XII), following the commencement of any Panasonic Default Event, Tower may require that Panasonic sell to either Tower or a Tower Designee all or part of the Shares owned by Panasonic (the "Tower Call Right") at eighty percent (80%) of the Fair Value per Share pursuant to the following procedures:

- (a) To exercise the Tower Call Right, a Tower Party must provide an irrevocable written notice of its exercise of the Tower Call Right (the "Tower Call Notice") to Panasonic no later than ninety (90) days following the commencement of a Panasonic Default Event. The Tower Call Notice shall contain (i) a reasonable description of the event upon which Tower has relied in order to exercise the Tower Call Right, (ii) the number of Shares Tower requires Panasonic to sell and (iii) the identifying information of any Tower Designee, if applicable.

(b) Upon the exercise of the Tower Call Right, Panasonic shall be obligated to sell the number of Shares designated by the Tower Call Notice to Tower (or a Tower Designee) in accordance with the provisions of this Article X.

10.2 Tower Put Right. In addition to Tower's other rights and benefits under this Agreement (including the indemnification provisions under Article XII), following the commencement of any Panasonic Default Event, Tower may require that Panasonic or a Panasonic Designee purchase from Tower all or part of the Shares owned by Tower (the "Tower Put Right") at one-hundred twenty percent (120%) of the Fair Value per Share pursuant to the following procedures:

(a) To exercise the Tower Put Right, Tower must provide an irrevocable written notice of its exercise of the Tower Put Right (the "Tower Put Notice") to Panasonic no later than ninety (90) days following the commencement of a Panasonic Default Event. The Tower Put Notice shall contain (i) a reasonable description of the event upon which Tower have relied in order to exercise the Tower Put Right and (ii) the number of Shares Tower require Panasonic or a Panasonic Designee to purchase.

(b) Upon exercise of the Tower Put Right, Panasonic (or a Panasonic Designee) shall be obligated to purchase the number of Shares designated by the Tower Put Notice in accordance with the provisions of this Article X.

10.3 Panasonic Call Right. In addition to Panasonic's other rights and benefits under this Agreement (including the indemnification provisions under Article XII), following the commencement of any Tower Default Event, Panasonic may require that Tower sell to Panasonic or a Panasonic Designee all or part of the Shares owned by Tower (the "Panasonic Call Right") at eighty percent (80%) of the Fair Value per Share pursuant to the following procedures:

(a) To exercise the Panasonic Call Right, Panasonic must provide an irrevocable written notice of its exercise of the Panasonic Call Right (the "Panasonic Call Notice") to Tower no later than ninety (90) days following the commencement of a Tower Default Event. The Panasonic Call Notice shall contain (i) a reasonable description of the event upon which Panasonic has relied in order to exercise the Panasonic Call Right, (ii) the number of Shares Panasonic requires Tower to sell and (iii) the identifying information of any Panasonic Designee, if applicable.

(b) Upon the exercise of the Panasonic Call Right, Tower shall be obligated to sell the number of Shares designated by the Panasonic Call Notice to Panasonic (or a Panasonic Designee) in accordance with the provisions of this Article X.

10.4 Panasonic Put Right. In addition to Panasonic's other rights and benefits under this Agreement (including the indemnification provisions under Article XII), following the commencement of any Tower Default Event, Panasonic may require that Tower or a Tower Designee purchase from Panasonic all or part of the Shares owned by Panasonic (the "Panasonic Put Right") at one-hundred twenty percent (120%) of the Fair Value per Share pursuant to the following procedures:

(a) To exercise the Panasonic Put Right, Panasonic must provide an irrevocable written notice of its exercise of the Panasonic Put Right (the "Panasonic Put Notice") to a Tower Party no later than ninety (90) days following the commencement of a Tower Default Event. The Panasonic Put Notice shall contain (i) a reasonable description of the event upon which Panasonic has relied in order to exercise the Panasonic Put Right and (ii) the number of Shares Panasonic requires Tower or a Tower Designee to purchase.

(b) Upon exercise of the Panasonic Put Right, Tower (or a Tower Designee) shall be obligated to purchase the number of Shares designated by the Panasonic Put Notice in accordance with the provisions of this Article X.

10.5 Fair Value. Fair Value shall be determined as follows:

(a) The Shareholders shall negotiate in good faith for ten (10) days to reach an agreement on Fair Value. If the Shareholders fail to reach agreement on Fair Value for any reason within such ten (10)-day period, then immediately thereafter the Shareholders shall jointly select an independent reputable appraiser to determine Fair Value. If the Shareholders cannot agree on a mutually acceptable appraiser within ten (10) days, then PriceWaterhouse Coopers (or a designee it selects at its discretion) shall be appointed to conduct the appraisal.

- (b) The appraiser selected in accordance with Section 10.5(a) shall determine the Fair Value, as appropriate and on the following assumptions and bases:
- (i) valuing the Shares to be sold as on an arm's length sale between a willing seller and a willing buyer;
 - (ii) if the Company is then carrying on business as a going concern, on the assumption that it will continue to do so;
 - (iii) that the Shares to be sold are capable of being transferred without restriction; and
 - (iv) valuing the Shares to be sold as a rateable proportion of the total value of all the Shares of the Company without any premium or discount being attributable to the equity interests to be sold.
- (c) The Shareholders shall use their best efforts to cause the appraiser to complete its appraisal within sixty (60) days after its appointment.
- (d) Tower and Panasonic shall pay one-half of the fees, costs, and expenses of all appraisers used in connection with this Section 10.5, and the Fair Value determination made by the appraiser shall be binding on all Parties without the right to appeal.

10.6 Option Closing. Any sale and purchase of the Shares pursuant to this Article X shall be consummated as soon as reasonably practicable after the Tower Call Notice, the Tower Put Notice, the Panasonic Call Notice or the Panasonic Put Notice, as applicable. The Shareholders shall cooperate in good faith with respect to all actions necessary and appropriate to effect such sale and purchase, including (i) executing all reasonably requested documentation, (ii) causing their respective nominees on the Board to vote in favor of any required approval to effect the sale and purchase of the Shares pursuant to this Article X at the relevant Board meetings, and (iii) acquiring all required approvals and consents from, and the making of all required applications, notifications or filings to or with, all Authorities.

ARTICLE XI
EFFECT AND TERMINATION OF THIS AGREEMENT

11.1 Effect of this Agreement. This Agreement shall take effect on the date hereof, subject to the Closing, and shall remain in effect unless this Agreement is terminated in accordance with Section 11.2(a).

11.2 Termination.

(a) This Agreement shall immediately terminate (except for the matters set forth in Section 11.2(b)) without further action by any of the Parties as of the date (i) a Shareholder no longer owns any Shares, except as set forth in Section 8.1(c), (ii) unanimously agreed in writing by the Parties, or (iii) the Company is dissolved and liquidated.

(b) If this Agreement is terminated in accordance with its terms, then this Agreement shall become null and void and of no further force and effect. The termination of this Agreement shall not release any Party from any liability or obligation which has already accrued as of or before the effective date of termination. Article I, this Section 11.2(b), and Articles XII and XIII shall survive any termination of this Agreement, and any such termination of this Agreement shall only be effective prospectively and shall not affect the validity of the transactions conducted under this Agreement before such termination.

ARTICLE XII
INDEMNIFICATION

12.1 Indemnification. Each Shareholder (an "Indemnifying Party"), shall indemnify and hold harmless the other Shareholder, the Company, and its respective directors, officers, employees and agents (each an "Indemnified Person") from and against all losses suffered or incurred by any Indemnified Person based upon, arising out of or in connection with, any breach of any representation or warranty of the Indemnifying Party or any failure or refusal of the Indemnifying Party to observe or perform any of its obligations under this Agreement.

ARTICLE XIII
MISCELLANEOUS PROVISIONS

13.1 Expenses. Each party shall bear its own expenses with respect to this Agreement and the transactions contemplated hereby, including the preparation, negotiation and execution of this Agreement.

13.2 Amendment. This Agreement may be amended, modified or supplemented only by a writing signed by the Parties.

13.3 Notices. Any notice, request, instruction or other document to be given hereunder by a Party shall be in writing and in English, and shall be deemed to have been given, (i) when received if given in person, (ii) on the date of transmission if sent by telex, telecopy, e-mail or other wire transmission (provided that a written confirmation of receipt is obtained) or (iii) seven (7) days after it is mailed by certified or registered first class air mail postage prepaid:

(a) If to Panasonic, addressed as follows:

Panasonic Corporation
1 Kotariyakemachi, Nagaokakyo City, Kyoto, 617-8520, Japan
Attention: Akihiro Yamamoto
General Manager
Business Development
Semiconductor Business Division
Automotive & Industrial Systems Company
Email: yamamoto.aki@jp.panasonic.com

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

Nishimura & Asahi
Ark Mori Building
1-12-32 Akasaka
Minato-ku, Tokyo 107-6029, Japan
Attention: Yuji Shiga, Esq.
Email: y_shiga@jurists.co.jp

(b) If to any Tower Party, addressed as follows:

Tower Semiconductor Ltd.
Ramat Gavriel Industrial Park, 20 Shaul Amor Avenue, P.O. Box 619, Migdal Haemek 23105, Israel
Attention: Nati Somekh
Senior VP and Chief Legal Officer
Email: natiso@towersemi.com

with a copy (which shall not constitute notice) to:
Yigal Arnon & Co.
Law Firm
1 Azrieli Center,
Tel Aviv 67021, Israel
Attention: David Schapiro, Adv.
Email: davids@arnon.co.il

(c) If to the Company, addressed as follows:

TowerJazz Panasonic Semiconductor Co., Ltd
800 Higashiyama, Uozu City, Toyama, 937-8585, Japan
Attention: Guy Eristoff, CEO
Email: eristoff.guy@kk.jp.panasonic.com

or to other individuals or addresses as a Party may designate for itself by delivering a notice as provided herein.

