

Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

TOWER SEMICONDUCTOR LTD  
Form 424B3  
August 12, 2008

Filed Pursuant to Rule 424(b)(3)  
Registration Statement No. 333-151919

JAZZ TECHNOLOGIES, INC.  
4321 Jamboree Road  
Newport Beach, CA 92660

TO THE STOCKHOLDERS OF JAZZ TECHNOLOGIES, INC.:

You are cordially invited to attend a special meeting of the stockholders of Jazz Technologies, Inc. (also referred to as "Jazz," "we" or "us") to be held at 10:00 a.m. Pacific time, on September 17, 2008, at 4321 Jamboree Road, Newport Beach, California 92660. Only stockholders who held shares of Jazz common stock at the close of business on August 8, 2008, the record date for the special meeting, will be entitled to receive notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

At the special meeting, we will ask you to vote on a proposal to approve and adopt the Agreement and Plan of Merger and Reorganization that we entered into on May 19, 2008, with Tower Semiconductor Ltd., an Israeli company (also referred to as "Tower"), and its wholly owned subsidiary, Armstrong Acquisition Corp., a Delaware corporation, as such agreement may be amended from time to time (also referred to as the "merger agreement") and approve the merger provided for therein.

Upon completion of the proposed merger Armstrong Acquisition Corp. will merge with and into Jazz, and each of your outstanding shares of Jazz's common stock will be converted into the right to receive 1.8 ordinary shares of Tower, as described in the merger agreement and under the section entitled "THE MERGER AGREEMENT - MERGER CONSIDERATION." If the merger is completed, Jazz will become a wholly owned subsidiary of Tower. Tower's ordinary shares are listed on the NASDAQ Global Market under the symbol "TSEM" and on the Tel Aviv Stock Exchange in Israel under the symbol "TSEM." On August 6, 2008, the closing sale price of Tower ordinary shares was \$0.69 as reported on the NASDAQ Global Market.

The merger cannot be completed unless Jazz stockholders approve and adopt the merger agreement and approve the merger. Such adoption and approval requires the affirmative vote of the holders of a majority of the shares of Jazz common stock outstanding on the record date for the special meeting.

THE JAZZ BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT JAZZ STOCKHOLDERS VOTE "FOR" APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND APPROVAL OF THE MERGER.

The accompanying proxy statement/prospectus contains detailed information about the merger and the special meeting. WE ENCOURAGE YOU TO READ CAREFULLY THIS PROXY STATEMENT/PROSPECTUS, INCLUDING THE SECTION ENTITLED "RISK FACTORS RELATING TO THE MERGER" BEGINNING ON PAGE 20.

YOUR VOTE IS IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. WHETHER YOU PLAN TO ATTEND THE SPECIAL MEETING OR NOT, PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED, OR VOTE BY TELEPHONE OR INTERNET AS PROVIDED IN THE ENCLOSED PROXY CARD, AS SOON AS POSSIBLE.

Sincerely,

/s/ Gilbert F. Amelio, Ph.D.

Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

-----  
Gilbert F. Amelio, Ph.D.  
Chairman and Chief Executive Officer

Newport Beach, California  
August 8, 2008

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES REGULATOR HAS APPROVED OF THE MERGER DESCRIBED IN THIS PROXY STATEMENT/PROSPECTUS OR THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE MERGER, OR DETERMINED IF THIS PROXY STATEMENT/PROSPECTUS IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This proxy statement/prospectus is dated August 8, 2008 and is first being mailed to our stockholders on or about August 12, 2008.

ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates by reference important business and financial information about Tower from documents filed with the United States Securities and Exchange Commission, or SEC, that are not included in or delivered with this proxy statement/prospectus.

You can obtain any of the documents that Tower has filed with the SEC through contacting Tower, at the address below, or from the SEC, at no cost, through the SEC's website at <http://www.sec.gov>. These documents are available from Tower without charge, excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference as an exhibit in this proxy statement/prospectus. Tower will provide to each person, including any beneficial owner, to whom this proxy statement/prospectus is delivered, a copy of these filings, at no cost, upon written or oral request to Tower at: Ramat Gavriel Industrial Park, Post Office Box 619, Migdal Haemek, 23105 Israel, Attn: Corporate Secretary, telephone number: 972-4-650-6611. Copies of these filings may also be accessed at Tower's website, [www.towersemi.com](http://www.towersemi.com). Click on "Investor Relations" and then "Filings."

IN ORDER FOR YOU TO RECEIVE TIMELY DELIVERY OF THE DOCUMENTS IN ADVANCE OF THE JAZZ SPECIAL MEETING, TOWER SHOULD RECEIVE YOUR REQUEST NO LATER THAN SEPTEMBER 10, 2008.

JAZZ TECHNOLOGIES, INC.  
4321 Jamboree Road  
Newport Beach, CA 92660

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD ON SEPTEMBER 17, 2008

TO THE STOCKHOLDERS OF JAZZ TECHNOLOGIES, INC.:

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Jazz Technologies, Inc. (also referred to as "Jazz," "we" or "us"), a Delaware

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

corporation, will be held at 10:00 a.m., Pacific time, on September 17, 2008, at 4321 Jamboree Road, Newport Beach, California 92660, for the following purpose, as more fully described in this proxy statement/prospectus:

- o To vote upon a proposal to approve and adopt the Agreement and Plan of Merger and Reorganization, dated as of May 19, 2008, by and among Jazz, Tower Semiconductor Ltd., an Israeli company (also referred to as "Tower"), and its wholly owned subsidiary, Armstrong Acquisition Corp., a Delaware corporation, as such agreement may be amended from time to time (also referred to as the "merger agreement"), and approve the merger provided for therein; and
- o To vote upon any proposal to adjourn or postpone the special meeting if determined to be necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve and adopt the merger agreement and approve the merger.

Only the holders of record of Jazz's common stock on the close of business on August 8, 2008, the record date for the special meeting, are entitled to receive notice of, and to vote at, Jazz's special meeting and any adjournments or postponements of the Jazz special meeting. The affirmative vote of the holders of a majority of the shares of Jazz common stock outstanding on the record date for the special meeting is required to approve and adopt the merger agreement and approve the merger.

THE JAZZ BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT JAZZ STOCKHOLDERS VOTE "FOR" APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND APPROVAL OF THE MERGER. THE JAZZ BOARD OF DIRECTORS HAS UNANIMOUSLY DETERMINED THAT THE MERGER AND THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT ARE ADVISABLE AND FAIR TO, AND IN THE BEST INTERESTS OF, JAZZ AND ITS STOCKHOLDERS AND HAS APPROVED THE MERGER AGREEMENT, THE MERGER AND THE OTHER TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT.

By Order of the Board of Directors

/s/ Allen R. Grogan

-----  
Allen R. Grogan  
Secretary

August 8, 2008

-----  
YOU ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY, OR VOTE OVER THE TELEPHONE OR THE INTERNET AS INSTRUCTED IN THESE MATERIALS, AS PROMPTLY AS POSSIBLE IN ORDER TO ENSURE YOUR REPRESENTATION AT THE MEETING. A RETURN ENVELOPE (WHICH IS POSTAGE PREPAID IF MAILED IN THE UNITED STATES) IS ENCLOSED FOR YOUR CONVENIENCE. EVEN IF YOU HAVE VOTED BY PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU MUST OBTAIN A PROXY ISSUED IN YOUR NAME FROM THAT RECORD HOLDER.  
-----

TABLE OF CONTENTS

Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

	PAGE
	----
QUESTIONS AND ANSWERS ABOUT THE MERGER	1
SUMMARY	5
The Companies	5
The Merger	5
The Merger Consideration	5
Treatment of Jazz Warrants	6
Treatment of Jazz Units	6
Treatment of Jazz Convertible Notes	6
Treatment of Jazz Options	6
The Special Meeting	6
Recommendation of the Jazz Board of Directors	7
Reasons for the Merger	7
Opinion of Jazz's Financial Advisor	7
Share Ownership After the Merger	7
Share Ownership of Directors and Executive Officers	7
Interests of Jazz Directors and Executive Officers in the Merger	7
Tower Ordinary Shares Traded on NASDAQ and TASE; Delisting and Deregistration of Jazz Securities	8
Cash in Lieu of Fractional Shares	8
No Dissenters' Appraisal Rights	8
Conditions to Completion of the Merger	8
Regulatory Filings and Approvals Necessary to Complete the Merger	8
Directors and Management of the Merged Company After the Merger	9
No Solicitation of Transactions	9
Termination	9
Expenses; Termination Fee	10
Certain Material U.S. Federal Income Tax Consequences of the Merger	10
Material Israeli Tax Considerations	11
Accounting Treatment	11
Comparative Rights of Tower and Jazz Shareholders	11
Exchange of Stock Certificates	11
Voting Rights	11
Solicitation of Proxies	12
TOWER SELECTED HISTORICAL FINANCIAL INFORMATION	13
JAZZ SELECTED CONSOLIDATED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION	14
SUMMARY UNAUDITED CONDENSED COMBINED PRO FORMA FINANCIAL INFORMATION	16
COMPARATIVE PER SHARE DATA	17
SECURITIES MARKET PRICE INFORMATION	18
Market Price	18
Dividend Policy	19
RISK FACTORS RELATING TO THE MERGER	20
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	26
TOWER RECENT DEVELOPMENTS	27
THE JAZZ SPECIAL MEETING OF STOCKHOLDERS	28
Date, Time and Place	28
Matters to be Considered at the Jazz Stockholders' Meeting	28
Stockholders Entitled to Vote	28
Quorum	28
Vote Required	28
Voting Rights	28
Voting Your Shares	28
Receipt of Multiple Proxy Cards	29
Revoking Your Proxy and Changing Your Vote	29
Abstentions and Broker Non-Votes	29
Adjournment and Postponement	30

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Solicitation of Proxies	30
You Will Not Have Dissenter's Appraisal Rights in the Merger	30
Questions about Voting	30
Stockholder Proposals for Jazz's 2009 Annual Meeting of Stockholders	30
Jazz Stock Certificates	30

i

	PAGE
	----
THE MERGER	31
Background of the Merger	31
Jazz's Reasons for the Merger	33
Recommendation of Jazz's Board of Directors	36
Interests of Jazz's Directors and Officers in the Merger	36
Tower's Reasons for the Merger	37
Opinion of Jazz's Financial Advisor	38
Regulatory Filings and Approvals Necessary to Complete the Merger	42
Directors and Management of the Merged Company After the Merger	42
Accounting Treatment	42
Tower Ordinary Shares Traded on NASDAQ and TASE; Delisting and Deregistration of Jazz Securities	43
Cash in Lieu of Fractional Shares	43
Effective Time of the Merger and the Share Exchange	43
No Dissenter's Appraisal Rights	44
THE MERGER AGREEMENT	45
The Merger	45
Effective Time of the Merger	45
Merger Consideration	45
Treatment of Jazz Warrants	46
Treatment of Jazz Units	46
Treatment of Jazz Convertible Notes	46
Treatment of Jazz Options	46
Payment Procedures	46
Representations and Warranties	47
Conduct Prior to Completion of the Transaction	47
Registration Statement; Proxy Statement/Prospectus and Jazz Stockholders Meeting	49
No Solicitation of Transactions; Board Recommendation	49
Regulatory Matters	50
Publicity	51
Access	51
Directors' and Officers' Insurance; Indemnification	51
Survival of Representations and Warranties	51
Employee Matters	51
Conditions to Completion of the Merger	51
Termination of the Merger Agreement	52
Expenses; Termination Fee	53
Amendment	54
DESCRIPTION OF TOWER SHARE CAPITAL	55
General	55
Description of Ordinary Shares	55
Description of Other Securities	56
COMPARATIVE RIGHTS OF TOWER AND JAZZ SHAREHOLDERS	57
General	57

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Summary of Material Differences Between the Rights of Jazz Stockholders and the Rights of Tower Shareholders	57
INFORMATION ABOUT JAZZ	69
Overview	69
Formation	69
Jazz's Industry	69
Jazz's Solution	71
Jazz's Strategy	72
Process Technologies	72
Manufacturing	74
Jazz Services	75
Sales and Marketing	76
Customers, Markets and Applications	78
Competition	79
Research and Development	80
Intellectual Property	81
Environmental Matters	82

ii

	PAGE -----
Employees	82
Risk Management and Insurance	82
Jazz's Properties	82
Legal Proceedings	83
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF JAZZ	84
Overview	84
Critical Accounting Policies and Estimates	84
Results of Operations	87
Changes in Financial Condition	95
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF JAZZ	98
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS OF TOWER	102
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS	104
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET AS OF MARCH 31, 2008	105
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2007	106
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2008	107
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS	108
JAZZ RELATED PARTY TRANSACTIONS	113
Prior Share Issuances	113
Securities Purchases	113
Compensation Arrangements	114
Stockholder Loan	114
Indemnification of Officers and Directors	114
TAXATION	115
Certain Material U.S. Federal Income Tax Consequences of the Merger	115
Material Israeli Tax Considerations - Taxation of Tower Shareholders	116
EXCHANGE CONTROLS AND LIMITATIONS AFFECTING STOCKHOLDERS	118
ENFORCING CIVIL LIABILITIES	118
LEGAL MATTERS	118
EXPERTS	118
OTHER MATTERS	118

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

ABOUT THIS DOCUMENT	118
SHAREHOLDER PROPOSALS	119
HOUSEHOLDING OF PROXY MATERIALS	119
WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION OF INFORMATION BY REFERENCE	119
ANNEXES	121
Annex 1 Agreement and Plan of Merger and Reorganization	A-1
Annex 2 Opinion of UBS Securities LLC	B-1
Annex 3 Jazz Financial Statements	F-1

iii

### QUESTIONS AND ANSWERS ABOUT THE MERGER

THE FOLLOWING ARE SOME QUESTIONS THAT YOU MAY HAVE REGARDING THE PROPOSED MERGER AND BRIEF ANSWERS TO THOSE QUESTIONS. WE URGE YOU TO READ CAREFULLY THE REMAINDER OF THIS PROXY STATEMENT/PROSPECTUS BECAUSE THE INFORMATION IN THIS SECTION DOES NOT PROVIDE ALL THE INFORMATION THAT MIGHT BE IMPORTANT TO YOU WITH RESPECT TO THE PROPOSED MERGER. ADDITIONAL IMPORTANT INFORMATION IS ALSO CONTAINED IN THE ANNEXES TO, AND THE DOCUMENTS INCORPORATED BY REFERENCE IN, THIS PROXY STATEMENT/PROSPECTUS. UNLESS STATED OTHERWISE, ALL REFERENCES IN THIS PROXY STATEMENT/PROSPECTUS TO TOWER ARE TO TOWER SEMICONDUCTOR LTD., A COMPANY ORGANIZED UNDER THE LAWS OF ISRAEL, AND ITS WHOLLY-OWNED MARKETING SUBSIDIARY IN THE UNITED STATES; ALL REFERENCES TO JAZZ ARE TO JAZZ TECHNOLOGIES, INC., A DELAWARE CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES; ALL REFERENCES TO JAZZ SEMICONDUCTOR ARE TO JAZZ SEMICONDUCTOR, INC., A DELAWARE CORPORATION AND A WHOLLY-OWNED SUBSIDIARY OF JAZZ; ALL REFERENCES TO MERGER SUB ARE TO ARMSTRONG ACQUISITION CORP., A DELAWARE CORPORATION AND A WHOLLY-OWNED SUBSIDIARY OF TOWER; ALL REFERENCES TO THE MERGED COMPANY ARE TO TOWER, WITH JAZZ AS ITS WHOLLY-OWNED SUBSIDIARY FOLLOWING COMPLETION OF THE MERGER; AND ALL REFERENCES TO THE MERGER AGREEMENT ARE TO THE AGREEMENT AND PLAN OF MERGER AND REORGANIZATION, DATED AS OF MAY 19, 2008, BY AND AMONG JAZZ, TOWER AND MERGER SUB, A COPY OF WHICH IS ATTACHED AS ANNEX 1 TO THIS PROXY STATEMENT/PROSPECTUS.

#### WHAT IS THE PROPOSED TRANSACTION?

Jazz, Tower and Merger Sub have entered into a merger agreement, pursuant to which Merger Sub will merge with and into Jazz with Jazz surviving the merger and continuing its existence as a wholly-owned subsidiary of Tower (referred to in this proxy statement/prospectus as the merger). For a more complete description of the merger, see "THE MERGER."

#### WHY AM I RECEIVING THIS DOCUMENT AND PROXY CARD?

You are receiving this document and proxy card because, as of August 8, 2008, the record date for the special meeting, you owned shares of Jazz common stock. The affirmative vote of the holders of a majority of the shares of Jazz common stock outstanding on the record date for the special meeting is required to approve and adopt the merger agreement and approve the merger.

This proxy statement/prospectus contains important information about the proposed merger, the merger agreement and the Jazz special meeting, which you should read carefully. The enclosed voting materials allow you to vote your shares without attending the Jazz special meeting.

YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, YOU ARE ENCOURAGED TO VOTE AS SOON AS POSSIBLE.

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

### WHY ARE JAZZ AND TOWER PROPOSING THE MERGER?

The boards of directors of Jazz and Tower believe that the combination of Jazz and Tower will provide substantial benefits to the shareholders of both companies and will allow shareholders of both companies the opportunity to participate in a larger, more diversified group of companies that is capable of creating greater shareholder value than either Jazz or Tower could create on its own. To review the reasons for the merger in greater detail, see "THE MERGER - RECOMMENDATION OF THE JAZZ BOARD OF DIRECTORS AND ITS REASONS FOR THE MERGER" and "THE MERGER - TOWER'S REASONS FOR THE MERGER."

### WHAT WILL HOLDERS OF JAZZ COMMON STOCK RECEIVE IN THE MERGER?

If the proposed merger is completed, at the effective time of the merger, Jazz stockholders will be entitled to receive 1.8 ordinary shares of Tower for each share of Jazz common stock that they own (referred to as the "exchange ratio"), and cash in lieu of fractional shares. See "THE MERGER AGREEMENT - MERGER CONSIDERATION."

WHAT WILL HAPPEN IN THE PROPOSED MERGER TO THE WARRANTS, OPTIONS AND CONVERTIBLE NOTES ISSUED BY JAZZ THAT COULD BE EXERCISED FOR OR CONVERTED INTO JAZZ COMMON STOCK AT THE OPTION OF THE HOLDER?

After the merger, warrants, options and convertible notes issued by Jazz will be exercisable for or convertible into Tower ordinary shares pursuant to their existing terms. The number of ordinary shares of Tower receivable upon exercise or conversion, and, in the case of warrants and options, the exercise price to be paid, and in the case of the convertible notes, the conversion rate, will be adjusted to reflect the exchange ratio. See "THE MERGER AGREEMENT - TREATMENT OF JAZZ WARRANTS," "THE MERGER AGREEMENT - TREATMENT OF JAZZ OPTIONS" and "THE MERGER AGREEMENT - TREATMENT OF JAZZ CONVERTIBLE NOTES."

### WHEN IS THE MERGER TRANSACTION EXPECTED TO BE COMPLETED?

The merger is expected to be completed in the second half of 2008. Until that time, both companies will continue to operate independently. However, Jazz and Tower cannot predict the exact timing of the completion of the merger because it is subject to approval by Jazz stockholders and other conditions. See "THE MERGER AGREEMENT - CONDITIONS TO COMPLETION OF THE MERGER."

1

DOES THE JAZZ BOARD OF DIRECTORS RECOMMEND THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE APPROVAL OF THE MERGER?

Yes. The Jazz board of directors unanimously recommends that Jazz stockholders vote "FOR" approval and adoption of the merger agreement and the approval of the merger. The Jazz board of directors has unanimously determined that the merger and the transactions contemplated by the merger agreement are advisable and fair to, and in the best interests of, Jazz and its stockholders and has approved the merger agreement, the merger and the other transactions contemplated by the merger agreement. See "THE MERGER - JAZZ'S REASONS FOR THE MERGER" and "THE MERGER - RECOMMENDATION OF THE JAZZ BOARD OF DIRECTORS."

WHAT VOTE OF JAZZ STOCKHOLDERS IS REQUIRED TO APPROVE AND ADOPT THE MERGER AGREEMENT AND APPROVE THE MERGER?

The affirmative vote of the holders of a majority of Jazz's common stock outstanding on the record date for the special meeting is required to approve



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

and adopt the merger agreement and approve the merger.

IS A VOTE NEEDED BY TOWER SHAREHOLDERS?

A vote of Tower's shareholders is not required for approval of the merger agreement or the merger.

WHEN AND WHERE WILL THE JAZZ SPECIAL MEETING BE HELD?

The Jazz special meeting will take place on September 17, 2008, beginning at 10:00 a.m. Pacific time, at 4321 Jamboree Road, Newport Beach, California 92660.

WHO CAN ATTEND AND VOTE AT THE JAZZ SPECIAL MEETING?

All record holders of Jazz common stock as of the close of business on August 8, 2008, the record date for the Jazz special meeting, are entitled to notice of, and may attend and vote at, the special meeting. As of the close of business on the record date, there were 19,031,276 shares of our common stock outstanding, held by 5 stockholders of record.

WHAT SHOULD JAZZ STOCKHOLDERS DO NOW IN ORDER TO VOTE ON THE PROPOSAL BEING CONSIDERED AT THE SPECIAL MEETING?

STOCKHOLDER OF RECORD: SHARES REGISTERED IN YOUR NAME. If on August 8, 2008 your shares of Jazz common stock were registered directly in your name with Jazz's transfer agent, Continental Stock Transfer & Trust Company, then you are a stockholder of record. If you are a stockholder of record, you may vote in person at the special meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the special meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the special meeting and vote in person even if you have already voted by proxy. You may vote by proxy in any of the following ways:

- o INTERNET. You may vote by proxy over the Internet by going to the website listed on your proxy card. Once at the website, follow the instructions to vote your proxy.
- o TELEPHONE. You may vote by proxy using the toll-free number listed on your proxy card. Voice prompts will help you and confirm that your voting instructions have been followed.
- o MAIL. You may vote by proxy by signing, dating and returning your proxy card in the pre-addressed postage-paid envelope provided.

All shares entitled to vote and represented by properly completed proxies received prior to the Jazz special meeting, and not revoked, will be voted at the Jazz special meeting as instructed on the proxies. IF YOU SIGN YOUR PROXY BUT DO NOT INDICATE HOW YOUR SHARES OF JAZZ COMMON STOCK SHOULD BE VOTED ON A MATTER, THE SHARES REPRESENTED BY YOUR PROPERLY COMPLETED PROXY WILL BE VOTED AS THE JAZZ BOARD OF DIRECTORS RECOMMENDS AND THEREFORE "FOR" THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE APPROVAL OF THE MERGER, AND "FOR" A PROPOSAL TO ADJOURN OR POSTPONE THE MEETING IF DETERMINED BY THE PROXY HOLDERS TO BE NECESSARY OR APPROPRIATE TO SOLICIT ADDITIONAL PROXIES IF THERE ARE INSUFFICIENT VOTES AT THE TIME OF THE SPECIAL MEETING TO APPROVE AND ADOPT THE MERGER AGREEMENT AND APPROVE THE MERGER.

The method by which you vote by proxy will in no way limit your right to vote at the Jazz special meeting if you later decide to attend the meeting in person.

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

BENEFICIAL OWNER: SHARES REGISTERED IN THE NAME OF A BROKER OR BANK. If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from Jazz's transfer agent. Simply complete and mail the proxy card in accordance with the instructions provided by your broker, bank or other agent, or follow the instructions for voting in any other manner as provided by your broker, bank or other agent, to ensure that your vote is counted. To vote in person at the special meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker or bank to request a proxy form.

2

Your broker will vote your shares of Jazz common stock only if you provide instructions on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Without instructions, your shares of Jazz common stock will be a broker "non-vote," which will have the effect of a vote against the approval and adoption of the merger agreement and approval of the merger.

ARE JAZZ STOCKHOLDERS ENTITLED TO DISSENTERS' APPRAISAL RIGHTS?

No. You will not have any appraisal rights under the Delaware General Corporation Law, or under Jazz's certificate of incorporation, in connection with the merger, and neither Jazz nor Tower will independently provide you with any such rights.

WHAT WILL HAPPEN IF I ABSTAIN FROM VOTING OR FAIL TO VOTE?

An abstention or failure to vote by a Jazz stockholder will have the effect of a vote against the approval and adoption of the merger agreement and the approval of the merger. If you sign and return your proxy card but do not indicate how you want to vote, your proxy will be counted as a vote in favor of the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement.

CAN I CHANGE MY VOTE AFTER I HAVE MAILED MY SIGNED PROXY OR DIRECTION FORM?

If you are a record holder of our common stock and you vote by proxy, you may revoke your proxy or change your voting instructions at any time before your proxy is exercised:

- o If you mailed a proxy card, by timely mailing another proxy card with a later date;
- o If you voted by telephone or on the internet, by calling the same telephone number or following the instructions on the internet;
- o By timely notifying Jazz in writing before the special meeting that you have revoked your proxy; or
- o By attending the special meeting, revoking your proxy and voting in person.

If your shares are held in "street name," consult your broker for instructions on how to revoke your proxy or change your vote.

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

SHOULD I SEND IN MY STOCK CERTIFICATES NOW?

IF YOU ARE A RECORD HOLDER OF JAZZ COMMON STOCK, PLEASE DO NOT SEND YOUR JAZZ COMMON STOCK CERTIFICATES TO US NOW. AFTER THE EFFECTIVE TIME OF THE MERGER, THE EXCHANGE AGENT WILL MAIL A LETTER OF TRANSMITTAL TO YOU. YOU SHOULD SEND YOUR JAZZ COMMON STOCK CERTIFICATES ONLY IN COMPLIANCE WITH THE INSTRUCTIONS THAT WILL BE PROVIDED IN THE LETTER OF TRANSMITTAL.

WHAT ARE THE IMPLICATIONS OF TOWER BEING A "FOREIGN PRIVATE ISSUER"?

Tower is subject to the reporting requirements under the Securities Exchange Act of 1934, or the Exchange Act, applicable to foreign private issuers. Tower is required to file its annual report on Form 20-F with the SEC within six months after the end of each fiscal year and to furnish reports on Form 6-K. In addition, Tower must file reports with the Israel Securities Authority and the Tel Aviv Stock Exchange regarding certain information required to be publicly disclosed by Tower in the United States or that is filed with the Securities and Exchange Commission, or regarding information distributed or required to be distributed by Tower to its shareholders. Tower is exempt from certain rules under the Exchange Act, including the proxy rules which impose certain disclosure and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. Moreover, Tower is not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, and is not required to comply with Regulation FD, which addresses certain restrictions on the selective disclosure of material information. In addition, among other matters, Tower's officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of Tower ordinary shares.

WHAT SHOULD I DO IF I RECEIVE MORE THAN ONE SET OF VOTING MATERIALS?

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return each proxy card to ensure that all of your Jazz common stock are voted.

3

WHAT DO I NEED TO DO NOW?

Jazz urges all Jazz stockholders to read carefully and consider the information contained in this proxy statement/prospectus, including the annexes, and to consider how the merger will affect you as a stockholder of Jazz. You should then vote as soon as possible in accordance with the instructions provided in this proxy statement/prospectus and on the enclosed proxy card.

WHO CAN HELP ANSWER MY QUESTIONS?

If you have questions about the merger or if you need additional copies of the proxy statement or the enclosed proxy card you should contact:

Chief Legal Officer, Mr. Allen R. Grogan, Jazz Technologies, Inc.  
4321 Jamboree Road, Newport Beach, CA 92660  
Tel: (949) 435-8000  
Email: allen.grogan@jazztechnologies.com

You may also obtain additional information about Tower from documents

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

filed with the SEC by following the instructions in the section titled "WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION OF INFORMATION BY REFERENCE."

4

### SUMMARY

THIS SUMMARY HIGHLIGHTS SELECTED INFORMATION FROM THIS PROXY STATEMENT/PROSPECTUS AND MAY NOT CONTAIN ALL THE INFORMATION THAT IS IMPORTANT TO YOU. TO UNDERSTAND THE MERGER FULLY AND FOR A MORE COMPLETE DESCRIPTION OF THE LEGAL TERMS OF THE MERGER, YOU SHOULD CAREFULLY READ THIS ENTIRE PROXY STATEMENT/PROSPECTUS, ITS ANNEXES, AND THE OTHER DOCUMENTS TO WHICH WE REFER YOU, INCLUDING IN PARTICULAR THE ATTACHED MERGER AGREEMENT ITSELF, THAT ARE ATTACHED TO THIS PROXY STATEMENT/PROSPECTUS AND INCORPORATED BY REFERENCE HEREIN. IN ADDITION, TOWER AND JAZZ ENCOURAGE YOU TO READ THE INFORMATION INCORPORATED BY REFERENCE INTO THIS PROXY STATEMENT/PROSPECTUS, WHICH INCLUDES IMPORTANT INFORMATION ABOUT TOWER THAT HAS BEEN FILED WITH THE SEC. YOU MAY OBTAIN THE INFORMATION INCORPORATED BY REFERENCE INTO THIS PROXY STATEMENT/PROSPECTUS WITHOUT CHARGE BY FOLLOWING THE INSTRUCTIONS IN THE SECTION ENTITLED "WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION OF INFORMATION BY REFERENCE."

### THE COMPANIES

**TOWER.** Tower is a pure-play independent specialty wafer foundry established in 1993. Tower manufactures integrated circuits with geometries ranging from 1.0 to 0.13-micron; it also provides complementary technical services and design support. In addition to digital CMOS process technology, Tower offers advanced mixed-signal & RF-CMOS, Power Management, CMOS image-sensor and non-volatile memory technologies. To provide world-class customer service, Tower maintains two manufacturing facilities, each with standard and specialized process technology processes: Fab 1 ranging from 1.0 to 0.35 and Fab 2 featuring 0.18 and 0.13-micron.

Tower's ordinary shares are publicly traded on the NASDAQ Global Market under the symbol "TSEM" and on the Tel Aviv Stock Exchange under the same symbol.

Tower's manufacturing facilities and executive offices are located in the Ramat Gavriel Industrial Park, Post Office Box 619, Migdal Haemek, 23105 Israel, and Tower's telephone number is 972-4-650-6611.

**JAZZ.** Jazz is the parent company of Jazz Semiconductor, a leading independent wafer foundry focused on Analog-Intensive Mixed-Signal (AIMS) process technologies. Jazz's broad product portfolio includes digital CMOS and specialty technologies, such as RF CMOS, Analog CMOS, SiGe BiCMOS, SiGe C-BiCMOS, Power CMOS and High Voltage CMOS. These technologies are designed for customers who seek to produce analog and mixed-signal semiconductor devices that are smaller and more highly integrated, power-efficient, feature-rich and cost-effective than those produced using standard process technologies.

Jazz's common stock is publicly traded on the American Stock Exchange, or AMEX, under the symbol "JAZ."

Jazz's principal executive offices are located at 4321 Jamboree Road, Newport Beach, CA 92660, and Jazz's telephone number is (949) 435-8000. Jazz's U.S. wafer fabrication facilities are located in Newport Beach, CA and Jazz also has engineering and manufacturing support in Shanghai, China.

ARMSTRONG ACQUISITION CORP. Merger Sub is a wholly owned subsidiary of

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Tower. Merger Sub was formed on May 16, 2008 solely for the purpose of effecting the merger. Merger Sub has not conducted any business operations other than those incidental to its formation and in connection with the transactions contemplated by the merger agreement. Upon consummation of the merger, Merger Sub will merge with and into Jazz and cease to exist, with Jazz surviving the merger and continuing its existence as a wholly owned subsidiary of Tower.

THE MERGER (PAGE 31)

Tower and Jazz have agreed to become part of the same group of companies pursuant to the merger agreement described in this proxy statement/prospectus. Under the terms of the merger agreement, Merger Sub will merge with and into Jazz, with Jazz surviving the merger and continuing its existence as a wholly owned subsidiary of Tower. The merger agreement is attached as Annex 1 to this proxy statement/prospectus. Tower and Jazz encourage you to read the merger agreement in its entirety because it is the legal document that governs the merger.

THE MERGER CONSIDERATION (PAGE 45)

In the merger, each share of Jazz common stock outstanding immediately prior to the effective time of the merger will be automatically converted into the right to receive 1.8 ordinary shares of Tower, which is referred to as the exchange ratio, together with the right, if any, to receive cash in lieu of fractional shares of Jazz. No fraction of a Tower ordinary share will be issued in the merger. Instead, each holder of shares of Jazz common stock who would otherwise be entitled to receive a fractional Tower ordinary share in the merger will be entitled to receive a cash payment in lieu of such fractional Tower ordinary share.

Jazz stockholders of record will have to surrender their common stock certificates to receive the merger consideration payable to them. PLEASE DO NOT SEND ANY CERTIFICATES NOW. Tower or the exchange agent will send Jazz stockholders written instructions on how to surrender Jazz common stock certificates for Tower ordinary shares after the merger is completed.

5

TREATMENT OF JAZZ WARRANTS (PAGE 46)

Under the merger agreement, Tower will assume all outstanding warrants to purchase Jazz common stock that are outstanding immediately prior to the effective time of the merger, and these warrants will become exercisable for Tower ordinary shares. Each warrant to purchase Jazz common stock at the effective time of the merger will become a warrant to purchase 1.8 Tower ordinary shares at an exercise price of \$2.78 per Tower ordinary share which is equal to the existing exercise price of \$5.00, divided by the exchange ratio of 1.8. No fractional ordinary shares of Tower will be issued upon the exercise of the warrants, but rather the number of Tower ordinary shares to be issued shall be rounded up to the nearest whole number. Tower intends to file with the SEC a post-effective amendment to the registration statement of which this proxy statement/prospectus is a part with respect to the Tower ordinary shares issuable upon exercise of the Jazz warrants. Tower anticipates that following the merger, the Jazz warrants will be delisted from the American Stock Exchange and will be quoted on the Nasdaq Global Market. We cannot assure you, however, that the Jazz warrants will or will continue to be quoted on the Nasdaq Global Market.

TREATMENT OF JAZZ UNITS (PAGE 46)

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

At the effective time of the merger, each Jazz unit will be mandatorily separated into one share of Jazz common stock and two Jazz warrants. The shares of Jazz common stock will convert into Tower ordinary shares and the Jazz warrants will become exercisable for Tower ordinary shares, each as described above.

### TREATMENT OF JAZZ CONVERTIBLE NOTES (PAGE 46)

Each holder of Jazz convertible notes will have the right to convert the convertible note into the number of ordinary shares of Tower equal to 1.8 multiplied by the number of shares of common stock of Jazz that such holder would have been entitled to receive if the convertible note was converted immediately prior to the effective time of the merger. For example, each \$1,000 in original principal amount of Jazz convertible notes will be convertible into 245.57 Tower ordinary shares, representing an implied conversion price of approximately \$4.07 per Tower ordinary share, which is equal to the existing implied conversion price of \$7.33 per share of Jazz common stock, divided by the exchange ratio of 1.8. Tower intends to file with the SEC a post-effective amendment to the registration statement of which this proxy statement/prospectus is a part with respect to the Tower ordinary shares issuable upon conversion of the Jazz convertible notes.

### TREATMENT OF JAZZ OPTIONS (PAGE 46)

Under the merger agreement, Tower will assume all outstanding options to purchase Jazz common stock that are outstanding immediately prior to the effective time of the merger, whether vested or unvested, and these options will become exercisable for Tower ordinary shares. Each option to purchase Jazz common stock outstanding at the effective time of the merger will become an option to purchase a number of Tower ordinary shares equal to 1.8 multiplied by the number of shares of Jazz common stock that such option was exercisable for prior to the effective time, rounded down to the nearest whole number of Tower ordinary shares, and the per share exercise price of each option will equal the per share exercise price of such option divided by 1.8, rounded up to the nearest cent. For example, an option to purchase 100 shares of Jazz common stock will become an option to purchase 180 Tower ordinary shares. Tower has undertaken to file within ten business days of the effective time of the merger, subject to applicable law, a Form S-8 registration statement with the SEC covering the Tower ordinary shares issuable upon the exercise of the assumed Jazz options.

### THE SPECIAL MEETING (PAGE 28)

#### DATE, TIME & PLACE

The special meeting of Jazz stockholders will be held at 10:00 a.m., Pacific time, on September 17, 2008, at 4321 Jamboree Road, Newport Beach, California 92660.

#### MATTERS TO BE CONSIDERED AT THE JAZZ STOCKHOLDERS' MEETING

The purposes of the Jazz stockholders' meeting are to vote upon a proposal to approve and adopt the merger agreement and the approve the merger; and to vote upon any proposal by Jazz to adjourn or postpone the special meeting if determined to be necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger agreement and approve the merger.

#### STOCKHOLDERS ENTITLED TO VOTE

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

You are entitled to notice of, and may vote at, the special meeting if you were the record holder of our common stock as of the close of business on August 8, 2008, the record date for the special meeting. As of the close of business on the record date, there were 19,031,276 shares of Jazz's common stock outstanding, held by 5 stockholders of record.

6

### QUORUM

A quorum of Jazz stockholders is necessary to hold a valid meeting. A quorum will be present at the Jazz special meeting if a majority of Jazz's outstanding shares of common stock entitled to vote at the special meeting are represented in person or by proxy. Abstentions and broker non-votes will count as present for the purposes of establishing a quorum.

### VOTE REQUIRED

The affirmative vote of the holders of a majority of shares of Jazz common stock outstanding on the record date for the special meeting is required to approve and adopt the merger agreement and approve the merger.

### RECOMMENDATION OF THE JAZZ BOARD OF DIRECTORS (PAGE 36)

The Jazz board of directors unanimously recommends that Jazz stockholders vote "FOR" approval and adoption of the merger agreement and approve the merger. The Jazz board of directors has unanimously determined that the merger and the transactions contemplated by the merger agreement are advisable and fair to, and in the best interests of, Jazz and its stockholders and has approved the merger agreement, the merger and the other transactions contemplated by the merger agreement. See also "THE MERGER - JAZZ'S REASONS FOR THE MERGER."

### REASONS FOR THE MERGER (PAGE 33)

In making its determination, the board of directors of Jazz considered a wide variety of factors in connection with its evaluation of Tower. In light of the complexity of those factors, Jazz's board of directors did not consider it practicable to, nor did it attempt to, quantify or otherwise assign relative weights to the specific factors it considered in reaching its decision.

For a description of the factors considered by the Jazz board of directors, see "THE MERGER - JAZZ'S REASONS FOR THE MERGER."

### OPINION OF JAZZ'S FINANCIAL ADVISOR (PAGE 38)

In connection with the merger, Jazz's board of directors received a written opinion, dated May 17, 2008, from Jazz's financial advisor, UBS Securities LLC, referred to as UBS, as to the fairness, from a financial point of view and as of the date of such opinion, of the exchange ratio provided for in the merger. The full text of UBS' written opinion, dated May 17, 2008, is attached to this proxy statement/prospectus as Annex 2. UBS' OPINION WAS PROVIDED FOR THE BENEFIT OF JAZZ'S BOARD OF DIRECTORS IN CONNECTION WITH, AND FOR THE PURPOSE OF, ITS EVALUATION OF THE EXCHANGE RATIO FROM A FINANCIAL POINT OF VIEW AND DOES NOT ADDRESS ANY OTHER ASPECT OF THE MERGER. THE OPINION DOES NOT ADDRESS THE RELATIVE MERITS OF THE MERGER AS COMPARED TO OTHER BUSINESS STRATEGIES OR TRANSACTIONS THAT MIGHT BE AVAILABLE WITH RESPECT TO JAZZ OR JAZZ'S UNDERLYING BUSINESS DECISION TO EFFECT THE MERGER. THE OPINION DOES NOT CONSTITUTE A RECOMMENDATION TO ANY STOCKHOLDER AS TO HOW TO VOTE OR ACT WITH RESPECT TO THE MERGER. Holders of Jazz common stock are encouraged to read UBS' opinion carefully in its entirety for a description of the assumptions made,

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

procedures followed, matters considered and limitations on the review undertaken by UBS.

### SHARE OWNERSHIP AFTER THE MERGER

Based on the number of shares of Jazz common stock outstanding on July 31, 2008, Tower expects to issue approximately 34.3 million ordinary shares of Tower at the effective time of the merger to Jazz stockholders. Based on the number of shares of Jazz common stock and Tower ordinary shares outstanding on July 31, 2008, immediately after the effective time of the merger, former Jazz stockholders will own Tower ordinary shares representing approximately 21.5% of the then-outstanding Tower ordinary shares. In addition, Tower may issue up to an additional 96.5 million Tower ordinary shares as a result of the future exercise or conversion of outstanding Jazz options, warrants and convertible notes.

### SHARE OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS (PAGE 98)

At the close of business on July 31, 2008, directors and executive officers of Jazz and their affiliates beneficially owned approximately 4,032,506 shares of Jazz common stock, and owned and were entitled to vote 3,246,255 shares of Jazz common stock, representing approximately 21.2%, and approximately 17.1%, respectively, of the shares of Jazz common stock outstanding on that date.

For further information on share ownership of directors and officers of Jazz see "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF JAZZ."

### INTERESTS OF JAZZ'S DIRECTORS AND EXECUTIVE OFFICERS IN THE MERGER (PAGE 36)

In considering the recommendation of the board of directors of Jazz, you should be aware that certain directors and executive officers of Jazz may have interests in the merger that are different from, or in addition to, your interests as a stockholder of Jazz generally and may create potential conflicts of interest. The board of directors of Jazz was aware of these interests and considered them when they approved and adopted the merger agreement, and the merger contemplated thereby.

7

### TOWER ORDINARY SHARES TRADED ON NASDAQ AND TASE; DELISTING AND DEREGISTRATION OF JAZZ SECURITIES (PAGE 43)

Jazz common stock, warrants and units will continue to trade on the American Stock Exchange until the completion of the proposed merger. Following the completion of the proposed merger, Jazz common stock, and units will no longer be listed on the AMEX and will be deregistered under the Exchange Act. In the merger, holders of Jazz common stock will receive ordinary shares of Tower which are publicly traded on the NASDAQ Global Market under the symbol "TSEM" and the Tel Aviv Stock Exchange, or TASE, under the symbol "TSEM." At the effective time of the merger, each Jazz unit will be mandatorily separated into one share of Jazz common stock (which will convert into Tower ordinary shares as described above) and two Jazz warrants. At the effective time of the merger, Jazz warrants will remain outstanding and will become exercisable for Tower ordinary shares as described in this proxy statement/prospectus. Tower anticipates that following the merger, the Jazz warrants will be delisted from the American Stock Exchange and will be quoted on the Nasdaq Global Market. We cannot assure you, however, that the Jazz warrants will or will continue to be quoted on the Nasdaq Global Market.



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

### CASH IN LIEU OF FRACTIONAL SHARES (PAGE 43)

No fractions of Tower ordinary shares will be issued as consideration in the merger and holders of Jazz common stock who would otherwise be entitled to a fraction of a Tower ordinary share (after aggregating all fractional shares that otherwise would be received by such holder), shall be entitled to receive a cash payment in lieu thereof. The amount of cash received by such stockholder will be equal to an amount of cash (rounded to the nearest whole cent), without interest, equal to the product of (i) such fraction, multiplied by (ii) the average closing price of one Tower ordinary share for the five most recent days that Tower ordinary shares have traded ending on the trading day immediately prior to the effective time, as reported on the Nasdaq Global Market.

### NO DISSENTERS' APPRAISAL RIGHTS (PAGE 44)

Holders of Jazz common stock will not have any appraisal rights under the Delaware General Corporation Law, or under Jazz's certificate of incorporation, in connection with the merger, and neither Jazz nor Tower will independently provide holders of Jazz common stock with any such rights. For further information concerning the Jazz Special Meeting see "THE JAZZ SPECIAL MEETING OF STOCKHOLDERS."

### CONDITIONS TO COMPLETION OF THE MERGER (PAGE 51)

A number of conditions must be satisfied or waived, if permissible under legal requirements, before the proposed merger can be completed. These include, among others:

- o effectiveness of the registration statement on Form F-4; and
- o adoption of the merger agreement by the stockholders of Jazz.

For a more detailed description of this provision see "THE MERGER AGREEMENT - CONDITIONS TO COMPLETION OF THE MERGER."

### REGULATORY FILINGS AND APPROVALS NECESSARY TO COMPLETE THE MERGER (PAGE 42)

In addition to the effectiveness of this registration statement, of which this proxy statement/prospectus is a part, and compliance with applicable provisions of Delaware and Israeli laws, several additional regulatory filings and approvals are required in connection with the merger including:

- o approval of the Office of the Chief Scientist of the Israeli Ministry of Industry, Trade and Labor;
- o approval of the Israeli Investment Center of the Israeli Ministry of Industry, Trade and Labor;
- o approval of the Israel Lands Administration; and
- o approval of the Tel-Aviv Stock Exchange (listing of additional shares).

Tower is also required to provide notice: (i) to the Directorate of Defense Trade Controls under the International Traffic in Arms Regulations ("ITAR") at least 60 days prior to closing, (ii) prior to the closing date, to the Nasdaq Global Market (on a Notification Form: Listing of Additional Shares); and (iii) following the Effective Date, to the Investment Center, the Israeli Office of the Chief Scientist and the Israel Lands Administration. The merger is not expected to be subject to the Hart-Scott-Rodino Act.

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

On May 27, 2008, Tower submitted applications for the approval of the change in the ownership of its shares resulting from the transactions contemplated by the merger agreement, to each of the Office of the Chief Scientist, Investment Center and Israel Lands Administration.

On June 3, 2008, Tower received the approval of the Office of the Chief Scientist of the Israeli Ministry of Industry, Trade and Labor.

On June 10, 2008, Jazz filed, and on June 24, 2008, Tower filed, a notice with the Directorate of Defense Trade Controls under ITAR.

8

Jazz and Tower have been in pre-notification discussions with the Committee on Foreign Investment in the United States ("CFIUS") regarding the proposed merger and intend to make a voluntary filing on or about August 8, 2008 seeking CFIUS review of the proposed merger. There can be no assurance that CFIUS would not request the parties to enter into a mitigation agreement that could impose material conditions on the operations of the Jazz business.

An application to the Tel-Aviv Stock Exchange for the listing of additional shares will be submitted on or around the closing date.

### DIRECTORS AND MANAGEMENT OF THE MERGED COMPANY AFTER THE MERGER (PAGE 42)

The directors and officers of Tower will remain the directors and officers of Tower following the merger until their successors are duly elected, appointed or qualified or until their earlier death, resignation or removal in accordance with the articles of incorporation of Tower and applicable law. As contemplated by the merger agreement, the directors and officers of Jazz following the merger will be determined prior to the effective time of the merger.

### NO SOLICITATION OF TRANSACTIONS (PAGE 49)

After the date of the merger agreement and until the completion of the merger, Jazz is prohibited from seeking any alternative transactions for the acquisition of Jazz other than the merger transaction with Tower, subject to the conditions and terms specified in the merger agreement. The prohibition includes not soliciting, or initiating or inducing, encouraging or knowingly facilitating any alternative proposals or inquiries, not furnishing any information regarding Jazz or its subsidiaries to any third party in connection with any alternative proposals or inquiries, not engaging in any discussions or negotiations with any third party concerning any alternative proposals or inquiries, not approving or recommending any alternative proposals or inquiries, and not entering into any letter of intent or similar agreements otherwise relating to any alternative acquisition transaction.