13.4 Waivers. No waiver by a Party of any condition or of any breach of any term, covenant, representation or warranty contained in this Agreement shall be effective unless in writing, and no waiver in any one or more instances shall be deemed to be a further or continuing waiver of any such condition or breach in other instances or a waiver of any other condition or breach of any other term, covenant, representation or warranty. All remedies, either under this Agreement, by law or otherwise afforded, will be cumulative and not alternative.

13.5 Applicable Law; Dispute Resolution.

(a) This Agreement shall be governed by and construed in accordance with the laws of Japan.

(b) Any dispute, action or proceeding arising out of or in connection with this Agreement, including any question regarding its existence, validity, binding effect, breach, amendment or termination, which cannot be resolved amicably between the Parties shall be settled by arbitration in Singapore under the rules of the Singapore International Arbitration Centre ("SIAC Rules") by a single arbitrator to be appointed by the Shareholders or, failing agreement within fourteen (14) days after any Shareholder has given to the other Shareholder a written request to concur in the appointment of an arbitrator, a single arbitrator to be appointed on the request of any Shareholder by the President of the Court of Arbitration of the Singapore International Arbitration Centre and such submission shall be a submission to arbitration in accordance with the SIAC Rules as then in force by which the Parties in dispute agree to be so bound. The arbitration shall be conducted wholly in the English language.

13.6 Binding Nature; Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties. Except as set forth in Section 8.1(c), neither this Agreement nor any of the rights, interest or obligations hereunder shall be assigned by any of the Parties (by operation of law or otherwise) without the prior written consent of the other Parties. Notwithstanding the aforementioned, without the need for the consent of the Company or Panasonic, Tower may assign its rights to receive payments under this Agreement, to its Israeli lender banks and the Company will promptly acknowledge any notice of assignment delivered by Tower in favor of its lender banks in accordance with the aforementioned.

13.7 No Third Party Beneficiaries. This Agreement is solely for the benefit of the Parties and no provision of this Agreement shall be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or any other right in excess of those existing without reference to this Agreement. Nothing contained herein shall be deemed to give rise to any personal obligation of any director, officer, stockholder, partner, member, manager, principal or any employee of any Party by reason of any breach or violation of any of the provisions hereof or otherwise, and no Party shall have any right against, or be entitled to sue or seek any recovery from, any such Persons.

13.8 Entire Agreement. This Agreement sets forth the entire agreement and understanding of the Parties in respect to the subject matter hereof and supersedes all prior agreements, arrangements and understandings relating to the subject matter hereof.

13.9 Language. This Agreement is entered into in the English language. In the event of any dispute concerning the construction or meaning of this Agreement, the text of the Agreement as written in the English language shall prevail over any translation of this Agreement that may have been made.

13.10 Confidentiality.

(a) The Parties shall keep the following information strictly confidential: (i) the course of events and the negotiation process leading to the formation of this Agreement, (ii) the particulars of this Agreement, (iii) information disclosed by the other Parties in relation to this Agreement (regardless of whether disclosed in writing, orally, by means of an object or by means of an electronic medium), and (iv) non-public information relating to the Company (the information described in (i) through (iv) will be referred to as "Confidential Information"). The Parties may not disclose or divulge Confidential Information to third parties and shall use Confidential Information only for the purposes of exercising their rights, performing their duties hereunder or operating the Company Business. The Parties may not use Confidential Information for any other purpose. Information falling under (iii) or (iv) above to which any of the following apply will not be included in Confidential Information:

- (i) Information that at time of disclosure or receipt was already publicly known or generally available;
- (ii) Information that, following disclosure or receipt, became publicly known or generally available by means that are not attributable to the Party that received or obtained such information;
- (iii) Information disclosed by a third party not owing a duty of confidentiality to the disclosing Party; and

- (iv) Information a Party developed or obtained independently without using Confidential Information.
- (b) Section 13.10(a) shall not apply in the following cases if disclosure or announcement is made to the extent of such necessity, request or consent:
 - (i) In a case where, for the aforementioned purpose, it is necessary to make disclosure to its directors, officers and employees, its Affiliates, their advisors or their financial sponsors; provided, however, that a breach of the confidentiality duty by any such director, officer, employee or advisor shall, for the purposes of this Section 13.10, be deemed a breach of the Party that disclosed Confidential Information to such director, officer, employee, Affiliates, their advisor or financial sponsor.
 - (ii) In a case where, for the purpose set forth in Section 13.10(a), it is necessary to make disclosure to an attorney, certified public accountant, tax accountant or other professional bearing a statutory duty of confidentiality equal to or greater than the duty pursuant to this Section 13.10.
 - (iii) In a case where disclosure or announcement is required under laws and regulations, the rules of a stock exchange or the order of a court; provided, however, that if such a request has been received, the Party that received such request shall immediately notify the other Parties to that effect and make disclosure of the minimum content to the minimum extent necessary under applicable laws or rules.
 - (iv) In a case where the Party that disclosed the Confidential Information has given advanced written consent to the disclosure, including with respect to the timing, content and method.
- (c) The duties stipulated in this Section 13.10 will survive for five (5) years after termination of this Agreement.

13.11 Counterparts. This Agreement may be executed simultaneously in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the Parties have prepared this Agreement in quadruplicate, and following execution by signature, each shall retain one counterpart.

April 1, 2014

PANASONIC:

TOWER:

COMPANY:

BUSINESS TRANSFER AGREEMENT

PANASONIC CORPORATION

TOWERJAZZ PANASONIC SEMICONDUCTOR CO., LTD.

TOWER SEMICONDUCTOR LTD.
(as third party beneficiary)

APRIL 1, 2014
JAPAN

BUSINESS TRANSFER AGREEMENT

This business transfer agreement (this "**Agreement**") is made and entered into as of April 1, 2014, 1:00 am Japan time, by and between:

- (1) Panasonic Corporation, a Japanese corporation having its place of business at 1 Kotariyakemachi, Nagaokakyo City, Kyoto, 617-8520, Japan (the "**Seller**"); and
- (2) TowerJazz Panasonic Semiconductor Co., Ltd., a Japanese corporation having its place of business at 800 Higashiyama, Uozu City, Toyama 937-8585, Japan (the "**Purchaser**," together with the Seller, the "**Parties**" and each a "**Party**").

1. INTERPRETATION

In this Agreement, unless the subject or context otherwise requires:

- 1.1 The following words and expressions shall have the following meanings:

"**Actual Assets Amount**" shall have the meaning ascribed thereto in Article 4.1 of this Agreement.

"**Agreement**" shall have the meaning ascribed thereto in the preamble of this Agreement.

"**Arai Site**" means the factory site owned by the Seller and is located at Kurihara 4-5-1, Myoko-shi, Niigata.

"**Assets**" means the assets of the Seller specified in Schedule 1.1(a).

"**Business Transfer**" means the transfer (*jigyo-joto*) of the Transferred Business contemplated by this Agreement.

"**Closing Date**" means April 1, 2014, 1:00am Japan time/March 31, 2014, 7:00pm Israel time, or a date otherwise agreed in writing by the Parties.

"**Contracts**" means the contracts of the Seller specified in Schedule 1.1(b).

"**Corporate Bond**" means the corporate bond issued by the Purchaser of which terms and conditions are as set forth in Schedule 1.1(e).

"**Employees**" mean the Seller's employees, totaling approximately 1950 employees, engaging in the Transferred Business contemplated to be operated by the Purchaser as set forth in the Joint Venture Formation Agreement, and listed in the Schedule 1.1.(c), which schedule will list: (1) the employees who will work in the Transferred Business and (2) employees who will be working in the Seller's facilities pursuant to the Outsourcing Agreement to be signed between the Parties hereto, including the names of the employees, department, professional title per division and per fab.

“**Estimated Assets Amount**” is JPY 4,033,555,072 (which is an estimated value amount (book value in JPY under JAPAN-GAAP which the Seller complies with) of the Assets (other than cash) as of March 31, 2014) as detailed in Schedule 1.1(a).

“**Excluded Items**” means the contracts, debts and assets of the Seller specified in Schedule 1.1(d).

“**Governmental Order**” means any order, judgment, injunction, decree, writ, stipulation, determination or award, in each case, entered by or with any Governmental Authority.

“**Hokuriku Sites**” means the Arai Site, the Tonami Site and the Uozu Site.

“**Liabilities**” shall have the meaning ascribed thereto in Article 2.2(a).

“**JPY**” means the lawful currency of Japan.

“**Joint Venture Formation Agreement**” means the joint venture formation agreement dated December 20, 2013 entered into by and between the Seller and Tower Semiconductor Ltd., an Israeli corporation having its principal place of business at Ramat Gavriel Industrial Park, 1 Shaul Amor Avenue, P.O. Box 619, Migdal Haemek 23105, Israel.

“**Newly Executed Contracts**” means the contracts to be executed between the Purchaser and third parties with respect to certain agreements which the Seller determined would not be transferred to Purchaser as Contracts, and which are listed in Schedule 1.1(f).

“**Party**” and “**Parties**” shall have the meanings ascribed thereto in the preamble of this Agreement.

“**Purchase Price**” means JPY 8.8 billion, representing the value of the Transferred Business as of the Closing Date.

“**RDL Site**” means re-distributing layer of Arai E, which is the wafer process facilities for 8 inch Si and Cu RDL Process facilities, located at 4-5-1 Kurihara, Myokyo, Niigata Prefecture, Japan.

“**Secondment Agreement**” means a secondment agreement dated as of the Closing Date between the Parties.

“**Seller**” shall have the meaning ascribed thereto in the preamble of this Agreement.

“**Seller's Notification**” shall have the meaning ascribed thereto in Article 4.1 of this Agreement.

“**Shareholders Agreement**” shall mean a shareholder agreement dated as of the Closing Date among the Seller, the Purchaser and Tower.

“**Tonami Site**” means the factory site owned by the Seller and is located at Higashi-Kaihotsu 271, Tonami-shi, Toyama.

“**Tower**” means Tower Semiconductor Ltd., an Israeli corporation having its place of business at Ramat Gavriel Industrial Park, 1 Shaul Amor Avenue, Migdal Haemek 23105, Israel.

“**Transferred Business**” means the business of fabrication conducted by the Seller at some buildings of the Hokuriku Sites as of the Closing Date and specified in Schedule 1.1(g), including without limitation applicable Contracts and Assets.

“**Uozu Site**” means the factory site owned by the Seller and is located at Higashiyama 800, Uozu-shi, Toyama.

- 1.2 Any reference to a statutory provision shall include such provision and any regulations made in pursuance thereof as from time to time modified or re-enacted whether before or after the date of this Agreement so far as such modification or re-enactment applies or is capable of applying to any transactions entered into prior to completion and (so far as liability thereunder may exist or can arise) shall also include any past statutory provisions or regulations (as from time to time modified or re-enacted) that such provisions or regulations have directly or indirectly replaced;
- 1.3 References to “**Clauses**” and the “**Schedule**” are to clauses of and the Schedule to this Agreement and references to this “**Agreement**” shall mean this Agreement and the Schedule;
- 1.4 The headings in this Agreement are for convenience only and shall not affect the interpretation hereof; and
- 1.5 Unless the context otherwise requires, references to the singular number shall include references to the plural number and vice versa, references to natural persons shall include bodies corporate, and the use of any gender shall include all genders.

2. AGREEMENT TO TRANSFER THE TRANSFERRED BUSINESS

2.1 Scope of the Transferred Business

Upon the terms and subject to the conditions of this Agreement, the Seller shall sell and the Purchaser shall purchase the Transferred Business as a going concern.

For the avoidance of doubt, the Excluded Items listed in Schedule 1.1(d) are not included in the Transferred Business.

2.2 Acknowledgement of Liabilities

(a) Upon the terms and subject to the conditions of this Agreement, the Purchaser shall, effective at the time of the Closing, assume all liabilities, obligations, contingencies, claims, disputes or damages (the “**Liabilities**”), performed after the Closing Date that arise from or relate to the Transferred Business; provided, however, that the Purchaser shall not assume or be liable for (i) any such Liabilities of the Seller incurred or accrued prior to the Closing Date or thereafter arising from or relating to the Excluded Items, which shall be borne exclusively by the Seller, (ii) any such Liabilities incurred or accrued by the Transferred Business, in each case prior to the Closing Date, whether known or unknown to the Parties as of the Closing Date, or triggered by the Business Transfer, even if actually paid after the Closing Date, shall be borne by the Seller; (iii) any such Liabilities of the Seller incurred or accrued arising from or relating to (1) the Specified Seconded Employees who are seconded under the Secondment Agreement B entered into by and between the Parties; and (2) the seconded employees after the Closing Date, who are seconded under the Secondment Agreement C entered into by and between the Parties, all of which shall be borne exclusively by the Seller; and (iv) (a) any termination Liabilities incurred or accrued prior to the Closing Date or (b) any other termination Liabilities agreed to be borne by the Seller in Shareholders Agreement or any of Ancillary Agreements (Liabilities which arise from or relate to the Transferred Business after the Closing Date, excluding the abovementioned liabilities, are hereinafter called the “**Assumed Liabilities**”).

(b) The Purchaser shall not assume or be liable for any Liabilities of the Seller other than the Assumed Liabilities.

3. CLOSING OF BUSINESS TRANSFER

- 3.1 On or prior to the Closing Date, the Purchaser shall pay the Purchase Price to the Seller by issuing and delivering the Corporate Bond to the Seller, and applicable consumption tax (*shohi-zei*) by cash. The Corporate Bond shall be issued as soon as possible following the Closing Date and no later than one week thereafter.
- 3.2 Upon payment of applicable consumption tax (*shohi-zei*) by cash, in consideration of the payment of the Purchase Price by the Purchaser, the Seller shall transfer the Transferred Business to the Purchaser on the Closing Date.
- 3.3 On the Closing Date or promptly thereafter (in case where the business of the Purchaser will not be negatively affected even if the Purchaser does not enter into such Newly Executed Contracts on the Closing Date), the Purchaser shall enter into the Newly Executed Contracts.

4. POST-CLOSING ADJUSTMENT

4.1 Calculation of the Actual Assets Amount

- (a) By no later than April 10, 2014, the Seller shall provide the final value amount (book value in JPY under JAPAN-GAAP which the Seller complies with) and final quantities of the Assets and reasonable supporting documents (other than cash) as of March 31, 2014 (for WIP, raw materials and spare parts, as of 8:30 AM (Japan Time); (the "Actual Assets Amount"), and shall notify the amount with the reasonable supporting documents to the Purchaser in writing thereof. The Purchaser shall cooperate in order to enable the Seller to finalize its calculation.

- (b) If the Purchaser agrees on the amount notified by the Seller (the "Notified Assets Amount"), or does not notify any proposal to modify the Notified Assets Amount to the Seller within 10 business days from the receipt of the notification from the Seller (the "Seller's Notification"), the Notified Assets Amount shall be the Actual Assets Amount.
- (c) If the Purchaser has a proposal to modify the Notified Assets Amount, the Purchaser shall notify the proposal to the Seller in writing within 10 business days from the receipt of the Seller's Notification, and shall have good faith discussions to determine the amount with the Seller. If the Parties do not agree on the amount within 30 calendar days from the receipt of the Seller's Notification, a reputable accounting firm determined by the Parties shall review the Notified Assets Amount and determine the Actual Assets Amount. The costs and expenses to be paid to the accounting firm shall be equally borne by the Parties.

4.2 If the amount obtained by deducting the Estimated Assets Amount from the Actual Assets Amount is a positive figure, the Purchaser shall pay to the Seller an amount equal to such difference as an increase in consideration for the Transferred Business, within 30 calendar days from the date on which the Actual Assets Amount is determined in accordance with Section 4.1 (b) or (c).

4.3 If the amount obtained by deducting the Estimated Assets Amount from the Actual Assets Amount is a negative figure, the Seller shall pay to the Purchaser an amount equal to such difference as a reduction from the consideration for the Transferred Business, within 30 calendar days from the date on which the Actual Assets Amount is determined in accordance with Section 4.1 (b) or (c).

5. CONDITIONS PRECEDENT

The obligations of the Seller and the Purchaser to consummate the sale and purchase of the Transferred Business are conditional upon satisfaction of the following conditions as of the Closing Date:

- 5.1 The Joint Venture Formation Agreement having been entered into between the Seller and Tower and remaining in full force and effect and there is no cause (including any threats thereof) for termination, cancellation or nullification thereof;
- 5.2 There being no Governmental Order, statute, rule or regulation enjoining or prohibiting the consummation of the Business Transfer or the transactions contemplated by the Joint Venture Formation Agreement.

6. COVENANTS

- 6.1 The Parties shall cooperate and coordinate with each other with respect to the satisfaction of the conditions set forth in Article 4.

- 6.2 The Seller shall second Employees to the Purchaser from the Closing Date to September 30, 2014 in accordance with the Secondment Agreement, and the Purchaser shall employ the Employees on October 1, 2014 or a date otherwise agreed between the Parties.
- 6.3 The Seller hereby undertakes to (i) use its best efforts to continue to outsource the Services (as defined in the Outsourcing Agreement) to the Purchaser and not to determine to close any of Panasonic Outsourcing Line (as defined in the Shareholders Agreement) for so long as the Seller is a shareholder of the Purchaser and/or needs to procure the Panasonic Products (Outsourcing) (as defined in the Shareholders Agreement), and (ii) hold good faith discussions with the Purchaser before it determines to close any Panasonic Outsourcing Line and treatment of any possible employment termination of Panasonic Outsourcing Line Employees (as defined in the Shareholders Agreement).
- 6.4 In addition to Section 7.1, for the first five (5) years from the Closing Date, the Seller shall make its best effort so that the Purchaser can have the benefit of all of the Material Contracts (as defined in the Joint Venture Formation Agreement), including Intellectual Property (as defined in the Joint Venture Formation Agreement) and any rights thereto, and any software licenses for tools, intellectual property licenses and others, which are required, as of the Closing Date, to perform the Transferred Business (as defined in the Joint Venture Formation Agreement). In the event that, despite such best effort by the Seller, the Purchaser fails to have such benefit due to a reason attributable to the Seller, the Seller shall compensate the Purchaser for any losses arising out of such Purchaser's failure. In the event that there is any dispute regarding the cause of the failure between the Parties, the Parties shall have good faith discussions.
- 6.5 The Purchaser shall use its best efforts to maintain employment of employees engaged in Panasonic Outsourcing Lines (the "Panasonic Outsourcing Line Employees") by redeployment or any other method in the event of the reduction of production volumes of Panasonic Products (Outsourcing). The Purchaser shall provide the Seller with prior notification regarding layoffs. If, in spite of the Purchaser's and the Seller's best efforts, the Purchaser decides to reduce the number of the Panasonic Outsourcing Line Employees, the Seller hereby undertakes to hold good faith discussions in advance with the Purchaser about the treatment of such Panasonic Outsourcing Line Employees. If any Panasonic Outsourcing Line Employees are unilaterally terminated by the Purchaser pursuant to a decision to reduce the number of Panasonic Outsourcing Line Employees, and any such terminated Panasonic Outsourcing Line Employees bring a claim against the Purchaser based on such unilateral termination, the Seller hereby undertakes to hold good faith discussions in advance with the Purchaser about the treatment of such terminated Panasonic Outsourcing Line Employees. Further, if any such Panasonic Outsourcing Line Employee is reinstated as an employee of the Purchaser, the Seller hereby undertakes to hold good faith discussions in advance with the Purchaser about the treatment of such Panasonic Outsourcing Line Employee.