However, Jazz may, at any time prior to the adoption of the merger agreement by Jazz's stockholders, take some of the actions otherwise prohibited if Jazz's board of directors determines in good faith that an alternative acquisition proposal constitutes or could reasonably be expected to lead to a superior proposal, and that such actions are required in order for Jazz's board of directors to comply with its fiduciary duties to Jazz's stockholders under applicable law.

In addition, prior to the closing of the merger, neither Jazz's board of directors nor any committee thereof may withdraw or modify in a manner adverse to Tower, its recommendation that stockholders adopt the merger agreement,

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

unless, among other things, Jazz's board of directors has determined in good faith that doing so is required in order for Jazz's board of directors to comply with its fiduciary duties to Jazz's stockholders under applicable law.

TERMINATION (PAGE 52)

The merger agreement may be terminated at any time, prior to the effective time of the merger (notwithstanding any approval by Jazz's stockholders) by mutual written consent of Tower and Jazz, or as follows:

- o by either Tower or Jazz if, among other things:
  - o the merger has not been completed by October 20, 2008; or
  - o the adoption of the merger agreement by Jazz's stockholders has not been obtained; or
  - o any legal requirement or final and non-appealable injunction enacted after May 19, 2008 prohibits the consummation of the merger, and, if violated, would have material negative consequences for Tower or Jazz or any of their respective directors, officers or employees.
- o by Tower if:
  - o at any time prior to the adoption of the merger agreement by the Jazz stockholders, certain events specified in the merger agreement occur, which events include the following:
    - o Jazz's board of directors fails to recommend that the Jazz stockholders adopt the merger agreement, withdraws or modifies its recommendation in a manner adverse to Tower or fails to reaffirm its recommendation after Tower requests,
    - o Jazz's board of directors approves, endorses or recommends an alternative acquisition proposal, or Jazz enters in a binding letter of intent or agreement accepting any alternative acquisition proposal, or
    - o a tender or exchange offer relating to Jazz's securities has been commenced and Jazz has not sent within 15 business days to its stockholders or filed with the SEC a statement disclosing that it recommends rejection of such offer.
  - o Jazz breaches any of its representations, warranties, covenants or agreements, such that the applicable closing conditions for Tower to effect the merger as set forth in the merger agreement would not be satisfied and such breach is not cured (if curable) within 30 days of delivery of written notice by Tower to Jazz of Jazz's breach (so long as Tower is not itself in breach of the any of its representations, warranties, covenants or agreements so as to cause the applicable closing conditions for Jazz to effect the merger as set forth in the merger agreement not to be satisfied); or
- o by Jazz if Tower breaches any of its representations, warranties, covenants or agreements, such that the applicable closing conditions for Jazz to effect the merger as set forth in the merger agreement

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

would not be satisfied and such breach is not cured (if curable) within 30 days of delivery of written notice by Jazz to Tower of Tower's breach (so long as Jazz is not itself in breach of any of its representations, warranties, covenants or agreements so as to cause the applicable closing conditions for Tower to effect the merger as set forth in the merger agreement not to be satisfied).

9

For a more detailed description of these provisions see "THE MERGER AGREEMENT - TERMINATION."

EXPENSES; TERMINATION FEE (PAGE 53)

Generally, each party to the merger agreement will bear its own expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement.

Jazz has agreed to pay Tower a termination fee of \$1.2 million and reimburse Tower for up to \$1 million in expenses incurred in connection with the transaction, if the merger agreement is terminated under one of the following circumstances:

- o by Tower - if one of the following events specified in the merger agreement occurs:
  - o Jazz's board of directors fails to recommend that the Jazz stockholders adopt the merger agreement, withdraws or modifies its recommendation in a manner adverse to Tower, or fails to reaffirm its recommendation after Tower requests,
  - o Jazz's board of directors approves, endorses or recommends an alternative acquisition proposal, or Jazz enters into a binding letter of intent or agreement accepting any alternative acquisition proposal, or
  - o a tender or exchange offer relating to Jazz's securities has been commenced and Jazz has not sent within 15 business days to its stockholders or filed with the SEC a statement disclosing that it recommends rejection of such offer; or
- o by Tower or Jazz - if: (i) the adoption of the merger agreement by Jazz's stockholders has not been obtained; and (ii) prior to the time of the failure to adopt the merger agreement, an alternative acquisition proposal will have been publicly disclosed; and (iii) within 12 months of the date of termination, an alternative acquisition of Jazz will have been consummated or Jazz will have entered into an agreement or binding letter of intent providing for such an acquisition (which is subsequently consummated); or
- o by Tower or Jazz - if: (i) the merger has not been completed by October 20, 2008; and (ii) prior to termination, an alternative acquisition proposal will have been publicly disclosed (and such alternative acquisition proposal shall not have been unconditionally and publicly withdrawn prior to the date of the Jazz special meeting); and (iii) within 12 months of the date of termination, an alternative acquisition of Jazz will have been consummated or Jazz will have entered into an agreement or binding letter of intent providing for such an acquisition (which is subsequently

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

consummated), provided that, in the case of termination by Tower, Tower can demonstrate that it would reasonably have been expected that the merger would have been consummated prior to termination but for the making or pendency of such alternative acquisition proposal.

In addition and subject to certain conditions, if the merger agreement is terminated by either Jazz or Tower because the adoption of the merger agreement by Jazz's stockholders has not been obtained, Jazz has agreed reimburse Tower for up to \$500,000 in expenses.

If Jazz fails promptly to pay when due any amounts payable by Jazz, then it must reimburse Tower for all costs and expenses incurred in collection of such amounts and must pay Tower interest on such overdue amounts at a rate per annum equal to 5%.

For a more detailed description of this provision see "THE MERGER AGREEMENT - EXPENSES; TERMINATION FEE."

CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER (PAGE 115)

The merger has been structured to qualify as a reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended. Assuming the Merger so qualifies, you will not recognize gain or loss on the exchange of your Jazz common stock for Tower ordinary shares, although gain or loss may be recognized upon the receipt of cash in lieu of fractional Tower ordinary shares. Tower and Jazz cannot assure you that the Internal Revenue Service will agree with the treatment of the merger as a tax-free reorganization.

Tax matters are complicated, and the tax consequences of the merger to a particular stockholder will depend in part on such stockholder's circumstances. Accordingly, we urge you to consult your own tax advisor for a full understanding of the tax consequences of the merger to you, including the applicability and effect of federal, state, local and foreign income and other tax laws.

For further information, please refer to "TAXATION - CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER."

10

MATERIAL ISRAELI TAX CONSIDERATIONS (PAGE 116)

According to Israeli tax law, the merger may be viewed as a taxable event for Jazz shareholders who are Israeli resident individuals or companies. Therefore, Tower may withhold tax from any Israeli resident shareholders of Jazz that does not produce a valid withholding exemption certificate issued by the Israeli tax authorities and applying to the transactions. In addition, Jazz security holders who become Tower ordinary shareholders following the merger will be subject to Israeli tax law which generally exempts from Israeli capital gains tax gains derived by foreign residents holding shares of Israeli resident companies traded on a recognized stock exchange, such as the NASDAQ Global Market, subject to certain conditions.

For further information, please refer to "MATERIAL ISRAELI TAX CONSIDERATIONS - TAXATION OF TOWER SHAREHOLDERS."

ACCOUNTING TREATMENT (PAGE 42)

In accordance with U.S. GAAP, the merger will be accounted for as a purchase through the issuance of stock by Tower as the consideration for the net

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

assets of Jazz. The assets (tangibles and intangibles) and liabilities of Jazz will be recorded as of the acquisition date at their assigned values based on purchase price allocation determined, using their respective fair values. Goodwill, if any, will be recorded as the residual amount of the excess of cost over the fair values of identified assets, in accordance with the requirements of Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations, referred to as "SFAS 141."

### COMPARATIVE RIGHTS OF TOWER AND JAZZ SHAREHOLDERS (PAGE 57)

As a result of the merger, each of your shares of Jazz common stock will be converted into the right to receive Tower ordinary shares according to the exchange ratio. Because Tower is a corporation organized under the laws of Israel, there are material differences between the rights of Jazz stockholders and the rights of holders of Tower ordinary shares. For a discussion of these differences, see "COMPARATIVE RIGHTS OF TOWER AND JAZZ SHAREHOLDERS" and for a description of Tower's ordinary shares, see "DESCRIPTION OF TOWER SHARE CAPITAL."

### EXCHANGE OF STOCK CERTIFICATES (PAGE 43)

After the completion of the merger, the exchange agent appointed in connection with the merger will send to each record holder of Jazz common stock a letter of transmittal and exchange instructions to Jazz stockholders for use in exchanging such stock for Tower ordinary shares and cash in lieu of fractional ordinary shares. You should not send in your Jazz stock certificates before receiving this letter of transmittal.

### VOTING RIGHTS (PAGE 28)

**STOCKHOLDER OF RECORD: SHARES REGISTERED IN YOUR NAME.** If on August 8, 2008 your shares of Jazz common stock were registered directly in your name with Jazz's transfer agent, Continental Stock Transfer & Trust Company, then you are a stockholder of record for purposes of the special meeting. If you are a stockholder of record, you may vote in person at the special meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the special meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the special meeting and vote in person even if you have already voted by proxy. You may vote by proxy in any of the following ways:

- o **INTERNET.** You may vote by proxy over the Internet by going to the website listed on your proxy card. Once at the website, follow the instructions to vote your proxy.
- o **TELEPHONE.** You may vote by proxy using the toll-free number listed on your proxy card. Voice prompts will help you and confirm that your voting instructions have been followed.
- o **MAIL.** You may vote by proxy by signing, dating and returning your proxy card in the pre-addressed postage-paid envelope provided.

All shares entitled to vote and represented by properly completed proxies received prior to the Jazz special meeting, and not revoked, will be voted at the Jazz special meeting as instructed on the proxies. IF YOU SIGN YOUR PROXY BUT DO NOT INDICATE HOW YOUR SHARES OF JAZZ COMMON STOCK SHOULD BE VOTED ON A MATTER, THE SHARES REPRESENTED BY YOUR PROPERLY COMPLETED PROXY WILL BE VOTED AS THE JAZZ BOARD OF DIRECTORS RECOMMENDS AND THEREFORE "FOR" THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE APPROVAL OF THE MERGER, AND "FOR" A PROPOSAL TO ADJOURN OR POSTPONE THE MEETING IF DETERMINED BY THE PROXY HOLDERS TO BE NECESSARY OR APPROPRIATE TO SOLICIT ADDITIONAL PROXIES IF THERE ARE INSUFFICIENT VOTES AT THE TIME OF THE SPECIAL MEETING TO APPROVE THE MERGER AGREEMENT.

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

The method by which you vote by proxy will in no way limit your right to vote at the Jazz special meeting if you later decide to attend the meeting in person.

**BENEFICIAL OWNER: SHARES REGISTERED IN THE NAME OF A BROKER OR BANK.** If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from Jazz's transfer agent. Simply complete and mail the proxy card in accordance with the voting instructions provided by your broker, bank or other agent, or follow the instructions for voting in any other manner as provided by your broker, bank or other agent to ensure that your vote is counted. To vote in person at the special meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker or bank to request a proxy form.

11

Your broker will vote your shares of Jazz common stock only if you provide instructions on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Without instructions, your shares of Jazz common stock will be a broker "non-vote," which will have the effect of a vote against the approval and adoption of the merger agreement and approval of the merger.

### SOLICITATION OF PROXIES (PAGE 30)

The proxy accompanying this proxy statement/prospectus is solicited on behalf of the Jazz board of directors for use at the Jazz stockholders' meeting.

Jazz is soliciting the enclosed proxy on behalf of the board of directors, and will pay all costs of preparing, assembling and mailing the proxy materials. In addition to mailing out proxy materials, Jazz's directors and officers may solicit proxies by telephone or fax, without receiving any additional compensation for their services. Jazz has requested brokers, banks and other fiduciaries to forward proxy materials to the beneficial owners of its stock. Jazz also intends to retain Morrow & Co., Inc., a proxy solicitation firm, to assist in the proxy solicitation process. Jazz expects to pay Morrow & Co., Inc. its customary fee of approximately \$6,500 plus \$6.50 per solicited stockholder and out-of-pocket expenses.

12

### TOWER SELECTED HISTORICAL FINANCIAL INFORMATION

Tower is providing the following financial information to assist you in your analysis of the financial aspects of the merger. The information is only a summary and should be read in conjunction with Tower's historical consolidated financial statements and related notes incorporated by reference herein.

The Tower selected historical information is derived from (a) the audited consolidated financial statements of Tower as of December 31, 2007 and 2006 and for each of its fiscal years ended December 31, 2007, 2006 and 2005, which are incorporated by reference in this proxy statement/prospectus, and which have

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

been audited by Brightman Almagor & Co., a member of Deloitte Touche Tohmatsu, independent registered public accounting firm, whose report is also incorporated by reference in this proxy statement/prospectus, (b) from the audited consolidated financial statements of Tower as of December 31, 2005, 2004 and 2003 and for each of its fiscal years ended December 31, 2004 and 2003, which are not included or incorporated by reference in this proxy statement/prospectus and (c) the unaudited consolidated financial statements of Tower as of March 31, 2008 and for the three months ended March 31, 2008, which are incorporated by reference in this proxy statement/prospectus.

The historical results included below and incorporated by reference in this proxy statement/prospectus are not indicative of the future performance of Tower and the interim results included below and incorporated by reference in this proxy statement/prospectus are not indicative of results for the full fiscal year.

	THREE MONTHS ENDED MARCH 31,		FISCAL YEARS ENDED DE	
	2008	2007	2006	2005
	(US\$ IN THOUSANDS, EXCEPT FOR			
<b>STATEMENT OF OPERATIONS DATA:</b>				
Revenue	\$ 57,607	\$ 230,853	\$ 187,438	\$ 101
Loss from operations	\$ (21,392)	\$ (99,312)	\$ (120,961)	\$ (169
Net loss	\$ (29,620)	\$ (134,196)	\$ (167,927)	\$ (203
Net loss per share basic and diluted	\$ (0.24)	\$ (1.13)	\$ (2.03)	\$ (

	AS OF MARCH 31,		AS OF	
	2008	2007	2006	2005
	(US\$ IN THOUSANDS)			
<b>BALANCE SHEET DATA:</b>				
Total assets	\$ 692,118	\$ 686,782	\$ 714,132	\$ 690
Total current liabilities	\$ 92,275	\$ 76,936	\$ 84,126	\$ 95
Total long-term liabilities	\$ 582,680	\$ 565,137	\$ 590,490	\$ 624
Total shareholder's equity	\$ 17,163	\$ 44,709	\$ 39,516	\$ (29

13

### JAZZ SELECTED CONSOLIDATED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

We are providing the following summary selected financial information to assist you in your analysis of the financial aspects of the merger. The following selected consolidated historical financial information is only summary and should be read in conjunction with "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF JAZZ" and Jazz's and Jazz Semiconductor's consolidated financial statements and the related notes to those statements included elsewhere in this prospectus/proxy statement.

- o The consolidated statement of operations information for the three



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

months ended March 28, 2008 and the consolidated balance sheet information as of March 28, 2008 have been derived from Jazz's unaudited consolidated financial statements for the three months ended March 28, 2008 included elsewhere in this prospectus/proxy statement.

- o The pro forma consolidated statement of operations information for the three months ended March 30, 2007 presents pro forma results assuming Jazz's acquisition of Jazz Semiconductor had occurred on January 1, 2007 and has been derived from (i) Jazz's unaudited condensed consolidated financial statements for the three months ended March 30, 2007 included elsewhere in this prospectus/proxy statement and (ii) the audited consolidated financial statements of Jazz Semiconductor for the period from December 30, 2006 to February 16, 2007 (the date of the Jazz Semiconductor acquisition) included elsewhere in this prospectus/proxy statement.
- o The pro forma consolidated statement of operations information for the years ended December 28, 2007 and December 31, 2006 and the pro forma consolidated balance sheet information as of such dates presents pro forma results assuming Jazz's acquisition of Jazz Semiconductor had occurred on January 1, 2007 and January 1, 2006, respectively, and have been derived from (i) Jazz's audited consolidated financial statements for the year ended December 28, 2007 included elsewhere in this prospectus/proxy statement, (ii) the audited consolidated financial statements of Jazz Semiconductor for the period from December 30, 2006 to February 16, 2007 (the date of the Jazz Semiconductor acquisition) included elsewhere in this prospectus/proxy statement, (iii) Jazz's audited financial statements for the year ended December 31, 2006 included elsewhere in this prospectus/proxy statement and (iv) the audited consolidated financial statements of Jazz Semiconductor for the year ended December 29, 2006 included elsewhere in this prospectus/proxy statement.
- o The predecessor consolidated statement of operations information for the year ended December 30, 2005 and the predecessor consolidated balance sheet data as of December 30, 2005 have been derived from the audited consolidated financial statements of Jazz Semiconductor, the predecessor of Jazz, included elsewhere in this prospectus/proxy statement.
- o The predecessor consolidated statement of operations information for the years ended December 26, 2003 and December 31, 2004 and the predecessor consolidated balance sheet data as of December 26, 2003 and December 31, 2004 have been derived from the audited consolidated financial statements of Jazz Semiconductor not included in this prospectus/proxy statement. Jazz's financial results for the period from August 12, 2005 (inception) to December 31, 2005 were not material and are not included in the summary consolidated historical financial information presented below.

The pro forma results included below are not necessarily indicative of the results that may have actually occurred had the acquisition of Jazz Semiconductor taken place on the dates noted. The pro forma adjustments are based upon available information and assumptions that Jazz believes are reasonable. The pro forma adjustments include adjustments for interest expense (relating primarily to interest on the Jazz convertible notes issued in December 2006) and increased depreciation and amortization expense as a result of the application of the purchase method of accounting. The pro forma results exclude the write-off of in-process research and development that was expensed at the time of the acquisition of Jazz Semiconductor and the net gain on the repurchase

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

of Jazz convertible notes.

The historical results included below and elsewhere in this proxy statement/prospectus are not indicative of the future performance of Jazz and the interim results included below and elsewhere in this proxy statement/prospectus are not indicative of results for the full fiscal year.

14

### CONSOLIDATED STATEMENT OF OPERATIONS INFORMATION

	YEAR ENDED				
	DECEMBER 26, 2003	DECEMBER 31, 2004	DECEMBER 30, 2005	DECEMBER 29, 2006	DECEMBER 28, 2007
	(PREDECESSOR)	(PREDECESSOR)	(PREDECESSOR)	(UNAUDITED, PRO FORMA)	(UNAUDITED, PRO FORMA)
	(US\$ IN THOUSANDS, EXCEPT PER SHARE DATA)				
Revenue	\$ 185,185	\$ 219,535	\$ 199,030	\$ 212,526	\$ 207,6
(Loss) income from operations	(16,181)	3,056	(12,405)	(37,864)	(33,0
Net loss	(17,706)	(17,346)	(25,723)	(47,610)	(39,6
Net loss per share basic and diluted	n/a	n/a	n/a	\$ (2.10)	\$ (1.

### CONSOLIDATED BALANCE SHEET INFORMATION

	YEAR ENDED				
	DECEMBER 26, 2003	DECEMBER 31, 2004	DECEMBER 30, 2005	DECEMBER 29, 2006	DECEMBER 28, 2007
	(PREDECESSOR)	(PREDECESSOR)	(PREDECESSOR)	(UNAUDITED, PRO FORMA)	(UNAUDITED, PRO FORMA)
	(US\$ IN THOUSANDS)				
Total assets	\$ 177,732	\$ 184,420	\$ 168,757	\$ 426,934	\$ 265,8
Total current liabilities	24,582	40,415	35,400	65,976	57,9
Total long-term liabilities	30,453	24,517	25,172	196,185	155,6
Total shareholders' equity	122,697	119,488	108,185	164,773	52,2

15

### SUMMARY UNAUDITED CONDENSED COMBINED PRO FORMA FINANCIAL INFORMATION

The following table sets forth summary unaudited condensed combined pro forma financial information of Tower and Jazz after giving effect to the merger. The summary unaudited condensed combined pro forma information is derived from, and should be read in conjunction with, the "TOWER UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS" and related notes included elsewhere in this proxy statement/prospectus. The pro forma adjustments are preliminary, and the

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

unaudited pro forma condensed combined financial statements are not necessarily indicative of the financial position or results of operations that may have actually occurred had the companies been combined for the periods presented or the future financial position or operating results of Tower or Jazz. The merger will be accounted for under the purchase method of accounting. Under the purchase method of accounting, the total purchase price will be allocated to the net tangible and intangible assets acquired and liabilities assumed, based on various estimates of their respective fair values. Tower will determine the estimated fair values of acquired assets and assumed liabilities with the assistance of third party valuation specialists in accordance with SFAS 141. The purchase price allocations set forth in the following unaudited pro forma condensed combined financial statements are based on preliminary valuation estimates of Jazz's tangible and intangible assets. The final valuations, and any interim updated preliminary valuation estimates, may differ materially from these preliminary valuation estimates and, as a result, the final allocation of the purchase price may result in reclassifications of the allocated amounts that are materially different from the purchase price allocations reflected below. Any material change in the valuation estimates and related allocation of the purchase price would materially impact Tower's depreciation and amortization expenses, the unaudited pro forma condensed combined financial statements and Tower's results of operations after the merger.

### PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS DATA

	THREE MONTHS ENDED MARCH 31, 2008 COMBINED	YEAR ENDED DECEMBER 31, 2007 COMBINED
	-----	
	(US\$ IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)	
Revenue	\$ 108,437	438,502
Loss from operations	\$ (21,655)	(133,398)
Net loss	\$ (33,644)	(187,164)
Net loss per common share, basic and diluted	\$ (0.21)	(1.22)
Depreciation and amortization	\$ 45,779	197,272

### PRO FORMA CONDENSED COMBINED BALANCE SHEET

	AS OF MARCH 31, 2008 COMBINED
	-----
	(US\$ IN THOUSANDS) (UNAUDITED)
Total assets	\$ 908,303
Total current liabilities	\$ 152,379
Total long-term liabilities	\$ 694,302
Total stockholders' equity	\$ 61,622

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

### COMPARATIVE PER SHARE DATA

The following table sets forth selected historical per share information of Tower and Jazz and unaudited pro forma combined per share information of Tower after giving effect to the merger. You should read this information in conjunction with the selected historical financial information included elsewhere in this proxy statement/prospectus, and the historical financial statements of Tower and related notes that are incorporated into this proxy statement/prospectus by reference and the historical financial statements of Jazz and related notes that are included elsewhere in this proxy statement/prospectus. The unaudited pro forma combined per share information is derived from, and should be read in conjunction with, the "TOWER UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS" and related notes included elsewhere in this proxy statement/prospectus. The historical per share information is derived from the financial statements of Jazz as of and for the fiscal years ended December 28, 2007 and three months ended March 28, 2008 and Tower consolidated financial statements as of and for the fiscal year ended December 31, 2007 and three months ended March 31, 2008.

The pro forma adjustments are preliminary, and the unaudited pro forma condensed combined financial statements are not necessarily indicative of the financial position or results of operations that may have actually occurred had the companies been combined for the periods presented or the future financial position or operating results of Tower or Jazz.

	TOWER	JAZZ	PRO FORMA COMBINED
	-----	-----	-----
PERCENTAGE OF SHARES OF COMMON STOCK OUTSTANDING UPON CONSUMMATION OF THE MERGER	78.5	21.5	100
BOOK VALUE PER SHARE	\$ 0.14	\$ 1.42	\$ 0.39
LOSS PER SHARE (BASIC AND DILUTED)			
2007	\$ (1.13)	\$ (1.64)	\$ (1.22)
First quarter of 2008	\$ (0.24)	\$ (0.22)	\$ (0.21)

17

### SECURITIES MARKET PRICE INFORMATION

#### MARKET PRICE

#### TOWER ORDINARY SHARES

Tower's ordinary shares are listed on the NASDAQ Global Market under the symbol "TSEM" and on the Tel Aviv Stock Exchange in Israel under the same symbol. On August 6, 2008, the most recent trading day practicable before the date of this proxy statement/prospectus, the closing price for the Tower ordinary shares was \$0.69 per share on the NASDAQ Global Market and NIS 2.52 per share on the Tel Aviv Stock Exchange.

#### JAZZ SECURITIES

Jazz units, which consist of one share of Jazz common stock, par value \$0.0001 per share, and two warrants, each to purchase an additional share of Jazz common stock, are listed on the American Stock Exchange under the symbol

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

"JAZ.U." Jazz common stock is listed on the American Stock Exchange under the symbol "JAZ" and commenced trading separately on April 4, 2006. Jazz warrants are listed separately on the American Stock Exchange under the symbol "JAZ.WS" and commenced trading separately on April 4, 2006. Each warrant entitles the holder to purchase from Jazz one share of Jazz common stock at an exercise price of \$5.00 commencing March 15, 2007. The warrants will expire at 5:00 p.m., New York City time, on March 15, 2011, or earlier upon redemption. On August 6, 2008, the most recent trading day practicable before the date of this proxy statement/prospectus, the closing price for Jazz's common stock was \$1.04 per share, for Jazz's units was \$1.00 per unit and for Jazz's warrants was \$0.01 per warrant on the American Stock Exchange. As of August 6, 2008, there were 5 holders of record of Jazz's units, 5 holders of record of Jazz's common stock and 1 holder of record of Jazz's warrants.

The following table sets forth, for the periods indicated, the high and low reported sales prices of Tower's ordinary shares on the NASDAQ Global Market and Tel Aviv Stock Exchange and the high and low reported sales prices of Jazz common stock and the high and low reported closing prices of Jazz warrants and units on the American Stock Exchange.

JAZZ							
PERIOD	JAZZ COMMON STOCK ON AMEX		JAZZ UNITS ON AMEX		JAZZ WARRANTS ON AMEX		TOWER OR SHARES ON GLOBAL M
	HIGH (\$)	LOW (\$)	HIGH (\$)	LOW (\$)	HIGH (\$)	LOW (\$)	HIGH (\$)
Last Six Months:							
July 2008	1.24	1.00	1.10	1.00	0.02	0.01	0.86
June 2008	1.40	1.16	1.32	1.20	0.05	0.02	0.98
May 2008	1.63	0.59	1.48	0.61	0.04	0.01	1.25
April 2008	0.68	0.55	0.65	0.53	0.02	0.01	1.07
March 2008	0.96	0.57	0.90	0.63	0.03	0.01	1.06
February 2008	1.27	0.84	1.55	0.86	0.14	0.03	1.19
Last Nine Quarters:							
Second quarter 2008	1.63	0.55	1.48	0.53	0.05	0.01	1.25
First quarter 2008	1.68	0.57	1.80	0.63	0.16	0.00	1.45
Fourth Quarter 2007	3.25	1.33	3.96	1.75	0.47	0.13	1.8
Third Quarter 2007	3.40	2.00	4.55	3.20	0.70	0.42	1.87
Second Quarter 2007	4.25	2.80	5.76	4.00	0.80	0.45	1.94
First quarter 2007	5.83	4.06	7.40	5.58	1.00	0.64	2.08
Fourth quarter 2006	5.70	5.40	7.38	6.31	0.83	0.47	2.18
Third quarter 2006	5.75	5.32	7.10	6.15	0.72	0.40	1.51
Second quarter 2006	5.89	5.35	7.72	6.21	0.90	0.47	1.75
Last Five Years:							
2007	5.83	1.33	7.40	1.75	1.00	0.13	2.08
2006	5.89	5.32	7.72	6.15	0.90	0.40	2.18
2005	N/A	N/A	N/A	N/A	N/A	N/A	2.38
2004	N/A	N/A	N/A	N/A	N/A	N/A	10.80
2003	N/A	N/A	N/A	N/A	N/A	N/A	7.90

DIVIDEND POLICY

TOWER

Since 1998, Tower has not declared or paid cash dividends on any of its ordinary shares and has no current intention of paying any cash dividends in the future. The facility agreement that Tower entered into with its banks, as amended, prohibits the payment of dividends.

The Israel Companies Law also restricts Tower's ability to declare dividends. Tower can only distribute dividends from profits (as defined in the law), provided that there is no reasonable suspicion that the dividend distribution will prevent Tower from meeting its existing and future expected obligations as they come due.

JAZZ

Jazz has not paid any dividends on its common stock to date and do not intend to pay dividends in the near future. It is Jazz's board of director's current intention to retain all earnings, if any, for use in business operations and, accordingly, Jazz's board of directors does not anticipate declaring any dividends in the foreseeable future. The payment of dividends, if and when paid, will be within the discretion of Jazz's then board of directors and will be contingent upon Jazz's revenues and earnings, if any, capital requirements and general financial condition.

RISK FACTORS RELATING TO THE MERGER

IN ADDITION TO THE OTHER INFORMATION INCLUDED IN THIS PROXY STATEMENT/PROSPECTUS, INCLUDING THE MATTERS ADDRESSED UNDER "CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS," YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISKS BEFORE DECIDING WHETHER TO VOTE FOR APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND APPROVAL OF THE MERGER. THE FOLLOWING IS ONLY A SUMMARY OF THE RISKS RELATED TO THE MERGER, AND IN ADDITION, YOU SHOULD READ AND CONSIDER THE RISKS ASSOCIATED WITH EACH OF THE BUSINESSES OF TOWER AND JAZZ BECAUSE THESE RISKS WILL RELATE TO THE MERGED COMPANY. CERTAIN OF THE RISKS ASSOCIATED WITH TOWER CAN BE FOUND IN TOWER'S FORM 20-F, WHICH HAS BEEN INCORPORATED BY REFERENCE INTO THIS PROXY STATEMENT/PROSPECTUS. YOU SHOULD ALSO CONSIDER THE OTHER INFORMATION IN THIS PROXY STATEMENT/PROSPECTUS AND THE OTHER DOCUMENTS INCORPORATED BY REFERENCE BY TOWER INTO THIS PROXY STATEMENT/PROSPECTUS. SEE "WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION OF INFORMATION BY REFERENCE."

BECAUSE THE MARKET PRICE OF TOWER ORDINARY SHARES MAY FLUCTUATE, THE VALUE OF TOWER ORDINARY SHARES TO BE ISSUED IN THE MERGER MAY FLUCTUATE.

Upon completion of the merger, each share of Jazz common stock will be converted into the right to receive 1.8 ordinary shares of Tower. There will be no adjustment to the exchange ratio for changes in the market price of either shares of Jazz common stock or Tower ordinary shares. Accordingly, the market value of the Tower ordinary shares that holders of Jazz common stock will be entitled to receive upon completion of the merger will depend on the market value of the Tower ordinary shares at the time of the completion of the merger and could vary significantly from the market value of Tower ordinary shares on

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

the date of this document or the date of the Jazz special meeting. For example, during the first five months of 2008, the sale price of Tower ordinary shares ranged from a low of \$0.74 to a high of \$1.45. See "SECURITIES MARKET PRICE INFORMATION."

Such variations could be the result of changes in the business, operations or prospects of Tower, market assessments of the likelihood that the merger will be completed or the timing of the completion of the merger, regulatory considerations, general market and economic conditions and other factors both within and beyond the control of Tower. Because the completion of the merger will occur after the date of the Jazz special meeting, Jazz stockholders will not know at the time of the Jazz special meeting the market value of the Tower ordinary shares they will receive upon completion of the merger.

THE MERGER IS SUBJECT TO NO INJUNCTION, LEGAL PROCEEDING OR LAW BEING ISSUED, PENDING OR ENACTED PROHIBITING THE CONSUMMATION OF THE MERGER. IF SUCH ACTION IS TAKEN, CONDITIONS MAY BE IMPOSED ON THE PARTIES TO THE MERGER THAT COULD HAVE AN ADVERSE EFFECT ON JAZZ OR TOWER OR COULD CAUSE ABANDONMENT OF THE MERGER.

Completion of the merger is conditioned upon no injunction having been issued by a court of competent jurisdiction prohibiting the consummation of the merger, no pending legal proceeding by any governmental agency seeking to prohibit the consummation of the merger and no law in effect since the date of the merger agreement that prohibits the consummation of the merger. If such injunction, legal proceeding or law is issued, pending or enacted, there can be no assurance that Jazz and Tower will obtain the necessary consents, orders and approvals or that any conditions imposed on the parties will not have a material adverse effect on the financial condition, business or results of operations of the merged company following the merger or cause the abandonment of the merger by Jazz and Tower. See "THE MERGER AGREEMENT - CONDITIONS TO COMPLETION OF THE MERGER."

ANY DELAY IN COMPLETING THE MERGER MAY SIGNIFICANTLY REDUCE THE BENEFITS EXPECTED TO BE OBTAINED FROM THE MERGER.

The merger is subject to a number of conditions that are beyond the control of Jazz and Tower and that may prevent, delay or otherwise materially adversely affect its completion. See "THE MERGER AGREEMENT - CONDITIONS TO COMPLETION OF THE MERGER." Tower and Jazz cannot predict whether and when these other conditions will be satisfied. Further, the requirements for obtaining the required clearances and approvals could delay the completion of the merger for a significant period of time or prevent it from occurring. Any delay in completing the merger may significantly reduce the synergies and other benefits that Tower and Jazz expect to achieve if they successfully complete the merger within the expected time frame.

THE PENDENCY OF THE MERGER COULD MATERIALLY ADVERSELY AFFECT THE FUTURE BUSINESS AND OPERATIONS OF JAZZ AND TOWER.

In connection with the pending merger, some customers and strategic partners of each of Jazz and Tower may delay or defer decisions, which could negatively affect revenues, earnings and cash flows of Jazz and Tower, as well as the market prices of shares of Jazz common stock and Tower ordinary shares, regardless of whether the merger is completed.

DIRECTORS AND EXECUTIVE OFFICERS OF JAZZ MAY BE DEEMED TO HAVE POTENTIAL CONFLICTS OF INTEREST IN RECOMMENDING THAT YOU VOTE IN FAVOR OF THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND APPROVAL OF THE MERGER.

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Executive officers of Jazz negotiated the terms of the merger agreement and the Jazz board of directors unanimously approved the merger agreement and unanimously recommend that you vote in favor of the adoption of the merger agreement and approval of the merger. These directors and executive officers may have interests in the merger that are different from, or in addition to, or in conflict with, yours. These interests include the continued employment of certain executive officers of Jazz, and the indemnification of former Jazz directors and officers by the merged company and change-of-control severance agreements with several Jazz executive officers. You should be aware of these interests when you consider the Jazz board of directors' recommendation that you vote in favor of the proposal to adopt the merger agreement and approve the merger. Additionally, the exercise of Jazz's directors' and officers' discretion in agreeing to changes or waivers in the terms of the merger may result in a conflict of interest when determining whether such changes or waivers are appropriate and in Jazz's stockholders' best interest. For a discussion of the interests of directors and executive officers in the merger, see "THE MERGER - INTERESTS OF JAZZ'S DIRECTORS AND OFFICERS IN THE MERGER."

THE MERGER AGREEMENT RESTRICTS JAZZ'S ABILITY TO PURSUE ALTERNATIVES TO THE MERGER AND REQUIRES JAZZ TO PAY A TERMINATION FEE UNDER CERTAIN CIRCUMSTANCES.

The merger agreement prohibits Jazz from soliciting, initiating, encouraging or facilitating certain alternative acquisition proposals with any third party, subject to exceptions set forth in the merger agreement. The merger agreement also provides for the payment by Jazz of a termination fee if the merger agreement is terminated in certain circumstances in connection with a competing third-party acquisition proposal for one of the companies, and in certain other circumstances as well. See "THE MERGER AGREEMENT - NO SOLICITATION OF TRANSACTIONS; BOARD RECOMMENDATION." These provisions limit Jazz's ability to pursue offers from third parties that could result in greater value to the Jazz stockholders. The obligation to make the termination fee payment also may discourage a third party from pursuing an alternative acquisition proposal. If the merger is terminated and Jazz determines to seek another business combination, Jazz cannot assure you that it will be able to negotiate a transaction with another company on terms comparable to the terms of the merger, or that it will avoid incurrence of any fees associated with the termination of the merger agreement. See "THE MERGER AGREEMENT - EXPENSES; TERMINATION FEE."

TOWER WILL ISSUE A SUBSTANTIAL NUMBER OF ORDINARY SHARES IN CONNECTION WITH THE MERGER TO JAZZ'S COMMON STOCKHOLDERS, WHICH WILL BE AVAILABLE FOR SALE IN THE FUTURE. THIS MAY CAUSE A DECLINE IN THE MARKET PRICE OF TOWER'S ORDINARY SHARES. FURTHERMORE, JAZZ'S OPTIONS OR WARRANTS MAY BE EXERCISED, AND ITS CONVERTIBLE NOTES CONVERTED, INTO TOWER ORDINARY SHARES FOLLOWING THE MERGER, WHICH MAY CAUSE A FURTHER DECLINE IN THE MARKET PRICE OF TOWER'S ORDINARY SHARES.

Pursuant to the merger agreement, Tower will issue ordinary shares to Jazz's common stockholders as consideration for their common stock in Jazz. In addition, pursuant to the merger agreement Jazz's outstanding options and warrants will be exercisable to purchase the applicable amount of Tower ordinary shares. See "THE MERGER AGREEMENT - MERGER CONSIDERATION." Furthermore, Jazz's convertible notes will become convertible into Tower ordinary shares following the merger.

As a result, the number of shares available for sale will increase immediately upon consummation of the merger agreement as shares underlying the warrants, options and convertible notes are issued upon their exercise or conversion. Increases in the number of freely tradable shares may adversely impact the market price of Tower's ordinary shares.

The sale, or even the possibility of sale, of the ordinary shares or the shares underlying the Jazz warrants, options and convertible notes could have an



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

adverse effect on the market price for Tower's securities or on its ability to obtain future public financing. If and to the extent these options or warrants are exercised, or the convertible notes are converted, you may experience dilution to your holdings.

THE MERGER AGREEMENT RESTRICTS JAZZ'S ABILITY TO PURSUE ALTERNATIVES TO THE MERGER AND REQUIRES JAZZ TO PAY A TERMINATION FEE UNDER CERTAIN CIRCUMSTANCES.

The merger agreement prohibits Jazz from soliciting, initiating, encouraging or facilitating certain alternative acquisition proposals with any third party, subject to exceptions set forth in the merger agreement. The merger agreement also provides for the payment by Jazz of a termination fee if the merger agreement is terminated in certain circumstances in connection with a competing third-party acquisition proposal for one of the companies. See "THE MERGER AGREEMENT - NO SOLICITATION OF TRANSACTIONS; BOARD RECOMMENDATION." These provisions limit Jazz's ability to pursue offers from third parties that could result in greater value to the Jazz stockholders. The obligation to make the termination fee payment also may discourage a third party from pursuing an alternative acquisition proposal. If the merger is terminated and Jazz determines to seek another business combination, Jazz cannot assure you that it will be able to negotiate a transaction with another company on terms comparable to the terms of the merger, or that it will avoid incurrence of any fees associated with the termination of the merger agreement. See "THE MERGER AGREEMENT - EXPENSES; TERMINATION FEE."

21

TOWER COULD BE A PASSIVE FOREIGN INVESTMENT COMPANY FOR U.S. FEDERAL TAX PURPOSES WHICH MAY NEGATIVELY AFFECT U.S. HOLDERS OF TOWER ORDINARY SHARES.

It is possible that Tower could be a passive foreign investment company, or PFIC. Generally, a foreign corporation will be a passive foreign investment company, or PFIC, if in any taxable year either: (i) 75% or more of its GROSS INCOME consists of passive income; or (ii) 50% or more of the value of its assets is attributable to assets that produce, or are held for the production of, passive income. Tower could be a PFIC based on the gross income test if, for example, it earned a small gross loss from the sale of integrated circuits but had gross income after taking into account its interest income. If Tower meets either test in a taxable year, ordinary shares of Tower held by a U.S. holder in that year will generally be treated as PFIC shares for that year and for all subsequent years. If Tower were a PFIC, gain realized by the U.S. holder from the sale of Tower ordinary shares would be taxed as ordinary income, as opposed to capital gain, and subject to an interest charge. Certain elections may be available to a U.S. holder to reduce or eliminate these adverse tax consequences.

The PFIC rules are complex. A U.S. holder is encouraged to consult his or her U.S. tax advisor to determine the tax consequences of holding and disposing of PFIC shares and the U.S. tax elections that may be available to the U.S. holder.

THE MERGED COMPANY MAY FAIL TO REALIZE THE ANTICIPATED COST SAVINGS, REVENUE ENHANCEMENTS AND OTHER BENEFITS EXPECTED FROM THE MERGER, WHICH COULD ADVERSELY AFFECT THE VALUE OF TOWER ORDINARY SHARES AFTER THE MERGER.

Tower and Jazz entered into the merger agreement with the expectation that the merger is expected to create opportunities to achieve cost savings and revenue synergies and to achieve other synergistic benefits. Delays encountered by the merged company in the transition process could have a material adverse effect on the revenues, expenses, operating results and financial condition of

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

the merged company. Although Tower and Jazz expect significant benefits to result from the merger, there can be no assurance that the merged company will actually realize these anticipated benefits.

The value of Tower ordinary shares following completion of the merger may be affected by the ability of the merged company to achieve the benefits expected to result from completion of the merger. Achieving the benefits of the merger will depend in part upon meeting the challenges inherent in the successful combination and integration of business enterprises of the size and scope of Tower and Jazz and the possible resulting diversion of management attention for an extended period of time. There can be no assurance that the merged company will meet these challenges and that such diversion will not negatively affect Tower's operations following the merger.

UNCERTAINTIES ASSOCIATED WITH THE MERGER MAY CAUSE KEY EMPLOYEES TO RESIGN AND MAY OTHERWISE MATERIALLY ADVERSELY AFFECT THE FUTURE BUSINESS AND OPERATIONS OF TOWER AND JAZZ.

The merged company's success after the merger will depend in part upon the ability of the merged company to retain key employees of Tower and Jazz. Competition for qualified personnel can be intense. Current and prospective employees of Tower and Jazz may experience uncertainty about their post-merger roles with the merged company following the merger. This may materially adversely affect the ability of each of Tower and Jazz to attract and retain key management, sales, marketing, technical and other personnel. In addition, key employees may depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the merged company following the merger. Accordingly, no assurance can be given that the merged company will be able to attract or retain key employees of Tower and Jazz to the same extent that those companies have been able to attract or retain their own employees in the past.

Technological innovation is important to the merged company's success and depends, to a significant degree, on the work of technically skilled employees. Competition for the services of these types of employees is vigorous. Neither Tower nor Jazz can provide assurance that the merged company will be able to attract and retain these employees following the merger. If, following the merger, the merged company is unable to attract and retain technically skilled employees, the competitive position of the merged company could be materially adversely affected.

TOWER AND JAZZ EACH HAVE A LARGE AMOUNT OF DEBT WHICH COULD HAVE SIGNIFICANT NEGATIVE CONSEQUENCES.

Each of Tower and Jazz have a large amount of debt, which could have significant negative consequences. The indebtedness of Tower as of March 31, 2008 (including convertible debt) is approximately \$595 million and Jazz's indebtedness as of March 28, 2008 (including convertible debt) is approximately \$138 million and this indebtedness could have significant negative consequences, including:

- o requiring the dedication of a substantial portion of each company's expected cash flow from operations to service its indebtedness;
- o increasing each company's vulnerability to general adverse economic and industry conditions;
- o limiting each company's ability to obtain additional financing;
- o limiting each company's flexibility in planning for, or reacting to, changes in its business and the industry in which they compete;

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

- o placing each company's at a competitive disadvantage to less leveraged competitors and competitors that have better access to capital resources; and/or
- o affecting each company's ability to make interest payments and other required debt service its indebtedness.

22

THE TRADING PRICE OF TOWER ORDINARY SHARES MAY BE AFFECTED BY FACTORS DIFFERENT FROM THOSE AFFECTING THE PRICE OF JAZZ COMMON STOCK.

Upon completion of the merger, holders of Jazz common stock will become holders of Tower ordinary shares. The results of operations of the merged company, as well as the trading price of Tower ordinary shares after the merger, may be affected by factors different from those currently affecting Jazz's results of operations and the trading price of Jazz common stock. For a discussion of the businesses of Tower and Jazz and of certain factors to consider in connection with those businesses, see "INFORMATION ABOUT JAZZ" included elsewhere in this proxy statement/prospectus, and the information contained in Tower's Form 20-F and other public filings which are incorporated by reference in this proxy statement/prospectus and referred to under "WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION OF INFORMATION BY REFERENCE."

TOWER IS A FOREIGN PRIVATE ISSUER UNDER THE RULES AND REGULATIONS OF THE SEC AND, THUS, IS EXEMPT FROM A NUMBER OF RULES UNDER THE EXCHANGE ACT AND IS PERMITTED TO FILE LESS INFORMATION WITH THE SEC THAN A COMPANY INCORPORATED IN THE UNITED STATES.

As a foreign private issuer under the Exchange Act, Tower is exempt from certain rules under the Exchange Act, including the proxy rules, which impose certain disclosure and procedural requirements for proxy solicitations. Moreover, Tower is not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies with securities registered under the Exchange Act; and is not required to comply with Regulation FD, which imposes certain restrictions on the selective disclosure of material information. In addition, Tower's officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of Tower ordinary shares. Accordingly, after the merger, if you continue to hold Tower ordinary shares, you may receive less information about the merged company than you currently receive about Jazz, and be afforded less protection under the U.S. federal securities laws than you are currently afforded. If the merged company loses its status as a foreign private issuer, it will no longer be exempt from such rules and, among other things, will be required to file periodic reports and financial statements as if it were a company incorporated in the United States. The costs incurred in fulfilling these additional regulatory requirements could be substantial.

IF THE MERGER'S BENEFITS DO NOT MEET THE EXPECTATIONS OF FINANCIAL OR INDUSTRY ANALYSTS, THE MARKET PRICE OF TOWER'S SECURITIES MAY DECLINE.

The market price of Tower's securities may decline as a result of the merger if:

- o Tower does not achieve the perceived benefits of the merger as rapidly as, or to the extent anticipated by, financial or industry analysts; or

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

- o the effect of the merger on Tower's financial results is not consistent with the expectations of financial or industry analysts.

THE MERGED COMPANY WILL OPERATE IN A HIGHLY COMPETITIVE INDUSTRY WITH MANY PARTICIPANTS. ITS FAILURE TO COMPETE EFFECTIVELY WILL HARM ITS BUSINESS.

The merged company will operate in a highly competitive environment in each of its businesses, competing on the basis of process offerings, technical capabilities, quality, service and pricing. Competition for customers is particularly intense and increasingly focused on price. The merged company will offer existing and prospective customers many benefits in addition to competitive pricing, including strong, technologically-advanced specialty process offerings; however, in some situations, it may not be able to compete effectively if purchasing decisions are based solely on the lowest price.

The merged company will have a number of competitors, many of which currently compete with Tower, Jazz or both and some of which are very large, with substantial technological and financial resources. Some of these competitors have very low cost structures, support from governments in their home countries, or both. In addition, new competitors may enter the industry. We cannot assure you that the merged company will be able to compete successfully with these companies. Competitors may be able to offer lower prices, a more attractive mix of process technologies and lithographies, or other incentives that the merged company cannot or will not match or offer. These competitors may be in a stronger position to respond quickly to new or emerging technologies and may be able to undertake more extensive capital expenditure programs, adopt more aggressive pricing policies and make more attractive offers to customers, prospective customers, employees and strategic partners. The inability of the merged company to effectively compete could have a material adverse effect on the business of the merged company.