7. REPRESENTATIONS AND WARRANTIES

- 7.1 In accordance with the Joint Venture Formation Agreement, the Seller represents and warrants the following statements are true and correct as of the Closing Date:
- (a) The Seller will assign to the Purchaser or procure for the Purchaser to have the benefit of all the Material Contracts (as defined in the Joint Venture Formation Agreement) and all of the contracts which are required to perform the Transferred Business to the Purchaser with the same or substantially similar terms and conditions as of the Closing Date in accordance with this Agreement and applicable Laws, and ensure that any Liability incurred before the Closing Date will not be transferred to the Purchaser.
 - (b) All material Intellectual Property (as defined in the Joint Venture Formation Agreement) and material rights to Intellectual Property necessary to conduct the Transferred Business as currently conducted, are (A) owned by the Seller and will be licensed to the Purchaser as of the Closing in accordance with the Panasonic IP License Agreement (as defined in the Joint Venture Formation Agreement) (with respect to the trade name "Panasonic," the use thereof shall be limited to the corporate name of the Purchaser), (B) licensed to the Seller and the Seller shall (a) assign or sub-license or otherwise enable the Purchaser to use those such rights licensed to the Seller that do not require third party consent, (b) use its best efforts to either assign, sub-license or otherwise enable the Purchaser to use those such rights that require third party consent to the Purchaser with respect to the Intellectual Properties listed in the Panasonic Disclosure Letter (as defined in the Joint Venture Formation Agreement), and (c) use all its best efforts for the Purchaser to be able to conduct the Transferred Business as currently conducted without using such Intellectual Property or rights; or (C) otherwise in the possession or control of the Seller to the extent necessary to conduct the Transferred Business as currently conducted and as will be conducted following the Closing.
 - (c) The Seller has, and at the Closing, the Purchaser will have, full title and ownership of, or has a valid and enforceable license to, all of the Assets and such Assets enable the Seller, and after formation, the Purchaser to carry on the Transferred Business without any conflict with or infringement of the material rights of any third party and free and clear of any Encumbrances other than security interests attached for the Long Term Corporate Bond or the Short Term Corporate Bond.
- 7.2 The Seller's representations and warranties in Section 7.1 (the "Seller's Warranties") are subject to all matters clearly disclosed, provided or noted (to the extent so disclosed, provided or noted) in the Financial Statements (as defined in the Joint Venture Formation Agreement).

8. INDEMNIFICATION

- 8.1 Subject to the limitations set forth in Section 8.2, hereof, the Seller shall indemnify the Purchaser from and against any and all losses to the extent arising out of or resulting from (i) any inaccuracy of any the Seller's Warranty (the "Seller Warranty Breach") or (ii) any breach of the Seller's obligations under this Agreement.

8.2 Limitation of Liability.

(a) Time Limitation for Certain Claims.

The Seller shall not be liable under this Agreement in respect of any claim with respect to the Seller Warranty Breach unless a notice of the claim is given by the Purchaser specifying the matters set forth in Section 8.3 within two (2) years following the Closing Date.

(b) Basket.

No indemnification shall be payable by Seller for any the Seller Warranty Breach unless and until the amount of all losses due to any the Seller Warranty Breach against the Purchaser exceeds 10 million Japanese Yen (¥10,000,000) (the "Basket"); whereupon, subject to Section 8.2(c), indemnification by the Seller shall be payable for all such Losses (including the Basket amount).

(c) Maximum Liability.

The aggregate amount of the liability of the Seller in respect of all claims under this Agreement with respect to the Seller Warranty Breach other than claims resulting from an intentional breach of this Agreement shall not exceed 1 billion Japanese Yen (¥1,000,000,000).

8.3 Claims

(a) Notification of Potential Claims.

If the Purchaser becomes aware of any matter or circumstance that may give rise to a claim against the Seller under this Agreement, then the Purchaser shall as soon as reasonably practicable provide notice in writing to the Seller, setting out the legal and factual basis of the claim including the information available to and known by the Purchaser, as is reasonably necessary to enable the Seller to assess the merits of the claim, to act to preserve evidence and to make such provision as it may consider necessary or useful. Failure to provide such notice will not restrict the Purchaser from making the relevant claims under this Agreement, unless such failure adversely impacted the Seller's ability to defend itself from such claim.

(b) Notification of Claims under this Agreement.

Notices of claims under this Agreement shall be given promptly by the Purchaser to the Seller within the time limits specified in Section 8.2(a), specifying the legal and factual basis of the claim as provided in Section 8.3(a), and, if practicable, an estimate of the amount of Losses which are, or are to be, the subject of the claim (including any losses which are contingent on the occurrence of any future event).

8.4 Avoidance of Duplicate Indemnification

For the avoidance of doubt, the losses indemnified by the Seller hereunder shall be deducted from the amount of indemnification liabilities owed by the Seller under the Joint Venture Formation Agreement, to the extent that these liabilities would constitute double counting.

9. TERMINATION

- 9.1 If the transfer of the Transferred Business to the Purchaser is not duly completed by May 15, 2014, either Party may terminate this Agreement by providing written notice to the other Party without incurring any liability to such other Party.
- 9.2 The Parties may terminate this Agreement by their mutual written consent.
- 9.3 The following clauses shall survive the termination of this Agreement: Articles 1, 9.3, and 10.1 through 10.4.

10. MISCELLANEOUS PROVISIONS

10.1 Expenses

Except as specifically provided otherwise in the transaction documents, each Party shall bear its own expenses with respect to the transactions contemplated hereby.

10.2 Amendment

This Agreement may be amended, modified or supplemented only in writing signed by the Parties, subject to the receipt of the written consent of Tower, as a third party beneficiary, to the proposed amendment. Such written consent of Tower may not be unreasonably withheld.

10.3 Governing Law; Jurisdiction

- (a) This Agreement shall be governed by and construed in accordance with the laws of Japan.
- (b) Any dispute, action or proceeding arising out of or in connection with this Agreement, including any question regarding its existence, validity, binding effect, breach, amendment or termination shall be subject to the non-exclusive jurisdiction of the Tokyo District Court.

10.4 Good-Faith Discussions

For any matter not provided for in this agreement or that is disputed by the Parties, the Parties shall hold good faith discussions and resolve such matter amicably.

IN WITNESS WHEREOF, this Agreement has been duly executed.

SIGNED by []
on behalf of Panasonic Corporation

SIGNED by [Name]
on behalf of [*Name of Purchaser*]

SIGNED by []
on behalf of Tower Semiconductor Ltd.
(as third party beneficiary)

PORTIONS OF THIS AGREEMENT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24b-2 OF THE SECURITIES EXCHANGE ACT OF 1934; [***] DENOTES OMISSIONS.

MANUFACTURING AGREEMENT

This MANUFACTURING AGREEMENT (this "Agreement") is entered into as of April 1, 2014 (the "Effective Date") between PANASONIC CORPORATION, a Japanese corporation having its place of business at 1 Kotariyakemachi, Nagaokakyo City, Kyoto, 617-8520, Japan ("Panasonic") and TOWERJAZZ PANASONIC SEMICONDUCTOR CO., LTD., having its principal place of business at 800 Higashiyama, Uozu City, Toyama 937-8585, Japan (the "Company"). Panasonic and the Company are referred to herein collectively as the "Parties" and individually as a "Party."

RECITALS

WHEREAS, Tower Semiconductor Ltd., an Israeli corporation having its corporate headquarters at Ramat Gavriel Industrial Park, 1 Shaul Amor Avenue, P.O. Box 619, Migdal Haemek 23105, Israel ("Tower") and Panasonic have entered into the Joint Venture Formation Agreement, dated as of December 20, 2013 (as amended, modified or supplemented from time to time in accordance with its terms, the "JV Agreement"), pursuant to which, on the Closing Date, Panasonic shall contribute the Contribution Shares to Tower and Tower shall issue the New Tower Shares to Panasonic, upon the terms and subject to the conditions set forth in the JV Agreement; and

WHEREAS, the JV Agreement provides for the execution and delivery of this Agreement pursuant to which the Company will manufacture and supply to Panasonic certain products, subject to the terms and conditions set forth herein.

NOW THEREFORE, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE I. DEFINITIONS

SECTION 1.1 Definitions. For purposes of this Agreement, (a) unless otherwise defined herein all capitalized terms used herein shall have the same meanings as set forth in the JV Agreement and (b) the following capitalized terms shall have the meanings set forth below:

"Agreement" has the meaning set forth in the Preamble of this Agreement.

"Binding Period" has the meaning set forth in Section 2.4 of this Agreement.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in Tokyo, Japan are closed.

"Change of Control" means the acquisition, by any means, by one or more third parties, of control of a Person. "Control" means the possession, of a majority of the outstanding or voting shares of the relevant entity.

“Company” has the meaning set forth in the Preamble of this Agreement.

“Confidential Information” has the meaning set forth in Section 10.1 of this Agreement.

“Defect” has the meaning set forth in Section 4.1 of this Agreement.