IF THE MERGED COMPANY FAILS TO KEEP PACE WITH TECHNOLOGICAL ADVANCES IN THE INDUSTRY, OR IF IT PURSUES TECHNOLOGIES THAT DO NOT BECOME COMMERCIALY ACCEPTED, CUSTOMERS MAY NOT USE ITS SERVICES.

The semiconductor manufacturing industry uses numerous and varied manufacturing process technologies and large semiconductor manufacturers often invest substantially in new process technologies and smaller lithographies. The industry also demands frequent and, at times, significant manufacturing process technology upgrades. Furthermore, enhancing the merged company's revenues requires that it develop and maintain leading semiconductor equipment. The merged company will not have the resources to invest in all of these existing and potential technologies. As a result, the merged company will concentrate its resources on those specialized process technologies that it believes the merged company has or will achieve substantial market share and in which the merged company will have appropriate technical expertise. However, the merged company's choices for specialized process technologies may prove incorrect if there is insufficient customer demand for those process technologies or if the merged company cannot provide foundry services in those process technologies at competitive prices. The merged company's revenues and operating results will depend to a significant extent on its ability to maintain a process technology portfolio and foundry service capability that is attractive to its customers and to continue to introduce new process technologies successfully and on a timely basis.

A SMALL NUMBER OF THE MERGED COMPANY'S CUSTOMERS WILL ACCOUNT FOR A SUBSTANTIAL PORTION OF ITS REVENUES. THE LOSS OF ONE OR MORE KEY CUSTOMERS OR REDUCED SPENDING OF THESE CUSTOMERS COULD SIGNIFICANTLY REDUCE THE MERGED COMPANY'S

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

### REVENUES, PROFITABILITY AND CASH FLOW.

A small number of large customers will account for a substantial portion of the merged company's revenues. In addition, Tower's and Jazz's existing customers are typically not obligated to purchase a certain amount over any period of time from Tower or Jazz and may have the right to reduce, delay or even cancel previous orders. The merged company, therefore, will have difficulty projecting future revenues from existing customers with certainty. Although historically Tower's and Jazz's customers have not made sudden supplier changes, the merged company's customers could vary, as Tower's and Jazz's customers have varied, their purchases from period to period, sometimes significantly. Combined with its reliance on a small number of large customers, this could have an adverse effect on the merged company's revenues, profitability and cash flow.

THE MERGED COMPANY'S CONCENTRATION OF BUSINESS IN THE SEMICONDUCTOR INDUSTRY WILL MAKE IT EXTREMELY VULNERABLE TO CYCLICAL DOWNTURNS IN THAT INDUSTRY, AND ITS BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS MAY SUFFER IN FUTURE DOWNTURNS.

The semiconductor industry is highly cyclical and is characterized by constant and rapid technological change, rapid product obsolescence and price erosion, evolving standards, short product life-cycles and fluctuations in product supply and demand. The industry has experienced significant downturns, often in connection with, or in anticipation of, maturing product cycles of both semiconductor companies' and their customers' products and declines in general economic conditions. These downturns have been characterized by diminished product demand, production overcapacity, high inventory levels and accelerated erosion of average selling prices. Merged company's concentration of business in the semiconductor industry will make it extremely vulnerable to cyclical downturns in that industry. Merged company may not be able to manage these downturns. Any future downturns of this nature could have a material negative impact on merged company's business, financial condition and results of operations.

THE BUSINESS OF THE MERGED COMPANY WILL REQUIRE A SIGNIFICANT AMOUNT OF CASH, AND THE MERGED COMPANY MAY REQUIRE ADDITIONAL SOURCES OF FUNDS IF ITS SOURCES OF LIQUIDITY ARE UNAVAILABLE OR INSUFFICIENT TO FUND ITS OPERATIONS.

The working capital requirements and cash flows of Tower and Jazz have historically been, and the working capital requirements and cash flows of the merged company are expected to continue to be, subject to quarterly and yearly fluctuations, depending on a number of factors. If the merged company is unable to manage fluctuations in cash flow, its business, operating results and financial condition may be materially adversely affected. Factors which could lead the merged company to suffer cash flow fluctuations include:

- o the level of sales;
- o the collection of receivables;
- o the timing and size of capital expenditures; and
- o the servicing of financing obligations.

In order to finance its business, Jazz and Tower expect the merged company to use available cash and investments and existing credit facilities and to access the public and private capital markets to raise additional capital or secure additional sources of funding if required.

Neither Tower nor Jazz can provide any assurance that such funding will be available on terms satisfactory to the merged company. If the merged company

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

were to incur higher levels of debt, this would require a larger portion of its operating cash flow to be used to pay principal and interest on its indebtedness. The increased use of cash to pay indebtedness could leave the merged company with insufficient funds to finance its operating activities and capital expenditures, which could have a material adverse effect on the merged company's business. If the merged company were to access the public or private capital markets to raise additional capital or secure additional sources of funding you may experience dilution to your holdings.

As noted below under "TOWER RECENT DEVELOPMENTS - ADVANCED NEGOTIATIONS FOR RESTRUCTURING OF DEBT AND INVESTMENT", Tower is currently negotiating a restructuring arrangement with its banks and Israel Corporation Ltd. which, if completed, is expected to include an investment in Tower by Israel Corporation Ltd. There can be no assurance that any such agreement will be concluded.

THE MERGED COMPANY WILL HAVE SIGNIFICANT INTERNATIONAL OPERATIONS AND A SIGNIFICANT AMOUNT OF THE MERGED COMPANY'S SALES WILL BE MADE OUTSIDE THE UNITED STATES.

The merged company's international operations will be subject to a variety of risks arising out of currency exchange rates, the economy, the political outlook and the language and cultural barriers in countries where it has operations or does business.

24

THE MERGED COMPANY'S EXPOSURE TO CURRENCY EXCHANGE FLUCTUATIONS MAY INCREASE ITS COST OF OPERATIONS.

Since the merged company will conduct operations throughout the world, a substantial portion of its assets, liabilities, revenues and expenses will be denominated in various currencies other than the U.S. dollar. Because the merged company's financial statements will be denominated in U.S. dollar, fluctuations in currency exchange rates, especially the U.S. dollar against the New Israeli Shekels, or NIS, could have a material impact on the merged company's reported results. Almost all of the merged company's cash generated from operations and financing and investing activities will be denominated in US dollars and NIS. The merged company's expenses and costs will be denominated in NIS, US dollars, Japanese Yen and Euros. The merged company will be, therefore, exposed to the risk of currency exchange rate fluctuations.

Specifically, the recent devaluation of the US dollar in relation to the NIS increased the merged company's dollar expenses related to the merged company's NIS denominated debentures and its NIS denominated expenses.

Tower regularly engages in various hedging strategies to reduce its exposure to some, but not all, of these risks and intend to continue to do so after the merger in the future. However, despite any such hedging activity, the merged company is likely to remain exposed to interest rate and exchange rate fluctuations and inflation, which may increase the cost of the merged company's operating and financing activities.

25

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus, including information included or

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

incorporated by reference in this proxy statement/prospectus, may contain certain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including statements concerning Tower's proposed merger with Jazz. Generally, the words "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions identify forward-looking statements and any statements regarding the benefits of the merger, or Tower's or Jazz's future financial condition, results of operations and business are also forward-looking statements. Without limiting the generality of the preceding sentence, certain statements contained in the sections "THE MERGER - BACKGROUND OF THE MERGER," "THE MERGER - TOWER'S REASONS FOR THE MERGER," "THE MERGER - JAZZ'S REASONS FOR THE MERGER," AND "THE MERGER - RECOMMENDATION OF JAZZ BOARD OF DIRECTORS" constitute forward-looking statements.

These forward-looking statements involve certain risks and uncertainties. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among others, the following factors:

- o the ability to complete the merger or whether the completion may be delayed;
- o costs related to the proposed merger;
- o difficulties and delays in obtaining regulatory approvals for the merger;
- o expected benefits and the difficulties and delays in achieving synergies and cost savings associated with the merger;
- o potential difficulties in meeting conditions set forth in the merger agreement;
- o ability to implement or realize or success relating to integration strategies;
- o fluctuations in the semiconductor industry;
- o prior to or after the completion of the merger, the businesses of the companies may suffer due to uncertainty, as well as other risks applicable to both Tower's and Jazz's business;
- o continued compliance with government regulations;
- o the extent to which the foundry services offered by Tower and Jazz are demanded by the market;
- o the actual number of customer orders received by the companies;
- o cancellations, rescheduling or delays in product shipments;
- o delays in developing and commercializing new process technologies;
- o variations in manufacturing yields;
- o fluctuations in customer demand;
- o lengthy sales and qualification cycles;
- o competition in the industry in which Tower or Jazz does business;

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

- o timing of approval and market acceptance of new process technologies;
- o Tower and Jazz's business strategy and plans;
- o exchange rate fluctuations;
- o variability of interest rates;
- o wafer selling price pressure;
- o ability to finance or make payments on debt;
- o availability of financing sources;
- o availability of government funding;
- o general economic conditions; and
- o political, economic and military conditions in Israel.

Any forward-looking statements in this proxy statement/prospectus are not guarantees of future performance, and actual results, developments and business decisions may differ from those contemplated by those forward-looking statements, possibly materially. Except as otherwise required by applicable law, Tower and Jazz disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section.

Additional discussions of risks and uncertainties that may affect the accuracy of forward-looking statements included in proxy statement/prospectus or which may otherwise affect Tower's business is included under the heading "RISK FACTORS" in Tower's filings on Forms 20-F and 6-K, which are incorporated by reference into this proxy statement/prospectus. See "WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION OF INFORMATION BY REFERENCE."

26

### TOWER RECENT DEVELOPMENTS

#### ADVANCED NEGOTIATIONS FOR RESTRUCTURING OF DEBT AND INVESTMENT

Tower is currently negotiating a restructuring arrangement with its banks and Israel Corporation Ltd. which would include a substantial reduction in the level of Tower's indebtedness to its banks and Israel Corporation Ltd., deferrals of remaining principal and interest, and a waiver from compliance with financial covenants for an extended period of time. This arrangement, when completed, will include an investment in Tower by Israel Corporation Ltd. Tower expects that these negotiations, currently in an advanced stage, will result in an improved balance sheet and reduced level of debt. There can be no assurance that an agreement will be concluded.

Additional discussions of related risks and uncertainties which may affect Tower's business are included under the heading "RISK FACTORS - RISKS AFFECTING OUR BUSINESS" in Tower's Form 20-F filed with the SEC on June 18, 2008 and which are incorporated by reference into this proxy statement/prospectus. See "WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION OF INFORMATION BY REFERENCE."

#### NASDAQ NOTIFICATION REGARDING MINIMUM BID PRICE



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

On July 18, 2008, Tower issued a press release reporting that it had received a Nasdaq Staff Deficiency Letter on July 15, 2008 regarding its failure to comply with a minimum bid price requirement for continued listing on the Nasdaq Global Market, a copy of which was furnished to the SEC on Form 6-K on July 18, 2008 and which is incorporated by reference into this proxy statement/prospectus.

### ELECTION OF BOARD MEMBER AND RESIGNATION OF BOARD MEMBER

At a special meeting of Tower's stockholders held on August 7, 2008, Tower's stockholders elected Mr. Alex Kornhauser as a director to Tower's board of directors. On August 7, 2008, a member of Tower's board of directors, Mr. Miin Wu, resigned from Tower's board.

27

### THE JAZZ SPECIAL MEETING OF STOCKHOLDERS

#### DATE, TIME AND PLACE

This proxy statement/prospectus is being furnished in connection with the solicitation of proxies by the board of directors of Jazz for the special meeting of our stockholders to be held at 10:00 a.m. Pacific time, on September 17, 2008 at 4321 Jamboree Road, Newport Beach, California 92660. This proxy statement, the attached notice of the special meeting and the accompanying proxy card are first being sent or given to our stockholders on or about August 12, 2008.

#### MATTERS TO BE CONSIDERED AT THE JAZZ STOCKHOLDERS' MEETING

The purposes of the Jazz stockholders' meeting are to vote upon a proposal to approve and adopt the merger agreement and approve the merger, and to vote upon any proposal by Jazz to adjourn or postpone the special meeting if determined to be necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve and adopt the merger agreement and approve the merger.

The Jazz board of directors unanimously recommends that Jazz stockholders vote "FOR" approval and adoption of the merger agreement and approval of the merger and "FOR" approval of any proposal by Jazz to adjourn or postpone the special meeting if determined to be necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement. The Jazz board of directors has unanimously determined that the merger and the transactions contemplated by the merger agreement are advisable and fair to, and in the best interests of, Jazz and its stockholders and has approved the merger agreement, the merger and the other transactions contemplated by the merger agreement. See "THE MERGER - JAZZ'S REASONS FOR THE MERGER" and "THE MERGER - RECOMMENDATION OF THE JAZZ BOARD OF DIRECTORS."

#### STOCKHOLDERS ENTITLED TO VOTE

You are entitled to notice of, and may vote at, the special meeting if you were the record holder of our common stock as of the close of business on August 8, 2008, the record date for the special meeting. As of the close of business on the record date, there were 19,031,276 shares of our common stock outstanding, held by 5 stockholders of record.

#### QUORUM

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

A quorum of Jazz stockholders is necessary to hold a valid meeting. A quorum will be present at the Jazz special meeting if a majority of Jazz's outstanding shares of common stock entitled to vote at the special meeting are represented in person or by proxy. Abstentions and broker non-votes will count as present for the purposes of establishing a quorum.

### VOTE REQUIRED

The affirmative vote of the holders of a majority of Jazz's common stock outstanding on the record date for the special meeting is required to approve and adopt the merger agreement and approve the merger. The affirmative vote of the holders of a majority of shares present and entitled to vote either in person or by proxy at the special meeting would be needed for approval of any proposal by Jazz to adjourn or postpone the special meeting if determined to be necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement. Jazz's issued and outstanding warrants, options and convertible notes do not have voting rights and securities represented by Jazz's warrants, options or convertible notes, which have not been exercised into Jazz common stock prior to or on the record date, will not be entitled to vote at the special meeting.

### VOTING RIGHTS

As of the record date, there were 19,031,276 shares of Jazz common stock issued and outstanding, each of which entitles its holder to one vote. Jazz options, warrants and convertible notes which remain unexercised or unconverted do not have voting rights and the holders thereof will not be entitled to vote at the special meeting.

### VOTING YOUR SHARES

**STOCKHOLDER OF RECORD: SHARES REGISTERED IN YOUR NAME.** If on August 8, 2008 your shares of Jazz common stock were registered directly in your name with Jazz's transfer agent, Continental Stock Transfer & Trust Company, then you are a stockholder of record for purposes of the special meeting. If you are a stockholder of record, you may vote in person at the special meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the special meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the special meeting and vote in person even if you have already voted by proxy. You may vote by proxy in any of the following ways:

- o **INTERNET.** You may vote by proxy over the Internet by going to the website listed on your proxy card. Once at the website, follow the instructions to vote your proxy.
- o **TELEPHONE.** You may vote by proxy using the toll-free number listed on your proxy card. Voice prompts will help you and confirm that your voting instructions have been followed.
- o **MAIL.** You may vote by proxy by signing, dating and returning your proxy card in the pre-addressed postage-paid envelope provided.

28

All shares entitled to vote and represented by properly completed proxies received prior to the Jazz special meeting, and not revoked, will be voted at the Jazz special meeting as instructed on the proxies. IF YOU SIGN YOUR PROXY

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

BUT DO NOT INDICATE HOW YOUR SHARES OF JAZZ COMMON STOCK SHOULD BE VOTED ON A MATTER, THE SHARES REPRESENTED BY YOUR PROPERLY COMPLETED PROXY WILL BE VOTED AS THE JAZZ BOARD OF DIRECTORS RECOMMENDS AND THEREFORE "FOR" THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE APPROVAL OF THE MERGER, AND "FOR" A PROPOSAL TO ADJOURN OR POSTPONE THE MEETING IF DETERMINED BY THE PROXY HOLDERS TO BE NECESSARY OR APPROPRIATE TO SOLICIT ADDITIONAL PROXIES IF THERE ARE INSUFFICIENT VOTES AT THE TIME OF THE SPECIAL MEETING TO APPROVE THE MERGER AGREEMENT.

The method by which you vote by proxy will in no way limit your right to vote at the Jazz special meeting if you later decide to attend the meeting in person.

**BENEFICIAL OWNER: SHARES REGISTERED IN THE NAME OF A BROKER OR BANK.** If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from Jazz's transfer agent. Simply complete and mail the proxy card in accordance with the voting instructions provided by your broker, bank or other agent, or follow the instructions for voting in any other manner as provided by your broker, bank or other agent, to ensure that your vote is counted. To vote in person at the special meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker or bank to request a proxy form.

Your broker will vote your shares of Jazz common stock only if you provide instructions on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Without instructions, your shares of Jazz common stock will be a broker "non-vote," which will have the effect of a vote against the approval and adoption of the merger agreement and approval of the merger.

### RECEIPT OF MULTIPLE PROXY CARDS

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return each proxy card to ensure that all of your shares are voted.

### REVOKING YOUR PROXY AND CHANGING YOUR VOTE

If you are a record holder of our common stock and you vote by proxy, you may revoke your proxy or change your voting instructions at any time before your proxy is exercised:

- o If you mailed a proxy card, by timely mailing another proxy card with a later date;
- o If you voted by telephone or on the internet, by calling the same telephone number or following the instructions on the internet;
- o By timely notifying Jazz in writing before the special meeting that you have revoked your proxy; or
- o By attending the special meeting, revoking your proxy and voting in person.

If your shares are held in "street name," consult your broker for instructions on how to revoke your proxy or change your vote.

### ABSTENTIONS AND BROKER NON-VOTES

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

An abstention or failure to vote by a Jazz stockholder will have the effect of a vote against the approval and adoption of the merger agreement and approval of the merger. An abstention by a Jazz stockholder will have the effect of a vote against any proposal to adjourn or postpone the special meeting if determined to be necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement. A failure to vote will have no effect with respect to any proposal to adjourn or postpone the special meeting.

If your broker holds your shares in its name and you do not give the broker voting instructions, your broker may not vote your shares. If you do not give your broker voting instructions and the broker does not vote your shares, this is referred to as a "broker non-vote" which will have the effect of a vote against the approval and adoption of the merger agreement and approval of the merger. A "broker non-vote" will have no effect with respect to any proposal to adjourn or postpone the special meeting if determined to be necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement.

29

### ADJOURNMENT AND POSTPONEMENT

Either the chairman of the meeting or the stockholders entitled to vote at the meeting, present in person or represented by proxy, have the power to cause the meeting to be adjourned, including for the purpose of soliciting additional proxies, from time to time, without notice other than announcement at the meeting. At an adjourned meeting at which a quorum is present or represented by proxy, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjournment meeting, a notice of the adjourned meeting will be given to each stockholder of record entitled to vote at the adjourned meeting.

If you choose to vote by proxy, then the proxy you submit (whether by mail, telephone or internet) will continue to be valid at any adjournment or postponement of the special meeting.

### SOLICITATION OF PROXIES

The proxy accompanying this proxy statement/prospectus is solicited on behalf of the Jazz board of directors for use at the Jazz stockholders' meeting.

Jazz is soliciting the enclosed proxy on behalf of the board of directors, and will pay all costs of preparing, assembling and mailing the proxy materials. In addition to mailing out proxy materials, Jazz's directors and officers may solicit proxies by telephone or fax, without receiving any additional compensation for their services. Jazz has requested brokers, banks and other fiduciaries to forward proxy materials to the beneficial owners of its stock. Jazz also intends to retain Morrow & Co., Inc., a proxy solicitation firm, to assist in the proxy solicitation process. Jazz expects to pay Morrow & Co., Inc. its customary fee of approximately \$6,500 plus \$6.50 per solicited stockholder and out-of-pocket expenses

### YOU WILL NOT HAVE DISSENTERS' APPRAISAL RIGHTS IN THE MERGER

You will not have any appraisal rights under the Delaware General Corporation Law, or under Jazz's certificate of incorporation, in connection

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

with the merger, and neither Jazz nor Tower will independently provide you with any such rights.

### QUESTIONS ABOUT VOTING

If you have any questions about how to vote or direct a vote in respect of your Jazz common stock, you may call Jazz's Chief Legal Officer, Mr. Allen R. Grogan at (949) 435-8000. You may also want to consult your financial and other advisors about the vote.

### STOCKHOLDER PROPOSALS FOR JAZZ'S 2009 ANNUAL MEETING OF STOCKHOLDERS

If the merger is not consummated and you wish to include a stockholder proposal in the proxy materials for Jazz's 2009 Annual Meeting of Stockholders, your proposal must be submitted in writing by December 10, 2008, to our Secretary at 4321 Jamboree Road, Newport Beach, California 92660. If you wish to submit a proposal that is not to be included in next year's proxy materials or nominate a director, you must do so by no later than February 6, 2009 and no earlier than January 7, 2009. If the merger is consummated prior to such dates, the foregoing provisions will be inapplicable.

### JAZZ STOCK CERTIFICATES

IF YOU ARE A RECORD HOLDER OF JAZZ COMMON STOCK, PLEASE DO NOT SEND YOUR JAZZ COMMON STOCK CERTIFICATES TO US NOW. AFTER THE EFFECTIVE TIME OF THE MERGER, THE EXCHANGE AGENT WILL MAIL A LETTER OF TRANSMITTAL TO YOU. YOU SHOULD SEND YOUR JAZZ COMMON STOCK CERTIFICATES ONLY IN COMPLIANCE WITH THE INSTRUCTIONS THAT WILL BE PROVIDED IN THE LETTER OF TRANSMITTAL.

THE MATTERS TO BE CONSIDERED AT THE JAZZ STOCKHOLDERS' MEETING ARE OF GREAT IMPORTANCE TO THE JAZZ STOCKHOLDERS. ACCORDINGLY, JAZZ STOCKHOLDERS ARE URGED TO READ AND CAREFULLY CONSIDER THE INFORMATION PRESENTED IN THIS PROXY STATEMENT/PROSPECTUS, AND TO COMPLETE, DATE, SIGN AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE PRE-PAID ENVELOPE OR TO VOTE BY TELEPHONE OR VIA THE INTERNET.

30

## THE MERGER

### BACKGROUND OF THE MERGER

The terms of the merger agreement are the result of arm's-length negotiations between representatives of Jazz and Tower. The following is a brief discussion of the background of these negotiations, the merger and related transactions. Jazz's management has no relationship with Tower other than as disclosed herein.

Prior to the completion of Jazz's acquisition of Jazz Semiconductor, representatives of corporate development departments of Jazz Semiconductor and Tower engaged in preliminary discussions regarding the potential for a strategic transactions, culminating in the execution of a mutual non-disclosure agreement and one meeting between corporate development personnel at Jazz Semiconductor's offices in Newport Beach in March 2007. However, the discussions did not progress because Jazz was then focused on planning the integration of Jazz Semiconductor and because Jazz's corporate development strategy at that time was directed principally toward possible acquisition of additional low cost manufacturing capacity in East Asia. After March 2007, there were no further discussions between Jazz and Tower regarding a possible business combination until February 2008.

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

At the time of the acquisition by Jazz of Jazz Semiconductor, Inc., Jazz planned to extend its business into new product segments with potentially higher revenue growth and gross margins and also to expand capacity by acquiring low cost off-shore fabrication capacity. Through these actions, Jazz expected to improve efficiencies while cutting costs. Jazz believes it made substantial progress in improving its operations, reducing costs and achieving positive EBITDA and free cash flow during the eleven months between the closing of the acquisition of Jazz Semiconductor on February 16, 2007 and January 15, 2008, despite an industry-wide slowdown. Despite such improvements, during that period, the trading price of Jazz's common stock fell from \$5.19 to \$1.50 per share, a drop of approximately 71%. Some of this drop in stock price may be attributable to a general slowdown in the highly cyclical semiconductor industry, but the decline in Jazz's stock price was materially steeper than that of many other semiconductor companies and the Philadelphia Semiconductor Index during the same period. Jazz's declining stock price coupled with its declining cash balance made it difficult for Jazz to execute key strategies by limiting its financing options for expansion and impairing customer and supplier confidence in Jazz.

By the beginning of 2008, members of Jazz's management were unable to agree on an appropriate strategy to expand Jazz's business and improve its stock price and market liquidity. As a result, in January 2008, Jazz's board of directors directed management to contact several investment banking firms to discuss a potential engagement to assist Jazz in evaluating strategic alternatives to enhance stockholder value. In evaluating these investment banking firms, Jazz considered the firms' respective reputations generally and in the semiconductor industry and in multinational transactions in particular. Ten investment banks submitted proposals. Based on Jazz's evaluation of these proposals, some candidates were eliminated based on potential conflicts of interest and three investment banks were invited to meet telephonically with Jazz's board of directors on January 25, 2008. After extensive discussions, Jazz's board of directors decided to engage UBS Securities LLC, or UBS, as Jazz's exclusive financial advisor in connection with Jazz's review of various strategic alternatives, including, without limitation, a potential sale of stock or assets or a merger, business combination or similar transaction. At that meeting, Jazz's board also considered a non-binding indication of interest received from a private equity fund on January 24, 2008.

On February 1, 2008, an investment banker contacted Paul Pittman, Jazz's executive vice president and chief financial and administrative officer, and asked if Jazz management would be willing to take a call from Tower to discuss a potential combination.

At a meeting of Jazz's board of directors on February 5, 2008, the board discussed with UBS certain potential strategic alternatives, including potential merger or business combinations, as well as the state of the semiconductor industry in general. At that meeting, Jazz's board of directors also considered another non-binding indication of interest received from a competitor on February 2, 2008. After extensive discussions, the board decided that Jazz should explore the potential for a merger or business combination beyond the two parties that had submitted non-binding indications of interests. Jazz's board then directed UBS to assist management in identifying additional potential buyers for Jazz.

In early February, Jazz's management, with the assistance of UBS, identified parties potentially interested in a strategic transaction with Jazz. Beginning in February, in accordance with Jazz's directives, UBS contacted or held discussions with 24 parties regarding a potential acquisition of, or merger with, Jazz. Of these 24 parties, six (including Tower) executed non-disclosure agreements with Jazz.

On February 7, 2008, a call took place among Russell Ellwanger, Tower's CEO, Rafi Mor, Tower's vice president of business development, Gilbert F. Amelio, Jazz's Chairman and CEO, Mr. Pittman and the investment banker that had previously called Mr. Pittman. During that call, Tower expressed interest in a potential transaction with Jazz and the parties agreed to continue discussions and pursue due diligence.

On February 7, 2008, Jazz entered into an amendment to the previously existing non-disclosure agreement between Jazz Semiconductor and Tower to facilitate further discussions and allow more detailed due diligence to proceed.

On February 12, 2008, following questions from customers and suppliers regarding rumors about Jazz exploring strategic options, Jazz publicly announced that it had initiated a review of strategic alternatives and had engaged UBS as its financial advisor to assist in this review.

A team from Tower and its financial advisor met onsite at Jazz on February 25 and 26, 2008 to conduct due diligence on finance, accounting, operations, R&D and other matters. On March 10, 2008, Jazz's board of directors met telephonically, and UBS updated the board regarding the progress of discussions with potentially interested parties. As of that date, five potentially interested parties had indicated an interest in continuing diligence and discussions, four of which had submitted non-binding indications of interest. The private equity fund that had submitted an earlier non-binding indication of interest indicated that it was unwilling to continue with discussions based on preliminary diligence.

On March 18, 2008, Jazz provided Tower with a virtual online datasite and made available to the five potentially interested parties a substantial volume of documents relating to Jazz to facilitate the parties' due diligence efforts. Three of these parties also dispatched personnel to conduct detailed diligence onsite at Jazz.

During March and April 2008, there were subsequent meetings and discussions with the five potentially interested parties, including onsite meetings at Jazz by Tower teams on March 12, 24, 25 and 26, 2008. Dr. Amelio and Mr. Pittman met with Mr. Ellwanger and Dr. Rafi Nave, Tower's chief technology officer, at John Wayne Airport on March 12, 2008. In addition, there were numerous additional telephone calls and emails between representatives of Jazz and representatives of Tower in March, April and May to discuss matters relating to a potential business combination and to further the due diligence process.

On March 22, 2008, Jazz caused to be provided to the five potentially interested parties a proposed form of merger agreement for their review and consideration.

Jazz's board of directors met and received another update from UBS regarding the solicitation process on March 24, 2008. On March 28, 2008, the fifth party submitted an initial, non-binding indication of interest.

On April 2, 2008, Tower submitted a letter to Jazz reaffirming Tower's interest in pursuing a transaction and requesting a period of exclusive negotiations.

On April 2, 2008, prospective bidders were sent a letter instructing them on the form and timing for submitting proposals for consideration by Jazz's board of directors. In response, on April 11, 2008, one of the five interested parties submitted a letter to Jazz setting forth a proposal for a business

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

combination. On April 15, 2008, Tower submitted a letter to Jazz proposing a stock-for-stock business combination at a price per share of \$1.50 for each outstanding share of Jazz common stock, implying an exchange ratio of 1.667 Tower ordinary shares for each outstanding share of Jazz common stock based on the then current price per share of Jazz common stock, together with preliminary comments to the proposed form of merger agreement. Of the remaining three interested parties, two conducted extensive due diligence but all three indicated that they were not willing to proceed with a transaction.

Between April 15 and April 17, 2008, Tower and Jazz engaged in discussions regarding other key terms of a potential merger, including the amount of any break-up fee to be paid as well as whether Jazz would be willing to enter into a period of exclusive negotiations with Tower.

On April 17, 2008, Jazz's board of directors met to consider two proposals: the one submitted by Tower on April 15 and the proposal submitted by another party on April 11. At that meeting, the board also heard a presentation from a potential financial buyer that expressed interest in the possibility of a strategic transaction with Jazz, but indicated that it had never financed a technology transaction or a transaction of this size and was not prepared to make any specific proposals or to assure Jazz that it would be able to make a specific proposal in the future. Accordingly, the board decided not to further consider the financial buyer's expression of interest in light of the other proposals. After extensive discussions, Jazz's board of directors determined that the proposal submitted by Tower was the more favorable proposal on the basis that the other proposal, which involved the purchase by Jazz of a non-operational fab facility in exchange for Jazz's common stock, was significantly more dilutive to Jazz's stockholders, would not expand Jazz's business into new product segments, would likely not improve the trading volume and liquidity of Jazz's stock and was subject to greater risk and uncertainty, including significant regulatory approvals and the uncertainty surrounding the proper valuation of the fabrication facility. The board then authorized Jazz's officers to pursue negotiations with Tower regarding a potential transaction and authorized Jazz's officers to enter into an agreement with Tower providing for an exclusive negotiation period of not longer than four weeks.

32

On April 17, 2008, at the direction of Jazz's board of directors, Jazz proposed that Tower modify its proposal to reflect a fixed exchange ratio of 1.8 Tower ordinary shares per outstanding share of Jazz common stock. Between April 17 and April 23, 2008, Jazz and Tower engaged in preliminary negotiations regarding other key terms of the proposed merger, including the amount of any termination fees to be paid. On April 23, 2008, Jazz and Tower entered into an agreement wherein Jazz agreed to negotiate exclusively with Tower through May 13, 2008 in an effort to enter into a definitive agreement. The exclusivity agreement allowed Jazz to terminate the exclusivity arrangement if Tower advised Jazz or its representatives of its intention to reduce the proposed exchange ratio below 1.8 Tower ordinary shares for each outstanding share of Jazz's common stock or to increase the proposed termination fee to an amount in excess of \$1.2 million, plus reasonable and documented out-of-pocket expenses not to exceed \$1.0 million.

In April, representatives of Jazz engaged in due diligence relating to Tower and Tower's capital structure, finances, business and operations, including onsite visits to Tower's headquarters in Israel on April 8, 2008 by Mr. Pittman and on April 29, 2008 and April 30, 2008 by Andy Chan, Jazz's vice president of corporate development and purchasing, Don Cerney, Jazz's quality director, and Luca Fabbri, an independent consultant engaged by Jazz. Jazz engaged Kost Forer Gabbay and Kasierer in Israel, a member of Ernst & Young



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Global, to conduct financial and accounting due diligence, and representatives of that firm were also onsite at Tower on April 29 conducting due diligence. Jazz also engaged the Israeli law firm of Meitar Liquornik Geva & Leshem Brandwein to assist with legal due diligence relating to Tower.

On April 27, 2008, Jazz submitted a revised draft of a merger agreement to Tower for its consideration, reflecting some of the key terms negotiated by the parties, including the exchange ratio and the termination fees. Between late April and mid-May the parties engaged in extensive negotiations and the exchange of multiple drafts of definitive transaction documents. In addition, during this period, there were frequent communications between Jazz, Tower and their respective counsel, including emails regarding the negotiation of transaction terms, due diligence materials and supplemental due diligence requests and drafts of various transaction documents.

On May 14, 2008, Jazz notified Tower that it was agreeing to extend exclusivity through the end of that day. At Jazz's board of directors meeting that day, UBS discussed with Jazz's board of directors financial aspects of the proposed merger and members of management presented an update on the progress of negotiations with Tower. In addition, Jazz's board of directors reviewed with Dr. Amelio and Mr. Pittman the strategic rationale for the transaction and the potential benefits of the transaction versus alternative strategies. Representatives of Cooley Godward Kronish LLP then reviewed and discussed with the board the terms and conditions of the merger agreement. The board then agreed to authorize the extension of exclusivity with Tower through noon Pacific time on May 19, 2008.

On May 17, 2008, Jazz's board of directors met to consider the proposed merger agreement with Tower. At that board meeting, representatives of Cooley Godward Kronish LLP again reviewed with the board the terms and conditions of the merger agreement. Also at this meeting, UBS reviewed with Jazz's board of directors UBS' financial analysis of the exchange ratio provided for in the merger and delivered to Jazz's board of directors an oral opinion, which opinion was confirmed by delivery of a written opinion dated May 17, 2008, to the effect that, as of that date and based on and subject to various assumptions, matters considered and limitations described in its opinion, the exchange ratio provided for in the merger was fair, from a financial point of view, to holders of Jazz common stock. After further discussions regarding the proposed merger, the board unanimously approved the merger agreement and the merger.

At a Tower board of directors meeting on May 19, 2008, Tower's board of directors unanimously approved the merger agreement and the merger.

Jazz and Tower signed the merger agreement on May 19, 2008 and publicly announced it through a joint press release issued by Tower.

### JAZZ'S REASONS FOR THE MERGER

Jazz's board of directors believes there are substantial benefits to Jazz's stockholders that can be obtained as a result of the merger. If this merger is completed, Jazz's stockholders will receive an equity interest in a semiconductor company with a broad portfolio of specialty process technologies, operational facilities in the United States and Israel and increased manufacturing capacity. At a meeting held on May 17, 2008, Jazz's board of directors unanimously determined that the merger agreement and the merger were fair to and in the best interest of Jazz and its stockholders and declared the merger to be advisable to its stockholders, approved the merger, the merger agreement and the transactions contemplated by the merger agreement and resolved to recommend the adoption of the merger agreement and the approval of the merger agreement by Jazz's stockholders.

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

In evaluating the merger, Jazz's board of directors consulted with Jazz's senior management as well as Jazz's legal counsel, Cooley Godward Kronish LLP, and financial advisor, UBS. Among the matters considered by Jazz's board of directors in its deliberations and in reaching its decision to approve the merger, the merger agreement and the transactions contemplated by the merger agreement and to recommend that Jazz's stockholders also vote to approve and adopt the merger agreement and approve the merger, were the following material factors:

- o The strategic benefits of the merger, including:
  - o The enhanced strategic attractiveness of the merged company relative to Jazz as a standalone entity in light of the current environment in the semiconductor industry;
  - o The complementary nature of the respective customer bases and technologies of Jazz and Tower;
  - o The potential for the merged company to be an industry leader with a broad portfolio of specialty process technologies;
  - o The merged company's global presence and the potential for improved geographic reach and distribution;
  - o Significant potential synergies in the merger, including the potential for cost savings and revenue synergies for the merged company, together with the risks associated with achieving these synergies;
  - o The likelihood of a successful integration of Jazz's business, operations and workforce with those of Tower and of successful operation of the merged company despite the challenges of such integration;
  - o The likelihood that the regulatory approvals needed to complete the transaction will be obtained;
  - o The fact that the merger consideration is publicly traded stock, so that the transaction will allow Jazz's stockholders a continuing opportunity to realize value for their investment; and
  - o Greater liquidity and higher trading volume of Tower ordinary stock;
- o The attractive financial terms of the merger in light of:
  - o The current and historical financial condition and results of operations of Jazz and Tower;
  - o The historical and current market prices and trading volumes of Jazz's common stock and Tower's ordinary stock;
  - o Jazz's knowledge of Tower's business, operations, financial condition, earnings and prospects, taking into account the results of Jazz's due diligence review of Tower;
  - o The consideration proposed by Tower represented the highest offer (based on the closing price of Tower's ordinary shares on May 16, 2008 on the Nasdaq Global Market) that Jazz had received for the acquisition of Jazz; and

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

- o The current and historical market prices of Jazz's common stock, including the fact that at the exchange ratio of 1.8 Tower ordinary shares for each outstanding share of Jazz's common stock represented:
  - o a 146% premium over the closing stock price of \$0.85 on the last trading day prior to announcing the proposed transaction;
  - o a 221% premium over the average closing stock prices over the last 30 trading days prior to announcing the proposed transaction; and
  - o a 86% premium over the closing stock price of \$1.12 on February 12, 2008, the last trading day prior to Jazz's public announcement of its review of strategic alternatives;
- o Jazz's financial performance and prospects if it remained an independent, publicly traded entity, including:

- o The current environment in the semiconductor industry, including national and regional economic conditions, evolving trends in technology and increasing nationwide and global competition, and the likely effect of these factors on Jazz;

34

- o The ability of Jazz to execute on its key strategies to acquire additional fab capacity and significantly extend its business into new product segments;
  - o The prospects for obtaining the additional financing likely needed to significantly expand capacity or purchase a low-cost fab facility;
  - o The current and historic trading multiples of Jazz's common stock and the likelihood that such trading multiples could be sustained over the long term in light of increasing competitive pressures and trends in the businesses in which Jazz competes;
  - o The decline in the price per share of Jazz's common stock in the eleven months between the closing of the acquisition of Jazz Semiconductor on February 16, 2007 and January 15, 2008 from \$5.19 to \$1.50, a drop of approximately 71%, and the further decline of the price per share of Jazz's common stock after Jazz's public announcement of its review of strategic alternatives to \$0.75 on the day before the board voted to approve the merger, a drop of more than 85% from the date Jazz closed of the acquisition of Jazz Semiconductor;
  - o The low liquidity of Jazz's common stock, coupled with relatively low turnover of Jazz's stock among its largest institutional investors, which the board determined are likely to continue to exert downward pressure on Jazz's stock price; and
  - o The impact of Jazz's low stock price on its ability to execute on key strategies by limiting its financing options for expansion and impairing customer and supplier confidence in Jazz;
- o An assessment of alternatives to the merger, including:

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

- o The risks and potential rewards of continuing to execute Jazz's business strategy as an independent entity versus the potential for increasing stockholder value through the merger;
- o The prospects to acquire additional low-cost fab capacity in the absence of a strategic transaction; and
- o The potential for alternative strategic transactions, including the alternative transactions considered by the board at the April 17, 2008 board meeting;
- o The opinion of UBS, dated May 17, 2008, to Jazz's board of directors as to the fairness, from a financial point of view and as of the date of the opinion, of the exchange ratio provided for in the merger, as more fully described below under the caption "THE MERGER - OPINION OF JAZZ'S FINANCIAL ADVISOR;"
- o The terms of the merger agreement, including:
  - o The limited number and nature of the conditions to Tower's obligation to complete the merger and the limited risk of non-satisfaction of such conditions;
  - o The provisions of the merger agreement that allow the board, under certain limited circumstances if the failure to take such action would reasonably be expected to be inconsistent with its fiduciary duties under applicable law, to change its recommendation that Jazz's stockholders vote in favor of the adoption of the merger agreement; and
  - o The provisions of the merger agreement that allow Jazz, under certain limited circumstances if failure to take such action would reasonably be expected to be inconsistent with the board of directors' or special committee's fiduciary duties under applicable law, to furnish information to and participate in discussions or negotiations with third parties who have made unsolicited proposals;
- o The conclusion of Jazz's board of directors that the termination fee (and the circumstances under which such fee would be payable) was reasonable in light of the benefits of the merger, the process conducted by Jazz with the assistance of Jazz `s management and financial advisor and commercial practice; and
- o Tower's willingness to enter into the merger agreement without having first entered into any agreements or arrangements with the members of Jazz's senior management team with respect to post-closing employment or commitments to vote their shares in favor of the merger.

35

Jazz's board of directors also considered and balanced against the potential benefits of the merger a number of risks and uncertainties concerning the merger including the following:

- o The risk that the merger might not be completed in a timely manner or at all, including the risk that the merger will not occur if required regulatory approvals from various governmental authorities may not be obtained;

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

- o The restrictions on the conduct of Jazz's business prior to completion of the merger, which require Jazz to conduct its business in the ordinary course and prohibit Jazz from taking numerous specified actions without Tower's consent, and the fact that these restrictions might delay or prevent Jazz from undertaking business opportunities that may arise pending completion of the merger;
- o The risk that the announcement of the proposed transaction or the consummation of the merger could adversely affect Jazz's relationships with its customers;
- o The restrictions on Jazz's ability to solicit or engage in discussions or negotiations with a third-party regarding specified transactions involving Jazz and the requirement that Jazz pay Tower a termination fee in order for Jazz to accept a superior proposal;
- o The risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the merger, and the possibility of management and employee disruption associated with the merger;
- o The possibility of a decrease in the trading price of Tower's ordinary shares between the date of the execution of the merger agreement and the completion of the merger which would lessen the value of the fixed number of Tower ordinary shares issuable in the merger, and that the merger agreement does not provide Jazz with a price-based collar or termination rights to protect against such decreases in the trading price of Tower's ordinary shares;
- o The substantial indebtedness of the companies on a combined basis, which is expected to be more than \$700 million (including convertible debt), and the impact of such indebtedness on the merged company's cash flow and ability to obtain additional financing to execute its business strategy; and
- o The other risks and uncertainties relating to Tower's and Jazz's business described in the section entitled "RISK FACTORS RELATING TO THE MERGER" above.

In view of the variety of factors and the quality and amount of information considered, as well as the complexity of these matters, Jazz's board of directors did not find it practicable to, and did not attempt to, assign relative weights to the above factors or the other factors considered by it. In addition, the board did not reach any specific conclusion on each factor considered, but conducted an overall analysis of these factors. Individual members of the board may have given different weights to different factors.

### RECOMMENDATION OF JAZZ'S BOARD OF DIRECTORS

Based on its consideration of the foregoing factors, the Jazz board of directors has unanimously determined that the merger and the transactions contemplated by the merger agreement are advisable and fair to, and in the best interests of, Jazz and its stockholders and has approved the merger agreement, the merger and the other transactions contemplated by the merger agreement. THE JAZZ BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS OF JAZZ VOTE "FOR" THE PROPOSAL TO APPROVE AND ADOPT THE MERGER AGREEMENT AND APPROVE THE MERGER.

In considering the recommendation of the Jazz board of directors with respect to the merger agreement, Jazz stockholders should be aware that directors and officers of Jazz have certain interests in the merger that are different from, or are in addition to, the interests of Jazz stockholders

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

generally, as discussed below.

### INTERESTS OF JAZZ'S DIRECTORS AND OFFICERS IN THE MERGER

When you consider the recommendation of Jazz's board of directors in favor of adoption of the merger agreement and approval of the merger, you should keep in mind that Jazz's directors and officers have interests in the merger that are different from, or in addition to, your interests as a stockholder.

Certain executive officers and directors of Jazz have interests in the merger agreement and the merger that are different from and in addition to your interests as a stockholder. These interests exist based on change in control severance agreements between Jazz and certain of its executive officers, as well as certain provisions of the merger agreement itself. The board of directors of Jazz was aware of and considered these interests when it considered and approved the merger agreement and the merger.

36

"CHANGE IN CONTROL" SEVERANCE AGREEMENTS. Each of Dr. Amelio and Messrs. Pittman and Grogan are party to a change in control severance agreement with Jazz. Under his change of control severance agreement, Dr. Amelio will receive 2.99 times his annual base salary plus his target bonus, a total of \$1,794,000, and 18 months of continued COBRA coverage at an approximate cost of \$14,000, if a change of control occurs and he is terminated without cause or he terminates his employment for good reason within one year of the change in control. Similarly, Mr. Pittman will receive twice his annual base salary plus target bonus, a total of \$900,000, if a change of control occurs and he is terminated without cause or he terminates his employment for good reason within one year of the change of control. Mr. Grogan will receive twice his annual base salary plus target bonus, a total of \$700,000, and 18 months of continued COBRA coverage at an approximate cost of \$12,500, if a change of control occurs and he is terminated without cause or he terminates his employment for good reason within one year of the change in control. In addition, if Dr. Amelio and Messrs. Pittman and Grogan are terminated without cause or they terminate their employment for good reason within one year of a change in control, all stock options grants or similar equity arrangements that are otherwise subject to vesting over a period of 48 months following the termination will immediately accelerate and vest. Pursuant to the merger agreement, Tower has agreed to cause the surviving corporation to assume the obligations under the change of control severance agreements to which Jazz is a party. The consummation of the merger will constitute a change in control for purposes of these change in control severance agreements.

CONTINUED DIRECTOR AND OFFICER INDEMNIFICATION. Jazz has entered into indemnification agreements with certain officers and directors which provide, among other things, that Jazz will indemnify such officer or director under the circumstances and to the extent provided for therein, for expenses, judgments, fines, penalties and settlements he or she may be required to pay in third-party actions or proceedings which he or she is or may be made a party by reason of his or her position as a director, officer or other agent, and otherwise to the fullest extent permitted under Delaware law and Jazz's bylaws. Pursuant to the merger agreement, as of the completion of the merger and thereafter, Tower has agreed to, and is required to cause the surviving corporation to, (i) for six years, fulfill the obligations under the existing indemnification agreements and in Jazz's certificate of incorporation and bylaws for claims arising from acts or omissions as directors and/or officers that occurred on or prior to the completion of the merger, (ii) not amend the provisions regarding the indemnification of officers and directors in the surviving corporation's organizational documents so as to adversely affect the rights of certain Jazz

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

officers and directors and (iii) for six years, maintain the current level of directors' and officers' liability insurance coverage for certain Jazz officers and directors; provided that Tower or Jazz (as the surviving corporation) will not be required to spend annually more than \$880,196 for such coverage.

The Jazz board of directors was aware of these agreements and arrangements during its deliberations on the merits of the merger and in determining to recommend to its stockholders that they vote for the approval and adoption of the merger agreement and the approval of the merger.

### TOWER'S REASONS FOR THE MERGER

In reaching its decision to approve the merger agreement and the merger, the Tower board of directors consulted with Tower's management and reviewed various financial data, due diligence and evaluation materials. The Tower board of directors considered a number of factors that it believes support its decision to approve the merger agreement and the merger, including:

- o the merged company's enhanced growth, margin and cash flow prospects;
- o Jazz process technologies and customer base, which appear to be highly complementary to Tower with little overlap, thereby allowing the merged company to diversify its process technology portfolio and customer base;
- o the merged company is expected to be an industry leader with a broad portfolio of specialty process technologies;
- o the merged company's global presence to improve geographic reach and distribution;
- o the merged company's increased capacity and scale to attract larger customers;
- o the significant synergy potential both in terms of revenue enhancements and increased cost efficiencies;
- o the likelihood that this acquisition will also enhance Tower's ability to access capital to fund its strategic initiatives;
- o the likelihood that the transaction with Tower would be completed;
- o the Tower board of directors' knowledge and beliefs about the current and prospective environments in which Tower operates, including global economic conditions, competition in the semiconductor industry and impact of these factors on Tower's opportunities for maximizing shareholder value;
- o the alternative of continuing without entering into the merger agreement and Tower's opportunity to achieve comparable or better shareholder value through that course rather than pursuant to the merger; and

37

- o the terms and conditions of the merger agreement, including the conditions to closing and the termination provisions.