“Demand Forecast” has the meaning set forth in Section 2.4 of this Agreement.

“Die Yield Rate” means the quotient calculated by the following formula as an average for the last twelve (12) months:

$$\text{Die Yield Rate (\%)} = \frac{\text{number of non-defective chips per wafer}}{\text{total number of gross chips per wafer}} \times 100$$

“Effective Date” has the meaning set forth in the Preamble to this Agreement.

“Forecast Date” has the meaning set forth in Section 2.4 of this Agreement.

“Initial Term” has the meaning set forth in Section 9.1 of this Agreement.

“JV Agreement” has the meaning set forth in the Recitals of this Agreement.

“Lead Time Schedule” has the meaning set forth in Section 3.2 of this Agreement.

“Lead Time Period” means a lead time period to be mutually agreed on a category to category of Products basis between the Parties.

“Leased Equipment” has the meaning set forth in Section 6.1 of this Agreement.

“Location” has the meaning set forth in Section 3.3 of this Agreement.

“Minimum Die Yield Rate” means the minimum Die Yield Rate to be mutually agreed on a per Products basis between the Parties.

“Manufacturing” has the meaning set forth in Section 2.1 of this Agreement.

“New Intellectual Property Rights” mean any and all intellectual property rights and interests, which include but not limited to rights and interests under Articles 27 and 28 of the Copyrights Act, inventions, improvements, designs, original works of authorship, formulas, processes, compositions of matter, computer software programs, databases, mask works, trade secrets and information asset, created, developed, arising, acquired or obtained in the course of or in connection with performing the Manufacturing.

“Order Confirmation” has the meaning set forth in Section 2.2 of this Agreement.

“Panasonic” has the meaning set forth in the Preamble of this Agreement.

“Panasonic IP License Agreement” means certain intellectual property license agreement entered into by and between Panasonic and the Company as of the Effective Date.

“Parties” and “Party” have the meaning set forth in the Preamble of this Agreement.

“PCM Inspection” means an inspection of Products by process control module.

“PCM Standard” means standard for PCM Inspection to be reasonably designated on a Products basis as mutually agreed by the Parties.

“Price Table” means a list of prices per wafer, per category of product, per Transferred Facility (Uozu, Tonami or Arai), ordered hereunder for each category of Products and per each Transferred Facility attached hereto as Exhibit A, as may be amended in accordance with the terms of this Agreement.

“Prime Wafer Price” means the prime wafer cost divided by the Target Yield ***.

“Probing Inspection” means a probing inspection of all chips of Products.

“Probing Standard” means standard for Probing Inspection to be mutually agreed by the Parties.

“Products” means Semiconductor Device Wafers that the Company will manufacture and supply to Panasonic pursuant to this Agreement.

“Purchase Order” has the meaning set forth in Section 2.2 of this Agreement.

“Purchase Prices” has the meaning set forth in Section 5.1 of this Agreement.

“Renewal Term” means a one-year period starting after either of the Initial Term or the previous Renewal Term, as applicable, and ending one year thereafter.

“Representative” means, with respect to any Party, any director, officer, employee, advisor, agent, successor or assign of such Party and of such Party's Affiliates.

“Semiconductor Device Die” means a unitary electronic device including semiconductive material as an operable part thereof and comprising one or more active and/or passive circuit elements for performing electrical or electronic functions, which device may include multiple electrodes and/or means for contacting or interconnecting such elements.

“Semiconductor Device Wafer” means multiple Semiconductor Device Dies formed on or in a single wafer of semiconductive material.

“Specifications” has the meaning set forth in Section 2.3 of this Agreement.

“Standard Die Yield Rate” means the standard Die Yield Rate to be mutually agreed on a Products basis between the Parties.

“Subcontractor” means any person or corporation, approved in advance by Panasonic in writing, to which the Company subcontracts all or any part of Manufacturing in accordance with Section 8.7, and subcontractors already used by Panasonic for Manufacturing prior to the Effective Date which shall not require any written approval.

“Target Yield” means the actual yield during the previous twelve (12) months, per product, per Transferred Facility (Uozu, Tonami or Arai) as set in Exhibit B.

“Term” means the Initial Term and all Renewal Terms, unless terminated earlier in accordance with the terms of this Agreement.

“Tower” has the meaning set forth in the Recitals of this Agreement.

“Transferred Facilities” means facilities to be transferred from Panasonic to the Company based on the Business Transfer Agreement between the Parties dated as of April 1, 2014.

“Warranty Period” means three years regarding Products that passed automotive qualification, and one year regarding other Products.

ARTICLE II. MANUFACTURING

SECTION 2.1 Manufacturing. The Company shall manufacture and supply to Panasonic the Products (the “Manufacturing”) on the terms and conditions set forth in this Agreement.

SECTION 2.2 Purchase Orders. During the Term, Panasonic may send purchase orders for Manufacturing (“Purchase Orders”) in writing by e-mail or any other electromagnetic method to be separately agreed between the Parties in accordance with the Lead Time Schedule, and such other terms as agreed to between the Parties and in line with the Demand Forecast and this Agreement. The Company shall send a response (the “Order Confirmation”) to any such Purchase Order in writing by e-mail or any other electromagnetic method to be separately agreed between the Parties within two (2) Business Days from receipt thereof. The Order Confirmation shall be sent by the Company if the Purchase Order is within the binding portion of the Demand Forecast. If the Company fails to provide an Order Confirmation to Panasonic which Order Confirmation is within the Demand Forecast as set forth in Section 2.4 below within two (2) Business Days from receipt of an Purchase Order, the Purchase Order shall be deemed to have been accepted by the Company. Each Purchase Order shall specify the quantity, product number, unit price per Price Table (which may be revised by the Demand Forecast in accordance with Section 2.4), requested delivery date and other logistic details for the Products manufactured hereunder.

SECTION 2.3 Specifications. The Company shall manufacture the Products and perform Manufacturing in accordance with the Purchase Orders, PCM Standard and Probing Standard, all according to the procedures to be mutually agreed between the Parties and set forth herein in Exhibit C (the “Specifications”).

SECTION 2.4 Demand Forecast (Delivery Basis). During the Term, on the first Business Day of each month (each, a "Forecast Date"), Panasonic shall provide to the Company a six (6)-month rolling forecast for Products to be manufactured hereunder per fab per category on delivery basis during the six (6) months period (which are the calendar month including the Forecast Date and five (5) months thereafter) to the extent included in the Term (the "Preliminary Demand Forecast"). The volumes set forth in such Preliminary Demand Forecast will define the applicable Purchase Price for the first month of such Preliminary Demand Forecast. On the seventh Business Day of every month, Panasonic shall provide the Company with an actual Demand Forecast (the "Demand Forecast") which may revise the volumes ordered in the first month, and which shall contain volumes that shall not be lower than the volumes in the Preliminary Demand Forecast. The volumes in the Demand Forecast shall define the revised applicable Purchase Price for the first month of such Demand Forecast and, if approved by the Company, shall be binding on the parties hereto. If the Company fails to reject such Demand Forecast within *** Business Days from receipt of the Demand Forecast, the Demand Forecast shall be deemed to have been approved by the Company. The Company may deliver to Panasonic more Products than the number that was ordered in the relevant Purchase Order within the following formula: Purchase Order x (1 - Target Yield).

The quantity stated in a Demand Forecast for delivery in the Lead Time Period during the Term is fully (100%) binding on Parties, and Panasonic shall provide to the Company Purchase Orders corresponding to such Demand Forecast in the Lead Time Period pursuant to Section 2.2 above, and the Company shall accept such Purchase Orders pursuant to Section 2.2 above and duly manufacture the Products in accordance with the Purchase Order. *** of the quantity requested for the period following the Lead Time Period in such Demand Forecast shall be binding on Parties, and Panasonic shall be obliged to place the Purchase Orders corresponding to at least *** of the quantity mentioned in such Demand Forecast in the period following relevant Lead Time Period and the Company shall be obligated to accept the Purchase Orders corresponding to at least *** of the quantity of the Demand Forecast. Every time a Demand Forecast is issued by Panasonic, the Company may propose modifications to the quantity and/or the manufacturing schedule contained in such Demand Forecast in writing by e-mail or any other electromagnetic method to be separately agreed between the Parties within five (5) Business Days from receipt thereof and both Parties shall have a faithful discussion with each other so as to rearrange the quantity and/or the delivery schedule contained in the Demand Forecast if it is reasonably acceptable to Panasonic.

Notwithstanding the foregoing, upon Panasonic's reasonable request, the Company shall extend the original delivery schedule in accordance with the following terms: (i) the total amount extended shall not to exceed *** percent of the originally planned shipment volume; (ii) no extension for any shipments in the current calendar quarter, except for approved technical issues, ROM bank wafers and epi bank wafers, which may be extended outside of the current calendar quarter; and (iii) the original delivery schedule may be extended for no more than three (3) months upon prior written consent of the Company. Upon the first anniversary of the Closing Date, the parties shall have good faith discussions with respect to the above.

ARTICLE III. CONDUCTING MANUFACTURING

SECTION 3.1 Conducting Manufacturing. The Company shall conduct Manufacturing in conformity with the PCM Standard, Probing Standard and the Company's applicable process specifications and manufacturing procedures, solely as measured by conformance with the Company's electrical test specifications as will be mutually agreed between the Parties.

SECTION 3.2 Lead Time Schedule. Prior to the implementation of Manufacturing, the Parties shall agree upon and sign a lead time schedule of each Product (the "Lead Time Schedule") following good faith discussions between the Parties. The Company shall perform Manufacturing in compliance with the Lead Time Schedule.