Tower's board of directors also considered and balanced against the

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

potential benefits of the merger a number of risks and uncertainties concerning the merger, including, but not limited to:

- o The risk that the merger may not be completed in a timely manner or at all;
- o the substantial expenses to be incurred in connection with the merger, even if the merger is not completed; and
- o the risk of diverting management's attention from other strategic priorities to complete the merger as well as the fact that some of Tower's officers and employees have and will experience significant distraction from their work during the period in which the merger will be pending.

The above discussion concerning the information and factors considered by Tower's board of directors is not intended to be exhaustive, but includes the material factors considered by it in making its determinations. In view of the variety of factors considered in connection with the evaluation of the merger agreement, Tower's board of directors did not quantify or otherwise attempt to assign relative weight to the specific factors it considered in reaching its determinations. In addition, individual directors may have considered various factors to have different relative importance. Tower's board of directors considered all of the factors as a whole and considered the factors in their totality to be favorable and to support the decision to approve the merger agreement.

### OPINION OF JAZZ'S FINANCIAL ADVISOR

On May 17, 2008, at a meeting of Jazz's board of directors held to evaluate the proposed merger, UBS delivered to Jazz's board of directors an oral opinion, which opinion was confirmed by delivery of a written opinion dated May 17, 2008, to the effect that, as of that date and based on and subject to various assumptions, matters considered and limitations described in its opinion, the exchange ratio provided for in the merger was fair, from a financial point of view, to holders of Jazz common stock.

The full text of UBS' opinion describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS. This opinion is attached as Annex 2 and is incorporated into this proxy statement/prospectus by reference. UBS' OPINION WAS PROVIDED FOR THE BENEFIT OF JAZZ'S BOARD OF DIRECTORS IN CONNECTION WITH, AND FOR THE PURPOSE OF, ITS EVALUATION OF THE EXCHANGE RATIO FROM A FINANCIAL POINT OF VIEW AND DOES NOT ADDRESS ANY OTHER ASPECT OF THE MERGER. THE OPINION DOES NOT ADDRESS THE RELATIVE MERITS OF THE MERGER AS COMPARED TO OTHER BUSINESS STRATEGIES OR TRANSACTIONS THAT MIGHT BE AVAILABLE WITH RESPECT TO JAZZ OR JAZZ'S UNDERLYING BUSINESS DECISION TO EFFECT THE MERGER. THE OPINION DOES NOT CONSTITUTE A RECOMMENDATION TO ANY STOCKHOLDER AS TO HOW TO VOTE OR ACT WITH RESPECT TO THE MERGER. HOLDERS OF JAZZ COMMON STOCK ARE ENCOURAGED TO READ UBS' OPINION CAREFULLY IN ITS ENTIRETY. The following summary of UBS' opinion is qualified in its entirety by reference to the full text of UBS' opinion.

In arriving at its opinion, UBS, among other things:

- o reviewed certain publicly available business and financial information relating to Jazz and Tower;
- o reviewed certain internal financial information and other data relating to Jazz's business and financial prospects that were provided to UBS and not publicly available, including financial forecasts and estimates of Jazz's management that Jazz's board of directors directed UBS to utilize for purposes of its analysis;



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

- o reviewed certain internal financial information and other data relating to Tower's business and financial prospects that were provided to UBS and not publicly available, including financial forecasts and estimates of Jazz's management that Jazz's board of directors directed UBS to utilize for purposes of its analysis;
- o reviewed certain estimates of synergies of the managements of Tower and Jazz that were provided to UBS and not publicly available that Jazz's board of directors directed UBS to utilize for purposes of its analysis;
- o discussed with the management of Jazz its assessment as to the value of Jazz's unconsolidated investment in Shanghai Hua Hong NEC Electronics Company Ltd., referred to as the HHNEC investment, that Jazz's board of directors directed UBS to utilize for purposes of its analysis;
- o conducted discussions with members of the senior managements of Jazz and Tower concerning the businesses and financial prospects of Jazz and Tower, including the liquidity needs of, and capital resources expected to be available to, the merged company and the merged company's ability to fund, internally or through external financing sources, its operations following consummation of the merger;
- o reviewed publicly available financial and stock market data with respect to certain other companies UBS believed to be generally relevant;
- o reviewed publicly available financial terms of certain other transactions in the semiconductor foundry industry;
- o reviewed current and historical market prices of Jazz common stock and Tower ordinary shares;
- o reviewed a draft dated May 17, 2008 of the merger agreement; and

38

- o conducted such other financial studies, analyses and investigations, and considered such other information, as UBS deemed necessary or appropriate.

In connection with its review, with the consent of Jazz's board of directors, UBS assumed and relied upon, without independent verification, the accuracy and completeness in all material respects of the information provided to or reviewed by UBS for the purpose of its opinion. In addition, with the consent of Jazz's board of directors, UBS did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of Jazz or Tower, and was not furnished with any such evaluation or appraisal. With respect to the financial forecasts, estimates, synergies and assessment referred to above, UBS assumed, at the direction of Jazz's board of directors, that such forecasts, estimates, synergies and assessment had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the managements of Jazz and Tower, as the case may be, as to the future financial performance of Jazz and Tower, such synergies and the value of the HHNEC investment. In addition, UBS assumed with the approval of Jazz's board of directors that such financial forecasts and estimates, including synergies, would be achieved at the times and in the amounts projected. UBS relied, at the direction of Jazz's board of directors, without independent

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

verification, upon the assessment of Jazz's management as to the value of the HHNEC investment. UBS also relied, at the direction of Jazz's board of directors, without independent verification, upon the assessments of the managements of Jazz and Tower as to the liquidity needs of, and capital resources expected to be available to, the merged company and the merged company's ability to fund, internally or through external financing sources, its operations following consummation of the merger. UBS assumed, with the consent of Jazz's board of directors, that the merger would qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. UBS' opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information available to UBS as of, the date of its opinion.

At the request of Jazz's board of directors, UBS contacted third parties to solicit indications of interest in a possible transaction with Jazz and held discussions with certain of these parties prior to the date of UBS' opinion. At the direction of Jazz's board of directors, UBS was not asked to, and it did not, offer any opinion as to the terms, other than the exchange ratio to the extent expressly specified in its opinion, of the merger agreement or the form of the merger. In addition, UBS expressed no opinion as to the fairness of the amount or nature of any compensation to be received by any officers, directors or employees of any parties to the merger, or any class of such persons, relative to the exchange ratio. UBS expressed no opinion as to what the value of Tower ordinary shares would be when issued pursuant to the merger or the prices at which Tower ordinary shares or Jazz common stock would trade at any time. In rendering its opinion, UBS assumed, with the consent of Jazz's board of directors, that (i) the final executed form of the merger agreement would not differ in any material respect from the draft that UBS reviewed, (ii) Jazz and Tower would comply with all material terms of the merger agreement and (iii) the merger would be completed in accordance with the terms of the merger agreement without any adverse waiver or amendment of any material term or condition of the merger agreement. UBS also assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger would be obtained without any material adverse effect on Jazz, Tower or the merger. Except as described above, Jazz imposed no other instructions or limitations on UBS with respect to the investigations made or the procedures followed by UBS in rendering its opinion. The issuance of UBS' opinion was approved by an authorized committee of UBS.

In connection with rendering its opinion to Jazz's board of directors, UBS performed a variety of financial and comparative analyses which are summarized below. The following summary is not a complete description of all analyses performed and factors considered by UBS in connection with its opinion. The preparation of a financial opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. With respect to the selected companies analyses of Jazz and Tower summarized below, no company used as a comparison was identical to Jazz or Tower. These analyses necessarily involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading values of the companies concerned.

UBS believes that its analyses and the summary below must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying UBS' analyses and opinion. UBS did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion, but rather arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole.

The estimates of the future performance of Jazz and Tower in or underlying

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

UBS' analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than those estimates. In performing its analyses, UBS considered industry performance, general business and economic conditions and other matters, many of which were beyond the control of Jazz and Tower. Estimates of the financial value of companies do not purport to be appraisals or necessarily reflect the prices at which companies actually may be sold.

The exchange ratio was determined through negotiation between Jazz and Tower and the decision by Jazz to enter into the merger was solely that of Jazz's board of directors. UBS' opinion and financial analyses were only one of many factors considered by Jazz's board of directors in its evaluation of the merger and should not be viewed as determinative of the views of Jazz's board of directors or management with respect to the merger or the exchange ratio.

39

The following is a brief summary of the material financial analyses performed by UBS and reviewed with Jazz's board of directors on May 17, 2008 in connection with UBS' opinion relating to the proposed merger. THE FINANCIAL ANALYSES SUMMARIZED BELOW INCLUDE INFORMATION PRESENTED IN TABULAR FORMAT. IN ORDER TO FULLY UNDERSTAND UBS' FINANCIAL ANALYSES, THE TABLES MUST BE READ TOGETHER WITH THE TEXT OF EACH SUMMARY. THE TABLES ALONE DO NOT CONSTITUTE A COMPLETE DESCRIPTION OF THE FINANCIAL ANALYSES. CONSIDERING THE DATA BELOW WITHOUT CONSIDERING THE FULL NARRATIVE DESCRIPTION OF THE FINANCIAL ANALYSES, INCLUDING THE METHODOLOGIES AND ASSUMPTIONS UNDERLYING THE ANALYSES, COULD CREATE A MISLEADING OR INCOMPLETE VIEW OF UBS' FINANCIAL ANALYSES.

### JAZZ FINANCIAL ANALYSES

JAZZ SELECTED COMPANIES ANALYSIS. UBS compared selected financial and stock market data of Jazz with corresponding data of the following seven publicly traded companies in the semiconductor foundry industry:

- o Advanced Semiconductor Manufacturing Corporation Limited
- o Chartered Semiconductor Manufacturing Ltd
- o China Resources Microelectronics Limited
- o Semiconductor Manufacturing International Corporation
- o Taiwan Semiconductor Manufacturing Company Ltd.
- o United Microelectronics Corporation and
- o Vanguard International Semiconductor Corporation

UBS reviewed, among other things, the enterprise values of the selected companies, calculated as equity market value based on closing stock prices on May 16, 2008, plus debt at book value, preferred stock at liquidation value and minority interests at book value, less cash and cash equivalents, as multiples of calendar years 2008 and 2009 estimated revenue and estimated earnings before interest, taxes, depreciation and amortization, referred to as EBITDA. UBS then compared these multiples derived for the selected companies with corresponding multiples implied for Jazz based both on the closing price of Jazz common stock on May 16, 2008 and the implied per share value of the merger consideration utilizing the merger exchange ratio of 1.8x and the closing price of Tower ordinary shares on NASDAQ on May 16, 2008. Financial data for the selected companies were based on publicly available research analysts' estimates, public

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

filings and other publicly available information. Estimated financial data for Jazz (including the estimated value of its HHNEC investment) were based on internal estimates provided to UBS by Jazz's management. The estimated value of Jazz's HHNEC investment was treated as a cash equivalent when calculating the enterprise value of Jazz. This analysis indicated the following implied high, mean, median and low multiples for the selected companies, as compared to corresponding multiples implied for Jazz:

	Implied Multiples for Selected Companies				Implied Multiples Based on:
	High	Mean	Median	Low	Closing Stock Price on 5/16/08
Enterprise Value as Multiple of Estimated Revenue:					
Calendar Year 2008	4.5x	1.8x	1.6x	0.3x	0.7x
Calendar Year 2009	4.2x	1.7x	1.6x	0.2x	0.7x
Enterprise Value as Multiple of Estimated EBITDA:					
Calendar Year 2008	7.9x	4.5x	4.9x	0.9x	4.2x
Calendar Year 2009	6.7x	3.9x	4.1x	0.8x	4.0x

40

JAZZ DISCOUNTED CASH FLOW ANALYSIS. UBS performed a discounted cash flow analysis of Jazz using financial forecasts and estimates relating to Jazz provided to UBS by Jazz's management for calendar year 2008 through calendar year 2012 and Jazz management's estimate as to the value of Jazz's HHNEC investment. UBS calculated a range of implied present values (as of June 30, 2008) of the standalone unlevered, after-tax free cash flows that Jazz was forecasted to generate from July 1, 2008 until December 31, 2012 and of terminal values for Jazz based on Jazz's calendar year 2012 estimated EBITDA. Implied terminal values were derived by applying a range of latest 12 months estimated EBITDA terminal value multiples of 3.5x to 5.5x. Present values of cash flows and terminal values were calculated using discount rates ranging from 15.0% to 20.0%. The discounted cash flow analysis resulted in a range of implied present values of approximately \$(0.55) to \$1.75 per outstanding share of Jazz common stock, as compared to the implied per share value of the merger consideration of approximately \$2.21 utilizing the merger exchange ratio of 1.8x and the closing price of Tower ordinary shares on NASDAQ on May 16, 2008. To the extent that the implied present values of Jazz derived in this analysis were less than the outstanding debt of Jazz, net of cash and the estimated value of Jazz's HHNEC investment, negative per share values of Jazz were reflected for illustrative purposes.

### TOWER SELECTED COMPANIES ANALYSIS

UBS compared selected financial and stock market data of Tower with corresponding data of the selected companies referred to above under "JAZZ FINANCIAL ANALYSES - JAZZ SELECTED COMPANIES ANALYSIS." Among other things, UBS compared multiples of calendar years 2008 and 2009 estimated revenue and estimated EBITDA derived for the selected companies with corresponding multiples

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

implied for Tower based on the closing price of Tower ordinary shares on NASDAQ on May 16, 2008. Financial data for the selected companies were based on publicly available research analysts' estimates, public filings and other publicly available information. Estimated financial data for Tower were based on internal estimates provided to UBS by Jazz's management. This analysis indicated the following implied high, mean, median and low multiples for the selected companies, as compared to corresponding multiples implied for Tower:

	Implied Multiples for Selected Companies				Implied Multiples for Closing Share Price on NA
	High	Mean	Median	Low	
Enterprise Value as Multiple of Estimated Revenue:					
Calendar Year 2008	4.5x	1.8x	1.6x	0.3x	3.1x
Calendar Year 2009	4.2x	1.7x	1.6x	0.2x	2.4x
Enterprise Value as Multiple of Estimated EBITDA:					
Calendar Year 2008	7.9x	4.5x	4.9x	0.9x	14.6x
Calendar Year 2009	6.7x	3.9x	4.1x	0.8x	7.2x

### PRO FORMA MERGED COMPANY DISCOUNTED CASH FLOW ANALYSIS

UBS performed a discounted cash flow analysis of Jazz and Tower on a combined basis using financial forecasts and estimates relating to Jazz and Tower for calendar year 2008 through calendar year 2012 provided to UBS by Jazz's management. UBS also utilized, at the direction of Jazz's board of directors, Jazz management's estimate as to the value of Jazz's HHNEC investment and estimates provided to UBS by Jazz's management as to potential synergies anticipated by the managements of Tower and Jazz to result from the merger. UBS calculated a range of implied present values (as of June 30, 2008) of the unlevered, after-tax free cash flows that Jazz and Tower were forecasted to generate on a combined basis (after giving effect to potential synergies and utilization of Tower's net operating losses as of December 31, 2007) from July 1, 2008 until December 31, 2012 and of terminal values for the merged company based on the merged company's calendar year 2012 estimated EBITDA after giving effect to potential synergies. Implied terminal values were derived by applying a range of latest 12 months estimated EBITDA terminal value multiples of 4.0x to 6.0x. Present values of cash flows and terminal values were calculated using discount rates ranging from 14.0% to 18.0%. The discounted cash flow analysis of the merged company resulted in a range of implied present values of approximately \$1.25 to \$3.45 attributable to each outstanding share of Jazz common stock based on the merger exchange ratio of 1.8x, as compared to the range of implied present values of approximately \$(0.55) to \$1.75 per outstanding share of Jazz common stock derived from the stand-alone discounted cash flow analysis of Jazz described above under "JAZZ ANALYSES - JAZZ DISCOUNTED CASH FLOW ANALYSIS."

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Under the terms of UBS' engagement, Jazz has agreed to pay UBS for its financial advisory services in connection with the merger an aggregate fee currently estimated to be \$2.75 million, a portion of which was payable in connection with UBS' opinion and a significant portion of which is contingent upon consummation of the merger. In addition, Jazz has agreed to reimburse UBS for its reasonable expenses, including fees, disbursements and other charges of counsel, and to indemnify UBS and related parties against liabilities, including liabilities under federal securities laws, relating to, or arising out of, its engagement.

In the ordinary course of business, UBS and its affiliates may hold or trade, for their own accounts and the accounts of their customers, securities of Jazz and Tower and, accordingly, may at any time hold a long or short position in such securities.

Jazz selected UBS as its financial advisor in connection with the merger because UBS is an internationally recognized investment banking firm with substantial experience in similar transactions. UBS is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities and private placements.

### REGULATORY FILINGS AND APPROVALS NECESSARY TO COMPLETE THE MERGER

Other than the effectiveness of this registration statement, of which this proxy statement/prospectus is a part and compliance with applicable provisions of Delaware and Israeli laws, several additional regulatory filings and approvals are required in connection with the merger include:

- o approval of the Office of the Chief Scientist of the Israeli Ministry of Industry, Trade and Labor;
- o approval of the Israeli Investment Center of the Israeli Ministry of Industry, Trade and Labor;
- o approval of the Israel Lands Administration; and
- o approval of the Tel-Aviv Stock Exchange (listing of additional shares).

Tower is also required to provide notice: (i) with the Directorate of Defense Trade Controls under ITAR at least 60 days prior to closing, (ii) prior to the closing date, to the Nasdaq Global Market (on a Notification Form: Listing of Additional Shares); and (iii) following the Effective Date, to the Investment Center, the Israeli Office of the Chief Scientist and the Israel Lands Administration. The merger is not expected to be subject to the Hart-Scott-Rodino Act.

On May 27, 2008, Tower submitted applications for the approval of the change in the ownership of its shares resulting from the transactions contemplated by the merger agreement, to each of the Office of the Chief Scientist, Investment Center and Israel Lands Administration.

On June 3, 2008, Tower received the approval of the Office of the Chief Scientist of the Israeli Ministry of Industry, Trade and Labor.

On June 10, 2008, Jazz filed, and on June 24, 2008, Tower filed, a notice with the Directorate of Defense Trade Controls under ITAR.

Jazz and Tower have been in pre-notification discussions with CFIUS

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

regarding the proposed merger and intend to make a voluntary filing on or about August 8, 2008 seeking CFIUS review of the proposed merger. There can be no assurance that CFIUS would not request the parties to enter into a mitigation agreement that could impose material conditions on the operations of the Jazz business.

An application to the Tel-Aviv Stock Exchange for the listing of additional shares will be submitted on or around the closing date.

### DIRECTORS AND MANAGEMENT OF THE MERGED COMPANY AFTER THE MERGER

The directors and officers of Tower will remain the directors and officers of Tower following the merger until their successors are duly elected, appointed or qualified or until their earlier death, resignation or removal in accordance with the articles of incorporation of Tower and applicable law. As contemplated by the merger agreement, the directors and officers of Jazz following the merger will be determined prior to the effective time of the merger.

### ACCOUNTING TREATMENT

In accordance with U.S. GAAP, the merger will be accounted for as a purchase through the issuance of stock by Tower as the consideration for the net assets of Jazz. The assets (tangibles and intangibles) and liabilities of Jazz will be recorded as of the acquisition date at their assigned values based on purchase price allocation determined, using their respective fair values. Goodwill, if any, will be recorded as the residual amount of the excess of cost over the fair values of identified assets, in accordance with the requirements of SFAS 141.

42

### TOWER ORDINARY SHARES TRADED ON NASDAQ AND TASE; DELISTING AND DEREGISTRATION OF JAZZ SECURITIES

Jazz common stock, warrants and units will continue to trade on the American Stock Exchange until the completion of the proposed merger. Following the completion of the proposed merger, Jazz common stock, and units will no longer be listed on the American Stock Exchange and will be deregistered under the Exchange Act. In the merger, holders of Jazz common stock will receive ordinary shares of Tower which are publicly traded on the NASDAQ Global Market under the symbol "TSEM" and the Tel Aviv Stock Exchange, or TASE, under the symbol "TSEM." At the effective time of the merger each Jazz unit will be mandatorily separated into one share of Jazz common stock (which will convert into Tower ordinary shares as described above) and two Jazz warrants. At the effective time of the merger, Jazz warrants will remain outstanding and will become exercisable for Tower ordinary shares as described in this proxy statement/prospectus. Tower anticipates that following the merger, the Jazz warrants will be delisted from the American Stock Exchange and will be quoted on the Nasdaq Global Market. We cannot assure you, however, that the Jazz warrants will or will continue to be quoted on the Nasdaq Global Market.

### CASH IN LIEU OF FRACTIONAL SHARES

No fractions of Tower ordinary shares will be issued as consideration in the merger and holders of Jazz common stock who would otherwise be entitled to a fraction of a Tower ordinary share (after aggregating all fractional shares that otherwise would be received by such holder), shall be entitled to receive a cash payment in lieu thereof. The amount of cash received by such stockholder will be

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

equal to an amount of cash (rounded to the nearest whole cent), without interest, equal to the product of (i) such fraction, multiplied by (ii) the average closing price of one Tower ordinary share for the five most recent days that Tower ordinary shares have traded ending on the trading day immediately prior to the effective time of the merger, as reported on the Nasdaq Global Market.

### EFFECTIVE TIME OF THE MERGER AND THE SHARE EXCHANGE

The merger will be completed and become effective when, following the approval and adoption of the merger agreement at the Jazz special meeting and the satisfaction or waiver of each of the other closing conditions under the merger agreement, the certificate of merger is duly filed with and accepted by the Secretary of State of the State of Delaware or at such other time as may be mutually determined by Tower and Jazz and specified in the certificate of merger. The merger will be completed and the certificate of merger will be filed after all of the conditions to the merger contained in the merger agreement are satisfied or, where permissible, waived.

Upon the effective time of the merger, subject to the conditions discussed below under "THE MERGER AGREEMENT - CONDITIONS TO COMPLETION OF THE MERGER," each outstanding share of Jazz common stock will be, by virtue of the merger and without any further action on the part of Tower, Merger Sub, Jazz or any Jazz stockholder, converted into the right to receive 1.8 Tower ordinary shares as described under "MERGER AGREEMENT - MERGER CONSIDERATION."

No fractions of Tower ordinary shares will be issued to any holders of Jazz common stock, and holders thereof who would otherwise be entitled to a fraction of a Tower ordinary share (after aggregating all fractional shares that otherwise would be received by such holder) shall be entitled to receive in lieu thereof a cash payment, as set forth below. The cash payment to be received by such stockholder will be equal to an amount of cash (rounded to the nearest whole cent) without interest, equal to the product of (i) such fraction, multiplied by (ii) the average closing price of one Tower ordinary share for the five most recent days that Tower ordinary shares have traded ending on the trading day immediately prior to the effective time of the merger, as reported on the Nasdaq Global Market.

The merger agreement provides that prior to the effective time of the merger Tower shall cause to be made available to the exchange agent, the Tower ordinary shares to be exchanged for converted shares of Jazz common stock, cash amounts sufficient for payment in lieu of fractional shares, and any dividends or other distributions payable pursuant to the merger agreement.

In addition, promptly after the effective time of the merger, and in no event more than five business days thereafter, the exchange agent will mail to each record holder of a certificate or certificates that represented outstanding shares of Jazz common stock immediately prior to the effective time of the merger, a letter of election and transmittal and instructions for use in exchanging such stock certificates for Tower ordinary shares. You should not send in your Jazz stock certificates before receiving this letter of transmittal.

The merger agreement contemplates that, after the exchange agent receives back from a record holder the stock certificates, the letter of election and transmittal duly completed and validly executed in accordance with the instructions thereto, the exchange agent will promptly mail to the record holder a certificate or certificates representing the appropriate number of ordinary shares of Tower to be issued to such record holder by Tower, payment in lieu of fractional shares which such holders may be eligible to receive and any dividends or other distributions payable pursuant to the merger agreement.



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

PLEASE DO NOT SEND YOUR JAZZ COMMON STOCK CERTIFICATES. AFTER THE EFFECTIVE TIME OF THE MERGER, THE EXCHANGE AGENT WILL MAIL A LETTER OF TRANSMITTAL TO YOU. YOU SHOULD SEND YOUR JAZZ COMMON STOCK CERTIFICATES ONLY IN COMPLIANCE WITH THE INSTRUCTIONS THAT WILL BE PROVIDED IN THE LETTER OF TRANSMITTAL.

Warrants and options to purchase Jazz common stock will not be exchanged in the merger. PLEASE DO NOT SEND YOUR WARRANTS OR OPTIONS TO THE EXCHANGE AGENT FOR EXCHANGE. Instead, any Jazz warrants and options outstanding at the effective time of the merger shall thereafter automatically be deemed to constitute warrants or options, as the case may be, to purchase Tower ordinary shares.

43

Jazz's convertible notes will not be exchanged in the merger. PLEASE DO NOT SEND YOUR CONVERTIBLE NOTES TO THE EXCHANGE AGENT FOR EXCHANGE. Instead, any Jazz convertible notes outstanding at the effective time of the merger shall be deemed to constitute notes convertible into Tower ordinary shares at a conversion rate of 245.57 shares per \$1,000 principal amount.

### NO DISSENTERS' APPRAISAL RIGHTS

Holders of Jazz common stock will not have any appraisal rights under the Delaware General Corporation Law, or under Jazz's certificate of incorporation in connection with the merger, and neither Jazz nor Tower will independently provide holders of Jazz common stock with any such rights. For further information concerning the Jazz Special Meeting, see "THE JAZZ SPECIAL MEETING OF STOCKHOLDERS."

44

### THE MERGER AGREEMENT

THE FOLLOWING SUMMARY DESCRIBES SELECTED MATERIAL PROVISIONS OF THE MERGER AGREEMENT, WHICH IS INCLUDED IN THIS PROXY STATEMENT/PROSPECTUS AS ANNEX 1 AND IS INCORPORATED BY REFERENCE INTO THIS PROXY STATEMENT/PROSPECTUS. THIS SUMMARY MAY NOT CONTAIN ALL OF THE INFORMATION ABOUT THE MERGER AGREEMENT THAT IS IMPORTANT TO YOU. IN THE EVENT OF ANY DISCREPANCY BETWEEN THE TERMS OF THE MERGER AGREEMENT AND THE FOLLOWING SUMMARY, THE MERGER AGREEMENT WILL CONTROL. YOU ARE ENCOURAGED TO CAREFULLY READ THE MERGER AGREEMENT IN ITS ENTIRETY.

THE MERGER AGREEMENT HAS BEEN INCLUDED TO PROVIDE YOU WITH INFORMATION REGARDING ITS TERMS. IT IS NOT INTENDED TO PROVIDE ANY OTHER FACTUAL INFORMATION ABOUT TOWER OR JAZZ. SUCH INFORMATION CAN BE FOUND ELSEWHERE IN THIS DOCUMENT AND, WITH RESPECT TO TOWER, IN THE PUBLIC FILINGS THAT TOWER MAKE WITH THE SEC, WHICH ARE AVAILABLE WITHOUT CHARGE THROUGH THE SEC'S WEBSITE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov).

THE REPRESENTATIONS AND WARRANTIES DESCRIBED BELOW AND INCLUDED IN THE MERGER AGREEMENT WERE MADE BY EACH OF TOWER AND JAZZ TO THE OTHER. THESE REPRESENTATIONS AND WARRANTIES WERE MADE AS OF SPECIFIC DATES AND ARE SUBJECT TO IMPORTANT EXCEPTIONS, LIMITATIONS AND SUPPLEMENTAL INFORMATION CONTAINED IN THE CONFIDENTIAL DISCLOSURE SCHEDULES PROVIDED BY EACH OF TOWER AND JAZZ TO THE OTHER IN CONNECTION WITH THE SIGNING OF THE MERGER AGREEMENT, INCLUDING A CONTRACTUAL STANDARD OF MATERIALITY DIFFERENT FROM THAT GENERALLY APPLICABLE UNDER FEDERAL SECURITIES LAWS. IN ADDITION, THE REPRESENTATIONS AND WARRANTIES

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

MAY HAVE BEEN INCLUDED IN THE MERGER AGREEMENT FOR THE PURPOSE OF ALLOCATING RISK BETWEEN TOWER AND JAZZ RATHER THAN TO ESTABLISH MATTERS AS FACTS. THE MERGER AGREEMENT IS DESCRIBED IN THIS PROXY STATEMENT/PROSPECTUS AND INCLUDED AS ANNEX 1 HERETO ONLY TO PROVIDE YOU WITH INFORMATION REGARDING ITS TERMS AND CONDITIONS, AND NOT TO PROVIDE ANY OTHER FACTUAL INFORMATION REGARDING TOWER, JAZZ OR THEIR RESPECTIVE BUSINESSES. ACCORDINGLY, YOU SHOULD NOT RELY ON THE REPRESENTATIONS AND WARRANTIES IN THE MERGER AGREEMENT AS CHARACTERIZATIONS OF THE ACTUAL STATE OF FACTS ABOUT TOWER OR JAZZ, AND YOU SHOULD READ THE INFORMATION PROVIDED ELSEWHERE IN THIS PROXY STATEMENT/PROSPECTUS AND, WITH RESPECT TO TOWER, IN THE DOCUMENTS INCORPORATED BY REFERENCE INTO THIS PROXY STATEMENT/PROSPECTUS FOR INFORMATION REGARDING TOWER AND ITS BUSINESS. SEE "WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION OF INFORMATION BY REFERENCE."

### THE MERGER

Following the satisfaction or waiver of all of the conditions to completion of the merger contained in the merger agreement, including the adoption of the merger agreement by the stockholders of Jazz, Merger Sub will merge with and into Jazz, with Jazz continuing as the surviving corporation and as a wholly-owned subsidiary of Tower.

### EFFECTIVE TIME OF THE MERGER

The merger will become effective when the certificate of merger is duly filed with the Secretary of State of the State of Delaware or such other time as mutually determined by Tower and Jazz and specified in the certificate of merger. The parties are working to complete the merger as quickly as possible. The merger is expected to be completed promptly after the special meeting of Jazz stockholders described in this proxy statement/prospectus. However, the merger is subject to the satisfaction or waiver of various conditions as set forth in the merger agreement. No assurances can be given that such conditions will be satisfied or waived or that the parties will obtain any necessary approvals in a timely manner, if at all.

### MERGER CONSIDERATION

If the merger is completed, each share of Jazz common stock not held by Tower, Merger Sub or Jazz outstanding as of immediately prior to the effective time of the merger will automatically be converted into and represent the right to receive 1.8 ordinary shares of Tower. Cash will be paid in lieu of fractional shares. Any outstanding shares of Jazz held by Tower, Merger Sub or Jazz will be canceled and cease to exist and no consideration will be delivered in exchange for such shares.

After the merger is completed, you will have the right to receive the merger consideration, but you will no longer have any rights as a Jazz stockholder. You will receive written instructions from the exchange agent appointed by Tower for sending in your stock certificates and receiving the ordinary shares of Tower and cash (in lieu of fractional shares) to which you will be entitled.

Former Jazz stockholders are currently expected to own approximately 21.5% of the outstanding ordinary shares of Tower immediately after the merger, based on the 125,364,021 Tower ordinary shares and 19,031,276 shares of Jazz common stock outstanding as of July 31, 2008.

### TREATMENT OF JAZZ WARRANTS

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Under the merger agreement, Tower will assume all outstanding warrants to purchase Jazz common stock that are outstanding immediately prior to the effective time of the merger, and these warrants will become exercisable for Tower ordinary shares. Each warrant to purchase Jazz common stock at the effective time of the merger will become a warrant to purchase 1.8 Tower ordinary shares at an exercise price of \$2.78 per Tower ordinary share, which is equal to the existing exercise price of \$5.00 divided by the exchange ratio of 1.8. No fractional ordinary shares of Tower will be issued upon the exercise of the warrants, but rather the number of Tower ordinary shares to be issued shall be rounded up to the nearest whole number. Tower intends to file with the SEC a post-effective amendment to the registration statement of which this proxy statement/prospectus is a part with respect to the Tower ordinary shares issuable upon exercise of the Jazz warrants. Tower anticipates that following the merger, the Jazz warrants will be delisted from the American Stock Exchange and will be quoted on the Nasdaq Global Market. We cannot assure you, however, that the Jazz warrants will or will continue to be quoted on the Nasdaq Global Market.

### TREATMENT OF JAZZ UNITS

At the effective time of the merger, each Jazz unit will be mandatorily separated into one share of Jazz common stock and two Jazz warrants. The shares of Jazz common stock will convert into Tower ordinary shares and the Jazz warrants will become exercisable for Tower ordinary shares, each as described above.

### TREATMENT OF JAZZ CONVERTIBLE NOTES

Each holder of Jazz convertible notes will have the right to convert the convertible note into the number of ordinary shares of Tower equal to 1.8 multiplied by the number of shares of common stock of Jazz that such holder would have been entitled to receive if the convertible note was converted immediately prior to the effective time of the merger. For example, each \$1,000 in original principal amount of Jazz convertible notes would become convertible into 245.57 Tower ordinary shares, representing an implied conversion price of approximately \$4.07 per Tower ordinary share, which is equal to the existing implied conversion price of \$7.33 per share of Jazz common stock, divided by the exchange ratio of 1.8.

Prior to the effective time of the merger, Jazz and Tower will take such actions as are required under the indenture governing the outstanding Jazz convertible notes, including execution of a supplemental indenture, to establish the rights of the holders of the notes to convert each note after the effective time of the merger into the applicable merger consideration, upon the terms and subject to the conditions and the other provisions of the indenture. Tower is not required under such indenture or the merger agreement to guarantee Jazz's payment obligations under the notes. Tower intends to file with the SEC a post-effective amendment to the registration statement of which this proxy statement/prospectus is a part with respect to the Tower ordinary shares issuable upon exercise of the Jazz convertible notes.

After the effective time of the merger, Jazz will deliver to the holders of the notes appropriate notices required by the terms of the indenture as a result of the merger.

### TREATMENT OF JAZZ OPTIONS

Under the merger agreement, Tower will assume all options to purchase Jazz common stock that are outstanding immediately prior to the effective time of the merger, whether vested or unvested, and these options will become exercisable for Tower ordinary shares. Each option to purchase Jazz common stock outstanding

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

at the effective time of the merger will become an option to purchase a number of Tower ordinary shares equal to 1.8 multiplied by the number of shares of Jazz common stock that such option was exercisable for prior to the effective time, rounded down to the nearest whole number of Tower ordinary shares, and the per share exercise price of each option will equal the per share exercise price of such option divided by 1.8, rounded up to the nearest cent. For example, an option to purchase 100 shares of Jazz common stock will become an option to purchase 180 Tower ordinary shares. Tower has undertaken to file within ten business days of the effective time of the merger, subject to applicable law, a Form S-8 registration statement with the SEC covering the Tower ordinary shares issuable upon the exercise of the assumed Jazz options.

### PAYMENT PROCEDURES

Prior to the effective time of the merger, Tower will select an exchange agent reasonably acceptable to Jazz who, upon your proper surrender of your certificate(s) representing Jazz common stock, will deliver to you the merger consideration. As of the effective time of the merger, Tower will have made available to the exchange agent a number of Tower ordinary shares and cash sufficient to deliver the merger consideration to each Jazz stockholder. Promptly after the effective time of the merger, the exchange agent will mail a letter of transmittal and instructions to each stockholder for use in surrendering your stock certificate(s). When you properly surrender your stock certificate(s) to the exchange agent for cancellation, together with a properly completed and duly signed letter of transmittal and any other documents that the exchange agent may require, you will be entitled to receive the merger consideration. From and after the effective time of the merger, until certificate(s) representing common stock of Jazz have been properly surrendered, each such certificate will be deemed to represent only the right to receive 1.8 ordinary shares of Tower, plus cash in lieu of fractional shares.

The exchange agent will only deliver the merger consideration in a name other than the name in which a surrendered certificate representing Jazz stock is registered if (i) such certificate(s) are properly endorsed and otherwise in proper form for transfer and (ii) such other person who requests such exchange (A) pays to Tower or any agent designated by Tower any transfer or other taxes required by reason of the issuance of the Tower ordinary shares to such other person or (B) has established to the reasonable satisfaction of Tower that such tax has been paid or is not payable.

If a certificate representing Jazz stock is lost, stolen or destroyed, Tower may require, as a condition to the receipt of the merger consideration, that the holder of such certificate deliver a bond in such sum as it may direct (and in accordance with the exchange agent's customary policies), with respect to the lost, stolen or destroyed certificate.

46

### REPRESENTATIONS AND WARRANTIES

The merger agreement contains representations and warranties made by Jazz relating to, among other things: organization, good standing and its subsidiaries; certificate of incorporation and bylaws; capital structure of Jazz; SEC filings, financial statements, absence of liabilities and financial controls; absence of certain changes; intellectual property rights; title to assets and property; equipment and leaseholds; material contracts; compliance with legal requirements; legal proceedings and orders; governmental authorizations; tax matters; employee benefit plans; labor matters; environmental matters; insurance; certain business practices; product warranties; transactions with affiliates; authority of Jazz related to the

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

merger agreement; required stockholder vote; conflicts, required filings and consents; receipt of an opinion from Jazz's financial advisor; payment of fees to brokers; accounts receivable; and accounts payable.

The merger agreement contains representations and warranties by Tower and Merger Sub relating to, among other things: organization and good standing; articles of association, certificate of incorporation and bylaws; capital structure of Tower; SEC filings, financial statements and financial controls; absence of certain changes; intellectual property rights; material contracts; compliance with legal requirements; legal proceedings and orders; governmental authorizations; certain business practices; transactions with affiliates; authority of Tower related to the merger agreement; conflicts, required filings and consents; and payment of fees to brokers.

Many of the representations of Jazz, Tower and Merger Sub are qualified by materiality, knowledge or a material adverse effect standard.

The representations and warranties in the merger agreement are complicated and not easily summarized. You are urged to read carefully the sections of the merger agreement entitled "Representations and Warranties of the Company" and "Representations and Warranties of Parent and Merger Sub."

### CONDUCT PRIOR TO COMPLETION OF THE TRANSACTION

#### JAZZ AND TOWER

During the period between May 19, 2008 and the effective time of the merger (or, if earlier, until the termination date) (the "Pre-Closing Period"), each of Jazz and Tower will, and will ensure that each of their subsidiaries will:

- o use reasonable efforts to conduct its business in substantially the same manner in which such business was being conducted prior to May 19, 2008;
- o use commercially reasonable efforts to ensure that it preserves intact its current business organization, keeps available the services of its present officers and other employees and preserves its relations and goodwill with suppliers, customers, landlords, creditors, licensors, licensees, employees and other entities having business relationships with it and with all relevant governmental entities;
- o keep in full force all its insurance policies (except for replacement of insurance policies providing substantially similar levels of coverage); and
- o in the case of Jazz, promptly notify Tower of any event that would have a material adverse effect on Jazz and in the case of Tower, promptly notify Jazz of any event that would have a material adverse effect on Tower.

#### JAZZ

Except as specifically permitted by the merger agreement, during the Pre-Closing Period, without Tower's prior written consent, Jazz will not, and will not permit any of its subsidiaries to:

- o amend its organizational documents;
- o split, combine or reclassify any shares of capital stock;
- o declare, set aside or pay any dividend;
- o (A) form any subsidiary; (B) or acquire any equity interest in any other

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

entity; or (C) effect or become a party to any merger, consolidation, plan of arrangement, share exchange, business combination, amalgamation, recapitalization, reclassification of shares, stock split, reverse stock split, issuance of bonus shares, division or subdivision of shares, consolidation of shares or similar transaction;

- o issue or authorize the issuance of any shares of, or securities convertible or exchangeable for, or options, warrants or rights to acquire, any shares of its capital stock, other than (A) shares issuable upon exercise of outstanding options and warrants, or upon conversion of outstanding convertible notes or (B) up to 70,000 shares subject to options or other equity awards issued in the ordinary course of business to Jazz employees (other than directors or executive officers of Jazz);
- o amend or waive any right under any option, warrant or the convertible notes;
- o (A) acquire any asset for a purchase price exceeding \$200,000 or assets for an aggregate purchase price exceeding \$600,000 (other than the acquisition of raw materials or supplies in the ordinary course of business consistent with past practice and non-exclusive licenses in the ordinary course of business); (B) sell or otherwise dispose of any material asset; (C) enter into a lease or a license of any assets involving the payment of \$500,000 over the term of the lease or license (other than the replacement or renewal of existing licenses); or (D) knowingly waive or relinquish any rights outside of the ordinary course of business;

47

- o repurchase, redeem or otherwise acquire any shares, options, warrants, rights to acquire any Jazz stock or securities convertible into Jazz stock;
- o incur any indebtedness for borrowed money or guarantee any such indebtedness, except for (A) borrowings (including letters of credit) up to \$13,000,000 in the aggregate under Jazz's Wachovia credit line, subject to Jazz providing Tower with advance written notice of (1) the first drawdown or letter of credit that brings the outstanding balance (including letters of credit) to \$10,000,000 or more; and (2) each drawdown or letter of credit thereafter each, and (B) purchase money financings and capital leases entered into in the ordinary course of business;
- o (A) establish, adopt or amend any employee benefit or pension plans or employment agreements, (B) pay any bonus or make any profit sharing payment, cash incentive payment or similar payment to, or increase the compensation or fringe benefits of any director, officer or employee of Jazz or any of its subsidiaries (except for (1) payments pursuant to existing agreements or plans, (2) amendments required by law, (3) increases required by existing collective bargaining agreements or benefit plans, and (4) salary increases and bonuses to non-executive employees in the ordinary course of business), (C) hire any new officers, (D) terminate any existing officers (other than terminations for cause), or (E) grant any severance pay or termination pay to any officers or employees, except pursuant to existing agreements or in accordance with existing written company policies;
- o (A) enter into or become bound by a material contract, subject to certain exceptions, or (B) amend, renew or prematurely terminate any material

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

contract or knowingly waive, release or assign any material rights or claims under any material contracts, subject to certain exceptions;

- o (A) abandon, disclaim, dedicate to the public, sell, assign or grant any security interest in, to or under any intellectual property rights, (B) grant to any third party any license with respect to intellectual property rights, except in the ordinary course of business, (C) develop, create or invent any intellectual property jointly with any third-party, except in the ordinary course of business or in accordance with the terms of existing agreements or arrangements, or (D) fail to notify Tower promptly of any material infringement, misappropriation or other violation of intellectual property Rights;
- o lend money to any person, except that Jazz and its subsidiaries may make advances to employees, officers, directors or independent contractors for business expenses and Jazz may allow employees to acquire shares of Jazz common stock in exchange for promissory notes upon exercise of Jazz options, in each case in the ordinary course of business and consistent with past practice;
- o change any of its methods of tax or financial accounting or accounting practices in any material respect other than as required by applicable law or under GAAP;
- o make, change or revoke any material tax election, amend any material tax return, enter into any closing agreement with respect to a material amount of taxes, settle any material tax claim or assessment; surrender any right to claim a refund of a material amount of taxes, obtain any tax ruling or consent to any waiver or extension of the statute of limitations for the assessment of taxes;
- o make any capital expenditure that individually exceeds \$200,000 in amount or when added to all other capital expenditures made since May 19, 2008, would exceed \$750,000 in the aggregate;
- o commence any legal proceeding, except with respect to routine collection matters in the ordinary course of business and consistent with past practices;
- o settle or discharge any legal proceeding or other claim or dispute, except where the only obligations incurred by Jazz are payments below \$100,000 in the aggregate;
- o (A) extend the payment terms of any customer, provide credit to any customer (or any price adjustment) or make customer concessions, or (B) advance payment terms of any supplier or service provider, in each case except in the ordinary course of business and consistent with past practice; or
- o enter into an agreement to take any of the actions described above.

### TOWER

Except as specifically permitted by the merger agreement, during the Pre-Closing Period, without Jazz's prior written consent, Tower will not, and will not permit any of its subsidiaries to:

- o amend its organizational documents;
- o declare, set aside or pay any dividend;
- o (A) form any subsidiary; (B) or acquire any equity interest in any other

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

entity; or (C) effect or become a party to any merger, consolidation, plan of arrangement, share exchange, business combination, amalgamation, recapitalization, reclassification of shares, issuance of bonus shares or similar transaction;

48

- o repurchase, redeem or otherwise acquire any shares, options, warrants or rights to acquire any shares of capital stock; or
- o change any of its methods of accounting or accounting practices in any material respect other than changes required under GAAP;
- o enter into an agreement to take any of the actions described above.

### REGISTRATION STATEMENT; PROXY STATEMENT/PROSPECTUS AND JAZZ STOCKHOLDERS MEETING

Jazz and Tower agreed to prepare this proxy statement/prospectus and Tower agreed to file with the SEC the registration statement in which this proxy statement/prospectus is included as a prospectus. Each of Jazz and Tower also agreed to: (i) cause the registration statement and the proxy statement/prospectus to comply in all material respects with the rules and regulations promulgated by the SEC, Nasdaq Global Market and the American Stock Exchange; and (ii) take all steps necessary to promptly cause the proxy statement/prospectus and registration statement, as applicable, to be filed with the SEC and disseminated to Jazz stockholders. Additionally, Jazz has agreed that this proxy statement/prospectus would include the recommendation of Jazz's Board of Directors to Jazz's stockholders to adopt the merger agreement, unless such recommendation is modified or withdrawn in accordance with the terms of the merger agreement.

Additionally, Jazz agreed to: (i) take all action necessary to convene a Jazz stockholders meeting to vote to adopt the merger agreement; and (ii) unless Jazz's Board of Directors modifies or withdraws its recommendation in accordance with the terms of the merger agreement, solicit from Jazz stockholders proxies in favor of the adoption of the merger agreement.

### NO SOLICITATION OF TRANSACTIONS; BOARD RECOMMENDATION

During the Pre-Closing Period, Jazz, its subsidiaries and their respective directors and officers will not, and Jazz will use commercially reasonable efforts to ensure that its and its subsidiaries' non-officer employees, affiliates, agents, attorneys, accountants and financial advisors and other advisors and representatives, do not, directly or indirectly:

- (i) solicit or initiate, or induce, encourage or knowingly facilitate the making, submission or announcement of any alternative acquisition proposal or alternative acquisition inquiry; or
- (ii) furnish any information regarding Jazz or its subsidiaries to any third party in connection with or in response to any alternative acquisition proposal or alternative acquisition inquiry; or
- (iii) enter into, participate, engage, maintain or continue in any discussions or negotiations with any third party concerning any alternative acquisition proposal or alternative acquisition inquiry; or
- (iv) approve, endorse or recommend any alternative acquisition proposal or alternative acquisition inquiry; or



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

- (v) enter into any letter of intent or similar document or any contract, agreement or commitment contemplating or otherwise relating to any alternative acquisition transaction.

However, Jazz and its officers, directors, employees, affiliates, investment bankers, financial advisors, attorneys, accountants or other advisors or representatives may, at any time prior to the adoption of the merger agreement by Jazz's stockholders, take any of the actions otherwise prohibited by clauses (ii) or (iii) above in connection with or in response to any alternative acquisition proposal if Jazz's Board of Directors determines in good faith that such alternative acquisition proposal constitutes or could reasonably be expected to lead to a superior proposal (as such term is defined in the merger agreement), if (in each case) (1) Jazz's Board of Directors determines in good faith (after consultation with Jazz's financial advisor and outside legal counsel) that such action is required in order for Jazz's Board of Directors to comply with its fiduciary duties to Jazz's stockholders under applicable law, (2) neither Jazz nor its representatives shall have breached the non-solicitation provisions described above in connection with such alternative acquisition proposal, (3) at least 48 hours prior to taking any of the actions otherwise prohibited by clauses (ii) or (iii) above in connection with or in response to any alternative acquisition proposal, Jazz gives Tower written notice of the identity of the third party making such alternative acquisition proposal, the terms thereof and of Jazz's intention to take such actions, (4) prior to furnishing any confidential information regarding Jazz or its subsidiaries to any third party, Jazz receives from such third party an executed confidentiality agreement containing limitations no less favorable to Jazz than the provisions of the confidentiality agreement between Jazz and Tower, and (5) prior to providing any such confidential information, Jazz furnishes such confidential information to Tower (to the extent such confidential information has not been previously furnished to Tower).

Jazz has agreed to immediately cease and terminate all existing activities, discussions and negotiations with third parties conducted prior to May 19, 2008, with respect to any alternative acquisition proposal or alternative acquisition inquiry.

Jazz has also agreed not to release (and to cause its subsidiaries not to release) any third party from, and not to waive (and to cause its subsidiaries not to waive) any provision of, any confidentiality, non-disclosure, non-solicitation, no hire, "standstill" or similar contract to which any of Jazz or its subsidiaries is a party and will cause each such agreement to be enforced to the extent requested by Tower.

If any alternative acquisition proposal or alternate acquisition inquiry is made or submitted prior to the consummation of the merger, Jazz has agreed to advise Tower in writing and keep Tower reasonably informed of the status of such alternative acquisition proposal or alternate acquisition inquiry (including notice of any meeting of Jazz's Board of Directors in which it is reasonably expected to consider any such alternative acquisition proposal or alternate acquisition inquiry or to recommend a superior proposal to Jazz's stockholders).

In addition, during the Pre-Closing Period, neither Jazz's Board of Directors nor any committee thereof will withdraw, modify, amend, change, rescind, condition or qualify in a manner adverse to Tower or Merger Sub, the recommendation by such Board of Directors or committee of the adoption of the merger agreement (together an "Adverse Recommendation Change"). However, at any time prior to the adoption of the merger agreement by Jazz's stockholders, Jazz's Board of Directors may make an Adverse Recommendation Change, provided

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

that: (i) neither Jazz nor its representatives breached the non-solicitation provisions described above in connection with the Adverse Recommendation Change; (ii) Jazz shall have provided Tower with at least two business days' prior written notice of any meeting of Jazz's Board of Directors at which such Board of Directors is expected to consider the possibility of making an Adverse Recommendation Change; and (iii) Jazz determines in good faith that (after consultation with outside legal counsel and its financial advisor) that except for a decrease in Tower's stock price, in and of itself, making the Adverse Recommendation Change is required in order for Jazz's Board of Directors to comply with its fiduciary duties to Jazz's stockholders under applicable law. Jazz is also required to provide Tower with notice of any Adverse Recommendation Change together with the circumstances and details surrounding any such Adverse Recommendation Change.

An Adverse Recommendation Change does not relieve Jazz from its obligation to convene the Jazz stockholders meeting to vote to adopt the merger agreement.

An "alternative acquisition inquiry" means any inquiry, indication of interest or request for non-public information from a third party (other than an inquiry, indication of interest or request for non-public information made or submitted by Tower or any of its affiliates) that could reasonably be expected to lead to an alternative acquisition proposal.

An "alternative acquisition proposal" means any offer or proposal from a third party (other than an offer or proposal made or submitted by Tower or any of its affiliates) contemplating any alternative acquisition transaction between such third party or any affiliate of such third party and Jazz.

An "alternative acquisition transaction" means any transaction or series of related transactions (other than the transactions contemplated by the merger agreement and other than any transactions of the type described below between Jazz and Tower or any of its affiliates) involving:

- o any merger, exchange, consolidation, business combination, plan of arrangement, issuance of securities, acquisition of securities, reorganization, recapitalization, takeover offer, tender offer, exchange offer or other similar transaction: (i) in which a person or group directly or indirectly would acquire, if consummated, beneficial or record ownership of securities representing more than 15% of the outstanding securities of Jazz; (ii) in which Jazz issues securities representing more than 15% of its outstanding securities; or (iii) in which the Jazz stockholders immediately preceding such transaction hold, directly or indirectly, less than 85% of the equity interests in the surviving or resulting entity of such transaction or in any parent entity immediately following such transaction;
- o any sale, lease, exchange, transfer, license or disposition of any business or businesses or assets that constitute or account for 15% or more of Jazz and its subsidiaries, taken as a whole; or
- o any liquidation or dissolution of Jazz or certain of its subsidiaries.

### REGULATORY MATTERS

Each party will: (i) promptly make and effect all registrations, filings and submissions required to be made or effected by it pursuant to the Exchange Act and other applicable legal requirements with respect to the merger; (ii) use commercially reasonable efforts to take or cause to be taken, on a timely basis, all other actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable for the purpose of consummating and effectuating, in an expeditious manner, the transactions contemplated by the merger agreement; (iii) promptly provide all

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

information requested by any governmental entity in connection with the merger or any of the other transactions contemplated by the merger agreement; (iv) use commercially reasonable efforts to promptly take, and cause its affiliates to take, all actions and steps necessary to obtain any clearance or approval required to be obtained from the U.S. Federal Trade Commission, the U.S. Department of Justice, any state attorney general, any foreign competition authority or any other governmental entity in connection with the transactions contemplated by this Agreement; (v) give the other parties prompt notice of the making or commencement of any request, inquiry, investigation, action or legal proceeding by or before any governmental entity with respect to the merger or any of the other transactions contemplated by the merger agreement; (vi) keep the other parties informed as to the status of any such request, inquiry, investigation, action or legal proceeding; and (vii) promptly inform the other party of any communication to or from the Federal Trade Commission, the Department of Justice or any other governmental entity regarding the merger.

Subject to restrictions that may be imposed by United States governmental entities, Jazz will coordinate with Tower in connection with all notifications and discussions with the Department of Defense concerning its trusted foundry status or security clearance.

50

### PUBLICITY

Tower and Jazz have agreed to consult with each other before issuing any press release or otherwise making any public statement (except as otherwise specifically provided in the merger agreement).

### ACCESS

Subject to certain exceptions, during the Pre-Closing Period and upon reasonable notice, Jazz has agreed to provide Tower's officers and other authorized employees and representatives with reasonable access to Jazz's properties, books, records and personnel and, to furnish Tower will all readily available information concerning its business (including the status of product development efforts, properties, results of operations and personnel) as Tower may reasonably request.

### DIRECTORS' AND OFFICERS' INSURANCE; INDEMNIFICATION

Pursuant to the merger agreement, following the effective time of the merger and through the sixth anniversary of the effective time, Tower has agreed to, and to cause Jazz (as the surviving corporation) to, maintain the current level and scope of directors' and officers' liability insurance policy currently in effect; provided that Tower or Jazz (as the surviving corporation) will not be required to expend annually more than \$880,196 for such coverage. All rights to indemnification by Jazz or its subsidiaries and exculpation existing in favor of their directors and officers for their acts and omissions occurring at or prior to the effective time of the merger pursuant to certain indemnification agreements listed in the disclosure schedules and Jazz's organizational documents, will survive for a period of six years following the merger.

### SURVIVAL OF REPRESENTATIONS AND WARRANTIES

None of the representations and warranties of Jazz contained in the merger agreement, or contained in any certificate delivered pursuant to the merger agreement or in connection with any of the transactions contemplated by the merger agreement survive the effective time of the merger.

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

### EMPLOYEE MATTERS

Tower has agreed, subject to any necessary transition period and subject to any applicable plan provisions, contractual requirements or legal requirements, that all employees of Jazz and its subsidiaries who continue their employment, will, following the effective time of the merger, be eligible to participate in Tower's applicable employee benefit plans to substantially the same extent as similarly situated employees of Tower (based, among other things, on location, responsibility, rank, seniority and job description). From and after the effective time of the merger and through December 31, 2008, Tower will ensure that Jazz (as the surviving corporation) continues to provide continuing employees with the same benefits that were provided by Jazz to such employees immediately prior to the effective time.

### CONDITIONS TO COMPLETION OF THE MERGER

Jazz's and Tower's obligations to effect the merger are subject to the satisfaction (or waiver in certain cases) of the following conditions:

- o adoption of the merger agreement by the stockholders of Jazz;
- o the registration statement in which this proxy statement/prospectus is included as a prospectus shall have become effective;
- o if during the period ending July 18, 2008: (i) either CFIUS or the President of the United States takes any action, and (ii) in response to any such action, Tower makes an appropriate filing providing notice to CFIUS pursuant to Section 721, then either (A) the period of time for any applicable review process by CFIUS pursuant to Section 721, will have expired, and the President of the United States will not have taken action to block or prevent the consummation of the transactions contemplated by the merger agreement on the basis that they threaten to impair the national security of the United States or (B) the Department of Treasury will have provided notice to the parties to the effect that action under Section 721 is concluded; and
- o no injunction will have been issued by a court of competent jurisdiction and will be continuing that prohibits the consummation of the merger, and no law will have been enacted since May 19, 2008 and will remain in effect that prohibits the consummation of the merger.

In addition, Tower's obligation to effect the merger is subject to the satisfaction (or waiver in certain cases) of the following conditions:

- o certain specified representations and warranties of Jazz shall be accurate in all material respects as of the closing date except to the extent such representations or warranties speak as of a specific date, in which case such representations or warranties shall be accurate in all material respects as of such date;

51

- o and all other representations and warranties of Jazz will be accurate in all respects as of the closing date, except to the extent such representations and warranties speak as of a specific date, in which case such representations and warranties shall be accurate in all respects as of such date and except that any inaccuracies in any such other representations and warranties of Jazz will be disregarded if such

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

inaccuracies (considered collectively) do not have a material adverse effect on Jazz as of the closing date;

- o Jazz shall have performed or complied with in all material respects all covenants and agreements required to be performed or complied with by it under the merger agreement on or prior to the closing date;
- o since May 19, 2008, no event shall have occurred or circumstance will exist that, alone or in combination with any other events or circumstances since May 19, 2008, has had or resulted in and continues to have or result in a material adverse effect on Jazz, or would reasonably be expected to have or result in a material adverse effect on Jazz following the closing date;
- o there will not be pending before any court of competent jurisdiction any legal proceeding commenced by a governmental entity against Jazz or Tower that seeks to prohibit the consummation of the merger and that (i) is likely to result in a judgment adverse to Tower or Jazz and (ii) would have a material adverse effect on Jazz or a material adverse effect on Tower; and
- o Tower shall have received the following agreements and documents:
  - o a written tax opinion;
  - o a certificate executed on behalf of Jazz by an executive officer; and
  - o the Supplemental Indenture, including certain ancillary documents thereto.

Jazz's obligation to effect the merger is subject to the satisfaction (or waiver in certain cases) of the following conditions:

- o certain specified representations and warranties of Tower shall be accurate in all material respects as of the closing date except to the extent such representations or warranties speak as of a specific date, in which case such representations or warranties shall be accurate in all material respects as of such date;
- o and all other representations and warranties of Tower will be accurate in all respects as of the closing date, except to the extent such representations or warranties speak as of a specific date, in which case such representations or warranties shall be accurate in all respects as of such date and except that any inaccuracies in any such other representations and warranties of Tower will be disregarded if such inaccuracies (considered collectively) do not have a material adverse effect on Tower as of the closing date;
- o Tower shall have performed or complied with in all material respects all covenants and agreements required to be performed or complied with by it under the merger agreement on or prior to the closing date;
- o since May 19, 2008, no event shall have occurred or circumstance will exist that, alone or in combination with any other events or circumstances since May 19, 2008, has had or resulted in and continues to have or result in a material adverse effect on Tower, or would reasonably be expected to have or result in a material adverse effect on Tower following the closing date;
- o there will not be pending before any court of competent jurisdiction any legal proceeding commenced by a governmental entity against Jazz or Tower

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

that seeks to prohibit the consummation of the merger and that (i) is likely to result in a judgment adverse to Tower or Jazz and (ii) would have a material adverse effect on Tower; and

- o Jazz shall have received the following agreements and documents, each of which will be in full force and effect:
  - o a written tax opinion;
  - o a certificate executed on behalf of Tower by an executive officer; and
  - o the Supplemental Indenture.
- o Tower shall have delivered timely notice to the Nasdaq Global Market with respect to the Tower ordinary shares being issued in the merger.

### TERMINATION OF THE MERGER AGREEMENT

The merger agreement may be terminated (notwithstanding any approval by Jazz's stockholders):

- o by mutual written consent of Tower and Jazz at any time prior to the effective time of the merger; or
- o by either Tower or Jazz if:
  - o the merger has not been completed by October 20, 2008, provided that this right to terminate is not available to any party whose failure to fulfill any obligation under the merger agreement has resulted in the failure of the merger to occur by October 20, 2008; or
  - o the adoption of the merger agreement by Jazz's stockholders has not been obtained, provided that this right to terminate is not available to any party whose failure to fulfill any obligation under the merger agreement has resulted in the failure to obtain such approval; or
  - o at any time prior to the effective time of the merger (i) there is any legal requirement enacted after May 19, 2008 and remaining in effect that prohibits the consummation of the merger, or any court of competent jurisdiction will have issued a permanent injunction prohibiting the consummation of the merger and such injunction will have become final and non-appealable, and (ii) the violation of such legal requirement or injunction that would arise from the consummation of the Merger would have material negative consequences for Tower or Jazz or any of their respective directors, officers or employees; provided, that this right to terminate is not available to any party if the issuance of any such injunction is attributable to the failure of such party to perform in any material respect any covenant or other agreement.

52

- o by Tower if:
  - o a triggering event shall have occurred (at any time prior to the adoption of the merger agreement by the Jazz stockholders). A triggering event includes:

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

- o Jazz's Board of Directors has failed to recommend that the Jazz stockholders vote to adopt the merger agreement, or shall have withdrawn or modified its recommendation in a manner adverse to Tower,
- o Jazz has failed to include the Board's recommendation in this proxy statement/prospectus or a statement to the effect that the Board has determined and believes that the merger is fair to and in the best interests of Jazz's stockholders,
- o Jazz's Board of Directors has failed to reaffirm its recommendation in favor of the adoption of the merger agreement within 15 business days after Tower requests in writing that such recommendation be reaffirmed at any time following the public announcement and during the pendency of an alternative acquisition proposal,
- o Jazz's Board of Directors has approved, endorsed or recommended any alternative acquisition proposal,
- o Jazz has entered into any binding letter of intent or similar document or any agreement, contract or commitment accepting any alternative acquisition proposal, or
- o a tender or exchange offer relating to Jazz's securities has been commenced and Jazz has not sent within 15 business days to its stockholders or filed with the SEC a statement disclosing that it recommends rejection of such offer;
- o Jazz breaches any of its representations, warranties, covenants or agreements, such that the applicable closing conditions for Tower to effect the merger as set forth in the merger agreement would not be satisfied and such breach is not cured (if curable) within 30 days of delivery of written notice by Tower to Jazz of Jazz's breach (so long as Tower is not itself in breach of the any of its representations, warranties, covenants or agreements so as to cause the applicable closing conditions for Jazz to effect the merger as set forth in the merger agreement not to be satisfied); or
- o by Jazz if Tower breaches any of its representations, warranties, covenants or agreements, such that the applicable closing conditions for Jazz to effect the merger as set forth in the merger agreement would not be satisfied such failure or breach is not cured (if curable) within 30 days of delivery of written notice by Jazz to Tower of Tower's breach (so long as Jazz is not itself in breach of any of its representations, warranties, covenants or agreements so as to cause the applicable closing conditions for Tower to effect the merger as set forth in the merger agreement not to be satisfied).

### EXPENSES; TERMINATION FEE

Generally, each party to the merger agreement will bear its own expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement.

Jazz has agreed to pay Tower a termination fee of \$1.2 million and reimburse Tower for up to \$1 million in expenses incurred in connection with the transaction, if the merger agreement is terminated under one of the following circumstances:

- o by Tower if a triggering event has occurred; or

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

- o by Tower or Jazz if: (i) the adoption of the merger agreement by Jazz's stockholders has not been obtained; and (ii) prior to the time of the failure to adopt the merger agreement, an alternative acquisition proposal shall have been publicly disclosed and such alternative acquisition proposal shall not have been unconditionally and publicly withdrawn prior to the date of the Jazz special meeting; and (iii) within 12 months of the date of termination, an acquisition shall have been consummated or Jazz shall have entered into an agreement or binding letter of intent providing for an acquisition (which is subsequently consummated); or
- o by Tower or Jazz if: (i) the merger has not been completed by October 20, 2008; and (ii) prior to termination, an alternative acquisition proposal shall have been publicly disclosed; and (iii) within 12 months of the date of termination, an acquisition shall have been consummated or Jazz shall have entered into an agreement or binding letter of intent providing for an acquisition (which is subsequently consummated), provided that, in the case of termination by Tower, Tower can demonstrate that it would reasonably have been expected that the merger would have been consummated prior to termination but for the making or pendency of such alternative acquisition proposal.

An "acquisition" means any of the following transactions: (A) a merger, consolidation, business combination, recapitalization or similar transaction involving Jazz pursuant to which the stockholders of Jazz immediately preceding such transaction do not hold at least 50% of the aggregate equity interests in the surviving or resulting entity; (B) a transaction that involves a sale or other disposition by Jazz of assets that represent in excess of 50% of the consolidated assets of Jazz and its subsidiaries or a business or businesses that constitute or account for at least 50% of the consolidated net revenues of Jazz and its subsidiaries; or (C) the acquisition by any person or group of beneficial ownership of shares representing in excess of 50% of the voting power of Jazz.

53

As described more completely in the merger agreement, subject to certain conditions, if the merger agreement is terminated by either Jazz or Tower because the adoption of the merger agreement by Jazz's stockholders has not been obtained, Jazz has agreed reimburse Tower for up to \$500,000 in expenses.

If Jazz fails promptly to pay when due any amounts payable by Jazz, then it must reimburse Tower for all costs and expenses incurred in collection of such amounts and must pay Tower interest on such overdue amounts at a rate per annum equal to 5%.

### AMENDMENT

The merger agreement may be amended at any time prior to the effective time of the merger by an instrument in writing signed by the parties thereto.

54

### DESCRIPTION OF TOWER SHARE CAPITAL

A SUMMARY OF THE MATERIAL PROVISIONS GOVERNING TOWER'S SHARE CAPITAL IMMEDIATELY FOLLOWING THE COMPLETION OF THE MERGER IS EXPLAINED BELOW. THIS SUMMARY IS NOT COMPLETE AND SHOULD BE READ WITH TOWER'S ARTICLES OF ASSOCIATION, A COPY OF WHICH HAS BEEN FILED AS AN EXHIBIT TO THE REGISTRATION STATEMENT ON



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

FORM S-8 NO. 333-138837 FILED WITH THE SEC ON NOVEMBER 20, 2006.

### GENERAL

This section summarizes the material rights of Tower shareholders under Israeli law, and the material provisions of Tower's articles of association, as amended (referred to as Tower's articles of incorporation). This description of Tower's share capital is only a summary and does not describe the articles of association in their entirety. A copy of Tower's articles of association has been filed with the SEC in the United States. For information regarding how to obtain copies from the SEC, see the section entitled "WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION OF INFORMATION BY REFERENCE."

Based on Tower outstanding shares as of July 31, 2008, immediately after the completion of the merger, 159,620,318 Tower ordinary shares are expected to be issued and outstanding.

### DESCRIPTION OF ORDINARY SHARES

Tower's articles of incorporation authorize up to 800 million ordinary shares, par value NIS 1.00 per share. Under Tower's articles of association, the ordinary shares do not have preemptive rights. Tower may from time to time, by approval of a majority of its shareholders, increase its authorized share capital. All ordinary shares are registered shares, rather than bearer shares.

The ownership or voting rights of Tower's ordinary shares by non-residents of Israel is not restricted in any way by Tower's articles of association, as amended. The State of Israel does not restrict in any way the ownership or voting rights of ordinary shares of Israeli entities by non-residents of Israel, except with respect to subjects of countries that are in a state of war with Israel. Tower's ordinary shares do not have cumulative voting rights for the election of directors. The affirmative vote of the shareholders present in person or by proxy that represent more than 50% of the voting power present in person or by proxy have the power to elect all nominees up for election to Tower's board of directors.

In the event of Tower's liquidation, after satisfaction of liabilities to creditors, Tower's assets will be distributed to the holders of Tower's ordinary shares in proportion to the nominal value of their respective holdings. This liquidation right may be affected by the grant of a preferential dividend or distribution right to the holder of a class of shares with preferential rights that may be authorized in the future. Dividends may be paid only out of profits, as defined in the Israeli Companies Law. Tower's Board of Directors is authorized to declare dividends, although Tower's bank covenants currently in effect prohibit the payment of dividends on Tower's ordinary shares, unless such payments are approved by Tower's banks.

Holders of ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of shareholders. Subject to the provisions set forth in Section 46B of the Israeli Securities Law, these voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future. Tower's major shareholders do not have different voting rights from each other or other shareholders.

Resolutions of shareholders (e.g. resolutions amending Tower's articles of association, electing or removing directors, appointing an independent registered public accounting firm, authorizing changes in capitalization or the rights attached to Tower's shares or approving a wind-up or merger) require the affirmative vote (at a meeting convened upon advance notice of no less than thirty five days) of shareholders present in person or by proxy and holding

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

shares conferring, in the aggregate, at least a majority of the votes actually cast on such resolutions.

The quorum required for a meeting of shareholders is at least two shareholders present, in person or by proxy, within half an hour of the time fixed for the meeting's commencement that together hold shares conferring in the aggregate more than 33% of the total voting power of Tower's shares. A meeting adjourned for lack of a quorum is adjourned to the same day in the following week at the same time and place. At the reconvened meeting, in the event a quorum is not present within half an hour of the time fixed for the meetings commencement, the persons present shall constitute a quorum.

Tower's registration number at the Israeli Registrar of Companies is 52-004199-7.

The objective stated in Tower's articles of association is to engage in any lawful activity.

Modification or abrogation of the rights of any existing class of shares requires either the written consent of all of the holders of the issued shares of such class or the adoption of a resolution by an ordinary majority of a general meeting of holders of such class. The quorum required for a class meeting is at least two shareholders present, in person or by proxy, within half an hour of the time fixed for the meetings commencement that together hold shares conferring in the aggregate at least 33% of the total voting power of the issued shares of such class. If no quorum is present, the meeting shall be adjourned to another time and at the adjourned meeting a quorum shall be constituted in the presence of any number of participants, regardless of the number of shares held by them.

55

As of July 31, 2008 125,364,021 of Tower's ordinary shares were outstanding. The above numbers of outstanding ordinary shares do not include 1.3 million treasury shares held by Tower through a trustee.

The transfer agent and registrar for Tower's ordinary shares is American Stock Transfer & Trust Company, 59 Maiden Lane, New York, New York 10007.

### OTHER SECURITIES

In addition to ordinary shares, Tower has the following securities issued and outstanding:

- o Options;
- o Warrants (series 4, 5, 6, series I, and warrants issued to Bank Hapoalim, B.M., Bank Leumi LE-Israel, B.M. and to the Israel Corporation Ltd.);
- o Convertible Debentures (series A, B, C and E);
- o Non-Convertible Debentures (series D); and
- o Capital Notes issued to Bank Hapoalim, B.M., Bank Leumi LE-Israel, B.M. and the Israel Corporation Ltd.

Information about these securities is contained in Tower's annual report on

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Form 20-F for the fiscal year ended December 31, 2007, filed with the SEC on June 18, 2008. Please see the section titled "WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION OF INFORMATION BY REFERENCE."

56

### COMPARATIVE RIGHTS OF TOWER AND JAZZ SHAREHOLDERS

#### GENERAL

Tower is incorporated under the laws of the State of Israel. Jazz is incorporated under the laws of the State of Delaware. If the merger is completed, Jazz stockholders will exchange their respective shares of Jazz common stock for Tower ordinary shares in accordance with the merger agreement. The following is a summary comparison of material differences between the rights of a Jazz common stockholder and a Tower ordinary shareholder arising from the differences between the laws of the State of Delaware and of the State of Israel and the governing instruments of the respective companies.

The following summary does not purport to be a complete statement of the rights of holders of Tower ordinary shares under the applicable provisions of the Israeli Companies Law, 1999, referred to herein as the "Israeli Companies Law," and the Tower articles of association dated November 14, 2000, as amended, or the rights of Jazz stockholders under the applicable provisions of the Delaware General Corporation Law, referred to herein as the DGCL, and the Jazz certificate of incorporation and bylaws, each as amended, or a complete description of the specific provisions referred to herein. This summary contains a list of the material differences but is not intended to be an exhaustive list or a detailed description of the provisions discussed. You should refer to the Israeli Companies Law and the DGCL, as well as Tower's articles of association, as amended, and Jazz's certificate of incorporation and bylaws, as amended, for a better understanding of the comparative rights of Tower shareholders and Jazz stockholders. Jazz's certificate of incorporation and bylaws have been filed separately as exhibit 3.1 to each of Jazz's Current Reports on Form 8-K filed with the SEC on February 23, 2007 and November 30, 2007, respectively. Tower's articles of association dated November 14, 2000, as amended, have been filed as exhibit 3.1 to Tower's Registration Statement on Form F-1, File No. 333-126909, while two amendments to Tower's articles have been filed as exhibit 4.2 to each of Tower's Registration Statements on Form S-8, File Nos. 333-117565 and 333-138837, respectively. See the section entitled "WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION BY REFERENCE" for information on how to access these documents.

#### SUMMARY OF MATERIAL DIFFERENCES BETWEEN THE RIGHTS OF JAZZ STOCKHOLDERS AND THE RIGHTS OF TOWER SHAREHOLDERS

##### JAZZ STOCKHOLDER RIGHTS

##### NUMBER OF DIRECTORS

Under the DGCL, Jazz's board of directors must consist of at least one member with the number fixed by the certificate of incorporation or bylaws of the corporation.

Jazz's board of directors currently consists of four directors. The number of directors shall be fixed exclusively by resolutions adopted by a majority of the authorized number of directors

Pursuant to incorporation Jazz's board of directors shall consist of more than 1 independent Companies L least two e

constituting Jazz's board of directors.

Directors may be elected at an annual meeting of stockholders at which a quorum is present, by a plurality vote of the shares present at the meeting.

Directors a  
of sharehol  
constituted  
proxy, of t  
at least 33  
half an hou  
meeting's o  
majority of  
holders of  
proxy. Unde  
external di  
qualified m  
shareholder  
of the majo  
least one-t  
shareholder  
in Tower or  
present at  
whereby in  
shareholder  
into account  
Companies L  
shall be va  
by non-cont  
such appoin  
percent of

ELECTION OF DIRECTORS

JAZZ STOCKHOLDER RIGHTS

TERM AND CLASSES OF DIRECTORS

There are three classes of Jazz directors. Each class serves for a three-year term and consists, as nearly as possible, of one-third of the total number of directors. At each annual meeting of Jazz stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

Tower's dir  
of director  
external di  
Israeli Com  
term of thr  
for subsequ  
certain con

Jazz stockholders may only remove a director for cause.

Directors (  
directors)  
passed by a  
extraordina  
director is  
to state hi  
shall also  
the occurre  
events:

(a) The di  
legally inc

(b) If the

winding-up;

(c) A court orders the office due determination permanently or (ii) such Israel of t offenses by offenses in information

(d) The di

(e) If the after givin

REMOVAL OF DIRECTORS

(f) Where a final judgment Israeli Pen Securities deemed sufficient court, when Tower and h date of give be reappointed years have

In accordance of the Isra the ruling resolutions directors a meeting of shareholder percentage of an external the office ordered if that such d of the cond Companies L such direct fiduciary d

JAZZ STOCKHOLDER RIGHTS

If any vacancies occur in Jazz's board of directors, by reason of death, resignation, disqualification, removal, other causes or if the authorized number of directors is increased, and unless Jazz's board of directors determines by

If the offi board of di any matter directors. below 5, th

VACANCIES ON THE BOARD

resolution that any such vacancies or newly created directorships shall be filled by the stockholders, the directors then in office may fill any such vacancy by a majority of the directors then in office, even though less than a quorum of Jazz's board of directors.

in any man  
convene a g  
appointing

Any director elected in accordance with the above shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified.

BOARD QUORUM AND VOTE REQUIREMENTS

A quorum of Jazz's board of directors, except with regards to questions relating to indemnification, shall consist of a majority of the exact number of directors fixed from time to time by Jazz's board of directors in accordance with Jazz's certificate of incorporation; however, at any meeting whether a quorum be present or otherwise, a majority of the directors present may adjourn the meeting from time to time until the time fixed for the next regular meeting of the Jazz board of directors, without notice other than by announcement at the meeting. With respect to questions related to indemnification, a quorum shall be one-third of the exact number of Jazz's directors fixed from time to time. Except as otherwise required by law, the act of a majority of the directors present at any meeting at which a quorum is present is sufficient for the act of the board of directors.

The quorum directors' the members holding off who are law the meeting the chairma including a meeting at not present vote. Resol shall be pa the director voting ther the votes o directors' additional

ACTION OF THE BOARD OF DIRECTORS WITHOUT A MEETING

Any action required or permitted to be taken at any meeting of Jazz's board of directors or of any committee thereof may be taken without a meeting, if all members of Jazz's board of directors or such committee, as the case may be, consent thereto in writing or by electronic transmission, and such writing or writings or transmission or transmissions are filed with the minutes of proceedings of Jazz's board of directors or such committee.

Tower's boa resolutions all the dir the discuss for a resol their writt

JAZZ STOCKHOLDER RIGHTS

The annual meeting of Jazz's stockholders shall be held at such date and time as may be designated from time to time by the board of directors. Under the DGCL, special meetings of stockholders may be called by the board of directors and by such other person or persons authorized to do so by the corporation's certificate of incorporation or bylaws. Under Jazz's bylaws, a special meeting of

The annual shareholder calendar ye be designat no later th annual gene prior notic shareholder

STOCKHOLDER MEETING

stockholders may be called by (a) the chairman of the board, (b) the chief executive officer or (c) Jazz's board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Jazz board of directors for adoption). Except as otherwise provided by law, notice, given in writing or by electronic transmission, of each meeting of stockholders shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, notice is given when deposited in the United States mail. Notice of the meeting of stockholders may be waived in writing, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person, by remote communication, if applicable, or by proxy, except when the stockholder attends a meeting for the express purpose of objecting.

to give not  
shareholder  
sent to suc  
invalidate  
Under the I  
articles of  
directors s  
pursuant to  
requisition  
directors o  
of director  
shareholder  
Tower's iss  
Tower's vot  
shareholder  
voting righ

QUORUM REQUIREMENTS

The presence in person or by proxy of the holders of a majority of the shares then outstanding and entitled to vote at a meeting of Jazz stockholders constitutes a quorum for the transaction of business.

Under Tower  
quorum with  
Tower's sha  
the presenc  
or more sha  
the voting  
the time fi  
commencem  
the general  
the time fi  
commencem  
for one wee  
place, with  
the shareho  
not present  
meeting wit  
fixed for t  
persons pre

ACTION OF STOCKHOLDERS BY WRITTEN CONSENT

Any action required to be taken at any annual or special meeting of Jazz's stockholders, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing or by electronic transmission setting forth the action so taken shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, and shall be delivered to Jazz by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of Jazz having custody of the book in which proceedings of meetings of stockholders are recorded.

Israeli law  
companies t  
adopted by  
lieu of a s

JAZZ STOCKHOLDER RIGHTS

Under the DGCL, Jazz's charter may be amended by resolution of the board of directors and the affirmative vote of the holders of a majority of the outstanding shares of voting stock then entitled to vote. Both Jazz's stockholders and its board of directors have the power to adopt, amend or repeal any bylaw. Any adoption, amendment or repeal of Jazz's bylaws by Jazz stockholders shall require the affirmative vote of the holders of at least two-thirds of the voting power of all of the then-outstanding shares of the capital stock of the corporation entitled to vote generally in the election of directors, voting together as a single class. Any adoption, amendment or repeal of Jazz's bylaws by Jazz's board of directors shall require the approval of a majority of the authorized number of directors.

AMENDMENT OF ARTICLES OF ASSOCIATION; BYLAWS;

Tower does articles of provisions by-laws. To be amended ordinary ma Tower repre meeting.  
  
Tower may, general mee modify the class of sh agreement o of such cla resolution of the hold by an ordin terms of a shares othe such issue.

All provisi association mutatis mut provided th shall be co time the me person or b shareholder percent of if no quoru the class m another tim quorum shal of any numb the number

Pursuant to Jazz's certificate of incorporation and in accordance with the DGCL, Jazz directors do not have personal liability to Jazz and its stockholders for monetary damages for a breach of fiduciary duty as a director, except in the following scenarios: (a) any breach of the director's duty of loyalty to the corporation or its stockholders; (b) acts or omissions in bad faith or which involve intentional misconduct or a knowing violation of law; (c) intentional or negligent payments of unlawful dividends or unlawful stock purchases or redemption; or (d) any transaction in which the director derives an improper personal benefit.

EXCULPATION OF DIRECTORS

The Israeli company can (which is d Companies L manager, ma officer, ex president, subordinate other perso the foregoi without reg liability w her duty of Companies L in advance



liability t  
part, with  
duty of car  
director of  
respect to  
to sharehol

Tower's art  
Tower may i  
from all or  
in consequ  
care vis-a-

See also "  
OFFICERS."

JAZZ STOCKHOLDER RIGHTS

Jazz is permitted to indemnify any person who was or is a party or is threatened to be made a party to: (a) any action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of Jazz, against expenses, including attorneys' fees, judgments, fines and reasonable settlement amounts if such person acted in good faith and reasonably believed that his or her actions were in or not opposed to the best interests of Jazz and, with respect to any criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful; (b) any derivative action or suit on behalf of Jazz against expenses, including attorneys' fees, actually and reasonably incurred in connection with the defense or settlement of such action or suit, if such person acted in good faith and reasonably believed that his or her actions were in or not opposed to the best interest of Jazz. In the event that a person is adjudged to be liable to Jazz in a derivative suit, the DGCL prohibits indemnification unless either the Delaware Court of Chancery or the court in which such derivative suit was brought determines that such person is entitled to indemnification for those expenses which such court deems proper. To the extent that a present or former director or officer of Jazz has been successful on the merits or otherwise in the defense of a third party or derivative action, such person shall be indemnified against expenses actually and reasonably incurred by such person.

Tower's art  
Tower with  
indemnify i  
extent allo  
whether in  
obligation  
officeholde  
consequence  
his capacit  
applicable  
an officer  
as follows:

(i) A monet  
incurred by  
judgment in  
including a  
officeholde  
arbitration  
court of la

(ii) Reason  
including a  
officer due  
proceeding  
an authorit  
an investig  
finalized w  
indictment  
without any  
the officer  
(or that wa  
an indictme  
financial o  
in lieu of

INDEMNIFICATION OF  
DIRECTORS, OFFICERS AND  
EMPLOYEES

which does  
intent);

(iii) Reason  
including a  
incurred by  
ordered to  
filed again  
or by another  
indictment  
criminal in  
of an offen  
criminal in

(iv) Any ot  
shall be pe  
Law with re  
company off  
indemnify a  
obligations  
above are c  
obligations  
in the opin  
directors,  
Tower's act  
undertaking  
which the b  
to be reaso  
case.

Tower's art  
Tower may a  
undertake t  
who holds o  
at its requ  
company in  
directly or  
expense as  
indemnifica  
act done in  
the other c

See also "  
OFFICERS."

JAZZ STOCKHOLDER RIGHTS

According to the Jazz bylaws, to the fullest extent permitted by the DGCL or any other applicable law and upon approval by the Jazz board of directors, Jazz may purchase insurance on behalf of its directors, officers, employees and other agents.

Under the I  
may purchas  
liability o  
articles of  
insurance a  
following a

Jazz shall promptly notify its directors and officers of any change, lapse or cancellation of such insurance coverage.

INSURANCE OF DIRECTORS,  
OFFICERS AND EMPLOYEES

officer in  
of the comp  
vis-a-vis t  
person; (b)  
vis-a-vis t  
officer act  
reasonable  
action in q  
affect the  
liability w  
officer in  
result of a  
said office

Tower's art  
it may insu  
well as in  
respect to  
insure the

See also "  
OFFICERS."

JAZZ STOCKHOLDER RIGHTS

If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a Jazz director shall be further eliminated or limited to the maximum extent allowable under the amended DGCL.

Pursuant to  
indemnifica  
procurement  
officeholde  
approved by  
of director  
director, b

GENERAL PROVISIONS WITH  
RESPECT TO INSURANCE,  
INDEMNITY AND EXCULPATION

The Israeli  
company may  
officeholde  
contract wh  
any monetar  
of any of t  
officeholde  
unless, wit  
indemnifica  
good faith  
believe tha  
company har  
officeholde  
such breach  
disregard o  
or its cons  
is done onl  
omission do  
illegal per  
monetary se

JAZZ STOCKHOLDER RIGHTS

The DGCL provides that no contract or transaction between a corporation and one or more of its directors or officers, or between a corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers, are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board or committee of the board which authorizes the contract or transaction, or solely because any such director's or officer's votes are counted for such purpose, if: (a) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors or a committee of the board, and the board or committee of the board in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors may be less than a quorum; (b) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (c) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the board of directors, a committee of the board or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee which authorizes the contract or transaction.

CONFLICT OF INTEREST  
FIDUCIARY DUTY

The Israeli fiduciary d including d owe to a co fiduciary d and a duty includes av between the company and position, a company's b business op to receive herself or company any relating to officeholder position as Israeli Com officeholder generally n directors.

Compensatio approval of of director Israeli Com officeholder interest" t related mat her, in con proposed tr case of a t or with ano officeholder is not an e to the offi her interes sufficient transaction extraordina to any appr association board of di An extraord transaction the company or that is on the comp

obligations  
example whe  
shareholder  
transaction  
company's i  
who has a p  
is consider  
directors o  
present at  
Under the I  
shareholder  
towards the  
shareholder  
her or its  
among other  
general mee  
following m  
articles of  
the company  
a merger; o  
and transac  
transaction  
approval, a  
Companies L

JAZZ STOCKHOLDER RIGHTS

BUSINESS COMBINATIONS;  
ANTI-TAKEOVER EFFECTS

Under Section 203 of the DGCL, a Delaware corporation is prohibited from engaging in mergers or dispositions of 10% or more of its assets, certain issuances of stock and other transactions ("business combinations") with a person or group that owns 15% or more of the voting stock of the corporation (an "interested stockholder") for a period of three years after the interested stockholder crosses the 15% threshold. These restrictions on transactions involving an interested stockholder do not apply if (a) before the interested stockholder owned 15% or more of the voting stock, the board of directors approved the business combination or the transaction that resulted in the person or group becoming an interested stockholder, (b) in the transaction that resulted in the person or group becoming an interested stockholder, the person or group acquired at least 85% of the voting stock other than stock owned by directors who are also officers and certain employee stock plans, or (c) after the person or group became an interested stockholder, the business combination was approved by the board of directors and authorized at a meeting of stockholders by at least two-thirds of the voting stock (other than stock owned by the interested

Under the C  
generally r  
shareholder  
of the merg  
capital of  
surviving c  
classes of  
class is al  
otherwise b  
approved if  
shareholder  
voting righ  
the meeting  
by the othe  
person who  
party to th  
and corpora  
persons. Up  
either part  
court may d  
concludes t  
concern tha  
surviving c  
the obligat  
merger. Als  
after all a

stockholder).

Section 203 does not apply to a corporation that does not have a class of voting stock that is listed on a national securities exchange or held by more than 2,000 stockholders.

the Israeli  
days have p  
shareholder  
of the merg  
passed from  
was filed w  
Companies.

Under the I  
certain exc  
shares in a  
whereby a p  
interest (a  
permitted i  
have a shar  
interest, a  
acquiring s  
more than 4  
in the comp  
no other sh  
45% of the  
except by w  
accordance  
applicable  
Law (a spec  
offer requi  
whose share  
outside of  
rules of th  
shares are  
the percent  
acquired or  
make a tend

---

JAZZ STOCKHOLDER RIGHTS

Under the I  
may not acq  
if, after t  
than 90% of  
any class o  
a tender of  
the shares  
particular

The Israeli  
(subject to  
to sharehol  
company's s  
as of Febru  
shareholder  
than 90% of  
class of sh

precluded f  
shares. If  
less than 5  
are not ten  
transfer to  
If 5% or mo  
are not ten  
purchase sh  
him more th  
company. Th  
that an ext  
public comp  
shareholder  
includes a  
outstanding  
with anothe  
shareholder  
including a  
controlling  
requires ap  
committee,  
of the shar  
where at le  
voting to a  
have a pers  
where the t  
do not have  
matter voti  
not exceed  
in the comp  
placement i  
situations  
board of di  
20% or more  
existing pr  
shall be is  
the consid  
registered  
market term  
substantial  
more) holdi  
shall becom  
(ii) if, as  
a person sh  
shareholder

In addition  
Companies L  
directors,  
from office  
mechanism.

Under the DGCL, a stockholder of a constituent corporation in a merger may, under certain circumstances and upon meeting certain requirements, dissent from the merger by demanding payment in cash for his or her share equal to the "fair value" (excluding any appreciation or depreciation as a consequence or in expectation of the transaction) of such shares, as determined by agreement with the corporation or by an independent appraiser appointed by a court in an action brought in a timely fashion by the corporation or the dissenters.

The Israeli  
for shareho  
for the app  
circumstanc  
acquisition  
increase a  
90% of the  
company.

#### APPRAISAL RIGHT

Delaware law grants dissenters' appraisal rights only in the case of certain mergers. Delaware law does not grant appraisal rights in a merger to holders of shares listed on a national securities exchange or held of record by more than 2,000 stockholders unless the plan of merger converts such shares into anything other than stock of the surviving corporation or stock of another corporation which is listed on a national securities exchange or held of record by more than 2,000 stockholders (or cash in lieu of fractional shares or some combination of the above). For a more detailed discussion of appraisal rights of Jazz stockholders in connection with the merger, see the section above entitled "THE MERGER - NO DISSENTER'S APPRAISAL RIGHTS."

#### INFORMATION ABOUT JAZZ

##### OVERVIEW

Jazz is an independent semiconductor foundry focused on specialty process technologies for the manufacture of analog and mixed-signal semiconductor devices. Jazz believes its specialty process technologies attract customers who seek to produce analog and mixed-signal semiconductor devices that are smaller and more highly integrated, power-efficient, feature-rich and cost-effective than those produced using standard process technologies. Jazz's customers' analog and mixed-signal semiconductor devices are designed for use in products such as cellular phones, wireless local area networking devices, digital TVs, set-top boxes, gaming devices, switches, routers and broadband modems. Jazz's major customers include Skyworks Solutions, Inc., Conexant Systems, Inc., RF Micro Devices, Inc., and Toshiba Corporation.

##### FORMATION

Jazz, formerly known as Acquicor Technology Inc. was incorporated in Delaware on August 12, 2005 as a blank check company by Dr. Gilbert F. Amelio, Mrs. Ellen M. Hancock and Mr. Steve Wozniak for the purpose of acquiring, through a merger, capital stock exchange, stock purchase, asset acquisition or other similar business combination, one or more domestic and/or foreign operating businesses in the technology, multimedia and networking sectors, which we accomplished through the acquisition of Jazz Semiconductor, Inc. in February



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

2007.

On February 16, 2007, Jazz completed the acquisition of all of the outstanding capital stock of Jazz Semiconductor, for \$262.4 million in cash, and acquired, as part of the assets of Jazz Semiconductor, \$26.1 million in cash. The consolidated financial statements for Jazz included elsewhere in this proxy statement/prospectus include the results of operations for Jazz Semiconductor following the date of acquisition. The acquisition was accounted for under the purchase method of accounting in accordance with U.S. generally accepted accounting principles for accounting and financial reporting purposes. Under this method, Jazz Semiconductor was treated as the "acquired" company. In connection with the acquisition, Jazz adopted Jazz Semiconductor's fiscal year. In July 2007, we entered into an agreement with the former Jazz Semiconductor's stockholders that reduced the purchase price by \$9.3 million to \$253.1 million. The reduction has been reflected in the accompanying financial statements.

Prior to March 12, 2002, Jazz Semiconductor's business was Conexant's Newport Beach, California semiconductor fabrication operations. Jazz Semiconductor's business was formed upon Conexant's contribution of those fabrication operations to its wholly-owned subsidiary, Newport Fab, LLC and Conexant's contribution of Newport Fab, LLC to Jazz Semiconductor, together with a cash investment in Jazz Semiconductor by affiliates of The Carlyle Group. Conexant and affiliates of The Carlyle Group continued to be the largest stockholders of Jazz Semiconductor, until its acquisition in February 2007. Substantially all of Jazz Semiconductor's business operation was conducted by its wholly-owned subsidiary, Newport Fab, LLC.

Since its formation in early 2002, Jazz Semiconductor has transitioned its business from a captive manufacturing facility within Conexant to an independent semiconductor foundry. Initially, Jazz Semiconductor's only significant customers were Conexant and its spin-off, Skyworks, which are referred to as its formation customers.

Since Jazz Semiconductor's formation, it has sought to grow and diversify its revenues through the acquisition of new customers, which are referred to as its post-formation customers. As a result, the percentage of revenues from post-formation customers has grown from 9.7% of total revenues of Jazz Semiconductor in 2003 to 64.5% of total revenues of Jazz in 2007. Jazz Semiconductor has also experienced a significant increase in the number of "design wins"-decisions by post-formation customers to use its process technologies for the design of their future products. It typically takes 8 to 26 months for a successful product design to enter into volume production, at which time a "design win" would be reclassified as a "design in volume production." At March 28, 2008, Jazz had approximately 300 design wins with 88 post-formation customers. As its design wins from post-formation customers continue to become designs in volume production, Jazz expects that revenues from these customers will continue to grow commensurately.

### JAZZ'S INDUSTRY

Semiconductors are the building blocks of a broad range of electronic systems such as personal computers, telecommunications equipment, wireless devices, consumer electronics, automotive electronics and industrial electronics. Although global semiconductor sales have experienced significant cyclical variation in annual growth rates, they have increased significantly over the long term. As electronic systems have become more sophisticated and integrated, satisfying the demand for semiconductors used in these systems has required advances in semiconductor design, manufacturing and packaging technologies.

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

### DESEGREGATION OF THE SEMICONDUCTOR INDUSTRY AND THE SUCCESS OF FOUNDRIES

In the past, most semiconductor companies were vertically integrated. They internally designed, fabricated, packaged, tested and marketed their own semiconductors. These vertically integrated semiconductor companies are known as integrated device manufacturers, or IDMs. As the complexity of semiconductor designs has increased, semiconductors have become increasingly challenging to manufacture, requiring both sophisticated manufacturing expertise and significant investment in fabrication facilities, or fabs, and the development of leading-edge process technologies.