SECTION 3.3 Location. The Company shall manufacture the Products in connection with Manufacturing at a plant of the Company, or at the Tower Licensed Facilities (as defined in the IP License Agreement signed by the Parties at Closing), to which Panasonic has given advance approval in writing (the "Location").

SECTION 3.4 Masks and Probe Cards. At no charge to the Company, Panasonic will provide masks and probe cards to the Company for use in Manufacturing to the extent that Panasonic reasonably deems necessary. The Company will notify Panasonic if additional masks and/or probe cards are needed based on Panasonic's forecasts, and if agreed between the Parties beforehand in writing, the Company will purchase the masks and/or probe cards to the extent reasonably necessary for Manufacturing and charge Panasonic accordingly. For the avoidance of doubt, in case of providing masks and/or probe cards to the Company under this Section 3.4, Panasonic shall retain its ownership of all such masks and/or probe cards. The Company shall keep masks and probe cards in good condition, and shall be responsible for losses (except reasonable tear and wear) arising out of the breach of its obligation.

SECTION 3.5 Discontinuance of Manufacturing. When the Company intends to discontinue the manufacture and/or assembly of any Product, the Company shall provide prior notice to Panasonic at least:

- (a) for Products for vehicle installation – *** months' prior notice; and
- (b) for other Products – *** months' prior notice.

During the term of (a) or (b) above, the Parties shall discuss in good faith on what measures may be taken to minimize the adverse effect of discontinuance or transfer the manufacture and/or assembly of that Product.

SECTION 3.6 No Change with regard to the Manufacturing. The Company will implement a Process Change Notification (PCN procedure), as agreed by the parties hereto, that defines 3 categories of changes: Level 1 (minor change, internal only, for example change of gas flows in a recipe), Level 2 (requires notification to Panasonic but not subject to approval, for example change of photoresist supplier) and Level 3 (requires prior approval). The Company shall not make major changes that impact form, fit or function (defined as level 3 change) of the product without Panasonic's prior written notice. The Company and Panasonic shall agree to the PCN procedure.

SECTION 3.7 During the first five (5) years from the Closing Date, Panasonic may require investment in additional capital expenditures for the manufacture of the Panasonic Products (Captive Business). Panasonic confirms that any capital expenditures necessary for such activities shall be borne by Panasonic as agreed with the Company in writing.

ARTICLE IV. DELIVERY AND INSPECTION

SECTION 4.1 Inspection of the Products. Prior to the delivery of the Products from the Company to Panasonic, the Company shall conduct a commercially reasonable inspection of the Products at its own expense, using its professional, expert or skilled technique or experience, in accordance with a mutually pre-agreed procedure and notify Panasonic of the result thereof. If such inspection identifies any defect that does not meet the Specifications, shortage or other circumstance in which the Products do not meet the Specifications or violate the terms of the applicable Purchase Order or this Agreement (collectively, a "Defect"), the Company shall, at its own expense, promptly correct such Defect or provide a replacement product so that such Products shall be delivered to Panasonic with all parameters within the Specifications in an agreed timely manner. Assembly and final test after assembly shall be Panasonic's responsibility, the Company shall not have any obligations to conduct such test.

SECTION 4.2 Delivery. After the inspection set forth in Section 4.1, the Company shall deliver the Products Ex Works in the Location. At the time of delivery, the Company shall provide parameter data relating to the applicable Products which shall be provided on the Company's web portal unless otherwise agreed between the Parties.

SECTION 4.3 Ownership Transfer. Title and ownership of the Products will pass to Panasonic or its designated agent in the Location upon the end of all of the Manufacturing processes (without any assembly and test) as indicated by the signal Panasonic receives from the Company's materials tracking system ("MTS").

SECTION 4.4 Risk of Loss. The Company shall bear the risk of loss for the Products and any damages related thereto arising prior to the end of the manufacturing processes as indicated by the signal Panasonic receives from the MTS and Panasonic shall bear such risk of loss upon delivery and thereafter.

ARTICLE V. PAYMENT

SECTION 5.1 Purchase Price. Panasonic shall pay to the Company the purchase price for Products delivered in accordance with the Price Table plus the Prime Wafer Price (the "Purchase Price").

SECTION 5.2 Price Table. Prime wafer cost shall be added to the Price Table. The Purchase Price shall be reviewed and negotiated between Panasonic and the Company every year, taking into account the fair market price, relating to the Products. Panasonic and the Company shall commence such review and negotiation on the Purchase Price for the next year in October and the new agreed Purchase Price for the next and following years shall replace the existing Purchase Price.

In addition to the above, Panasonic and the Company may discuss any possible amendment for the Purchase Price in case which either party reasonably deems necessary such as significant market change. Panasonic and the Company shall prepare and agree on an additional price table when Panasonic and the Company introduce a new product line.

The Minimum Loading shall mean the minimum number of Products per Product Category per fab to be ordered by Panasonic per month under this Agreement as set forth in the Price Table. Panasonic understands that the number of Products per Product Category per fab to be ordered by Panasonic per month will not be under the Minimum Loading and Panasonic shall make its best effort to make such number of order above the Minimum Loading.

SECTION 5.3 Transferred WIP Chargeback Mechanism.

A Transferred WIP book value amount at Closing will be charged by the Company to Panasonic using the following mechanism:

Panasonic will provide the Company with detailed reports of the WIP per product / quantity/ standard cost/ actual cost/ completion rate. All Transferred WIP should be in good condition and with proper POs submitted by Panasonic to the Company to purchase it.

Delivery price is determined by the following formulas:

- 1) Delivery price = Transferred WIP book value *** + (1 - % process complete) × Purchase Price
- 2) % process complete = Standard cost of WIP ÷ Standard cost of finished product *
- 3) any remaining balance amount after shipment of all Transferred WIP will be charged to Panasonic to clear the account.

*** % process complete is to be set by product, calculated on FY2013 standard cost basis**

Standard cost for “% process completion” calculation excludes prime wafer & depreciation.

SECTION 5.4 Payment Condition. The Company shall provide to Panasonic invoices on a monthly basis for the Products delivered with the applicable Purchase Price and other charges pursuant to this Agreement. Panasonic shall pay the invoices to the Company fifteen (15) days from the date of receipt of the invoice by Panasonic. Such invoices shall be paid in yen. In the event that Panasonic fails to pay the amounts, in whole or in part, within the payment date mentioned above, the Company shall have the right, without prejudice to any other rights and remedies hereunder, to claim an interest at the rate of 15% per annum on the overdue sum from the due date of the payment until the date on which its obligation to pay the sum is discharged.

SECTION 5.5 Method of Payment. Panasonic shall pay the Company the above payments in accordance with Section 5.4, by remittance to the bank account designated by the Company in the applicable invoice provided by the Company to Panasonic pursuant to Section 5.4.

ARTICLE VI. LEASED EQUIPMENT

SECTION 6.1 Leased Equipment. Panasonic may lease to the Company probe cards and masks that Panasonic considers to be necessary for the performance of Manufacturing (the "Leased Equipment") upon mutual discussion between Panasonic and the Company. The amount of lease expenses for the Leased Equipment shall be mutually agreed between the Parties.

SECTION 6.2 Management of Leased Equipment. At all times, the Company shall label conspicuously and appropriately the Leased Equipment as the property of Panasonic. The Company shall not remove or alter any label or marking on the Leased Equipment. The Company shall not change, alter or modify the Leased Equipment without the prior written consent of Panasonic or use the Leased Equipment for any purpose other than as required or authorized by this Agreement. The Company shall not sell, transfer, assign, lease, copy, hold in lien, pledge, grant any type of security, otherwise dispose of the Leased Equipment, *provided, however*, that the Company may, subject to the prior written consent of Panasonic, sub-lease the Leased Equipment to one or more Subcontractors solely for the purposes of performing Manufacturing that are subcontracted to such Subcontractor pursuant to Section 8.7, subject to the condition that the Company has in place with such Subcontractor a written agreement regarding the applicable Leased Equipment on the same terms and conditions as contained herein.

SECTION 6.3 Investigation of Leased Equipment. Panasonic may request that the Company (a) provide to Panasonic a report on the condition of the Leased Equipment and (b) reasonably permit Panasonic's Representatives to enter the Location to investigate the condition of the Leased Equipment subject to reasonable notice and coordination with the Company, and in a way that will not interfere with the Company's business activities.

SECTION 6.4 Return of Leased Equipment. Upon Panasonic's request, the Company shall, without delay and in accordance with Panasonic's instructions, return any or all of the Leased Equipment to Panasonic in a condition suitable for the continued ordinary use thereof by Panasonic subject to ordinary deterioration resulting from its ordinary use under this Agreement.

ARTICLE VII. INTELLECTUAL PROPERTY RIGHTS

SECTION 7.1 The Company shall conduct the Manufacturing without infringing, to its knowledge, any right including the Intellectual Property Right (defined in the Panasonic IP License Agreement) of any third party, and shall indemnify Panasonic from any losses resulting from the Company's infringement of such rights, except such infringement comes from the Intellectual Property licensed by Panasonic under the Panasonic IP License Agreement.

SECTION 7.2 The Parties agree that all of their right, title and interest in, to and under any New Intellectual Property, including any such right, title and interest as may arise or be created, acquired or obtained in the course of or in connection with the Manufacturing shall solely and exclusively belong to the Company unless otherwise agreed in writing between the Parties, provided that (a) the Company hereby grants to Panasonic and its subsidiaries, a non-exclusive, perpetual, worldwide, royalty-free (without the right to sublicense, except to Panasonic's Affiliates), fully paid-up right and license to use any such New Intellectual Property Right in the operation of its business or the business of its Affiliates; and (b) the Company promptly notifies Panasonic in writing of such New Intellectual Property, including written descriptions and copies thereof. Notwithstanding the development of any New Intellectual Property Right, the Company shall continue to pay the royalties as provided in Section 3.1 and Section 3.2 of Panasonic IP License Agreement.