As the cost and skills required for designing and manufacturing complex semiconductors have increased, the semiconductor industry has become increasingly desegregated. This desegregation has fueled the growth of three segments of the semiconductor industry, which together perform the significant functions of an IDM. These are:

- o fabless semiconductor companies that design and market semiconductors;
- o foundries that manufacture semiconductor wafers; and
- o packaging and test companies that encapsulate and test semiconductors.

Fabless semiconductor companies are gaining an increasing share of the semiconductor market. According to the Fabless Semiconductor Association, a trade organization, sales of semiconductors by fabless companies as a percentage of worldwide sales more than doubled from approximately 8% in 2000 to 20% in 2007. At the same time, many IDMs have announced that they have reduced their investment in their existing and next-generation manufacturing facilities and process technologies as they seek to increase their flexibility to reallocate their resources and capital expenditures. Jazz believes that IDMs that have adopted this "fab-lite" strategy will continue to outsource an increasing percentage of their manufacturing requirements to foundry service providers. Jazz believes that utilizing foundry service providers allows fabless semiconductor companies and IDMs to reduce their manufacturing costs, more efficiently allocate capital, research and development and management resources, and gain access to manufacturing process technologies and production capacity they do not possess.

Independent foundries have traditionally focused on standard complementary metal oxide semiconductor, or CMOS, processes that are primarily used for digital semiconductor applications. The proliferation of fabless semiconductor companies and the increasing use of outsourcing by many IDMs for a portion of their production have driven the growth of the CMOS foundry industry, including the growth of global foundry revenues derived from the manufacture of analog and mixed signal semiconductors. Jazz believes that many of these analog and mixed signal semiconductors are manufactured using specialty process technologies. In addition, according to estimates of Semico Research Corporation, a semiconductor marketing and consulting research company, the percentage of total semiconductor device revenues manufactured by third-party foundries has increased from 5.6% in 1995 to 20% in 2007, highlighting the increasing role foundries are playing in the semiconductor supply chain.

### PROLIFERATION OF ANALOG AND MIXED-SIGNAL SEMICONDUCTORS AND THE GROWING NEED FOR SPECIALTY PROCESS TECHNOLOGIES

The two basic functional technologies for semiconductor products are digital and analog. Digital semiconductors perform arithmetic functions on data represented by a series of ones and zeroes. Digital semiconductors provide critical processing power and have helped enable many of the computing and

communication advances of recent years. Analog semiconductors monitor and manipulate real world signals such as sound, light, pressure, motion, temperature, electrical current and radio waves, for use in a wide variety of electronic products such as personal computers, cellular handsets, telecommunications equipment, consumer electronics, automotive electronics and industrial electronics. There is a growing need for analog functionality to enable digital systems to interface with the real world. Analog-digital, or mixed-signal, semiconductors combine analog and digital devices on a single chip to process both analog and digital signals.

Integrating analog and digital components on a single, mixed-signal semiconductor enables smaller and more highly integrated, power-efficient, feature-rich and cost-effective semiconductor devices but presents significant design and manufacturing challenges. For example, combining high-speed digital circuits with sensitive analog circuits on a single, mixed-signal semiconductor can increase electromagnetic interference and power consumption, both of which cause a higher amount of heat to be dissipated and decrease the overall performance of the semiconductor. Challenges associated with the design and manufacture of mixed-signal semiconductors increase as the industry moves toward finer, more advanced process geometries. Standard electronic design automation, or EDA, tools used in the design of digital circuits have limited use in predicting the performance of certain analog and mixed-signal designs. As a result, analog and mixed-signal semiconductors can be complex to manufacture and typically require sophisticated design expertise and strong application specific experience and intellectual property. Analog and mixed-signal semiconductor engineers typically require several years of practical experience and application knowledge to become proficient in the design of complex analog and mixed-signal semiconductors. Manufacturers may also need to make a significant investment in specialty process technologies to manufacture these semiconductors.

70

Specialty process technologies enable greater analog content and can reduce the die size of an analog or mixed-signal semiconductor, thereby increasing the number of die that can be manufactured on a wafer and reducing final die cost. In addition, specialty process technologies can enable increased performance, superior noise reduction and improved power efficiency of analog and mixed-signal semiconductors compared to traditional standard CMOS processes. These specialty process technologies include advanced analog CMOS, radio frequency CMOS, or RF CMOS, high voltage CMOS, bipolar CMOS, or BiCMOS, silicon germanium BiCMOS, or SiGe BiCMOS, and bipolar CMOS double-diffused metal oxide semiconductor, or BCD.

For many applications in the wireless and high-speed wireline communications, consumer electronics, automotive and industrial end markets, the performance characteristics of specialty process technologies can lead customers to select them over digital CMOS process technologies. As semiconductor performance needs continue to increase in these end markets, Jazz believes the demand for specialty process technologies will also increase.

#### EMERGING TREND TO OUTSOURCE SPECIALTY PROCESS MANUFACTURING REQUIREMENTS

Jazz believes that many of the factors and conditions that have driven growth in the outsourcing of manufacturing using standard process technologies will fuel continued growth in the outsourcing of manufacturing using specialty process technologies. There can be no assurance, however, that the factors and conditions that have fueled growth in the outsourcing of manufacturing using standard process technologies will also fuel growth in the outsourcing of manufacturing using specialty process technologies or that any future growth

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

rate in global foundry revenues derived from specialty process technologies will be the same as the growth rate for global foundry revenues derived from standard process technologies. As many IDMs reduce their investment in their existing and next-generation standard CMOS process technologies and manufacturing facilities, it may become less cost-effective for these IDMs to develop, maintain and operate specialty process technology manufacturing lines. Jazz believes these IDMs will increasingly choose to also outsource their specialty process technologies. In addition, Jazz believes that fabless semiconductor companies are increasingly seeking access to specialty process technologies to produce analog and mixed-signal semiconductors.

To date, most independent foundries have focused primarily on standard CMOS processes instead of specialty process technologies. While some IDMs have provided outsourced specialty process technologies, Jazz believes that competing IDMs and fabless design companies may be reluctant to work with and provide confidential information to IDMs that also manufacture products competitive with theirs. Consequently, Jazz believes that there is significant growth potential for independent foundries with a broad platform of specialty process technologies, advanced design and support capabilities and product application expertise that focus primarily on the specialty foundry opportunity.

### JAZZ'S SOLUTION

Jazz is an independent semiconductor foundry, providing specialty process technologies, design solutions and application knowledge for the manufacture of analog and mixed-signal semiconductors. Key elements of its solution are as follows:

- o JAZZ OFFERS AN INDEPENDENT AND FOCUSED SOURCE FOR THE MANUFACTURE OF SEMICONDUCTORS USING SPECIALTY PROCESS TECHNOLOGIES. Most other independent foundries focus on standard process technologies, rather than specialty process technologies. Some IDMs offer specialty process foundry services but also manufacture their own semiconductor products, which may be competitive with the products of their potential customers who seek these services. Jazz combines the benefits of independence with a focus on specialty process technologies.
- o JAZZ OFFERS A SPECIALIZED DESIGN PLATFORM FOR ANALOG AND MIXED-SIGNAL SEMICONDUCTORS. Jazz's design engineering support team assists its customers with their advanced designs by leveraging Jazz's application knowledge and experience to help guide their technology selection and design implementation. Jazz's sophisticated design tools and services are specifically tailored to meet analog and mixed-signal design needs, and include specialized device modeling and characterization features that allow simulation of a variety of real world situations, including different temperatures, power levels and speeds.
- o JAZZ OFFERS A BROAD RANGE OF SPECIALTY PROCESS TECHNOLOGIES. Jazz's specialty process technology portfolio includes advanced analog CMOS, RF CMOS, high voltage CMOS, BiCMOS and SiGe BiCMOS processes. In addition to these specialty process technologies, Jazz has recently begun to offer BCD processes optimized for analog semiconductors such as power management, high efficiency audio amplification, and optical driver integrated circuits. The breadth of Jazz's portfolio allows it to offer its customers a wide range of solutions to address their high-performance, high-density, low-power and low-noise requirements for analog and mixed-signal semiconductors. These semiconductor devices are used in products such as cellular phones, digital TVs, set-top boxes, gaming devices, wireless local area networking devices, digital cameras, switches, routers and broadband modems. Jazz benefits from the development of specialty process technologies by Conexant and its predecessor, Rockwell Semiconductor Systems, over a period of 35 years.

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

- JAZZ IS A LEADER IN HIGH-PERFORMANCE SIGE PROCESS TECHNOLOGIES. Jazz offers high performance 150 GHz 0.18 micron SiGe BiCMOS technology, which Jazz believes is one of the most advanced SiGe process technologies in production today. In addition, Jazz recently announced the availability of 200 GHz 0.18 micron SiGe BiCMOS technology. Analog and mixed-signal semiconductors manufactured with SiGe BiCMOS process technologies can be smaller, require less power and provide higher performance than those manufactured with standard CMOS processes. Moreover, SiGe BiCMOS process technologies allow for higher levels of integration of analog and digital functions on the same mixed-signal semiconductor device.

71

### JAZZ'S STRATEGY

Key elements of Jazz's strategy are as follows:

- FURTHER STRENGTHEN JAZZ'S POSITION IN SPECIALTY PROCESS TECHNOLOGIES FOR THE MANUFACTURE OF ANALOG AND MIXED-SIGNAL SEMICONDUCTORS. Jazz is continuing to invest in its portfolio of specialty process technologies to address the key product attributes that make its customers' products more competitive.
- TARGET LARGE, GROWING AND DIVERSIFIED END MARKETS. Jazz targets end markets characterized by high growth and high performance for which it believes its specialty process technologies have a high value proposition, including the wireless and high-speed wireline communications, consumer electronics, automotive and industrial markets. For example, Jazz believes that its specialty process technologies can provide performance and cost advantages over current CMOS solutions in the integration of power amplifiers with RF transceivers for wireless local area networking applications.
- CONTINUE TO DIVERSIFY JAZZ'S CUSTOMER BASE. Since its formation in early 2002, Jazz Semiconductor has transitioned its business from a captive manufacturing facility within Conexant to an independent semiconductor foundry with 120 post-formation customers as of December 2007. Jazz intends to continue to grow and diversify its business through the acquisition of new customers. Because Jazz Semiconductor's post-formation customers primarily use its specialty process technologies, Jazz expects that its continued acquisition of new customers will result in a continuing increase in the percentage of its revenues that are derived from specialty process technologies.
- MAINTAIN CAPITAL EFFICIENCY BY LEVERAGING ITS CAPACITY AND MANUFACTURING MODEL. Jazz seeks to maximize the utilization of its Newport Beach, California manufacturing facility and leverage its manufacturing suppliers' facilities in China to meet increased capacity requirements cost-effectively. Jazz can typically increase its specialty process technology capacity and meet its customer performance requirements using adapted semiconductor process equipment sets that are typically one or two generations behind leading-edge digital CMOS process equipment. This typically allows Jazz to acquire lower-cost semiconductor process equipment to operate its Newport Beach, California fab. Jazz is also able to access and adapt existing capacity cost-effectively through supply and licensing agreements, such as those with Advanced Semiconductor Manufacturing Corporation of Shanghai ("ASMC") and Shanghai Hua Hong NEC Electronics Company Ltd ("HHNEC").

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

### PROCESS TECHNOLOGIES

Process technologies are the set of design rules, electrical specifications and process steps that Jazz implements for the manufacture of semiconductors on silicon wafers. In addition to offering standard process technologies, Jazz has a strong heritage of manufacturing analog and mixed-signal semiconductors using specialty process technologies, including advanced analog CMOS, RF CMOS, high voltage CMOS, BiCMOS and SiGe BiCMOS process technologies. These analog and mixed-signal semiconductors are used in products targeting the wireless and high-speed wireline communications, consumer electronics, automotive and industrial end markets. Jazz also now offers BCD process technologies optimized for analog semiconductors such as power management, high-efficiency audio amplification and optical driver integrated circuits.

### JAZZ'S STANDARD PROCESS TECHNOLOGIES

Jazz refers to its digital CMOS and standard analog CMOS process technologies as standard process technologies. Digital CMOS process technologies are the most widely used process technologies in the semiconductor industry because they require less power than other technologies for digital functions and allow for the dense placement of digital circuits onto a single semiconductor, such as a graphics or baseband processor. Jazz currently has digital CMOS processes in 0.5 micron, 0.35 micron, 0.25 micron and 0.18 micron and has announced availability of a 0.13 micron process. These digital CMOS process technologies form the baseline for Jazz's standard analog CMOS processes.

Standard analog CMOS process technologies have more features than digital CMOS process technologies and are well suited for the design of low-frequency analog and mixed-signal semiconductors. These process technologies generally incorporate basic passive components, such as capacitors and resistors, into a digital CMOS process. Jazz currently has standard analog CMOS processes in 0.5 micron, 0.35 micron, 0.25 micron and 0.18 micron and has announced availability of a 0.13 micron process. These standard analog CMOS process technologies form the baseline for Jazz's specialty process technologies.

While other foundries may offer standard analog processes, most do not offer specialty process technologies. Other foundries, however, offer standard analog processes at more advanced geometries than Jazz offers, such as 90 nanometer CMOS process technologies. In certain circumstances, such as when a large amount of digital content is required in a mixed-signal semiconductor and less analog content is required, a customer may choose to design a product in a standard analog CMOS process technology at an advanced geometry, such as 90 nanometer CMOS, instead of choosing a specialty process technology at a larger geometry.

72

### JAZZ'S SPECIALTY PROCESS TECHNOLOGIES

Jazz refers to its advanced analog CMOS, RF CMOS, high voltage CMOS, BiCMOS, SiGe BiCMOS and BCD process technologies, as specialty process technologies. Most of Jazz's specialty process technologies are based on CMOS processes with added features to enable improved size, performance and cost characteristics for analog and mixed-signal semiconductors. Products made with Jazz's specialty process technologies are typically more complex to manufacture than products made using standard process technologies employing similar line widths. Generally, customers who use Jazz's specialty process technologies cannot easily move designs to another foundry because the analog characteristics

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

of the design are dependent upon its implementation of the applicable process technology. The relatively small engineering community with specialty process know-how has also limited the number of foundries capable of offering specialty process technologies. In addition, the specialty process design infrastructure is complex and includes design kits and device models that are specific to the foundry in which the process is implemented and to the process technology itself.

Jazz's advanced analog CMOS process technologies have more features than standard analog CMOS process technologies and are well suited for higher performance or more highly integrated analog and mixed-signal semiconductors, such as high-speed analog-to-digital or digital-to-analog converters and mixed-signal semiconductors with integrated data converters. These process technologies generally incorporate higher density passive components, such as capacitors and resistors, as well as improved active components, such as native or low voltage devices, and improved isolation techniques, into standard analog CMOS process technologies. Jazz currently has advanced analog CMOS process technologies in 0.5 micron, 0.35 micron, 0.25 micron and 0.18 micron and has announced the availability of a 0.13 micron process. These advanced analog CMOS processes form the baseline for Jazz's other specialty process technologies.

Jazz's RF CMOS process technologies have more features than advanced analog CMOS process technologies and are well suited for wireless semiconductors, such as highly integrated wireless transceivers, power amplifiers, and television tuners. These process technologies generally incorporate integrated inductors, high performance variable capacitors, or varactors, and RF laterally diffused metal oxide semiconductors into an advanced analog CMOS process technology. In addition to the process features, Jazz's RF offering includes design kits with RF models, device simulation and physical layouts tailored specifically for RF performance. Jazz currently has RF CMOS process technologies in 0.25 micron and 0.18 micron and has announced availability of a 0.13 micron process. These RF CMOS process technologies form the baseline for some of our other specialty process technologies.

Jazz's high voltage CMOS and BCD process technologies have more features than advanced analog CMOS processes and are well suited for power and driver semiconductors such as voltage regulators, battery chargers, power management products and audio amplifiers. These process technologies generally incorporate higher voltage CMOS devices such as 5V, 8V, 12V and 40V devices, and, in the case of BCD, bipolar devices, into an advanced analog CMOS process. Jazz currently has high voltage CMOS offerings in 0.5 micron, 0.35 micron, 0.25 micron and 0.18 micron, and BCD offerings in 0.5 micron. Jazz is working on extending the high voltage options to include a 0.35 micron BCD process technology and 60V capabilities in the future to enable higher levels of analog integration at voltage ranges that are suitable for automotive electronics and line power conditioning for consumer devices.

Jazz's BiCMOS process technologies have more features than RF CMOS process technologies and are well suited for RF semiconductors such as wireless transceivers and television tuners. These process technologies generally incorporate high-speed bipolar transistors into an RF CMOS process. The equipment requirements for BiCMOS manufacturing are specialized and require enhanced tool capabilities to achieve high yield manufacturing. Jazz currently has BiCMOS process technologies in 0.35 micron.

Jazz's SiGe BiCMOS process technologies have more features than BiCMOS processes and are well suited for more advanced RF semiconductors such as high-speed, low noise, highly integrated multi-band wireless transceivers, television tuners and power amplifiers. These process technologies generally incorporate a silicon germanium bipolar transistor, which is formed by the deposition of a thin layer of silicon germanium within a bipolar transistor, to achieve higher speed, lower noise, and more efficient power performance than a

BiCMOS process technology. It is also possible to achieve speeds using SiGe BiCMOS process technologies equivalent to those demonstrated in standard CMOS processes that are two process generations smaller in line-width. For example, a 0.18 micron SiGe BiCMOS process is able to achieve speeds comparable to a 90 nanometer RF CMOS process. As a result, SiGe BiCMOS makes it possible to create analog products using a larger geometry process technology at a lower cost while achieving similar or superior performance to that achieved using a smaller geometry standard CMOS process technology. The equipment requirements for SiGe BiCMOS manufacturing are similar to the specialized equipment requirements for BiCMOS. Jazz has developed enhanced tool capabilities in conjunction with large semiconductor tool suppliers to achieve high yield SiGe manufacturing. Jazz believes this equipment and related process expertise makes Jazz one of the few silicon manufacturers with demonstrated ability to deliver SiGe BiCMOS products. Jazz currently has SiGe BiCMOS process technologies at 0.35 micron and 0.18 micron and is developing a 0.13 micron SiGe BiCMOS process.

73

Jazz continues to invest in technology that helps improve the performance, integration level and cost of analog and mixed-signal products. This includes improving the density of passive elements such as capacitors and inductors, improving the analog performance and voltage handling capability of active devices, and integrating advanced features in Jazz's specialty CMOS processes that are currently not readily available. Examples of such features currently under development include technologies aimed at integrating micro-electro-mechanical-system (MEMS) devices with CMOS, adding silicon-on-insulator (SOI) substrates to enable increased integration of RF and analog functions on a single die and scaling the features Jazz offers today to the 0.13 micron process technology.

#### MANUFACTURING

Jazz has placed significant emphasis on achieving and maintaining a high standard of manufacturing quality. Jazz seeks to enhance its production capacity for its high-demand specialty process technologies and to design and implement manufacturing processes that produce consistently high manufacturing yields. Jazz's production capacity in each of its specialty process technologies enables Jazz to provide its customers with volume production, flexibility and quick-to-market manufacturing services. All of Jazz's process research and development is performed in its manufacturing facility in Newport Beach, California.

#### CAPACITY

Jazz currently has the capacity in its Newport Beach, California fab to commence the fabrication process for approximately 21,000 standard CMOS eight-inch equivalent wafers per month based on 20 photo masking layers; however, with a more representative mix of standard CMOS and high-variability specialty process technology, Jazz typically would have the capacity to commence the fabrication process for approximately 17,000 eight-inch wafers per month in that fab. Jazz's fab generally operates 24 hours per day, seven days per week. Jazz provides a variety of services in Newport Beach, California from full scale production to small engineering qualification lot runs to probe services. Jazz has the ability to rapidly change the mix of production processes in use in order to respond to changing customer needs and maximize utilization of the fab.

To expand its manufacturing capacity, Jazz has entered into supply agreements with each of ASMC and HHNEC, two of China's leading silicon semiconductor foundries. These agreements are designed to provide Jazz with low-cost, scalable production capacity and multiple location sourcing for its



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

customers. To date, Jazz has not utilized significant capacity from its manufacturing suppliers. While these suppliers have substantially met its requests for wafers to date, if Jazz had a sudden significant increase in demand for their services, it is unlikely that they would be able to satisfy its increased demand in the short term.

### EQUIPMENT

Jazz's policy is to qualify the vendors from which it purchases equipment to assure process consistency, expedite installation and production release, reduce consumable inventories, combine equipment support resources and maximize supplier leverage. The principal equipment Jazz uses to manufacture semiconductor wafers are scanners, steppers, track equipment, etchers, furnaces, automated wet stations, implanters and metal sputtering, chemical vapor deposition and chemical mechanical planarization equipment. Jazz can expand its specialty process manufacturing capacity by purchasing lower-cost equipment because it is able to meet its customers' performance requirements using adapted digital CMOS equipment sets that are typically one or two generations behind leading-edge digital CMOS process equipment.

Jazz's Newport Beach, California fab is organized into bays based on function with manufacturing operations performed in clean rooms in order to maintain the quality and integrity of wafers that it produces. Clean rooms have historically been rated on the number of 0.5 micron particles allowable within a cubic foot of air, and Jazz generally refers to them as class-1, 10, 100, 1,000, 10,000, or 100,000 on that basis. A significant majority of Jazz's current clean rooms operate at a class-10 level.

### RAW MATERIALS

Jazz's manufacturing processes use highly specialized materials, including semiconductor wafers, chemicals, gases and photomasks. These raw materials are generally available from several suppliers. However, Jazz often selects one vendor to provide it with a particular type of material in order to obtain preferred pricing. In those cases, Jazz generally also seeks to identify, and in some cases qualify, alternative sources of supply.

Jazz generally maintains sufficient stock of principal raw material for production based its on historical usage. Jazz's vendors also generally keep pre-approved material at their local warehouse in order to support changes that may occur in Jazz's requirements and to respond to quality issues. Although some of Jazz's purchase order contracts contain price and capacity commitments, these commitments tend to be short term in nature. However, Jazz has agreements with several key material suppliers under which they hold similar levels of inventory at Jazz's warehouse and fab for its use. Jazz is not under any obligation under these agreements to purchase raw material inventory that is held by its vendors at its site until Jazz actually uses it, unless Jazz holds the inventory beyond specified time limits.

Jazz receives one of its liquid chemicals, EKC 652, which is used in the etch process from E.I. du Pont de Nemours and Company. DuPont is the sole source supplier of this chemical and its chemistry is unique. Jazz believes that it would take between four and six months to replace this chemical in the event DuPont were unable or unwilling to continue as a supplier.

Jazz uses a large amount of water in its manufacturing process. Jazz obtains water supplies from the local municipality. Jazz also uses substantial amounts of electricity supplied by Southern California Edison in the

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

manufacturing process. Jazz maintains back-up generators that are capable of providing adequate amounts of electricity to maintain vital life safety systems, such as toxic gas monitors, fire systems, exhaust systems and emergency lighting in case of power interruptions, which it has experienced from time to time.

### QUALITY CONTROL

Jazz seeks to attract and retain leading international and domestic semiconductor companies as customers by establishing and maintaining a reputation for high quality and reliable services and products. Jazz's Newport Beach, California fab has achieved ISO9001:2000 certification and has also obtained certification for implementing the standard requirements of ISO 14001:2004, ISO/IEC 27001:2005 and the specification OHSAS 18001:1999. ISO9001:2000 sets the criteria for developing a fundamental quality management system. This system focuses on continuous improvement, defect prevention and the reduction of variation and waste. ISO 14001 consists of a set of standards that provide guidance to the management of organizations to achieve an effective environmental management system. ISO/IEC 27001:2005 replaces the previous BS7799 standard, and is the new global certification that focuses on security information management activities associated with the reduction of security breaches. OHSAS 18001:1999 is an internationally accepted specification that defines the requirements for establishing, implementing and operating an Occupational Health and Safety Management System, which is a framework that allows an organization to consistently identify and manage operational risks, reduce the potential for accidents, help achieve compliance with health and safety legislation, and continually improve its performance.

Currently, Jazz is working on the implementation of ISO/TS 16949:2002, an ISO Technical Specification written by the International Automotive Task Force (IATF) which aligns existing US, German, French and Italian automotive quality system standards within the global automotive industry. ISO/TS16949:2002 specifies the quality system requirements for the design, development, production, installation and servicing of automotive-related products.

Jazz's implements quality assurance initiatives that are designed to ensure high yields at its facilities. Jazz tests and monitors raw materials and production at various stages in the manufacturing process before shipment to customers. Quality assurance also includes on-going production reliability audits and failure tracking for early identification of production problems.

Jazz also conducts routine second party audits at ASMC and HHNEC, to assess their semiconductor manufacturing process. These quality audits involve Jazz's engineers and management meetings with representatives of ASMC and HHNEC, inspecting their core processes and orchestrating changes and enhancements designed to ensure that each entity has effectively implemented standards similar to Jazz's.

### JAZZ'S SERVICES

Jazz primarily manufactures semiconductor wafers for its customers. Jazz focuses on providing a high level of customer service in order to attract customers, secure production from them and maintain their continued loyalty. Jazz emphasizes responsiveness to customer needs, flexibility, on-time delivery, speed to market and accuracy. Jazz's customer-oriented approach is evident in two prime functional areas of customer interaction: customer design development and manufacturing services. Throughout the customer engagement process, Jazz offers services designed to provide its customers with a streamlined, well-supported, easy to monitor product flow. Jazz believes that this process enables its customers to get their products to market quickly and efficiently.

Wafer manufacturing requires many distinct and intricate steps, each of which must be completed accurately in order for finished semiconductor devices

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

to work as intended. After a design moves into volume production, Jazz continues to provide ongoing customer support through all phases of the manufacturing process.

The processes required to take raw wafers and turn them into finished semiconductor devices are generally accomplished through five steps: circuit design, mask making, wafer fabrication, probe, and assembly and test. The services Jazz offers to its customers in each of the five steps are described below.

### CIRCUIT DESIGN

Jazz interacts closely with customers throughout the design development and prototyping process to assist them in the development of high performance and low power consumption semiconductor designs and to lower their final die, or individual semiconductor, costs through die size reductions and integration. Jazz provides engineering support and services as well as manufacturing support in an effort to accelerate its customers' design and qualification process so that they can achieve faster time to market. Jazz has entered into alliances with Cadence Design Systems, Inc., Synopsys, Inc. and Mentor Graphics Corp., leading suppliers of electronic design automation tools, and also licensed technology from ARM Holdings plc and Synopsys, Inc., leading providers of physical intellectual property components for the design and manufacture of semiconductors. Through these relationships, Jazz provides its customers with the ability to simulate the behavior of its processes in standard electronic design automation, or EDA, tools. To provide additional functionality in the design phase, Jazz offers its customers standard and proprietary models within design kits that it has developed. These design kits, which collectively comprise its design library, or design platform, allow Jazz's customers quickly to simulate the performance of a semiconductor design in Jazz's processes, enabling them to refine their product design before actually manufacturing the semiconductor.

75

The applications for which Jazz's specialty process technologies are targeted present challenges that require an in-depth set of simulation models. Jazz provides these models as an integral part of its design platform. At the initial design stage, Jazz's customers' internal design teams use Jazz's proprietary design kits to design semiconductors that can be successfully and cost-effectively manufactured using Jazz's specialty process technologies. Jazz's engineers, who typically have significant experience with analog and mixed-signal semiconductor design and production, work closely with Jazz's customers' design teams to provide design advice and help them optimize their designs for Jazz's processes and their performance requirements. After the initial design phase, Jazz provides its customers with a multi-project wafer service to facilitate the early and rapid use of Jazz's specialty process technologies, which allows them to gain early access to actual samples of their designs. Under this multi-project wafer service, Jazz schedules a bimonthly multi-project wafer run in which it manufactures several customers' designs in a single mask set, providing its customers with an opportunity to reduce the cost and time required to test their designs. Jazz believes its circuit design expertise and its ability to accelerate its customers' design cycle while reducing their design costs represents one of its competitive strengths.

### PHOTOMASK MAKING

Jazz's engineers generally assist its customers to design photomasks that are optimized for its specialty process technologies and equipment. Actual photomask production occurs at independent third parties that specialize in

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

photomask making.

### WAFER FABRICATION

Jazz provides wafer fabrication services to its customers using specialty process technologies, including advanced analog CMOS, RF CMOS, high voltage CMOS, BiCMOS, SiGe BiCMOS and BCD processes, as well as using standard CMOS process technologies. During the wafer fabrication process, Jazz performs procedures in which a photosensitive material is deposited on the wafer and exposed to light through a mask to form transistors and other circuit elements comprising a semiconductor. The unwanted material is then etched away, leaving only the desired circuit pattern on the wafer. By using Jazz's ebizz web site, customers are able to access their lot status and work-in-process information via the Internet.

### PROBE

After a visual inspection, individual die on a wafer are tested, or "probed," electrically to identify die that fail to meet required standards. Die that fail this test are marked to be discarded. Jazz generally offers wafer probe services at the customer's request and conducts those services internally in order to obtain accurate data on manufacturing yield rates more quickly. At times when wafers are ordered in excess of Jazz's probe capacity in its Newport Beach, California fab, Jazz may offer to coordinate shipping of completed wafers to third-party vendors for probe services.

### ASSEMBLY AND TEST

Following wafer probe, wafers go through the assembly and test process to form finished semiconductor products. Jazz typically refers its customers to third-party providers of assembly and test services.

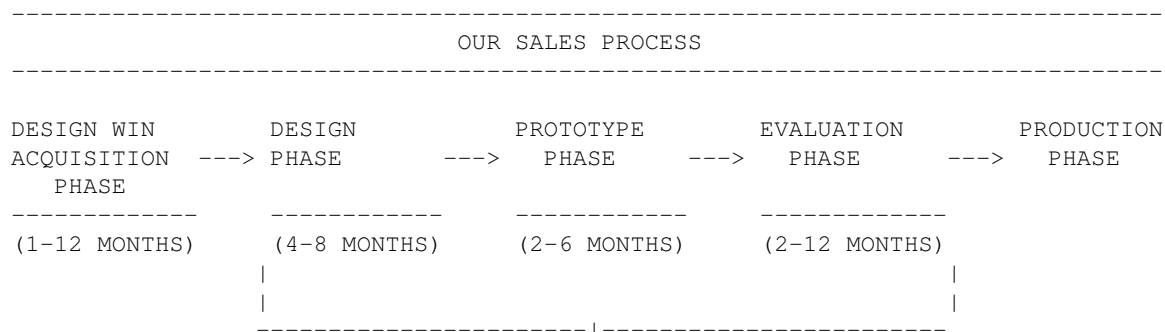
### SALES AND MARKETING

Jazz seeks to establish and maintain relationships with its customers by providing a differentiated process technology portfolio, effective technical services and support and flexible manufacturing. Jazz's sales process is a highly technical and lengthy process. The entire cycle from design win to volume production typically takes between eight and 26 months. During this cycle, Jazz's customers typically dedicate anywhere from three to twelve engineers to support the design, prototype and evaluation phases of their products.

### JAZZ'S SALES PROCESS

The following chart portrays Jazz's sales process.

76



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

8-26 MONTHS

DESIGN WIN ACQUISITION PHASE. Jazz's sales personnel work closely with current and potential customers to identify opportunities for them to pursue product designs using Jazz's process technologies. The customer's decision to design a semiconductor product using one of Jazz's process technologies is based upon several technical and economic factors, including choosing the optimal process technology to achieve a cost-effective solution for their semiconductor device.

The decision to use a specialty process technology also generally requires the customer to select Jazz's specialty process foundry. Customers do not typically move a given design between foundries until the next generation of that design is evaluated because of the highly sensitive and variable nature of specialty process production. The same semiconductor design produced at different specialty process foundries, or even at different times in the same foundry, may have materially different performance characteristics. As a result, customers place significant value upon a given foundry's ability to produce devices that consistently meet specifications, and may be reluctant to shift to another foundry once the process has been stabilized. Given the high switching costs associated with specialty process devices, the design decision process represents a significant commitment by the customer, consuming between one and twelve months and often involving the customer's product architects, design engineers, purchasing personnel and executive management. Jazz's customers will often install Jazz's proprietary design platform, which runs on industry standard EDA tools. The customer will often design a test circuit for Jazz's process in order to evaluate how the circuit performs in an actual silicon implementation. Jazz refers to a customer's decision to design a specific semiconductor using one of its processes as a design win. As of any particular date, Jazz defines a customer as any party from whom it has recognized revenues in the prior twelve months. As of March 28, 2008, Jazz had approximately 355 design wins from 90 customers. A design win commences the design phase.

DESIGN PHASE. The design phase typically involves from three to twelve of Jazz's customer's design engineers and one of Jazz's technical support engineers. This phase generally takes from four to twelve months, after which time the customer provides a circuit data file for which Jazz purchases mask reticles for the manufacture of the semiconductor and commences manufacture of the customer's design, which is considered a "tape-in," at which point the prototype phase commences.

PROTOTYPE PHASE. During the prototype phase, Jazz manufactures the customer's prototype semiconductor and ships the silicon wafers to the customer for functional testing and verification. The customer may test the devices at the wafer or die level, or may package and test the prototype semiconductor devices. Once the customer tests its product design in an actual silicon implementation, the customer may need to make modifications to its design in order to increase performance, add features or correct a design error. The prototype phase typically requires two to twelve months, depending on the number of design modifications required. Once the customer determines that the semiconductors they have developed are ready to ship to its end-customers for evaluation, the evaluation phase commences.

EVALUATION PHASE. After the customer receives functioning semiconductors, it typically provides them to its own end-customers for evaluation. These semiconductors are generally application specific devices targeted for products such as cellular phones, digital TVs, set-top boxes, gaming devices, wireless local area networking devices, digital cameras, switches, routers and broadband modems. If Jazz's customer successfully wins a sub-system or system level design with its customers, which typically takes from two months to twelve months, it in turn places orders with Jazz to satisfy its customer's requirements, and production manufacturing commences. Once 100 wafers incorporating a particular

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

design have been ordered, the evaluation phase is complete, the design is classified as being in volume production, and it is removed from the design win total.

Of Jazz's design wins as of March 28, 2008, approximately 12% are in the design phase, approximately 29% are in the prototype phase, approximately 23% are in the evaluation phase, and approximately 36% are in the production phase. If at any time during the process Jazz's customer determines to abandon its design effort, Jazz considers the design a "lost design win," and no longer counts it towards its total number of design wins.

77

### SALES CONTRACTS

A few of Jazz's major customers purchase services and products from it on a contract basis. Most other customers purchase from Jazz using purchase orders. Jazz prices its products for these customers on a per wafer or per die basis, taking into account the complexity of the technology, the prevailing market conditions, volume forecasts, the strength and history of its relationship with the customer and its current capacity utilization.

Most of its customers usually place their orders only two to four months before shipment; however a few of its major customers are obligated to provide Jazz with longer forecasts of their wafer needs.

### MARKETING

Jazz publishes press releases, opinion editorials and whitepapers, performs presentations, participates in panel sessions at industry conferences, holds a variety of regional and international technology seminars, and attends and exhibits at a number of industry trade shows to promote its products and services. Jazz discusses advances in its process technology portfolio and progress on specific relevant programs with its prospective and major customers as well as industry analysts and research analysts on a regular basis.

### CUSTOMERS, MARKETS AND APPLICATIONS

Jazz's customers use its processes to design and market a broad range of digital, analog and mixed-signal semiconductors for diverse end markets including wireless and high-speed wireline communications, consumer electronics, automotive and industrial. Jazz manufactures products that are used for high-performance applications such as transceivers and power management for cellular phones; transceivers and power amplifiers for wireless local area networking products; power management, audio amplifiers and driver integrated circuits for consumer electronics; tuners for digital televisions and set-top boxes; modem chipsets for broadband access devices and gaming devices; serializer/deserializers, or SerDes, for fiber optic transceivers; focal plane arrays for imaging applications; and wireline interfaces for switches and routers.

### ORDER BACKLOG

Jazz's backlog, which represents the aggregate purchase price of orders received from customers, but not yet recognized as revenues, was approximately \$42.4 million at March 28, 2008. Jazz expects to fill a significant majority of orders in backlog at March 28, 2008, within the current fiscal year. All of Jazz's orders, however, are subject to possible rescheduling by its customers. Rescheduling may relate to quantities or delivery dates, but sometimes relates to the specifications of the products it is shipping. Some of Jazz's supply

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

contracts with its largest customers provide for penalties if firm orders are cancelled. Other customers do business with Jazz on a purchase order basis, and some of these orders may be cancelled by the customer without penalty. Jazz also may elect to permit cancellation of orders without penalty where management believes it is in its best interests to do so. Consequently, Jazz cannot be certain that orders on backlog will be shipped when expected or at all. For these reasons, as well as the cyclical nature of its industry, Jazz believes that its backlog at any given date is not a meaningful indicator of its future revenues.

### JAZZ'S MAJOR CUSTOMERS

SKYWORKS SOLUTIONS, INC. is an industry leader in radio solutions and precision analog semiconductors servicing a diversified set of mobile communications customers. Skyworks was formed upon the spin-off of Conexant's wireless communications division and subsequent merger with Alpha Industries, Inc. Jazz works closely with Skyworks to define the process technologies it requires to design certain of its next-generation products for its target markets. The products that Jazz manufactures for Skyworks include semiconductors used in RF transceivers and power control devices for cellular phone applications. Skyworks Solutions, Inc. accounted for 12.9% and 20% of Jazz's revenues for the three months ended March 28, 2008 and the year ended December 28, 2007, respectively.

CONEXANT SYSTEMS, INC. is a leading semiconductor supplier providing system solutions that enable digital information and entertainment networks. Conexant's product portfolio includes the building blocks required for bridging cable, satellite, and terrestrial data, digital video networks and wireless local area networks. Jazz continues to produce a significant percentage of Conexant's wafer requirements. Conexant remains a large and important customer for it, and Jazz continues to work closely with Conexant to capture its new design opportunities. The products that Jazz manufactures for Conexant include semiconductors used in analog, DSL and cable modems, personal computers, set-top boxes and gaming devices. Conexant Systems, Inc. accounted for 14.3% and 15% of Jazz's revenues for the three months ended March 28, 2008 and the year ended December 28, 2007, respectively.

RF MICRO DEVICES, INC. designs, develops, manufactures and markets proprietary radio frequency integrated circuits, or RFICs, primarily for wireless communications products and applications such as cellular phones and base stations, wireless local area networking devices and cable modems. RF Micro Devices offers a broad array of products, including amplifiers, mixers, modulators/demodulators, and single-chip receivers, transmitters and transceivers that represent a substantial majority of the RFICs required in wireless handsets. The products that Jazz manufactures for RF Micro devices include semiconductors used in cellular transceivers, power controllers and wireless infrastructure components. RF Micro Devices, Inc accounted for 19% and 14% of Jazz's revenues for the three months ended March 28, 2008 and the year ended December 28, 2007, respectively.

TOSHIBA CORPORATION designs and manufactures high-quality flash memory-based storage solutions, discrete devices, displays, advanced materials, medical tubes, custom SoCs/ASICs, digital multimedia and imaging products, microcontrollers and wireless components, that make possible today's leading cell phones, MP3 players, cameras, medical devices, automotive electronics and more. Through advanced and reliable electronic components, Toshiba enables its customers to create market-leading designs and product breakthroughs from OEMs, ODMs, CMs, distributors and fabless chip companies worldwide. Toshiba

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Corporation is Japan's largest semiconductor manufacturer and the world's fourth largest semiconductor manufacturer. Toshiba Corporation accounted for 1.4% and 13% of Jazz's revenues for the three months ended March 28, 2008 and the year ended December 28, 2007, respectively.

### NEW CUSTOMER DEVELOPMENT

Through Jazz's focus on developing new customer relationships, at March 28, 2008, Jazz had secured approximately 300 design wins with 88 post-formation customers across a broad range of end markets. In addition, at March 28, 2008, approximately 98 post-formation customer designs had moved to designs in volume production. Jazz believes its continuous focus on achieving design wins as well as on ramping up production volumes of its current design wins will allow it to continue to diversify and grow its revenue base. The following table provides a summary of end-user applications as well as representative products addressed by its design wins and designs in volume production:

	WIRELESS COMMUNICATIONS	CONSUMER ELECTRONICS	WIRELINE COMMUNICATIONS	OTHER MA
	-----	-----	-----	-----
Representative end market products	<ul style="list-style-type: none"> <li>o Cellular phones</li> <li>o Wireless networking systems</li> </ul>	<ul style="list-style-type: none"> <li>o Digital TVs</li> <li>o DVD players</li> <li>o Cordless phones</li> <li>o Gaming devices</li> <li>o Set-top boxes</li> </ul>	<ul style="list-style-type: none"> <li>o Switches</li> <li>o Optical transceivers</li> <li>o Broadband modems</li> <li>o Analog modems</li> </ul>	<ul style="list-style-type: none"> <li>o Imaging p</li> <li>o Military</li> <li>o Automotiv</li> <li>o Sensors</li> </ul>
Representative semiconductors	<ul style="list-style-type: none"> <li>o GSM/GPRS/ EDGE transceivers</li> <li>o Power amplifiers</li> <li>o WCDMA transceivers</li> <li>o Ultra wideband transceivers</li> </ul>	<ul style="list-style-type: none"> <li>o DSL and cable modem chipsets</li> <li>o Digital and mobile TV tuners</li> <li>o DVD laser drivers</li> <li>o Power management</li> </ul>	<ul style="list-style-type: none"> <li>o SerDes for transceiver modules</li> <li>o Analog to digital converters</li> </ul>	<ul style="list-style-type: none"> <li>o Image sen</li> <li>o Focal pla</li> </ul>

### COMPETITION

Jazz competes internationally and domestically with dedicated foundry service providers such as Taiwan Semiconductor Manufacturing Company, United Microelectronics Corporation, Semiconductor Manufacturing International Corporation and Chartered Semiconductor Manufacturing Ltd., which, in addition to providing leading edge complementary metal oxide semiconductor process technologies, also have capacity for some specialty process technologies. Jazz also competes with integrated device manufacturers that have internal semiconductor manufacturing capacity or foundry operations, such as IBM. In addition, several new dedicated foundries have commenced operations and may compete directly with Jazz. Many of Jazz's competitors have higher capacity, longer operating history, longer or more established relationships with their customers, superior research and development capability and greater financial and marketing resources than Jazz. As a result, these companies may be able to compete more aggressively over a longer period of time than Jazz.

IBM competes in both the standard CMOS segment and in specialty process technologies. In addition, there are a number of smaller participants in the specialty process arena. Jazz believes that most of the large dedicated foundry service providers compete primarily in the standard CMOS segment, but they also have capacity for specialty process technologies. Prior to Jazz's separation



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

from Conexant, Conexant entered into a long-term licensing agreement with Taiwan Semiconductor Manufacturing Company under which Taiwan Semiconductor Manufacturing Company licensed from Conexant the right to manufacture semiconductors using Conexant's then existing 0.18 micron or greater SiGe BiCMOS process technologies. Jazz does not believe that Taiwan Semiconductor Manufacturing Company has focused its business on the SiGe BiCMOS market to date. However, Taiwan Semiconductor Manufacturing Company publicly announced in 2001 that it planned to use the licensed technology to accelerate its own foundry processes for the networking and wireless communications markets. Since Jazz Semiconductor's formation, Jazz has continued to make improvements in its SiGe BiCMOS process technology. Jazz has not licensed any of these improvements to Taiwan Semiconductor Manufacturing Company. Jazz does not believe that the license of SiGe BiCMOS process technology by Taiwan Semiconductor Manufacturing Company has had any significant effect on its business. In the event Taiwan Semiconductor Manufacturing Company determines to focus its business on the SiGe BiCMOS market, it may use and develop the technology licensed to it in 2001 to compete directly with Jazz in the specialty market, and such competition may harm Jazz's business.

79

As Jazz's competitors continue to increase their manufacturing capacity, there could be an increase in specialty semiconductor capacity during the next several years. As specialty capacity increases there may be more competition and pricing pressure on Jazz's services, and under utilization of its capacity may result. Any significant increase in competition or pricing pressure may erode its profit margins, weaken Jazz's earnings or increase its losses.

Additionally, some semiconductor companies have advanced their complementary metal oxide semiconductor designs to 90 nanometer or smaller geometries. These smaller geometries may provide the customer with performance and integration features that may be comparable to, or exceed, features offered by Jazz's specialty process technologies, and may be more cost-effective at higher production volumes for certain applications, such as when a large amount of digital content is required in a mixed-signal semiconductor and less analog content is required. Jazz's specialty process technologies will therefore compete with these advanced CMOS processes for customers and some of its potential and existing customers could elect to design these advanced CMOS processes into their next generation products. Jazz is not currently capable, and does not currently plan to become capable, of providing CMOS processes at these smaller geometries. If Jazz's existing customers or new customers choose to design their products using these CMOS processes Jazz's business may suffer.

The principal elements of competition in the semiconductor foundry industry include:

- o technical competence;
- o production speed and cycle time;
- o time-to-market;
- o research and development quality;
- o available capacity;
- o fab and manufacturing yields;
- o customer service;

- o price;
- o management expertise; and
- o strategic relationships.

There can be no assurance that Jazz will be able to compete effectively on the basis of all or any of these elements. Jazz's ability to compete successfully may depend to some extent on factors outside of its control, including industry and general economic trends, import and export controls, exchange controls, exchange rate fluctuations, interest rate fluctuations and political developments. If Jazz cannot compete successfully in its industry, its business and results of operations will be harmed.

#### RESEARCH AND DEVELOPMENT

The semiconductor industry is characterized by rapid changes in technology. As a result, effective research and development is essential to Jazz's success. Jazz invested approximately \$14.1 million in 2007 in research and development, which represented 7.7% of its revenues. Jazz plans to continue to invest significantly in research and development activities to develop advanced process technologies for new applications. As of March 28, 2008, Jazz employed 61 professionals in its research and development department, approximately 22 of whom hold Ph.D. degrees.

Jazz's research and development activities seek to upgrade and integrate manufacturing technologies and processes. Although Jazz emphasizes firm-wide participation in the research and development process, it maintains a central research and development team primarily responsible for developing cost-effective technologies that can serve the manufacturing needs of its customers. A substantial portion of Jazz's research and development activities are undertaken in cooperation with its customers and equipment vendors.

80

#### INTELLECTUAL PROPERTY

Jazz's success depends in part on its ability to obtain patents, licenses and other intellectual property rights covering and relating to wafer manufacturing and production processes, semiconductor structures and other structures fabricated on wafers. To that end, Jazz has acquired certain patents and patent licenses and intends to continue to seek patents covering and relating to wafer manufacturing and production processes, semiconductor structures and other structures fabricated on wafers. As of March 28, 2008, Jazz had 144 patents in force in the United States and 23 patents in force in foreign countries. Jazz also had 21 pending patent applications in the United States, 22 pending patent applications in foreign countries and no patent pending applications under the Patent Cooperation Treaty.

Jazz's issued patents have expiration dates ranging from 2008 to 2026. Jazz considers its patent portfolio to be important to its business, but does not view any single patent as material in relation to its overall revenues. Jazz believes that its SiGe and BiCMOS portfolios are material to its business. Patents within its SiGe portfolio expire at various times from 2020 to 2024. Patents within its RF CMOS portfolio expire at various times from 2018 to 2024. Patents within its BiCMOS portfolio expire at various times from 2008 to 2024.

Jazz's expired patents generally related to legacy technologies that were developed by its predecessors, namely Rockwell. Due to the rapid pace of technological changes and advancement in the field of semiconductor fabrication

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

and processing, Jazz does not believe that the expiration of these patents materially affects its competitive position.

Jazz has entered into various patent licenses. For example, Jazz Semiconductor entered into a technology license agreement under which it licensed to ASMC, without the right to sublicense, CMOS, RF CMOS, BiCMOS and SiGe BiCMOS process technologies and engineering assistance, for use in connection with its manufacture of wafers for Jazz Semiconductor. Jazz Semiconductor also licensed its process technologies, patents and know how relating to the production of certain CMOS and RF CMOS wafers to HHNEC for its own use and certain RF CMOS and SiGe BiCMOS process technologies for use solely in connection with the manufacture of wafers for Jazz Semiconductor, in each case without the right to sublicense.

Jazz Semiconductor entered into a technology license agreement that grants to it worldwide perpetual license rights from PolarFab regarding certain process technologies that it intends to incorporate into its BCD process technologies for the manufacture of wafers by Jazz for its customers and customers of PolarFab. Jazz Semiconductor also entered into an associated technology transfer agreement for such processes. Jazz is able to adapt, prepare derivatives based on, or otherwise exploit the licensed technology, however, Jazz is restricted from using certain licensed BCD process technologies with respect to motor controllers for hard disk drives. Jazz is also able to sublicense the process technologies to ASMC, HHNEC and any of its future manufacturing suppliers to manufacture for Jazz and its customers.

During 2004, Jazz Semiconductor entered into a cross license and release agreement with an unrelated third party. The license includes technology developed by the third party related to Jazz Semiconductor's manufacturing process. In exchange for the license and release, Jazz Semiconductor agreed to make certain payments through 2007. Jazz may choose to obtain additional patent licenses or enter into additional patent cross-licenses in the future. However, there can be no assurance as to whether future agreements will be reached or as to the terms of any agreement that is consummated.

In connection with Jazz Semiconductor's separation from Conexant, Conexant contributed to Jazz Semiconductor a substantial portion of its intellectual property, including software licenses, patents and intellectual property rights in know-how related to its business. Jazz Semiconductor agreed to license intellectual property rights relating to the owned intellectual property contributed to Jazz Semiconductor by Conexant back to Conexant and its affiliates. Conexant may use this license to have Conexant products produced by third-party manufacturers and to sell such products, but must obtain Jazz Semiconductor's prior consent to sublicense these rights for the purpose of enabling that third party to provide semiconductor fabrication services to Conexant.

In connection with Jazz Semiconductor's formation, Conexant granted to Jazz Semiconductor non-exclusive, royalty-free licenses:

- o in patents and process technology materials for use at its facilities in order to produce, sell, develop and improve semiconductor wafers and devices;
- o to use the design kits that Jazz Semiconductor offers to its customers; and
- o to certain other intellectual property used in Jazz Semiconductor's business.

The agreement provides that in no event will Jazz Semiconductor's or Conexant's aggregate liability to the other exceed \$5.0 million, nor will Jazz

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Semiconductor or they be liable for consequential or incidental damages. Because the amount of Conexant's indemnity obligation to Jazz Semiconductor is capped, it may not be sufficient to cover all damages Jazz might have to pay, or other costs Jazz may incur in connection with the agreement.

81

Prior to Jazz Semiconductor's separation from Conexant, Conexant entered into a long-term licensing agreement with Taiwan Semiconductor Manufacturing Company under which Taiwan Semiconductor Manufacturing Company licensed from Conexant the right to manufacture semiconductors using Conexant's then existing 0.18 micron or greater SiGe BiCMOS process technologies.

Jazz's ability to compete depends on its ability to operate without infringing the proprietary rights of others. The semiconductor industry is generally characterized by frequent litigation regarding patent and other intellectual property rights. As is the case with many companies in the semiconductor industry, Jazz has from time to time received communications from third parties asserting that their patents cover certain of its technologies or alleging infringement of their other intellectual property rights. Jazz expects that it will receive similar communications in the future. Irrespective of the validity or the successful assertion of such claims, Jazz could incur significant costs and devote significant management resources to the defense of these claims, which could seriously harm the Company. There is no material litigation involving an infringement claim currently pending against Jazz.

### ENVIRONMENTAL MATTERS

Semiconductor manufacturing processes generate solid, gaseous, liquid and other industrial wastes in various stages of the manufacturing process. Jazz has installed various types of pollution control equipment in its fab to reduce, treat and, where feasible, recycle the wastes generated in its manufacturing process. Jazz's operations are subject to strict regulation and periodic monitoring by the United States Environmental Protection Agency along with several state and local environmental agencies.

Jazz has implemented an environmental management system that assists Jazz in identifying applicable environmental regulations, evaluating compliance status and establishing timely waste preventive measures. Jazz has also obtained certification for implementing the standard requirements of ISO 14001:2004. ISO 14001 consists of a set of standards that provide guidance to the management of organizations to achieve an effective environmental management system.

Jazz believes that it has adopted pollution measures for the effective maintenance of environmental protection standards substantially consistent with U.S. federal, state and local environmental regulations. Jazz also believes that it is currently in material compliance with applicable environmental laws and regulations.

### EMPLOYEES

As of March 28, 2008, Jazz had 719 employees, which included 599 employees in manufacturing, 61 employees in research and development and 59 employees performing sales, marketing and administrative functions. Of the total employees, 713 were full-time and 6 were part-time employees.

As of March 28, 2008, 316 of Jazz's employees are covered by a collective bargaining agreement and are members of the International Brotherhood of Electrical Workers. Jazz believes that it has a good relationship with all of its employees.

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

### RISK MANAGEMENT AND INSURANCE

As part of its risk management program, Jazz surveyed its buildings and fab for resistance to potential earthquake damage. As a result of this survey, Jazz implemented additional measures to minimize its fab's exposure to potential damage caused by future earthquakes and seismically qualified its fab for a high magnitude earthquake.

Jazz maintains industrial special risk insurance for its facilities, equipment and inventories that covers physical damage and consequential losses from natural disaster and certain other risks up to the policy limits and except for exclusions as defined in the policies. Jazz also maintains public liability insurance for losses to others arising from its business operations and carries insurance for business interruption resulting from such events and if its suppliers are unable to provide Jazz with supplies. While Jazz believes that its insurance coverage is adequate and consistent with industry practice, significant damage to any of its or its manufacturing suppliers' production facilities, whether as a result of fire or other causes, could seriously harm its business and results of operations.

### JAZZ'S PROPERTIES

Jazz's headquarters and manufacturing facilities are located in Newport Beach, California. Jazz leases the use of these facilities from Conexant under non-cancellable operating leases that expire March 12, 2017 and it has the option to extend each lease for two consecutive five-year periods after March 12, 2017. Pursuant to the merger agreement, Jazz and Conexant have executed amendments to the leases, which were effective upon completion of the acquisition of Jazz Semiconductor. Under the amendments, Jazz's headquarters office may be relocated one time no earlier than 12 months from the completion of the acquisition of Jazz Semiconductor to another building within one mile of its current location at Conexant's option and expense, subject to certain conditions. Jazz also leases from third-parties office facilities in Shanghai, China.

82

The following table provides certain information as to Jazz's principal general offices, manufacturing and warehouse facilities:

PROPERTY LOCATION	USE	FLOOR SPACE
Newport Beach, California	Headquarters office	68,227 square feet
Newport Beach, California	Manufacturing facility	320,510 square feet
Shanghai, China	Research and development facility	8,813 square feet

Jazz expects these office and warehouse facilities to be adequate for its business purposes through 2008 and Jazz expects additional space to be available to use on commercially reasonable terms at that time. Consistent with Jazz's manufacturing strategy, Jazz plans to add manufacturing capacity as needed by expanding its existing manufacturing supply relationships, entering into new manufacturing supply relationships or acquiring existing manufacturing facilities.

### LEGAL PROCEEDINGS

Jazz is not currently involved in material litigation or other proceedings. As is the case with many companies in the semiconductor industry, Jazz has from time to time received notices alleging infringement of intellectual property rights of others and breach of warranties.

83

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF JAZZ

THE FOLLOWING DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF JAZZ SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES AS WELL AS OTHER INFORMATION APPEARING ELSEWHERE IN THIS PROXY STATEMENT/PROSPECTUS, INCLUDING THE INFORMATION IN THE SECTION ENTITLED "RISK FACTORS RELATING TO THE MERGER."

OVERVIEW

THE COMPANY

Jazz was incorporated in Delaware on August 12, 2005. Jazz was formed to serve as a vehicle for the acquisition of one or more domestic and/or foreign operating businesses through a merger, capital stock exchange, stock purchase, asset acquisition or other similar business combination.

Jazz is based in Newport Beach, California and following the acquisition of Jazz Semiconductor, Jazz became an independent semiconductor foundry focused on specialty process technologies for the manufacture of analog intensive mixed-signal semiconductor devices. Jazz's specialty process technologies include advanced analog, radio frequency, high voltage, bipolar and SiGe semiconductor processes, for the manufacture of analog and mixed-signal semiconductors. Jazz's customer's analog and mixed-signal semiconductor devices are used in cellular phones, wireless local area networking devices, digital TVs, set-top boxes, gaming devices, switches, routers and broadband modems.

ACQUISITION OF JAZZ SEMICONDUCTOR

On February 16, 2007, Jazz completed the acquisition of all of the outstanding capital stock of Jazz Semiconductor for \$262.4 million in cash, and acquired, as part of the assets of Jazz Semiconductor, \$26.1 million in cash. The audited consolidated financial statements include the results of operations for Jazz Semiconductor following the date of acquisition. The acquisition was accounted for under the purchase method of accounting in accordance with U.S. generally accepted accounting principles for accounting and financial reporting purposes. Under this method, Jazz Semiconductor was treated as the "acquired" company. In connection with the acquisition, Jazz adopted Jazz Semiconductor's fiscal year. In July 2007, Jazz entered into an agreement with the former Jazz Semiconductor stockholders that reduced the purchase price by \$9.3 million to \$253.1 million. The reduction has been reflected in the accompanying consolidated financial statements.

Prior to March 12, 2002, Jazz Semiconductor's business was Conexant's Newport Beach, California semiconductor fabrication operations. Jazz Semiconductor's business was formed upon Conexant's contribution of those fabrication operations to its wholly-owned subsidiary, Newport Fab, LLC and Conexant's contribution of Newport Fab, LLC to Jazz Semiconductor, together with a cash investment in Jazz Semiconductor by affiliates of The Carlyle Group. Conexant and affiliates of The Carlyle Group continued to be the largest stockholders of Jazz Semiconductor until its acquisition in February 2007.

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Substantially all of Jazz Semiconductor's business operation was conducted by its wholly-owned subsidiary, Newport Fab, LLC. Since its formation in early 2002, Jazz Semiconductor has transitioned its business from a captive manufacturing facility within Conexant to an independent semiconductor foundry.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

#### ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenues and expenses in the reporting period. Jazz regularly evaluates estimates and assumptions related to allowances for doubtful accounts, sales returns allowances, inventory reserves, valuation of acquired assets and liabilities, determination of asset lives for depreciation and amortization, asset impairment assumptions, income taxes, stock compensation, post-retirement medical plan and pension plan. Jazz bases its estimates and assumptions on current facts, historical experience and various other factors that Jazz believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. Accordingly, the actual results may differ materially and adversely from its estimates. To the extent there are material differences between the estimates and the actual results, future results of its operations will be affected.

#### REVENUE RECOGNITION

Jazz's net revenues are generated principally by sales of semiconductor wafers. Jazz derives the remaining balance of its net revenues from the resale of photomasks and other engineering services. The majority of its sales occur through the efforts of its direct sales force.

84

In accordance with SEC Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements" ("SAB No. 101"), and SAB No. 104, "Revenue Recognition" ("SAB No. 104"), Jazz recognizes product revenues when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the price to the customer is fixed or determinable and (iv) collection of the resulting receivable is reasonably assured. These criteria are usually met at the time of product shipment. However, Jazz does not recognize revenues until all customer acceptance requirements have been met, when applicable.

Revenues for engineering services are recognized ratably over the contract term or as services are performed. Revenues from contracts with multiple elements are recognized as each element is earned based on the relative fair value of each element and when there are no undelivered elements that are essential to the functionality of the delivered elements and when the amount is not contingent upon delivery of the undelivered elements. Advances received from customers towards future engineering services, product purchases and in some cases capacity reservation are deferred until products are shipped to the customer, services are rendered or the capacity reservation period ends.

Jazz provides for sales returns and allowances relating to specific yield or quality commitments as a reduction of revenues at the time of shipment based on historical experience and specific identification of an event necessitating

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

an allowance. Actual allowances given have been within management's expectations.

### ACCOUNTS RECEIVABLE

Jazz performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current credit worthiness, as determined by its review of their current credit information. Jazz monitors collections and payments from its customers and maintains an allowance for doubtful accounts based upon historical experience, industry norms and specific customer collection issues that it has identified. While Jazz's credit losses have historically been within its expectations and the allowance established, Jazz may not continue to experience the same credit loss rates as it has in the past. Jazz's accounts receivable are concentrated among a relatively small number of customers. Should there be a significant change in the liquidity or financial position of any one customer, resulting in an impairment of its ability to make payments, Jazz may be required to increase the allowance for doubtful accounts, which could have a material adverse impact on its consolidated financial position, results of operations and cash flows.

### INVENTORIES

Jazz initiates production of a majority of its wafers once it has received an order from a customer. Jazz generally does not carry a significant inventory of finished goods except in response to specific customer requests or if it determines to produce wafers in excess of orders because it forecasts future excess demand and capacity constraints. Jazz seeks to purchase and maintain raw materials at sufficient levels to meet lead times based on forecasted demand. If forecasted demand exceeds actual demand, Jazz may need to provide an allowance for excess or obsolete quantities on hand. Jazz also reviews its inventories for indications of obsolescence or impairment and provides reserves as deemed necessary. Jazz scraps inventory that has been written down after it is determined that it cannot be sold. If actual market conditions are less favorable than those projected by management, additional inventory reserves may be required. Jazz states its inventories at the lower of cost, using the first-in, first-out method, or market.

### IMPAIRMENT OF ASSETS

The amounts and useful lives assigned to intangible assets acquired impact the amount and timing of future amortization. The value of Jazz's intangible assets could be impacted by future adverse changes such as: (i) future declines in Jazz's operating results, (ii) a decline in its stock price, (iii) a significant slowdown in the semiconductor industry, or (iv) any failure to meet its projected performance of future operating results. Jazz periodically reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. If an asset is considered to be impaired, the impairment loss is recognized immediately and is considered to be the amount by which the carrying amount of the asset exceeds its fair value. Jazz does not have any intangible assets with indefinite useful lives.

Jazz conducted its impairment review as of March 28, 2008, due to the recent decline in its stock price. Jazz used the income approach methodology of valuation that includes undiscounted cash flows to determine the fair value of its intangible assets. Significant management judgment is required in the forecasts of future operating results used for this methodology. These estimates are consistent with the plans and forecasts Jazz uses to conduct its business. As a result of this analysis, no assets were considered to be impaired and Jazz has not recognized any impairment loss for any long-lived or intangible asset as of March 28, 2008.



## ACCOUNTING FOR INCOME TAXES

Effective January 1, 2007, Jazz adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN No. 48"). Jazz is subject to U.S. federal income tax as well as income tax in multiple state and foreign jurisdictions. Jazz believes its tax return positions are fully supported, but tax authorities may challenge certain positions, which may not be fully sustained. Jazz assesses its income tax positions and record tax benefits for all years subject to examination based upon its evaluation of the facts, circumstances, and information available at the reporting date. For uncertain tax positions where it is more likely than not that a tax benefit will be sustained, Jazz records the greatest amount of tax benefit that has a greater than 50 percent probability of being realized upon effective settlement with a taxing authority that has full knowledge of all relevant information. For uncertain income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. Jazz's policy is to recognize interest and penalties that would be assessed in relation to the settlement value of unrecognized tax benefits as a component of income tax expense.

Jazz accounts for income taxes under the provisions of SFAS No. 109, "Accounting for Income Taxes," ("SFAS No. 109"). SFAS No. 109 requires that it recognizes in its consolidated financial statements:

- o deferred tax assets and liabilities for the future tax consequences of events that have been recognized in its consolidated financial statements or its tax returns; and
- o the amount of taxes payable or refundable for the current year.

The tax consequences of most events recognized in the current year's financial statements are included in determining income taxes currently payable. However, because tax laws and financial accounting standards differ in their recognition and measurement of assets, liabilities, equity, revenues, expenses and gains and losses, differences arise between the amount of taxable income and pretax financial income for a year and between the tax bases of assets or liabilities and their reported amounts in its financial statements. It is assumed that the reported amounts of assets and liabilities will be recovered and settled, respectively, in the future. Accordingly, a difference between the tax basis of an asset or a liability and its reported amount on the balance sheet will result in a taxable or a deductible amount in some future years when the related liabilities are settled or the reported amounts of the assets are recovered.

To determine the amount of taxes payable or refundable for the current year, Jazz is required to estimate its income taxes. Jazz's effective tax rate may be subject to fluctuations during the fiscal year as new information is obtained, which may affect the assumptions it uses to estimate its annual effective tax rate, including factors such as valuation allowances against deferred tax assets, reserves for tax contingencies, utilization of tax credits and changes in or interpretation of tax laws in jurisdictions where it conducts operations.

Utilization of net operating losses, credit carryforwards, and certain deductions may be subject to a substantial annual limitation due to ownership change limitations provided by the Internal Revenue Code and similar state provisions. The tax benefits related to future utilization of federal and state net operating losses, tax credit carryforwards, and other deferred tax assets

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

may be limited or lost if cumulative changes in ownership exceed 50% within any three-year period. Additional limitations on the use of these tax attributes could occur in the event of possible disputes arising in examinations from various tax authorities. Jazz is not currently under examination.

### PENSION PLANS

Jazz maintains a defined benefit pension plan for its employees covered by a collective bargaining agreement. For financial reporting purposes, the calculation of net periodic pension costs is based upon a number of actuarial assumptions, including a discount rate for plan obligations, an assumed rate of return on pension plan assets and an assumed rate of compensation increase for employees covered by the plan. All of these assumptions are based upon management's judgment, considering all known trends and uncertainties. Actual results that differ from these assumptions would impact future expense recognition and cash funding requirements of its retirement plans.

### STOCK BASED COMPENSATION

Jazz records equity compensation expense in accordance with SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"). SFAS No. 123R requires companies to estimate the fair value of stock options on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service periods. Jazz has estimated the fair value of stock options as of the date of grant using the Black-Scholes option pricing model, which was developed for use in estimating the value of traded options that have no vesting restrictions and that are freely transferable. The Black-Scholes model considers, among other factors, the expected life of the award and the expected volatility of Jazz's stock price. Although the Black-Scholes model meets the requirements of SFAS No. 123R and SAB No. 107, "Share-Based Payment" ("SAB No. 107"), the fair values generated by the model may not be indicative of the actual fair values of Jazz's equity awards, as it does not consider other factors important to those awards to employees, such as continued employment, periodic vesting requirements, and limited transferability. Jazz estimates stock price volatility based on historical volatility of its own stock price and its peers. Jazz recognizes compensation expense using the straight-line amortization method for stock-based compensation awards with graded vesting.

86

The key assumptions used in the Black-Scholes model in determining the fair value of options granted during the three months ended March 28, 2008 are as follows:

Expected life in years	6
Expected price volatility	43.90 - 45.10%
Risk-free interest rate	2.47 - 3.15%
Dividend yield	0.00%

### RESULTS OF OPERATIONS

#### COMPARISON OF THREE MONTHS ENDED MARCH 28, 2008 AND MARCH 30, 2007

For the three months ended March 28, 2008, Jazz had a net loss of \$4.0 million compared to a net loss of \$11.7 million for the corresponding period in 2007. The results for the three months ended March 30, 2007 include the results of operations for Jazz Semiconductor only from February 17, 2007 through March 30, 2007. Jazz's primary source of income prior to the consummation of the initial business combination with Jazz Semiconductor on February 16, 2007, was

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

interest earned on the funds held in trust and escrow accounts.

### PRO FORMA FINANCIAL INFORMATION

The acquisition of Jazz Semiconductor is Jazz's first business combination and accordingly, Jazz does not think a comparison of the results of operations and cash flows for the three months ended March 28, 2008 versus the corresponding periods in 2007 is very useful to its investors. In order to assist investors in better understanding the changes in its business between the three months ended March 28, 2008 and March 30, 2007, Jazz is presenting in the discussion below pro forma results for Jazz and Jazz Semiconductor for the three months ended March 30, 2007, as if the acquisition of Jazz Semiconductor occurred on January 1, 2007. Jazz derived the pro forma results from (i) the unaudited condensed consolidated financial statements of Jazz Semiconductor for the period from December 30, 2006 to February 16, 2007 (the date of the Jazz acquisition) and Jazz's unaudited condensed consolidated financial statements for the three months ended March 30, 2007.

The pro forma results are not necessarily indicative of the results that may have actually occurred had the acquisition taken place on the date noted, or the future financial position or operating results of Jazz or Jazz Semiconductor. The pro forma results exclude the write-off of in-process research and development that was expensed during the three months ended March 30, 2007. The pro forma adjustments are based upon available information and assumptions that Jazz believes are reasonable. The pro forma adjustments include adjustments for interest expenses (relating primarily to interest on the 8% Convertible Senior Notes due 2011 (referred to as the "convertible notes") issued in December 2006) and increased depreciation and amortization expense as a result of the application of the purchase method of accounting.

Under the purchase method of accounting, the total purchase price is allocated to the net tangible and intangible assets acquired and liabilities assumed, based on various estimates of their respective fair values. Jazz performed a valuation of all the assets and liabilities in accordance with SFAS 141. The depreciation and amortization expense adjustments reflected in the pro forma results of operations are based on the final valuation of Jazz Semiconductor's tangible and intangible assets described in Note 3 to Jazz's unaudited condensed consolidated financial statements for the three months ended March 28, 2008, included elsewhere in this proxy statement/prospectus.

STATEMENTS OF OPERATIONS			
(US\$ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
-----			
THREE MONTHS ENDED			
-----			
	MARCH 28, 2008		MARCH 30, 2007
	(ACTUAL, UNAUDITED)		(PRO FORMA, UNAUDITED)
-----			
Net revenues	\$ 50,830	\$	48,096
Cost of revenues	43,385		51,630
	-----		
Gross profit	7,445		(3,534)
Operating expenses:			
Research and development	3,910		4,979
Selling, general and administrative	4,964		10,239
Amortization of intangible assets	346		541
	-----		
Total operating expenses	9,220		15,759
	-----		

Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Loss from operations	(1,775)	(19,293)
Net interest expense	3,169	1,370
Other (income) expenses	(900)	113
Net loss	\$ (4,044)	\$ (20,776)
Pro forma net loss per share - basic and diluted	\$ (0.22)	\$ (0.69)

87

REVENUES

Jazz's revenues are generated principally from the sale of semiconductor wafers and in part from the sale of photomasks and other engineering services. Net revenues are net of provisions for returns and allowances. Revenues are categorized by technology group into specialty process revenues and standard process revenues. Specialty process revenues include revenues from wafers manufactured using Jazz's specialty process technologies-advanced analog CMOS, radio frequency CMOS or RF CMOS, high voltage CMOS, bipolar CMOS or BiCMOS, SiGe BiCMOS, and bipolar CMOS double-diffused metal oxide semiconductor or BCD, processes. Standard process revenues are revenues derived from wafers employing digital CMOS and standard analog process technologies.

The following table presents net revenues for the three months ended March 28, 2008 and March 30, 2007:

NET REVENUES (US\$ IN THOUSANDS, EXCEPT PERCENTAGES)						
THREE MONTHS ENDED MARCH 28, 2008 (ACTUAL, UNAUDITED)		THREE MONTHS ENDED MARCH 30, 2007 (PRO FORMA, UNAUDITED)		% OF PRO FORMA NET REVENUES	INCREASE (DECREASE)	% CH
AMOUNT	% OF NET REVENUES	AMOUNT				
Specialty Process Revenues	\$39,184	77.1	\$ 38,458	80.0	\$ 726	1
Standard Process Revenues	11,646	22.9	9,638	20.0	2,008	20
Net Revenues	\$50,830	100.0	\$ 48,096	100.0	\$ 2,734	5

Jazz's net revenues increased by \$2.7 million or 5.7% to \$50.8 million for the three months ended March 28, 2008 compared to \$48.1 million of pro forma revenues for the corresponding period in 2007. This increase is the result of a \$0.7 million or 1.9% increase in specialty process net revenues to \$39.2 million for the three months ended March 28, 2008 from \$38.5 million of pro forma specialty process revenues for the corresponding period in 2007 and a \$2.0 million or 20.8% increase in standard process net revenues to \$11.6 million for the three months ended March 28, 2008, from \$9.6 million of pro forma standard process revenues for the corresponding period in 2007.

The increase in standard process revenues, and the change in revenue mix, can be attributed in large part to the increase in orders from a single large customer, whose purchases of Jazz's products have predominantly been standard

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

process wafers. Although revenues from Jazz's standard process technologies increased for the 2008 first quarter due to the overall semiconductor industry cycle, it has generally declined and Jazz believes this is attributable to some of its customers transitioning new standard process designs to foundries that focus on high volume and commodity oriented technologies and pricing, demand for standard process technology from other new customers helped offset this decline.

The marginal increase in specialty process revenues can be mainly attributed in part to stronger demand from some of Jazz's larger customers and in part to changes in Jazz's customer mix for three months ended March 28, 2008 compared to the corresponding period in 2007.

Once the market strengthens, Jazz believes it will see standard process and specialty process revenues stabilize or grow moderately quarter over quarter. However, the semiconductor market is cyclical, and Jazz does not know when the market will begin to improve.

The change in revenues mix of 77% specialty process revenues and 23% standard process revenues for the three months ended March 28, 2008 compared to 80% and 20%, respectively, for the corresponding period in 2007, was largely the result of an increase in standard process revenues primarily attributable to a single customer. While Jazz intends to continue to offer full service solutions to its customer base, it believes its competitive advantage is to focus on specialty process revenues.

### COST OF REVENUES

Cost of revenues consists primarily of purchased manufactured materials, labor, manufacturing-related overheads and engineering services. Purchased manufactured materials consists primarily of purchase price of raw wafers and shipping costs incurred. Cost of revenues also includes the purchase of photomasks, provision for test services and the cost of defective inventory caused by fab and manufacturing yields as incurred. Jazz reviews its inventories for indications of obsolescence or impairment and provide reserves as deemed necessary. Royalty expenses incurred in connection with certain of Jazz's process technologies, and depreciation and amortization expense on assets used in the manufacturing process are also included within the cost of revenues.

88

The following table presents cost of revenues for the three months ended March 28, 2008 and March 30, 2007:

COST OF REVENUES (US\$ IN THOUSANDS, EXCEPT PER SHARE)				
THREE MONTHS ENDED MARCH 28, 2008 (ACTUAL, UNAUDITED)		THREE MONTHS ENDED MARCH 30, 2007 (PRO FORMA, UNAUDITED)		
AMOUNT	% OF NET REVENUES	AMOUNT	% OF PRO FORMA NET REVENUES	INCREASE (DECREASE)
Cost of revenues (not including depreciation & amortization of intangible assets)	\$ 34,893      68.7	\$ 42,574	88.5	\$ (7)
Cost of revenues - depreciation &				

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

amortization of intangible assets	8,492	16.7	9,056	18.8	
	-----	-----	-----	-----	-----
Total cost of revenues	\$ 43,385	85.4	\$ 51,630	107.3	\$ (8)
	=====	=====	=====	=====	=====

Jazz's cost of revenues decreased by \$8.2 million or 16.0% to \$43.4 million for the three months ended March 28, 2008, compared to \$51.6 million of pro forma cost of revenues for the corresponding period in 2007. Cost of revenues as a percentage of revenues decreased to 85.4% for the three months ended March 28, 2008 compared to 107.3% (on a pro forma basis) for the corresponding period in 2007.

The decrease was mainly due to higher fabrication capacity utilization and to a lesser extent due to management's continued cost-cutting efforts since 2007 resulting in lower labor and overhead costs during the three months ended March 28, 2008 as compared to the corresponding period in 2007. The higher fabrication capacity utilization resulted in a lower allocation of fixed production costs per unit to inventory resulting in decreased cost per unit sold and correspondingly, decreased cost of revenues during the three months ended March 28, 2008 compared to the corresponding period in 2007.

The amortization of acquired technology and backlog has been allocated to cost of revenues and primarily relates to the developed technology acquired from the acquisition of Jazz Semiconductor on February 16, 2007.

### GROSS PROFIT

The following table presents gross profit for the three months ended March 28, 2008 and March 30, 2007:

	GROSS PROFIT (US\$ IN THOUSANDS, EXCEPT PER				
	THREE MONTHS ENDED MARCH 28, 2008 (ACTUAL, UNAUDITED)		THREE MONTHS ENDED MARCH 30, 2007 (PRO FORMA, UNAUDITED)		
	AMOUNT	% OF NET REVENUES	AMOUNT	% OF PRO FORMA NET REVENUES	INCR (DECR)
	-----	-----	-----	-----	-----
Gross profit	\$ 7,445	14.6	\$ (3,534)	(7.3)	\$ 1
	=====	=====	=====	=====	=====

Jazz's gross profit for the three months ended March 28, 2008, was \$7.4 million or 14.6% of net revenues compared to negative pro forma gross profit of \$3.5 million of pro forma revenues for the corresponding period in 2007. The increase in gross profit of \$11.0 million during the three months ended March 28, 2008 is primarily attributed to the increase in revenues, lower labor and overhead costs and decreased cost per unit sold due to higher fabrication capacity utilization.

### OPERATING EXPENSES

Operating expenses decreased to \$9.2 million for the three months ended March 28, 2008, compared to \$10.6 million for the corresponding period in 2007. The decrease in expenses is mainly attributed to the Jazz Semiconductor acquisition expenses incurred in 2007.

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

The following table presents operating expenses for the three months ended March 28, 2008 and March 30, 2007:

	OPERATING EXPENSE (US\$ IN THOUSANDS, EXCEPT PER SHARE)				
	THREE MONTHS ENDED MARCH 28, 2008 (ACTUAL, UNAUDITED)		THREE MONTHS ENDED MARCH 30, 2007 (PRO FORMA, UNAUDITED)		INCR (DECR)
	AMOUNT	% OF NET REVENUES	AMOUNT	% OF PRO FORMA NET REVENUES	
Research and development	\$ 3,910	7.7	\$ 4,979	10.4	\$ ( )
Selling, general and administrative	4,964	9.7	10,239	21.3	( )
Amortization of intangible assets	346	0.7	541	1.1	
Total operating expenses	\$ 9,220	18.1	\$ 15,759	32.8	\$ ( )
	=====	=====	=====	=====	=====

89

Jazz's operating expenses decreased by \$6.5 million or 41.5% to \$9.2 million for the three months ended March 28, 2008, compared to \$15.7 million of pro forma operating expenses for the corresponding period in 2007. The expense decrease is mainly attributed to lower selling, general and administrative expenses for the three months ended March 28, 2008, primarily as a result of Jazz Semiconductor acquisition related general and administrative costs incurred during the corresponding period in 2007 and management's continued efforts to reduce operating expenses since 2007.

**RESEARCH & DEVELOPMENT EXPENSES.** Research and development expenses consist primarily of salaries and wages for process and technology research and development activities, fees incurred in connection with the license of design libraries and the cost of wafers used for research and development purposes. Jazz's research and development expenses decreased by \$1.1 million or 21.5% to \$3.9 million for the three months ended March 28, 2008, compared to \$5.0 million of pro forma research and development expenses for the corresponding period in 2007. The decrease in expenses of \$1.1 million is mainly attributed to:

- o \$0.5 million due to lower photomask and other costs associated with less engineering activity;
- o \$0.4 million due to lower labor and benefits costs realized from the reduction in work force implemented in the first quarter of 2007;
- o \$0.2 million due to lower spending and changes in allocation of other expenses

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.** Selling, general and administrative expenses consist primarily of salaries and benefits for selling and administrative personnel, which includes the human resources, executive, finance, information technology and legal departments. These expenses also include fees for professional services, legal services and other administrative expenses associated with being a publicly traded company. Jazz's selling,

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

general and administrative expenses decreased by \$5.2 million or 51.5% to \$5.0 million for the three months ended March 28, 2008, compared to \$10.2 million of pro forma selling, general and administrative expenses for the corresponding period in 2007. The decrease in expenses of \$5.2 million is mainly attributed to:

- o \$3.0 million in acquisition-related expenses incurred by Jazz Semiconductor during the first quarter of 2007 prior to the acquisition;
- o \$2.0 million in costs associated with the reduction in personnel and the departure of the former chief executive officer of Jazz Semiconductor during the first quarter of 2007;
- o \$0.5 million from reduction in business travel, bad debt and depreciation expenses; offset by,
- o \$0.2 million increase in stock compensation expenses

AMORTIZATION OF INTANGIBLE ASSETS. Amortization of intangible assets of \$0.2 million reflects the change in pre-acquisition amortization expenses.

### INTEREST AND OTHER (EXPENSE) INCOME, NET

The following table presents interest and other income for the three months ended March 28, 2008 and March 30, 2007:

	INTEREST AND OTHER INCOME (EXPENSE), NET				
	(US\$ IN THOUSANDS, EXCEPT PERCENTAGES)				
	THREE MONTHS ENDED MARCH 28, 2008 (ACTUAL, UNAUDITED)		THREE MONTHS ENDED MARCH 30, 2007 (PRO FORMA, UNAUDITED)		
	AMOUNT	% OF NET REVENUES	AMOUNT	% OF PRO FORMA NET REVENUES	INCR (DECR)
Interest income	\$ 37	0.0	\$ 2,130	4.4	\$ (
Interest expense	(3,206)	(6.3)	(3,715)	(7.7)	)
Interest (expense) income, net	(3,169)	(6.3)	(1,585)	(3.3)	)
Other income (expense), net	900	1.8	(108)	(0.2)	)
Interest and other (expense) income, net	\$ (2,269)	(4.5)	\$ (1,693)	(3.5)	\$

Interest and other income for the three months ended March 28, 2008 represents \$0.8 million of net gain realized from the purchase of \$5.0 million in principal amount of Jazz's convertible notes at a discount and \$0.1 million of interest and other non-operating income. Interest expense for the three months ended March 28, 2008 mainly represents interest on Jazz's convertible notes. Interest and other income for the three months ended March 30, 2007



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

mainly represents interest earned on the net proceeds of Jazz's initial public offering and the private placement of Jazz's convertible notes for the period from January 1, 2007 until the consummation of its acquisition in February 2007. Interest expense for the three months ended March 30, 2007 mainly represents interest on the convertible notes.

### COMPARISON OF YEARS ENDED DECEMBER 28, 2007 AND DECEMBER 31, 2006

For the year ended December 28, 2007, Jazz had a net loss of \$31.9 million compared to net income of \$3.3 million for the year ended December 31, 2006. The results for the year ended December 28, 2007 include the results of operations for Jazz Semiconductor only from February 17, 2007 (the date of acquisition) through December 28, 2007. Jazz's primary source of income prior to the consummation of the initial business combination with Jazz Semiconductor was interest earned on the funds held in trust and escrow accounts.

### PRO FORMA FINANCIAL INFORMATION

The acquisition of Jazz Semiconductor was Jazz's first business combination and accordingly, Jazz does not think a comparison of the results of operations and cash flows for the year ended December 28, 2007 versus the year ended December 31, 2006 is very useful to its investors. In order to assist investors in better understanding the changes in Jazz's business between the year ended December 28, 2007 and December 31, 2006, Jazz is presenting in the discussion below, pro forma results for Jazz and Jazz Semiconductor for the years ended December 28, 2007 and December 31, 2006 as if the acquisition of Jazz Semiconductor occurred on January 1, 2006. Jazz derived the pro forma results from (i) the consolidated financial statements of Jazz for the year ended December 28, 2007 and the consolidated financial statements of Jazz Semiconductor for the period from December 30, 2006 to February 16, 2007 (the date of the acquisition), and (ii) the financial statements of Jazz for the year ended December 31, 2006 and the consolidated financial statements of Jazz Semiconductor for the year ended December 29, 2006.

The pro forma results are not necessarily indicative of the results that may have actually occurred had the acquisition taken place on the dates noted, or the future financial position or operating results of Jazz or Jazz Semiconductor. The pro forma adjustments are based upon available information and assumptions that Jazz believes are reasonable. The pro forma adjustments include adjustments for interest expense (relating primarily to interest on the convertible notes issued in December 2006) and increased depreciation and amortization expense as a result of the application of the purchase method of accounting. The pro forma results exclude the write-off of in-process research and development that was expensed and the net gain on purchase of convertible notes during the year ended December 28, 2007.

Under the purchase method of accounting, the total purchase price of the Jazz Semiconductor acquisition was allocated to the net tangible and intangible assets acquired and liabilities assumed, based on various estimates of their respective fair values. Jazz engaged a third party appraiser to assist it in performing a valuation of all the assets and liabilities in accordance with SFAS 141. The depreciation and amortization expense adjustments reflected in the pro forma results of operations are based on the fair values of Jazz Semiconductor's tangible and intangible assets described in Note 3 of Jazz's consolidated financial statements for the year ended December 28, 2007, included elsewhere in this proxy statement/prospectus.

PRO FORMA STATEMENTS OF OPERATIONS  
(US\$ IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

---

Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

	YEAR ENDED		YEAR ENDED		INCRE
	DECEMBER 28, 2007		DECEMBER 31, 2006		(DECRE
	-----		-----		-----
Net revenues	\$	207,649	\$	212,526	\$ (4
Cost of revenues		196,343		203,714	(7
Gross profit		11,306		8,812	2
Operating expenses:					
Research and development		17,105		20,566	(3
Selling, general and administrative		25,688		24,155	1
Amortization of intangible assets		1,564		1,955	
Total operating expenses		44,357		46,676	(2
Loss from operations		(33,051)		(37,864)	4
Net interest expense		11,269		8,270	2
Other (income) expenses		(4,719)		933	(5
		-----		-----	-----
Net loss before income tax	\$	(39,601)	\$	(47,067)	\$ 7
		-----		-----	-----
Income tax provision		52		543	
Net loss	\$	(39,653)	\$	(47,610)	\$ 7
		-----		-----	-----
Pro forma net loss per share-basic and diluted	\$	(1.64)	\$	(2.10)	\$
		-----		-----	-----

91

REVENUES

Jazz's revenues are generated principally from the sale of semiconductor wafers and in part from the sale of photomasks and other engineering services. Net revenues are net of provisions for returns and allowances. Revenues are categorized by technology group into specialty process revenues and standard process revenues. Specialty process revenues include revenues from wafers manufactured using Jazz's specialty process technologies-advanced analog CMOS, radio frequency CMOS or RF CMOS, high voltage CMOS, bipolar CMOS or BiCMOS, SiGe BiCMOS, and bipolar CMOS double-diffused metal oxide semiconductor or BCD, processes. Standard process revenues are revenues derived from wafers employing digital CMOS and standard analog process technologies.

Prior to its acquisition of Jazz Semiconductor, Jazz had no revenues.

PRO FORMA NET REVENUES

The following table presents pro forma net revenues for the years ended December 28, 2007 and December 31, 2006:

PRO FORMA NET REVENUES (US\$ IN THOUSANDS, EXCEPT PERCENT				
-----				
YEAR ENDED		YEAR ENDED		
DECEMBER 28, 2007		DECEMBER 31, 2006		
-----		-----		-----
AMOUNT	% OF PRO FORMA NET REVENUES	AMOUNT	% OF PRO FORMA NET REVENUES	INCREA (DECREA

Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Specialty process revenues	\$ 161,912	78.0	\$ 168,297	79.2	\$ (6,
Standard process revenues	45,737	22.0	44,228	20.8	1,
Net Revenues	\$ 207,649	100.0	\$ 212,525	100.0	\$ (4,

On a pro forma basis, Jazz posted a decrease in net revenues of \$4.9 million or 2.3% from \$212.5 million for the year ended December 31, 2006, which includes a charge to revenues of \$17.5 million for termination of the Conexant wafer supply agreement, to \$207.6 million for the corresponding period in 2007. This decrease is the result of a \$6.4 million or 3.8% decrease in specialty process revenues from \$168.3 million for year ended December 31, 2006 to \$161.9 million for the corresponding period in 2007 offset by a marginal increase in standard process revenues of \$1.5 million or 3.4% from \$44.2 million for the year ended December 31, 2006 to \$45.7 million for the corresponding period in 2007. Standard process revenues in 2006 included a second quarter charge against revenues of \$17.5 million in connection with the termination of the Conexant wafer supply agreement. Excluding this charge, the standard process revenues for the year ended 2006 were \$61.7 million or 26.8% compared to \$45.7 million or 22.0% for the corresponding period in 2007, a decline of \$16.0 million or 25.9%.

The decline in pro forma standard process revenues can be attributed in large part to the decline in orders from a single large customer, whose purchases of Jazz products have predominantly been standard process wafers and whose standard process technology products have reached a mature stage in their product life cycle. Jazz also believes the decline in revenues from Jazz's standard process technologies is attributable in part to some of its customers transitioning new standard process designs to foundries that focus on high volume and commodity oriented technologies and pricing. Standard process demand from certain other customers helped offset this decline.

The decline in specialty process revenues can be mainly attributed to the overall semiconductor industry cycle which resulted in weaker demand from some of its larger customers and in part to changes in its customer mix.

The change in pro forma revenues mix of 78% specialty process revenues and 22% standard process revenues for the year ended December 28, 2007 compared to 79% and 21%, respectively, for the year ended December 31, 2006, was the result of a continued decline in standard process revenues primarily attributable to a single customer. While Jazz intends to continue to offer full service solutions to its customer base, Jazz believes its competitive advantage is to focus on specialty process revenues.

COST OF REVENUES

Cost of revenues consists primarily of purchased manufactured materials, including the cost of raw wafers, gases and chemicals, shipping costs, labor and manufacturing-related engineering services. Jazz's cost of revenues for wafers manufactured by its manufacturing suppliers includes the purchase price and shipping costs that Jazz pays for completed wafers. Cost of revenues also includes the purchase of photomasks and the provision of test services. Jazz expenses to cost of revenues defective inventory caused by fab and manufacturing yields as incurred. Jazz also reviews its inventories for indications of obsolescence or impairment and provide reserves as deemed necessary. Royalty

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

payments Jazz makes in connection with certain of its process technologies are also included within the cost of revenues. Cost of revenues also includes depreciation and amortization expense on assets used in the manufacturing process.

Prior to its acquisition of Jazz Semiconductor, Jazz had no cost of revenues.

### PRO FORMA COST OF REVENUES

The following table presents pro forma cost of revenues for the years ended December 28, 2007 and December 31, 2006:

	PRO FORMA NET REVENUES (US\$ IN THOUSANDS, EXCEPT P			
	YEAR ENDED DECEMBER 28, 2007		YEAR ENDED DECEMBER 31, 2006	
	AMOUNT	% OF PRO FORMA NET REVENUES	AMOUNT	% OF PRO FORMA NET REVENUES
Cost of revenues (not including depreciation & amortization of intangible assets)	\$ 159,413	76.8	\$ 166,105	78.2
Cost of revenues—depreciation & amortization of intangible assets	36,930	17.8	37,609	17.7
Total cost of revenues	\$ 196,343	94.6	\$ 203,714	95.9

On a pro forma basis, cost of revenues decreased by \$7.4 million or 3.6% to \$196.3 million for the year ended December 28, 2007, compared to \$203.7 million for the year ended December 31, 2006, primarily due to the decrease in pro forma revenues. As a percentage of revenues, pro forma cost of revenues marginally decreased to 94.6% for the year ended December 28, 2007 compared to 95.9% for the year ended December 31, 2006, which includes the \$17.5 million charge against revenue and a \$1.2 million credit to cost of revenue in the second quarter of 2006 related to the termination of the Conexant wafer supply agreement. Discounting the effect of the net charge of \$16.3 million associated with the termination of the Conexant wafer supply agreement, cost of revenues as a percentage of revenues for the year ended December 31, 2006 was 89.0% compared to 94.6% for the year ended December 28, 2007.

Market conditions and lower customer demand created under utilization in the first half of 2007. In response, a company wide cost reduction effort was implemented and the resulting reduction in costs brought operations costs closer in line with utilization and revenue levels. Additionally, the mix of customers and products delivered in 2007 compared to 2006 also resulted in an increase in cost of revenues as a percentage of revenues. The combination of change in customer mix and under utilization, partially offset by cost reduction efforts, resulted in overall higher cost of revenues as a percentage of revenues, compared to 2006 excluding the effect of the termination of the Conexant wafer supply agreement.

The amortization of acquired technology and backlog has been allocated to cost of revenues and primarily relates to the developed technology acquired from

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

the acquisition of Jazz Semiconductor on February 16, 2007.

### GROSS PROFIT

Prior to its acquisition of Jazz Semiconductor, Jazz had no gross profit.

### PRO FORMA GROSS PROFIT

The following table presents pro forma gross profit for the years ended December 28, 2007 and December 31, 2006:

	PRO FORMA NET REVENUES (US\$ IN THOUSANDS, EXCEPT PER				I (D
	YEAR ENDED DECEMBER 28, 2007		YEAR ENDED DECEMBER 31, 2006		
	AMOUNT	% OF PRO FORMA NET REVENUES	AMOUNT	% OF PRO FORMA NET REVENUES	
Gross profit	\$ 11,306	5.4	\$ 8,812	4.1	\$

93

On a pro forma basis for the year ended December 28, 2007, gross margin increased to \$11.3 million compared to a gross margin of \$8.8 million for the year ended December 31, 2006. The increase in gross profit of \$2.5 million is primarily attributed to the \$17.5 million charge against revenues and a \$1.2 million credit to cost of revenues in the second quarter of 2006 related to the termination of the Conexant wafer supply agreement. Discounting the effect of the net charge of \$16.3 million associated with the termination of the Conexant wafer supply agreement, gross profit as a percent of revenues decreased to 5.4% for the year ended December 28, 2007 compared to 10.9% for the year ended December 31, 2006. The decrease is primarily attributable to lower revenues and higher cost of revenues associated with lower capacity utilization and customer mix during the year ended December 28, 2007.

### OPERATING EXPENSES

Operating expenses increased to \$40.5 million for the year ended December 28, 2007, compared to \$0.7 million for the year ended December 31, 2006. The expense increase is attributed to the acquisition of Jazz Semiconductor on February 16, 2007.

### PRO FORMA OPERATING EXPENSES

The following table presents pro forma operating expenses for the years ended December 28, 2007 and December 31, 2006:

	PRO FORMA NET REVENUES (US\$ IN THOUSANDS, EXCEPT PER			
	YEAR ENDED DECEMBER 28, 2007		YEAR ENDED DECEMBER 31, 2006	

Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

	AMOUNT	% OF PRO FORMA NET REVENUES	AMOUNT	% OF PRO FORMA NET REVENUES
Research and development	\$ 17,105	8.2	\$ 20,566	9.7
Selling, general and administrative	25,688	12.4	24,155	11.4
Amortization of intangible assets	1,564	0.8	1,955	0.9
Total operating expenses	\$ 44,357	21.4	\$ 46,676	22.0

On a pro forma basis, operating expenses decreased by \$2.3 million to \$44.4 million for the year ended December 28, 2007, compared to \$46.7 million for the year ended December 31, 2006. The expense decrease is mainly attributed to lower research and development expenses for the year ended December 28, 2007.