SECTION 7.3 The Parties agree that the provisions of the Panasonic IP License Agreement will govern infringement of Panasonic IPR and/or the Panasonic Proprietary IPR by a third party.

ARTICLE VIII. WARRANTIES

SECTION 8.1 Die Yield Rate. For the purpose of interpretation of the Die Yield Rate under this Section 8.1, the Die Yield Rate shall be based upon the number of non-defective chips and defective chips of the Products by the Probing Inspection which shall be conducted at the last process after the Manufacturing is completed, method of which shall be separately instructed by Panasonic and agreed by the Company. Each wafer for which Probing Inspection has been finished shall be treated as follows subject to the Die Yield Rate mentioned below, to the extent that such procedure exists at Panasonic prior to the Effective Date:

- (i) If a Die Yield Rate is above a Minimum Die Yield Rate per product: Panasonic shall accept all such wafer.
- (ii) Maverick Procedure as set forth in Exhibit D will be implemented.
- (iii) If a Die Yield Rate is below the Minimum Die Yield Rate: Panasonic may refuse to accept or return all such lots of the Products and the Company shall not be released from its obligations to deliver the relevant ordered Products. The Company shall conduct analysis of such failure, using its professional, expert or skilled technique or experience, including root cause analysis at its own expense with support of Panasonic. In the event that the cause of such failure is eventually determined to be attributable to Panasonic, Panasonic shall make a payment equivalent to the Purchase Price of the relevant Products.

SECTION 8.2 Result of Measurement Which Deviates the Standard. Notwithstanding the provisions set forth in Section 8.1, in the event that the result of the measurement is outside Probing Standard or the PCM Standard, the Company may tentatively withhold to precede the Manufacturing of such Products and investigate the cause of such defects, using its professional, expert or skilled technique or experience, and shall do that if reasonably instructed by Panasonic. If the Company eventually finds out and reports to Panasonic that there is no substantial problem in the Manufacturing, the Company may proceed with the Manufacturing of the Products pursuant to this Agreement.

SECTION 8.3 Review of the Die Yield Rate and the Standards. The Minimum Die Yield Rate, the Standard Die Yield Rate, the Probing Standard and the PCM Standard shall be reviewed occasionally after mutual consultation between the Parties so as to increase production efficiency of the Products by setting a specific target which shall be determined after mutual consultation between the Parties.

SECTION 8.4 Quality Assurance.

- (a) The Company hereby warrants to Panasonic that for the Warranty Period from date of delivery to Panasonic, the Products shall be free from defects in material and workmanship (where the defect in workmanship is reasonably expected to result in failure of the Product), and shall be processed in conformity with the Specifications. The Warranty shall be subject to supplied Products being stored in a controlled environment.
- (b) The warranty set forth in Section 8.4(a) (the "Warranty"), extends to Panasonic only and Panasonic may not transfer this warranty to any third party, and the Company will have no obligation to accept warranty claims or returns from Panasonic's customers or any other users of Panasonic's Products. The Warranty does not apply to: (i) any Products that have been subject to abnormal physical, thermal or electrical stress, abuse, misuse, neglect, negligence, or accident; (ii) design defects not caused by the Company; (iii) any parts which constitute a part of the Product and which were not manufactured and/or supplied to or by the Company, (iv) improper handling during or after shipment; (v) improper installation, operation or use, (vi) use in unauthorized or improper conditions, (vii) unauthorized repair or alteration; or (viii) improper dicing, packaging or testing procedures. THE WARRANTY IS THE SOLE AND EXCLUSIVE WARRANTY BY OR ON BEHALF OF THE COMPANY, AND IS PROVIDED IN LIEU OF, AND THE COMPANY EXPRESSLY DISCLAIMS, ANY AND ALL OTHER WARRANTIES, WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR APPLICATION, OR NON-INFRINGEMENT, AND ANY WARRANTY THAT MAY ARISE BY REASON OF USAGE OF TRADE, CUSTOM, OR COURSE OF DEALING, AND PANASONIC HEREBY EXPRESSLY WAIVES ANY AND ALL SUCH WARRANTIES.
- (c) Warranty Claims Procedure. If Panasonic believes that a Product does not conform to the Warranty, Panasonic will promptly notify the Company in writing and specify in detail the alleged non-conformance(s). If the Company requests, Panasonic will return the Product (or a reasonable number of sample defective Products along with relevant tests and analyses performed by Panasonic relating to Products), to the Company's designated location, or allow the Company to inspect the Products at Panasonic's facilities, as the Company shall determine. Panasonic shall bear all risk of loss, damage, and destruction to the Products until they are received by the Company. Panasonic will request and obtain a written return material authorization ("RMA") from the Company prior to returning any allegedly non-conforming Products.
- (d) Remedies. In the event that there is any Defect in any Product which is confirmed by the Company to be related to a manufacturing process not meeting Specifications within the Warranty Period from the completion of delivery of such Products pursuant to Section 4.2, the Company shall replace such products at no cost to Panasonic.

SECTION 8.5 Compliance with the Law.

- (a) The Company's performance hereunder, and the performance of any Subcontractor, employee of the Company or any other Representative of the Company or any Subcontractor shall not breach or violate any applicable Law; provided that the aforementioned applies only to the extent that the Company has actual control over such employees, Subcontractors or Representatives. The Company solely has the rights to instruct, supervise, direct, order, manage and control its employees while conducting the Manufacturing, including but not limited to allocation of each employee.
- (b) The Company shall defend, indemnify, and hold harmless Panasonic from any liability, loss, cost, damage or penalty that may be imposed on Panasonic, by reason of any alleged material breach of Section 8.5(a) by the Company, any Subcontractor, employee, or any other Representative of the Company or any Subcontractor.
- (c) Panasonic warrants that performance hereof by Panasonic or its employees or any Representative of Panasonic shall not breach or violate any applicable Law and Panasonic and its employees and any Representative of Panasonic shall not instruct, direct, order, request, supervise, coach, manage, control the Company's employees in a manner that violates the Worker Dispatching Act or other Japanese employment laws.

SECTION 8.6 Report. At any time during the term of this Agreement, upon Panasonic's reasonable request the Company shall submit to Panasonic a report regarding the status of Manufacturing.

SECTION 8.7 Subcontract. The Company shall not, without obtaining the prior written consent of Panasonic, subcontract in whole or in part Manufacturing. If the Company wishes to subcontract in whole or in part Manufacturing, the Company shall obtain the prior written consent of Panasonic. In no event shall any such subcontract relieve the Company of any liabilities hereunder and the Company shall remain liable for any breach hereof and for any breach by such Subcontractor of the terms and conditions of such written instrument.

SECTION 8.8 Export Control. For the purpose of performing any obligation hereunder, the Company shall obtain any licenses and/or permits from the competent Governmental Authority, at its own expense, if and to the extent required by applicable Law, including, but not limited to, the Foreign Exchange and Foreign Trade Act. If requested by Panasonic, the Company shall provide to Panasonic without delay, any document in relation to the Products in order to comply with any applicable Law, including, but not limited to, the Foreign Exchange and Foreign Trade Act.

SECTION 8.9 Audit and Inspection. Panasonic, its customers, and third parties reasonably designated by Panasonic's customers shall be entitled to audit and inspect the facilities and processes of Manufacturing at any Location at reasonable business hours with reasonable prior consent from the Company, which consent shall not be unreasonably withheld by the Company.

ARTICLE IX. TERM AND TERMINATION

SECTION 9.1 Term. The term of this Agreement shall commence on the Effective Date and end five (5) years after the Effective Date (the "Initial Term"); provided, however, that if neither Party provides a written request for amendment, expiration or termination of this Agreement to the other Party at least three (3) months prior to the expiration of the Initial Term or the then-current Renewal Term, as applicable, this Agreement will continue for an additional Renewal Term.

SECTION 9.2 Termination by Panasonic. Panasonic may immediately terminate this Agreement upon written notice to the Company if:

- (a) except in the case of the Company's breach of Article [XII] as set forth in (f) below, the Company materially breaches any of its obligations under this Agreement and does not cure such breach within thirty (30) days after the receipt of a notice from Panasonic;
- (b) Tower, its subsidiary or the Company materially breaches any of its obligations under the JV Agreement, the Shareholder's Agreement between Panasonic and Tower, IP License Agreement and the Outsourcing Agreement, dated as of April 1, 2014 and does not cure such breach within thirty (30) days after the receipt of a notice from Panasonic;
- (c) there is a petition for the commencement of bankruptcy proceedings, commencement of civil rehabilitation proceedings, commencement of corporate reorganization proceedings, commencement of liquidation proceedings or the commencement of other proceedings similar thereto in each case with respect to the Company;
- (d) the bank transactions of the Company are suspended or the Company becomes or is declared insolvent, makes any filing (whether voluntary or involuntary) or petition for insolvency or relief from creditors, makes an assignment for the benefit of creditors or consents to the assignment of a receiver, trustee, liquidator or other official with similar powers over a substantial part of its property;
- (e) the Company dissolves or approves a resolution to dissolve; or
- (f) the Company breaches Article 12.1 or experiences a Change of Control without the prior written consent of Panasonic.