RESEARCH & DEVELOPMENT EXPENSES: Research and development expenses consist primarily of salaries and wages for process and technology research and development activities, fees incurred in connection with the license of design libraries and the cost of wafers used for research and development purposes. Pro forma research and development expenses decreased by \$3.5 million to \$17.1 million for the year ended December 28, 2007, compared to \$20.6 million for the year ended December 31, 2006. The decrease in expenses of \$3.5 million is mainly attributed to:

- o \$2.4 million of lower engineering expenses related to the Polar Fab process qualification in 2006;
- o \$1.3 million lower expense on engineering activity including engineering photomask as a result of customers delaying projects requiring engineering services;
- o \$0.7 million reduced spending on software licensing, travel and other miscellaneous services;
- o \$0.8 million reduced depreciation cost; offset by
- o \$1.7 million increase in other research and development expenditures as lower costs were allocated to cost of revenues associated with billable engineering services during the year ended December 28, 2007 compared to the year ended December 31, 2006;

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES: Selling, general and administrative expenses consist primarily of salaries and benefits for selling and administrative personnel, including the human resources, executive, finance and legal departments. These expenses also include fees for professional services, legal services and other administrative expenses associated with being a publicly traded company. Pro forma selling, general and administrative expenses increased by \$1.5 million to \$25.7 million for the year ended December 28, 2007, compared to \$24.2 million for the year ended December 31, 2006. The increase in expenses of \$1.5 million is mainly attributed to:

94

- o \$2.0 million increase in salary, benefits and bonuses paid in 2007;
- o \$1.0 million increase in stock-based compensation expense; offset by

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

- o \$0.6 million net decrease in cost associated with the merger and the withdrawn Jazz Semiconductor initial public offering in 2007 compared to 2006;
- o \$0.5 million decrease in expenses associated with professional services, legal fees and lower bad debt provision; and
- o \$0.4 million reduction in depreciation.

AMORTIZATION OF INTANGIBLE ASSETS: The decrease in amortization of intangible assets of \$0.4 million reflects the change in pre-acquisition amortization expenses.

### INTEREST AND OTHER (EXPENSE) INCOME, NET

The following table presents interest and other income for the years ended December 28, 2007 and December 31, 2006:

	INTEREST AND OTHER INCOME (EXPENSE), NET (US\$ IN THOUSANDS, EXCEPT PERCENTAGES)			
	YEAR ENDED DECEMBER 28, 2007		YEAR ENDED DECEMBER 31, 2006	
	AMOUNT	% OF PRO FORMA NET REVENUES	AMOUNT	% OF PRO FORMA NET REVENUES
Interest income	\$ 3,022	1.6	\$ 4,935	2.3
Interest expense	(14,507)	(8.00)	(487)	(0.2)
Interest (expense) income, net	(11,485)	(6.20)	4,448	2.1
Other income (expense), net	4,715	2.6	-	-
Interest and other (expense) income, net	\$ (6,770)	(3.7)	\$ 4,448	2.1

Interest and other income for the year ended December 28, 2007 represents \$3.0 million interest earned as income from investments and \$4.6 million of net gain realized from the purchase of \$33.6 million in principal amount of Jazz's convertible notes at a discount. Interest expense of \$14.5 million for the year ended December 28, 2007 mainly represents interest on our convertible notes. Interest and other income for the year ended December 31, 2006 mainly represents interest earned on the net proceeds of Jazz's initial public offering held in trust until the consummation of the acquisition of Jazz Semiconductor in February 2007.

### CHANGES IN FINANCIAL CONDITION

#### LIQUIDITY AND CAPITAL RESOURCES

As of March 28, 2008, Jazz had cash and cash equivalents of \$9.2 million. Additionally, as of March 28, 2008, Jazz had borrowed \$10.0 million under its line of credit with Wachovia and had \$34.0 million of additional availability under this credit line. As of December 28, 2007, Jazz had cash and cash equivalents of \$10.6 million. Additionally, as of December 28, 2007, Jazz had borrowed \$8.0 million under its line of credit with Wachovia and had \$37.1 million of availability under this credit line.

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Net cash provided by operating activities was \$2.4 million during the first three months of 2008. The primary categories of operating activities for the three months ended March 28, 2008 include Jazz's net loss of \$4.0 million, non-cash operating expenses of \$9.2 million and the net use of funds from the changes in operating assets and liabilities of \$2.8 million. Net cash used by operating activities was \$13.6 million for the corresponding period in 2007. The primary categories of operating activities for the corresponding period in 2007 include Jazz's net loss of \$11.7 million, non-cash operating expenses of \$9.3 million and the net use of funds from the changes in operating assets and liabilities of \$11.2 million.

Net cash used by investing activities was \$1.6 million for the first three months of 2008 and primarily represents capital purchases of equipment. Net cash provided by investing activities was \$13.6 million for the corresponding period in 2007 and primarily represented the funds used for the acquisition of Jazz Semiconductor and the purchase of property and equipment, net of proceeds from the sale of short term securities and funds released from the trust and escrow account. On February 16, 2007, Jazz completed the acquisition of all of the outstanding capital stock of Jazz Semiconductor for a preliminary net purchase price of \$236.3 million in cash, net of \$26.1 million of cash that was acquired.

Net cash used by financing activities was \$2.2 million for the first three months of 2008 and represents \$2.0 million of additional net borrowings from Jazz's line of credit, \$4.1 million paid to purchase \$5.0 million in principal amount of convertible notes, and \$0.1 million payment of fees associated with the line of credit and debt offering. Net cash used by financing activities was \$68.1 million for the corresponding period in 2007 and represents \$33.2 million of payments to common stockholders who elected to convert their shares into cash, \$25.0 million of funds used to repurchase common stock and warrants during the first quarter of 2007, and the payment of \$10.0 million in fees associated with the acquisition and debt financings.

95

On January 11, 2007, Jazz announced that its Board of Directors authorized a stock and warrant repurchase program under which Jazz may purchase up to \$50 million of its common stock and warrants through July 15, 2007. On July 18, 2007, this program was extended until October 15, 2007. On November 2, 2007, Jazz announced that the amount had been increased to \$52 million and the stock and warrant repurchase program had been further extended to January 15, 2008, on which date it expired. As of December 28, 2007, Jazz had repurchased securities worth \$50.3 million under this program. There were no repurchases made during the three months ended March 28, 2008.

As of March 28, 2008 and March 30, 2007, Jazz did not have any relationships with unconsolidated entities or financial partners, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, Jazz is not exposed to any financing, liquidity, market or credit risk that could arise if it had engaged in such relationships.

Jazz believes, based on its current plans and current levels of operations, that its cash from operations, together with cash and cash equivalents, and available line of credit, will be sufficient to fund its operations for at least the next 12 months. Poor financial results, unanticipated expenses, acquisitions of technologies or businesses or strategic investments could give rise to additional financing requirements sooner than Jazz would expect. Jazz would expect to raise funds for these purposes through debt or equity transactions as appropriate. There can be no assurances that



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

equity or debt financing will be available when needed or, if available, that the financing will be on terms satisfactory to Jazz and not dilutive to its then current stockholders.

### LEASE OF FACILITIES

Jazz leases its headquarters and Newport Beach, California fabrication and probing facilities from Conexant Systems, Inc. under non-cancelable operating leases through March 2017. Jazz have the unilateral option to extend the terms of each of these leases for two consecutive five-year periods. Its rental payments under these leases consist solely of its pro rata share of the expenses incurred by Conexant in the ownership of these buildings and applicable adjustments for increases in the consumer price index. Jazz has estimated future minimum costs under these leases based on actual costs incurred during 2007. Jazz is not permitted to sublease space that is subject to these leases without Conexant's prior approval.

### CONVERTIBLE SENIOR NOTES

On December 19, 2006 and December 21, 2006, Jazz completed private placements of \$166.8 million aggregate principal amount of convertible notes. The convertible notes bear interest at a rate of 8% per annum payable semi-annually on each June 30 and December 31, beginning on June 30, 2007. Jazz may redeem the convertible notes on or after December 31, 2009 at agreed upon redemption prices, plus accrued and unpaid interest. The holders of the convertible notes have the option to convert the convertible notes into shares of Jazz's common stock at an initial conversion rate of 136.426 shares per \$1,000 principal amount of convertible notes, subject to adjustment in certain circumstances, which is equivalent to an initial conversion price of \$7.33 per share.

During the three months ended March 28, 2008, Jazz purchased on the open market \$5.0 million in principal amount of the convertible notes for a total purchase price of \$4.1 million. The convertible notes were purchased at a discount to their face value, including prepayment of interest. As of March 28, 2008, \$128.2 million in principal amount of convertible notes remained outstanding.

### WACHOVIA LINE OF CREDIT

On February 28, 2007, Jazz entered into an amended and restated loan and security agreement, as parent guarantor, with Wachovia Capital Markets, LLC, as lead arranger, bookrunner and syndication agent, and Wachovia Capital Finance Corporation (Western), as administrative agent ("Wachovia"), and Jazz and Newport Fab, LLC, as borrowers, with respect to a three-year senior secured asset-based revolving credit facility in an amount of up to \$65.0 million, including up to \$5.0 million for letters of credit. The borrowing availability varies according to the levels of the borrowers' accounts receivable, eligible equipment and other terms and conditions described in the loan agreement. The maturity date of the facility is February 28, 2010, unless earlier terminated. Loans under the facility will bear interest at a floating rate equal to, at borrowers' option, either the lender's prime rate plus 0.75% or the adjusted Eurodollar rate (as defined in the loan agreement) plus 2.75% per annum. The facility is secured by all of the assets of the company and the borrowers. Borrowing availability under the facility as of March 28, 2008 was \$34.0 million. As of March 28, 2008, Jazz had short-term borrowings of \$10.0 million outstanding and \$1.6 million in letters of credit committed under the facility.

The loan agreement contains customary affirmative and negative covenants and other restrictions. If the sum of excess availability plus qualified cash is at any time during any fiscal quarter less than \$10.0 million, the borrowers will be subject to a minimum consolidated EBITDA financial covenant, such that

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Jazz and its subsidiaries (other than any excluded subsidiaries) shall be required to earn, on a consolidated basis, consolidated EBITDA (as defined in the loan agreement) of not less than the applicable amounts set forth in the loan agreement.

96

In addition, the loan agreement contains customary events of default including the following: nonpayment of principal, interest or other amounts; violation of covenants; incorrectness of representations and warranties in any material respect; cross default; bankruptcy; material judgments; ERISA events; actual or asserted invalidity of guarantees or security documents; and change of control. If any event of default occurs, Wachovia may declare due immediately, all borrowings under the facility and foreclose on the collateral. Furthermore, an event of default under the loan agreement would result in an increase in the interest rate on any amounts outstanding.

### ACQUISITION CONTINGENT PAYMENTS

As part of the acquisition of Jazz Semiconductor, Jazz acquired a 10% interest in HHNEC (Shanghai Hau Hong NEC Electronics Company, Ltd.). The investment is carried at \$19.3 million which is the fair value based upon the application of the purchase method of accounting. Jazz is obligated to pay additional amounts to former stockholders of Jazz Semiconductor if it realizes proceeds in excess of \$10 million from a liquidity event during the three year period following the completion of the acquisition of Jazz Semiconductor. In that event, Jazz is required to pay the former Jazz Semiconductor stockholders an amount equal to 50% of the proceeds over \$10 million.

### ROYALTY OBLIGATIONS

Jazz has agreed to pay to Conexant Systems, Inc. a percentage of its gross revenues derived from the sale of SiGe products to parties other than Conexant and its spun-off entities through March 2012. Under its technology license agreement with Polar Semiconductor, Inc., or PolarFab, Jazz has also agreed to pay PolarFab certain royalty payments based on a decreasing percentage of revenues from sales of devices manufactured for PolarFab's former customers. Jazz also has an agreement with ARM Holdings plc to pay them royalties for using their intellectual property library to manufacture its customer's products.

### LEASES

Jazz also has commitments consisting of software leases and facility and equipment licensing arrangements.

Future minimum payments under non-cancelable operating leases as of March 28, 2008 are as follows:

PAYMENT OBLIGATIONS BY YEAR						
REMAINDER OF 2008	2009	2010	2011	THEREAFTER	TOTAL	
(US\$ IN THOUSANDS)						
Operating leases	\$ 1,997	\$ 2,468	\$ 2,300	\$ 2,300	\$ 11,959	\$ 21,024
	=====	=====	=====	=====	=====	=====

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF JAZZ

The following table sets forth information regarding the beneficial ownership of our common stock as of July 31, 2008 by:

- o each person known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock;
- o each of our named executive officers and directors; and
- o all of our executive officers and directors as a group.

Unless otherwise noted, the business address of the persons and entities listed on the table is 4321 Jamboree Road, Newport Beach, CA 92660. This table is based upon (i) information supplied to us by our officers, directors and principal stockholders, (ii) any Schedules 13D or 13G or Forms 3, 4 or 5 filed with the SEC and (iii) conversations with certain former 5% or greater stockholders. Unless otherwise indicated in the footnotes to this table, and subject to community property laws where applicable, we believe that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned.

We have calculated beneficial ownership in accordance with the rules of the SEC. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of common stock subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days of July 31, 2008. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

We have based our calculation of the percentage of beneficial ownership on 19,031,276 shares outstanding on July 31, 2008.

NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	AP PER OU CO
Wellington Management Company, LLP(1) 75 State Street Boston, MA 02109	7,324,700	
Silver Point Capital, L.P.(2) Two Greenwich Plaza Greenwich, Connecticut 06830	7,106,608	
CRT Capital Holdings LLC(3) 262 Harbor Drive Stamford CT 06902	3,225,443	
Zazove Associates, LLC(4) 1001 Tahoe Blvd.	2,763,308	

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Incline Village, NV 89451

Morgan Stanley(5) 1585 Broadway New York, NY 10036	2,373,700
Tennenbaum Capital Partners, LLC(6) 2951 28th Street, Suite 1000 Santa Monica, CA 90405	1,950,892
Lehman Brothers(7) 745 Seventh Street New York, NY 10019	1,725,678
Millennium Management LLC(8) 666 Fifth Avenue New York, NY 10019	1,725,121
Citigroup Inc.(9) 399 Park Avenue New York, NY 10043	1,629,735
Jonathan M. Glaser(10) 11601 Wilshire Boulevard, Suite 2180 Los Angeles, California 90025	1,420,136
MHR Capital Partners Master Account LP(11) West 57th Street, 24th Floor New York, New York 10019	1,018,400
Acquicor Management LLC(12)	2,330,756
Gilbert F. Amelio, Ph.D.(13)	2,806,473
Paul Pittman(14)	535,110
Allen R. Grogan(15)	238,165
Shu Li(16)	-
Harold L. Clark, Ed.D.(17)	268,258
Jon C. Madonna(18)	19,917
Liad Meidar(19)	164,583
All directors and executive officers as a group (6 individuals)(20)	4,032,506

\* Less than 1%.

(1) According to a Schedule 13G/A dated February 14, 2008, Wellington Management Company, LLP ("Wellington") has shared voting power with respect to 5,100,800 shares of our common stock and shared dispositive power with respect to 7,324,700 shares of our common stock, including 2,440,500 shares of stock held by Wellington Trust Company, NA. This number includes 4,548,200 shares issuable upon exercise of warrants to purchase shares of our common stock. The securities

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

reported by Wellington, in its capacity as investment adviser, are owned of record by clients of Wellington. Those clients have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities. No such client is known to have such right or power with respect to more than five percent of our common stock, except for Wellington Trust Company, NA.

(2) According to a Schedule 13D dated April 2, 2007, Silver Point Capital, L.P. ("Silver Point") has shared dispositive power with respect to 1,571,100 shares of our common stock, 1,773,558 shares issuable upon the conversion of convertible notes and 3,761,950 shares issuable upon exercise of warrants to purchase shares of our common stock. Silver Point is the investment manager of Silver Point Capital Fund, L.P. (the "Fund") and Silver Point Capital Offshore Fund, Ltd. (the "Offshore Fund") and by virtue of such status may be deemed to be the beneficial owner of the 5,559,100 shares, which are held in the name of the Fund and the Offshore Fund. Silver Point Capital Management, LLC ("Management") is the general partner of Silver Point and as a result may be deemed to beneficially own the shares held by the Fund and the Offshore Fund. Each of Edward Mule and Robert O'Shea is a member of Management and has voting and investment power with respect to the shares held by the Fund and Offshore Fund and may be deemed to be beneficial owner of the 7,106,608 shares. Each of Silver Point, Management and Messrs. Mule and O'Shea disclaim beneficial ownership of the shares held by the Fund and Offshore Fund.

(3) According to a Schedule 13G dated March 12, 2007, CRT Capital Group LLC may be deemed to beneficially own 902,705 shares of our common stock, 2,083,993 shares issuable upon exercise of warrants to purchase shares of our common stock. Harbor Drive Management may be deemed to beneficially own 238,745 shares issuable upon conversion of outstanding convertible notes. CRT Capital Holdings, Harbor Drive Management, C. Michael Vaughn and J. Christopher Young own directly no shares. Pursuant to an investment agreement, Harbor Drive Management has the investment and voting power with respect to the securities held by Harbor Drive Master Fund. CRT Capital Holdings owns all the equity interests in and is the sole managing member of Harbor Drive Management and CRT Capital Group. C. Michael Vaughn and J. Christopher Young are two of the three managing members of CRT Associates. C. Michael Vaughn and J. Christopher Young are the two managing members, and share control, of CRT Capital Holdings and through it each of CRT Capital Group, Harbor Drive Management, and Harbor Drive Master Fund. The foregoing reporting persons disclaim any beneficial ownership of our securities for purposes of Section 16 of the Exchange Act, except to the extent of their respective indirect pecuniary interests therein. All unit purchase options, as reported under this filing by the reporting person, were repurchased by us during fiscal 2007 and hence excluded from our calculation of CRT Capital Group's beneficial ownership.

(4) According to a Schedule 13G filed on June 10, 2008, Zazove Associates LLC beneficially owns 2,763, 308 shares of our common stock issuable upon conversion of outstanding convertible notes.

(5) According to a Schedule 13G/A dated February 14, 2008, Morgan Stanley and Morgan Stanley & Co. Incorporated beneficially own 573,700 shares of our common stock and 1,800,000 shares issuable upon exercise of warrants to purchase shares of our common stock. In accordance with SEC regulations, the filing reflects the securities beneficially owned by certain operating units (collectively, the "MS Reporting Units") of Morgan Stanley and its subsidiaries and affiliates (collectively, "MS"). The filing does not reflect securities, if any, beneficially owned by any operating units of MS whose ownership of securities is disaggregated from that of the MS Reporting Units.

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

(6) According to a Schedule 13G dated February 22, 2008, Tennenbaum Capital Partners, LLC ("TCP") beneficially own 1,950,892 shares of our common stock issuable upon conversion of outstanding convertible notes. Tennenbaum Multi-Strategy Master Fund, a fund managed by TCP, has the right to receive and the power to direct the receipt of dividends from, or the proceeds from the sale of, 1,950,892 shares of common Stock.

(7) According to a Schedule 13G dated February 13, 2008, Lehman Brothers Holdings, Inc. and Lehman Brothers Inc., beneficially own 409,278 shares of our common stock issuable upon conversion of outstanding convertible notes and 1,316,400 shares issuable upon exercise of warrants to purchase shares of our common stock.

(8) According to a Schedule 13D filed on December 26, 2007, Millenco LLC ("Millenco") was the beneficial owner of 49 shares of common stock and warrants to purchase 1,632,372 shares of common stock and Catapult Partners, Ltd. ("Catapult Partners") was the beneficial owner of 92,700 shares of common stock. Catapult Capital Management, LLC ("Catapult Capital Management") as the investment manager to Catapult Partners, may be deemed to beneficially own securities owned by Catapult Partners. Millennium International Management LP ("Millennium International Management") as the managing member of Catapult Capital Management, may be deemed to beneficially own securities deemed to be beneficially owned by Catapult Capital Management. Millennium International Management GP LLC ("Millennium International Management GP"), as the general partner of Millennium International Management, may be deemed to beneficially own securities deemed to be beneficially owned by Millennium International Management. Integrated Holding Group, LP ("Integrated Holding Group") as 100% shareholder of Catapult Partners, may be deemed to beneficially own securities owned by Catapult Partners. Millennium Management, as the manager of Millenco and the general partner of Integrated Holding Group, may be deemed to beneficially own securities beneficially owned by Millenco and deemed to be beneficially owned by Integrated Holding Group, respectively. Mr. Englander, as the managing member of Millennium Management and Millennium International Management GP, may be deemed to beneficially own any securities deemed to be beneficially owned by Millennium Management and Millennium International Management GP.

(9) According to a Schedule 13G filed on February 11, 2008, 1,629,735 shares are beneficially owned by Citigroup Inc.

(10) According to a Schedule 13G dated February 14, 2008, 1,420,136 shares are beneficially owned by Jonathan M. Glaser. 612,318 of these shares are owned by JMG Capital Management, LLC ("JMG LLC"). JMG Capital Management, Inc. ("JMG Inc.") is a member of JMG LLC and, in such capacity, may be deemed to beneficially own the 612,318 shares. Mr. Glaser is the control person of JMG Inc. and JMG LLC and, as a result, beneficially owns the 612,318 shares of common stock. In addition, Mr. Glaser is deemed to beneficially own 807,818 shares of common stock as one of the control persons of Pacific Assets Management, LLC ("PAM") and Pacific Capital Management, Inc. ("PCM"), a member of PAM. Daniel Albert David and Roger Richter may also be deemed to beneficially own 807,818 shares of common stock because they are also control persons of PAM and PCM.

(11) According to a Schedule 13G dated February 14, 2008, 1,018,400 shares are beneficially owned by MHR Capital Partners Master Account LP ("Master Account"). This number of shares consists of 600,000 shares of common stock and 418,400 shares of common stock that can be obtained by Master Account upon exercise of warrants to acquire shares of common stock. MHR Advisors LLC ("Advisors") is the general partner of Master Account and, in such capacity, may be deemed to also beneficially own the 1,018,400 shares. MHR Fund Management LLC ("Fund Management") is an affiliate of and has an investment management agreement with

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

Master Account pursuant to which it has the power to vote or direct the vote and to dispose or to direct the disposition of the shares and, as a result, may be deemed to beneficially own the 1,018,400 shares. Mark H. Rachesky, M.D. is the managing partner of Advisors and Fund Management and, in such capacity, may be deemed to also beneficially own the 1,018,400 shares held for the account of Master Account.

(12) Acquicor Management LLC ("Acquicor Management") beneficially owns 2,330,756 shares of common stock. Dr. Amelio is the sole manager of Acquicor Management and has sole voting and dispositive power over such shares. Dr. Amelio disclaims beneficial ownership of the shares held by Acquicor Management except to the extent of his pecuniary interest therein. The securities held by Acquicor Management have been pledged to secure loans, the proceeds of which were used by Acquicor Management to purchase our securities. On February 5, 2008, the Context Funds filed a Schedule 13G claiming beneficial ownership to the shares held by Acquicor Management. On February 11, 2008, Acquicor Management filed a Schedule 13D/A claiming ownership to those same shares of common stock.

(13) Includes 2,330,756 shares of common stock held by Acquicor Management, 185,134 shares held directly by Dr. Amelio, 1,000 shares held by Dr. Amelio's spouse and 289,583 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2008.

(14) Includes 274,693 shares of common stock held by Mr. Pittman and 260,417 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2008.

(15) Includes 133,998 shares of common stock held by Mr. Grogan and 104,167 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2008.

(16) Dr. Li was our Executive Vice President and the Chief Executive Officer of Jazz Semiconductor until his resignation in March 2007.

100

(17) Includes 168,674 shares of common stock, and 83,334 shares of common stock issuable upon the exercise of warrants held by Dr. Clark and 16,250 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2008.

(18) Includes 2,000 shares of common stock held by Mr. Madonna and 17,917 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2008.

(19) Includes 10,000 shares of common stock held by Mr. Meidar, 140,000 shares held by Old Farm Investments, LLC, of which shares Mr. Meidar has sole voting and dispositive power, and 14,583 shares issuable upon the exercise of stock options that are exercisable within 60 days of June 1, 2008.

(20) See notes (13) through (15) and (17) through (19) above.

101

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

The following table and notes thereto set forth information, as of July 31, 2008, concerning the beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), and on a diluted basis, of ordinary shares by any person who is known to own at least 5% of Tower's issued and outstanding ordinary shares. As of such date, 125,364,021 ordinary shares were issued and outstanding. The voting rights of Tower's major shareholders do not differ from the voting rights of other holders of Tower's ordinary shares.

IDENTITY OF PERSON OR GROUP	AMOUNT OWNED (1)	PERCENT OF CLASS (1)	PERCENT OF CLASS (DILUTED) (2)
Israel Corporation Ltd. (3)	101,231,883 (4)	47.68%	25.68%
SanDisk Corporation (3)	19,060,790 (5)	14.83%	4.83%
Macronix International Co. Ltd. (3)	9,682,485 (6)	7.67%	2.46%
Bank Leumi Le-Israel, B.M.	31,567,372 (7)	20.12%	8.01%
Bank Hapoalim, B.M.	32,037,960 (8)	20.35%	8.13%
Prisma Investment House Ltd.	12,580,459 (9)	9.60%	3.19%

- 
- (1) Assumes the holder's beneficial ownership of all ordinary shares and all securities that the holder has a right to purchase within 60 days.
  - (2) Assumes that all currently outstanding securities to purchase ordinary shares, other than those which cannot be calculated as of the date of this registration statement, have been exercised by all holders.
  - (3) Pursuant to a shareholders agreement among Israel Corp., SanDisk Corporation and Macronix Co. Ltd., each of Israel Corp., SanDisk Corporation and Macronix Co. Ltd. may be said to have shared voting and dispositive control over approximately 31% of the outstanding shares of Tower.
  - (4) Based on information provided by Israel Corp., represents 14,260,504 shares currently owned by Israel Corp., 18,181,823 shares issuable upon conversion of debentures, 65,789,474 shares issuable upon conversion of capital notes, 2,941,176 shares issuable upon the exercise of warrants at an exercise price per share of \$2.04 and 58,906 shares issuable upon the exercise of warrants at an exercise price per share of \$6.17.
  - (5) Based on information provided by SanDisk, represents 15,878,972 shares currently owned by SanDisk and 3,181,818 shares issuable upon conversion of debentures.
  - (6) Based on information provided by Macronix, represents 8,773,395 shares currently owned by Macronix and 909,090 shares issuable upon conversion of debentures.
  - (7) Based on information provided by Bank Leumi, represents 25,986,842 shares issuable upon conversion of capital notes, 4,132,232 shares issuable upon the exercise of warrants at an exercise price per share of \$1.21, 1,000,000 shares issuable upon exercise of warrants at an exercise price per share of \$2.04 and 448,298 ordinary shares issuable upon exercise of warrants at an exercise price per share of \$6.17.
  - (8) Based on information provided by Bank Hapoalim represents 25,986,842 shares issuable upon conversion of capital notes, 4,132,232 shares issuable upon the exercise of warrants at an exercise price per share of



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

\$1.21, 1,470,588 shares issuable upon exercise of warrants at an exercise price per share of \$2.04 and 448,298 ordinary shares issuable upon exercise of warrants issued to Tarshish Hahzakot Vehashkaot Hapoalim Ltd at an exercise price per share of \$6.17.

- (9) Based on information provided by Prisma represents 6,954,116 shares currently owned by Prisma group and 5,626,343 shares issuable upon conversion of debentures.

This information does not take into account the following potential dilutive issuances of securities: (i) ordinary shares issuable upon conversion of securities Tower may be required to issue in connection with a rights offering and outside investor provisions agreed to in the November 2003 amendment to its facility agreement; (ii) ordinary shares issuable to Tower's banks in January 2011 as a result of the reduction of the interest rate applicable to the quarterly actual interest payments on its outstanding loans and (iii) any restructuring of facility arrangements including those, if any, relating to negotiations described in Tower's Form 6-K furnished to the SEC on August 7, 2008, which is incorporated by reference into this proxy statement/prospectus. See "WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION OF INFORMATION BY REFERENCE."

102

Pursuant to a shareholders agreement dated January 18, 2001, among Israel Corp., SanDisk and Macronix, such parties have agreed, among other things, to vote or cause to be voted all their respective shares for the election to the Board of Directors of nominees designated by each party, nominees recommended by the Board, the election of a designee of the Israel Corp. to serve as Chairman of the Board, unless agreed to otherwise (as was agreed in December 2006 with the appointment of Dov Moran as Chairman of the Board of Directors), and against the election of any other persons to the Board of Directors. In addition, subject to certain exceptions, each shareholder agreed to restrictions on the transfer of its shares, including certain rights of first refusal.

As of June 4, 2008, there were a total of 34 holders of record of our ordinary shares, of which 21 were registered with addresses in the United States. Such United States record holders were, as of such date, the holders of record of approximately 63% of our outstanding ordinary shares.

103

### UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited condensed combined pro forma financial statements for the year ended December 31, 2007 and the three months ended March 31, 2008 and as of March 31, 2008 reflect the historical results of Jazz and Tower adjusted to give effect to the merger. We are providing this information to assist you in your analysis of the financial aspects of the merger. We derived this information from (i) the audited consolidated financial statements of Jazz as of, and for the year ended, December 28, 2007, (ii) the unaudited condensed consolidated financial statements of Jazz as of, and for the three months ended, March 28, 2008, (iii) the audited consolidated financial statements of Jazz Semiconductor for the period from December 30, 2006 to February 16, 2007 (the date of the Jazz Semiconductor acquisition), (iv) the audited consolidated financial statements of Tower as of, and for the year ended, December 31, 2007,

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

and (v) the unaudited condensed consolidated financial statements of Tower as of end of the three months ended March 31, 2008. This information should be read together with the Jazz and Jazz Semiconductor consolidated financial statements and related notes included elsewhere in this proxy statement/prospectus and the Tower consolidated financial statements and related notes incorporated by reference into this proxy statement/prospectus.

The following unaudited pro forma condensed combined financial statements combine (i) the historical balance sheets of Tower as of March 31, 2008 and Jazz as of March 28, 2008 giving pro forma effect to the merger as if it had occurred on March 31, 2008, (ii) the historical statements of operations of Tower for the year ended December 31, 2007, Jazz for the year ended December 28, 2007, and Jazz Semiconductor for the period from December 30, 2006 to February 16, 2007 (the date of the Jazz Semiconductor acquisition) giving pro forma effect to the merger and the Jazz Semiconductor acquisition as if each had occurred on January 1, 2007, and (iii) the historical statements of operations of Tower and Jazz for the three months ended March 31, 2008 and March 28, 2008, respectively, giving pro forma effect to the merger and the Jazz Semiconductor acquisition as if each had occurred on January 1, 2007 and carried forward through March 31, 2008.

The pro forma adjustments are preliminary, and the unaudited pro forma condensed combined financial statements are not necessarily indicative of the financial position or results of operations that may have actually occurred had the merger taken place on the dates noted, or the future financial position or operating results of Tower or Jazz. The pro forma adjustments are based upon available information and assumptions that we believe are reasonable. The merger will be accounted for under the purchase method of accounting. Under the purchase method of accounting, the total purchase price will be allocated to the net tangible and intangible assets acquired and liabilities assumed, based on various estimates of their respective fair values. Tower will determine the estimated fair values of acquired assets and assumed liabilities with the assistance of third party valuation specialists in accordance with SFAS 141. The purchase price allocations set forth in the following unaudited pro forma condensed combined financial statements are based on preliminary valuation estimates of Jazz's tangible and intangible assets. The final valuations, and any interim updated preliminary valuation estimates, may differ materially from these preliminary valuation estimates and, as a result, the final allocation of the purchase price may result in reclassifications of the allocated amounts that are materially different from the purchase price allocations reflected below. Any material change in the valuation estimates and related allocation of the purchase price would materially impact Tower's depreciation and amortization expenses, the unaudited pro forma condensed combined financial statements and Tower's results of operations after the merger.

104

### UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

(US\$ in thousands)

	AS OF MARCH 31, 2008	
TOWER	JAZZ	ACQUISITION ADJUSTMENTS
(UNAUDITED)	(UNAUDITED)	UNAUDITED

Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

A S S E T S

CURRENT ASSETS

CASH AND CASH EQUIVALENTS	\$ 32,374	\$ 9,159	\$
TRADE ACCOUNTS RECEIVABLE:			
RELATED PARTIES	10,494	-	
OTHERS	31,691	25,514	
OTHER RECEIVABLES	3,805	-	
INVENTORIES	34,398	12,714	4,
DEFERRED TAX ASSET	-	2,015	
OTHER CURRENT ASSETS	1,347	1,424	

TOTAL CURRENT ASSETS	114,109	50,826	4,
----------------------	---------	--------	----

LONG-TERM INVESTMENTS	14,984	19,300	(4,
-----------------------	--------	--------	-----

PROPERTY AND EQUIPMENT, NET	520,518	121,496	(27,
-----------------------------	---------	---------	------

INTANGIBLE ASSETS, NET	31,855	52,403	(4,
------------------------	--------	--------	-----

OTHER ASSETS, NET	10,652	4,559	(1,
-------------------	--------	-------	-----

TOTAL ASSETS	\$ 692,118	\$ 248,584	\$ (32,
--------------	------------	------------	---------

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

SHORT TERM BORROWINGS	\$ -	\$ 10,000	\$
CURRENT MATURITIES OF CONVERTIBLE DEBENTURES	8,426	-	
TRADE ACCOUNTS PAYABLE	55,988	17,868	8,
DEFERRED REVENUE	9,935	3,895	(
OTHER CURRENT LIABILITIES	17,926	17,522	2,

TOTAL CURRENT LIABILITIES	92,275	49,285	10,
---------------------------	--------	--------	-----

LONG-TERM DEBT FROM BANKS	390,210	-	
---------------------------	---------	---	--

DEBENTURES	116,618	128,200	(39,
------------	---------	---------	------

LONG-TERM CUSTOMERS' ADVANCES	16,059	516	
-------------------------------	--------	-----	--

DEFERRED TAX LIABILITY	-	3,388	
------------------------	---	-------	--

OTHER LONG-TERM LIABILITIES	59,793	18,698	
-----------------------------	--------	--------	--

TOTAL LIABILITIES	674,955	200,087	(28,
-------------------	---------	---------	------

SHAREHOLDERS' EQUITY	17,163	48,497	(4,
----------------------	--------	--------	-----

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 692,118	\$ 248,584	\$ (32,
--	------------	------------	---------

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

See notes to the unaudited pro forma condensed combined financial statements.

105

### UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS US\$ (in thousands, except per share data)

	YEAR ENDED DECEMBER 31, 2007		
	TOWER	JAZZ PROFORMA	ACQUISITION ADJUSTMENTS
		*	
REVENUES	\$ 230,853	\$ 207,649	\$ -
COST OF SALES	284,771	196,343	1,279
GROSS LOSS	(53,918)	11,306	(1,279)
OPERATING COSTS AND EXPENSES			
RESEARCH AND DEVELOPMENT	13,790	17,105	8
MARKETING, GENERAL AND ADMINISTRATIVE	31,604	25,688	18
AMORTIZATION OF INTANGIBLE ASSETS	-	1,564	(270)
	45,394	44,357	(244)
OPERATING LOSS	(99,312)	(33,051)	(1,035)
FINANCING EXPENSE, NET	(34,976)	(11,269)	(5,248)
OTHER INCOME (EXPENSE), NET	92	4,719	(7,032)
NET LOSS BEFORE INCOME TAX	(134,196)	(39,601)	(13,315)
INCOME TAX EXPENSE	-	52	-
LOSS FOR THE YEAR	\$ (134,196)	\$ (39,653)	\$ (13,315)
BASIC LOSS PER ORDINARY SHARE			
LOSS PER SHARE	\$ (1.13)	\$ (1.64)	
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING - IN THOUSANDS	118,857	24,198	34,256

\* DERIVED FROM PROFORMA AMOUNT OF JAZZ TECHNOLOGIES INC. FOR THE YEAR ENDED DECEMBER 28, 2007 . THE PROFORMA GIVES AFFECT TO THE RESULTS OF OPERATIONS OF JAZZ TECHNOLOGIES INC. AS IF THE ACQUISITION OF JAZZ SEMICONDUCTOR INC. WAS CONSUMMATED IN JANUARY 1, 2007.

SEE NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS.

106

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS  
US\$ (in thousands, except share and per share data)

	THREE MONTHS ENDED MARCH 31		
	TOWER (UNAUDITED)	JAZZ (UNAUDITED)	ACQUISITION ADJUSTMENTS
REVENUES	\$ 57,607	\$ 50,830	\$ -
COST OF SALES	68,255	43,385	(1,461)
GROSS LOSS	(10,648)	7,445	1,461
OPERATING COSTS AND EXPENSES			
RESEARCH AND DEVELOPMENT	2,976	3,910	5
MARKETING, GENERAL AND ADMINISTRATIVE	7,768	4,964	12
AMORTIZATION OF INTANGIBLE ASSETS	-	346	(68)
	10,744	9,220	(51)
OPERATING LOSS	(21,392)	(1,775)	1,512
FINANCING EXPENSE, NET	(7,800)	(2,284)	(1,492)
OTHER INCOME (EXPENSE), NET	(428)	-	-
NET LOSS BEFORE INCOME TAX	(29,620)	(4,059)	20
INCOME TAX BENEFIT (EXPENSE)	-	15	-
LOSS FOR THE PERIOD	\$ (29,620)	\$ (4,044)	\$ 20
BASIC LOSS PER ORDINARY SHARE			
LOSS PER SHARE	\$ (0.24)	\$ (0.22)	
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING - IN THOUSANDS	124,228	18,400	34,256

SEE NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS.

107

### NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

#### NOTE 1. DESCRIPTION OF TRANSACTION AND BASIS OF PRESENTATION

On May 19, 2008, Tower signed an Agreement and Plan of Merger and Reorganization with Jazz (the "Agreement"). The Agreement provides that, upon the terms and subject to the conditions set in the Agreement, Jazz will merge with a wholly-owned subsidiary of Tower (formed for that purpose), with Jazz as the surviving corporation (the "merger"). Upon the closing of the merger, each

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

outstanding share of Jazz's common stock will be converted into the right to receive 1.8 ordinary shares of Tower, in an aggregate fair value of approximately \$44.5 million. The fair value of the shares was determined based on the average prices for Tower's ordinary shares on Nasdaq over a five day period commencing 2 days before and ending 2 days after the merger was announced in accordance with provisions set forth in EITF 99-12 "DETERMINATION OF THE MEASUREMENT DATE FOR THE MARKET PRICE OF ACQUIRER SECURITIES ISSUED IN A PURCHASE BUSINESS COMBINATION."

For purposes of these unaudited pro forma condensed combined financial statements, Tower has assumed the total consideration of the merger to be \$48.8 million as follows:

	(US\$ IN THOUSANDS)
Value of equity instruments issued (a)	\$ 44,459
Estimated fees and expenses of Tower (b)	4,350
	-----
TOTAL MERGER CONSIDERATION	\$ 48,809
	-----

(a) the value of equity instruments issued was determined as follows:

	(US\$ IN THOUSANDS EXCEPT PER SHARE DATA)
Number of shares of Jazz Technologies before the merger	19,031
Conversion to shares of Tower in a ratio of 1 share of Jazz to 1.8 Tower shares	34,256
Tower's average stock price	\$ 1.144
	-----
Value of shares to be issued to Jazz	39,189
Change in value of outstanding warrants.	4,315
Change in value of vested employee options.	955
	-----
TOTAL VALUE OF EQUITY INSTRUMENTS ISSUED	\$ 44,459
	-----

(b) Estimated fees and expenses include legal and accounting fees and expenses, printing and mailing costs, SEC filing fees, financial advisor fees and expenses, financing fees and related expenses, and other miscellaneous expenses directly related to the merger and the transactions contemplated thereby.

### NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

#### NOTE 2. PRO FORMA ADJUSTMENTS

Adjustments made to the historical financial statements include the following:

A. Adjustments to shareholders' equity due to:

Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

	(US\$ IN THOUSANDS)
	-----
Elimination of adjusted Jazz stockholders' equity (1)	\$ (41,465)
Transaction costs related to Jazz (2)	(7,032)
Value of equity instruments issued (3)	44,459
	-----
TOTAL SHAREHOLDERS' EQUITY ADJUSTMENTS	\$ (4,038)
	-----

- (1) Reflects the elimination of Jazz historical equity accounts and adjusted deficit upon the completion of the merger, as follows:

	(US\$ IN THOUSANDS)
	-----
Jazz stockholders' equity as of March 28, 2008	\$ 48,497
Transaction costs (2)	(7,032)
	-----
TOTAL ADJUSTED JAZZ STOCKHOLDERS' EQUITY	\$ 41,465
	-----

- (2) Reflects Jazz transaction costs as follows:

	(US\$ IN THOUSANDS)
	-----
Change of control payments to employees (a)	\$ 2,494
Estimated fees and other expenses (b)	4,538
	-----
TOTAL JAZZ TRANSACTION COSTS	\$ 7,032
	-----

(a) Change of control payments expected to be paid to senior executives upon completion of the merger. The payments are included within other current liabilities in the unaudited pro forma condensed combined balance sheet.

(b) Estimated fees and other expenses include legal and accounting fees and expenses, printing and mailing costs, financing fees and related expenses, and other miscellaneous expenses. The expenses are included within trade accounts payable in the unaudited pro forma condensed combined balance sheet.

- (3) As described in Note 1 above.

- B. Reflects adjustment to the debt fair value of the convertible notes based on quotation:

	CARRYING AMOUNT	FAIR VALUE
	-----	-----
	(US\$ IN THOUSANDS)	
Convertible notes	\$ 128,200	\$ 89,099
	-----	-----

The adjustment to fair value of the convertible notes resulted in a discount recorded on the notes and has the effects of increasing the interest expenses due to the annual discount amortization. The discount will be amortized over the remaining period of the convertible notes using the effective interest method (see note H below).

## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

### NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

#### NOTE 2. PRO FORMA ADJUSTMENTS (CONT.)

C. Under the purchase method of accounting, the total purchase price will be allocated to the net tangible and intangible assets acquired and liabilities assumed, based on estimates of their respective fair values. Tower determined, provisionally, the estimated fair values of certain assets and liabilities to be close to their carrying values since these carrying values were only recently adjusted to their fair values. Therefore, only assets and liabilities for which Tower has provisionally identified a difference between their carrying value and their fair value are reflected below. The final purchase price allocation will be done with assistance of third party valuation specialists. Based on preliminary valuation estimates, the total purchase price will be allocated as follows:

	AS OF MARCH 31, 2008	PRELIMINARY VALUATION (1)	PURC AL
	-----	-----	-----
	(US\$ IN THOUSANDS)		
Inventories	\$ 12,714	\$ 17,263	\$
Deferred revenue	(3,895)	(3,332)	
Long-term customers' advances	(516)	(437)	
Convertible notes	(128,200)	(89,099)	
Identified intangible assets:			
Existing technology	906	906	
Patents /core technology rights	9,403	9,403	
Customer relationships	4,000	4,000	
Trade name	3,937	3,937	
Facilities lease	34,157	34,157	
Customer backlog		9,403	
Total identified intangible assets	52,403	61,806	
Adjusted Jazz stockholders' equity (2)			
Estimated fees and expenses of Tower (see Note 1)			
Excess of fair value for reverse allocation (3)	-		
Total VALUE OF EQUITY INSTRUMENTS ISSUED			\$

(1) The purchase price allocations set forth in these unaudited pro forma condensed combined financial statements are based on preliminary valuation estimates of Jazz's tangible and intangible assets which as described above, were determined to be close to their carrying values. The final valuations, and any interim updated preliminary valuation estimates, may differ materially from these preliminary valuation estimates and, as a result, the final allocation of the purchase price may result in reclassifications of the allocated amounts that are materially different from the purchase price allocations reflected herein. Any material change in the valuation estimates and related allocation of the purchase price could materially impact Tower's depreciation and amortization expenses, the unaudited pro forma condensed combined financial statements and Tower's results of operations after the merger.



## Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

- (2) Represents Jazz's stockholders' equity as of March 31, 2008, adjusted as follows:

	(US\$ IN THOUSANDS)
Jazz stockholders' equity	\$ 48,497
Transaction costs	(7,032)
	-----
TOTAL ADJUSTED JAZZ STOCKHOLDERS' EQUITY	\$ 41,465
	-----

- (3) The excess of fair value over cost amounted \$46.4 million was allocated on a pro-rata basis to non-current tangible and intangible assets, as follows:

	(US\$ IN THOUSANDS)
	-----
Non-current tangible assets	\$ 27,185
Intangible assets	13,828
Long term investments	4,318
Other assets, net	1,020
	-----
TOTAL EXCESS OF FAIR VALUE	\$ 46,351
	-----

110

### NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

#### NOTE 2. PRO FORMA ADJUSTMENTS (CONT.)

- (4) The decrease in intangible assets as of March 31, 2008 amounted to \$4.4 million and is comprised as follows:

	(US\$ IN THOUSANDS)
	-----
Customer backlog	\$ 9,403
Reverse allocation of excess of fair value over cost of intangible assets (including \$2,105 allocated to customer backlog)	(13,828)
	-----
TOTAL DECREASE IN INTANGIBLE ASSETS	\$ (4,425)
	-----

- D. Reflects the payment by Tower and Jazz of accrued acquisition fees and other expenses related to the merger at closing, as described in Note 1 and Note 2A(2).

E.	DECEMBER 31, 2007	MARCH 31, 2008
	-----	-----
	(US\$ IN THOUSANDS)	
	-----	
Decrease in depreciation of fixed assets due to reverse allocation (Note F(1))	(5,437)	(1,359)
Decrease in amortization of intangible assets due to reverse allocation (Note F(2))	(695)	(174)
Amortization of customer backlog (Note G)	7,298	--
Increase in stock based compensation due to		

Edgar Filing: TOWER SEMICONDUCTOR LTD - Form 424B3

the modification of non vested awards (Note I)	113	72
	-----	-----
Total	1,279	(1,461)
	=====	=====

- F. 1. Reflects adjustment for decreased depreciation expense resulting from the reverse allocation of excess of fair value over cost, to property, plant and equipment, amortized over a five-year period. Jazz has historically depreciated its property, plant and equipment over useful lives between 3 and 8 years. For purposes of the unaudited pro forma condensed combined financial statements, Tower has assumed five years as an average of the useful lives for all property, plant and equipment.
2. Reflects adjustment for decreased amortization expense resulting from reverse allocation of excess of fair value over cost to intangible assets, amortized over their useful lives. For purposes of the unaudited pro forma condensed combined financial statements, Tower assumed the useful lives which were determined in connection with the prior acquisition of Jazz Semiconductor Inc. in February 2007. The decrease in amortization expense was approximately \$965,000 in the year ended December 31, 2007 of which \$695,000 and \$270,000 were allocated to cost of sales and operating expenses respectively. For the three months period ended March 31, 2008 \$241,000, of which \$174,000 and \$67,000 was allocated to cost of sales and operating expenses respectively.
- G. Reflects the effect of amortization of the fair value of customer backlog assigned in the preliminary valuation of intangible assets as follows:

INTANGIBLE ASSETS	INCREASED VALUE (1)	USEFUL LIFE	YEAR ENDED DECEMBER 31, 2007
-----	-----	-----	-----
	(US\$ IN THOUSANDS)		(US\$ IN THOUSANDS)
-----	-----	-----	-----
CUSTOMER BACKLOG	\$ 7,298		