SECTION 9.3 Termination by the Company. The Company may immediately terminate this Agreement upon written notice to Panasonic if:

- (a) except in the case of Panasonic's breach of Article XII as set forth in (c) below, Panasonic breaches any of its obligations under this Agreement and does not cure such breach within thirty (30) days after the receipt of a notice from the Company;
- (b) Panasonic materially breaches any of its obligations under the JV Agreement, the Shareholder's Agreement between Panasonic and Tower dated as of April 1, 2014 or any of the Ancillary Agreements and does not cure such breach within thirty (30) days after the receipt of a notice from the Company;

(c) the Company breaches Article XII or experiences a Change of Control without the prior written consent of Panasonic.

SECTION 9.4 Survival, Article I, Article VII, Section 8.4, Section 8.5(b), this Section 9.4, Article X, Article XI, and Article XIII shall survive the termination or expiration of this Agreement. Notwithstanding the expiration or termination of this Agreement, the terms and conditions of this Agreement shall remain in full force and effect with respect to any Purchase Order during the term thereof.

ARTICLE X. CONFIDENTIALITY

SECTION 10.1 Confidential Information. Information disclosed by either Party to the other Party in connection with this Agreement ("Confidential Information") is valuable, confidential and proprietary in nature. Both Parties shall not, shall ensure that its Representatives shall not, and shall cause Tower and its Representatives to not (a) divulge or disclose to any Person in any manner, directly or indirectly, any Confidential Information or (b) use Confidential Information for any purpose other than as provided in this Agreement, in each case provided, however, that Confidential Information shall not include any information:

- (a) that is publicly available (unless such information has become publicly available through any act or omission of the receiving Party, Tower or their employees, agents or directors);
- (b) Already in the lawful possession of the Company receiving Party or its Affiliates at the time of disclosure (other than by reason of or in connection with this Agreement or any other agreement between the Parties); or
- (c) that has been lawfully disclosed to the receiving Party or its Affiliates by a third party without any obligation of confidentiality on the receiving Party, its Affiliates or its Representatives.

SECTION 10.2 Permitted Disclosure.

- (a) Notwithstanding Section 10.1, the receiving Party may disclose Confidential Information to its Representatives and its Affiliates who have been approved by the other Party in writing and have a need to know the information in connection with performing services at the Company's facility or at the Tower Licensed Facilities pursuant to this Agreement, provided, however, that (i) the receiving Party shall make its Representatives and the Affiliates owe the same obligations with this Article, (ii) the receiving Party shall make them provide to the other Party the executed non-disclosure letter reasonably satisfactory to the other Party, and (iii) the receiving Party shall defend, indemnify, and hold harmless the other Party from any liability, loss, cost, damage or penalty that may be imposed on such other Party by reason of any breach by the receiving Party's Representatives and Affiliates.
- (b) Notwithstanding Section 10.1, if the receiving Party is obliged to disclose Confidential Information to any Governmental Authority under applicable laws, the receiving Party may disclose such Confidential Information to such Governmental Authority upon prior written notice to the other Party.

(c) Notwithstanding Section 10.1, the Company may disclose Confidential Information to any Subcontractor solely to the extent necessary for such Subcontractor to perform Manufacturing subcontracted by the Company to such Subcontractor pursuant to Section 8.7.

(d) Notwithstanding the aforementioned, Tower shall be permitted to disclose Confidential Information without the other Parties' prior written consent to the extent disclosure is required in its reasonable opinion under applicable securities laws, and in such event Tower shall give the Parties prior notice thereof.

ARTICLE XI. LIMITATION OF LIABILITY

THE CUMULATIVE LIABILITY OF EITHER PARTY FOR ALL CLAIMS ARISING UNDER OR RELATED TO THIS AGREEMENT, EXCEPT FOR WILLFUL MISCONDUCT WITH MALICIOUS INTENT AND EXCEPT FOR CLAIMS WITH RESPECT TO NONPAYMENT PER THE PRICING TABLES ATTACHED HERETO, SHALL NOT IN THE AGGREGATE EXCEED \$10 MILLION.

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL OR OTHER INDIRECT DAMAGES OR ANY PUNITIVE OR EXEMPLARY DAMAGES (INDIVIDUALLY AND COLLECTIVELY, "INDIRECT DAMAGES") ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, WHETHER SUCH DAMAGES ARE BASED ON BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHER THEORY OF LIABILITY, AND EVEN IF A PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

ARTICLE XII. ASSIGNMENT AND FORCE MAJEURE

SECTION 12.1 Assignment No Party may assign or otherwise transfer this Agreement (including by operation of law) or any of its rights, interests or obligations hereunder to any third party other than the Party's wholly-owned subsidiary (the "Subsidiary") without the prior written consent of the other Party; provided that such consent shall not be unreasonably delayed or withheld. In case of assignment or transfer of this Agreement to the Subsidiary, the transferring Party (a parent company of the Subsidiary) (the "Transferring Party") shall cause such Subsidiary to comply with the terms and conditions hereof. No direct or indirect costs as result of the transfer will be borne by the Parties other than the Transferring Party.

SECTION 12.2 Force Majeure Events. The Company will be excused from any failure or delay in performing any obligation hereunder to the extent such failure is caused by a "Force Majeure Event" (as defined below). A "Force Majeure Event" will operate to excuse a failure to perform an obligation hereunder only for the period of time during which the Force Majeure Event renders performance impossible or infeasible. As used herein, "Force Majeure Event" means the occurrence of an event or circumstance beyond the reasonable control of the Company, including, without limitation, (i) explosions, fires, flood, earthquakes, catastrophic weather conditions, or other elements of nature, natural disasters or acts of God; (ii) acts of war (declared or undeclared), acts of terrorism, insurrection, riots, civil unrest, rebellion or sabotage; (iii) failures or fluctuations of electrical power or telecommunications services, or transportation interruptions ; and (iv) the enactment or repeal of laws and regulations, an order or disposition by public authorities.

ARTICLE XIII. MISCELLANEOUS

SECTION 13.1 Notices. Any notice, request, instruction or other document to be given hereunder by a Party shall be in writing in English and Japanese, and shall be deemed to have been given, (i) when received if given in person, (ii) on the date of transmission if sent by telex, telecopy, or e-mail or other wire transmission (provided that a written confirmation of receipt is obtained) or (iii) seven days after it is mailed by certified or registered first class mail postage prepaid:

(a) if to Panasonic, addressed as follows:

Panasonic Corporation
1 Kotariyakemachi
Nagaokakyo City, Kyoto, 617-8520, Japan
Attention: Akihiro Yamamoto
General Manager
Business Development
Semiconductor Business Division
Automotive & Industrial Systems Company
Email: yamamoto.aki@jp.panasonic.com

(b) if to the Company,

TowerJazz Panasonic Semiconductor Co., Ltd
800 Higashiyama, Uozu City, Toyama, 937-8585, Japan
Attention: Guy Eristoff
CEO
Email: eristoff.guy@kk.jp.panasonic.com

or to other individuals or addresses as a Party may designate for itself by delivering a notice as provided herein.

SECTION 13.2 Waivers. No waiver by a Party of any condition or of any breach of any term, covenant, representation or warranty contained in this Agreement shall be effective unless in writing, and no waiver in any one or more instances shall be deemed to be a further or continuing waiver of any such condition or breach in other instances or a waiver of any other condition or breach of any other term, covenant, representation or warranty. All remedies, either under this agreement, by Law or otherwise afforded, will be cumulative and not alternative.

SECTION 13.3 Applicable Law: Dispute Resolution. This Agreement shall be governed by and construed in accordance with the laws of Japan without giving effect to any choice or conflict of law provision or rules. For any disputes occurring in connection with this Agreement, the Tokyo District Court shall be the court of agreed exclusive first instance jurisdiction.

SECTION 13.4 No Third Party Beneficiaries. This Agreement is solely for the benefit of the Parties and no provision of this Agreement shall be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or any other right in excess of those existing without reference to this Agreement. Nothing contained herein shall be deemed to give rise to any personal obligation of any director, officer, stockholder, partner, member, manager, principal or any employee of any Party by reason of any breach or violation of any of the provisions hereof or otherwise, and no Party shall have any right against, or be entitled to sue or seek any recovery from, any such Persons.

SECTION 13.5 Entire Agreement. This Agreement (including the Exhibits hereto) sets forth the entire agreement and understanding of the Parties in respect to the transactions contemplated hereby and supersedes all prior agreements, arrangements and understandings relating to the subject matter hereof.

SECTION 13.6 Language. This Agreement is entered into in the English language. In the event of any dispute concerning the construction or meaning of this Agreement, the text of the Agreement as written in the English language shall prevail over any translation of this Agreement that may have been made.

SECTION 13.7 Severability. If any provision, including any phrase, sentence, clause, section or subsection, of this Agreement is determined by a court of competent jurisdiction, to be invalid, inoperative or unenforceable for any reason, such circumstances shall not have the effect of rendering such provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision herein invalid, inoperative or unenforceable to any extent whatsoever. Upon any such determination, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

SECTION 13.8 Counterparts. This Agreement may be executed simultaneously in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

SECTION 13.9 Conflicts. Except as provided herein, in the event of any conflict between the terms of this Agreement and the terms of any Purchase Order, the terms of this Agreement shall prevail.

[Signatures On The Following Page]

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

PANASONIC CORPORATION

By: _____

Name:

Title:

TOWERJAZZ PANASONIC SEMICONDUCTOR CO., LTD.

By: _____

Name:

Title:

CERTIFICATION BY
CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Russell C. Ellwanger, certify that:

1. I have reviewed this Amendment No. 1 to the annual report on Form 20-F of Tower Semiconductor Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

November 17, 2014

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

CERTIFICATION BY
CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Oren Shirazi, certify that:

1. I have reviewed this Amendment No. 1 to the annual report on Form 20-F of Tower Semiconductor Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

November 17, 2014

/s/ Oren Shirazi
Oren Shirazi
Senior VP and Chief Financial Officer
