1ST SOURCE CORP
Form 11-K
June 15, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 11-K
(Mark One)

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

For the fiscal year ended December 31, 2014

OR

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

For the transition period from _____ to _____

Commission file number: 0-6233

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

1st SOURCE CORPORATION EMPLOYEE STOCK OWNERSHIP AND PROFIT SHARING PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

1st Source Corporation
100 N. Michigan Street
South Bend, Indiana, 46601

1st Source Corporation
Employee Stock Ownership and Profit Sharing Plan

Financial Statements and Supplemental Schedule

December 31, 2014 and 2013, and the Year Ended December 31, 2014

Contents

Report of Independent Registered Public Accounting Firm

Audit Committee of the Board of Directors
1st Source Corporation

We have audited the accompanying statements of net assets available for benefits of 1st Source Corporation Employee Stock Ownership and Profit Sharing Plan (the Plan) as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of 1st Source Corporation Employee Stock Ownership and Profit Sharing Plan at December 31, 2014 and 2013, and the changes in its net assets available for benefits for the year ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2014, has been subjected to audit procedures performed in conjunction with the audit of 1st Source Corporation Employee Stock Ownership and Profit Sharing Plan. The information in the supplemental schedules is the responsibility of the Plan’s management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Ernst & Young LLP
Chicago, Illinois
June 15, 2015

1st Source Corporation
Employee Stock Ownership and Profit Sharing Plan
Statements of Net Assets Available for Benefits

	December 31	
	2014	2013
Assets		
Cash	$182,164	$10,321
Investments at fair value:		
Mutual funds	105,805,210	97,814,196
1st Source Corporation common stock	44,878,887	44,701,084
1st Source Bank common trust funds	27,243,704	28,239,365
Total investments	177,927,801	170,754,645
Receivables:		
Notes receivable from participants	1,170,034	1,114,633
Employer contributions	4,342,672	4,327,089
Total receivables	5,512,706	5,441,722
Total assets	183,622,671	176,206,688
Liabilities		
Excess contributions payable	37,376	64,604
Trade payables	173,036	12,896
Total liabilities	210,412	77,500
Net assets available for benefits at fair value	183,412,259	176,129,188
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(30,662)	(29,745)
Net assets available for benefits	$183,381,597	$176,099,443

See accompanying notes.

1st Source Corporation
Employee Stock Ownership and Profit Sharing Plan
Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2014

Additions	
Investment income:	
Net appreciation in fair value of investments	$9,055,972
Interest and dividends	2,613,928
	11,669,900
Interest income on notes receivable from participants	57,936
Contributions:	
Employer – cash	3,842,692
Employer – noncash	499,980
Participants	4,601,946
Rollover	701,851
	9,646,469
Total additions	21,374,305
Deductions	
Benefits paid to participants	13,964,047
Administrative expenses	128,104
Total deductions	14,092,151
Net increase in net assets available for benefits	7,282,154
Net assets available for benefits:	
Beginning of year	176,099,443
End of year	$183,381,597

See accompanying notes.

Notes to Financial Statements

Note 1. Description of the Plan

The following description of the 1st Source Corporation Employee Stock Ownership and Profit Sharing Plan (the Plan) provides general information about the Plan's provisions. Participants should refer to the plan document and summary plan description for a more complete description of the Plan's provisions, copies of which may be obtained from the plan sponsor.

General

The Plan is a defined contribution plan offered to all employees of 1st Source Corporation (1st Source) and its subsidiaries who have at least 90 consecutive days of service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The Executive Compensation and Human Resources Committee is responsible for the general administration of the Plan. 1st Source Bank is the trustee of the Plan. Swerdlin & Company is the record-keeper of the Plan.

Eligible participants are automatically enrolled in the Plan once they have completed 90 consecutive days of service unless they affirmatively decline to participate. The Plan has an automatic pre-tax deferral of 6% of compensation if a participant does not elect a different compensation deferral percentage.

Contributions

Participants are permitted to defer up to 100% of their annual eligible compensation on a pre-tax basis, up to $17,500, as defined by Internal Revenue Service (IRS) limits, as a salary reduction contribution to the Plan. In addition, participants age 50 or older may elect to defer up to an additional $5,500 in 2014 and 2013, called catch-up contributions, to the Plan. Participants direct their contributions into various investment options offered by the Plan. The Plan currently offers 10 different fund options, one of which is 1st Source common stock.

The Plan provides for the following 1st Source contributions:

Matching contribution - contribution is discretionary. The first 4% of a participant’s eligible compensation contributed to the Plan is matched 100%, and the next 2% of a participant’s eligible compensation contributed to the Plan is matched 50%.

2% employer contribution - equals 2% of each eligible participant’s eligible annual compensation.

Discretionary profit sharing contribution - contribution is 1% of the Company’s net profit, discretionary, and determined annually by the Board of Directors.

Regular contribution - contribution is discretionary and determined annually by the Board of Directors.

All 1st Source contributions may be made in either cash or shares of 1st Source common stock. Cash contributions are invested in a diversified portfolio of funds as directed by the 1st Source Retirement Plan Committee.

Participant Accounts

The Plan provides participants with an Employee Stock Ownership Plan (ESOP) account and a 401(k) account. The ESOP account is made up of participant and 1st Source contributions invested in 1st Source common stock and cash not yet invested in common stock. The 401(k) account consists of participant and 1st Source contributions not invested in 1st Source common stock, including amounts previously included in the ESOP account that a participant elected to diversify. Participants may elect to have dividends paid on the 1st Source common stock held in their ESOP account either in cash or remain in the Plan and be reinvested in additional shares of 1st Source common stock.

Each participant’s account is credited with the participant’s contribution and an allocation of (a) 1st Source’s contribution and (b) the Plan’s earnings. Allocations are based on participant compensation or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account balance.

Vesting

Vesting of the 1st Source Employer Contributions, including match, 2% employer contribution, discretionary profit sharing, and regular contributions, is based on years of credited service. A credited year of service is at least 1,000 hours worked in a 12-month period. A participant is 10%, 20%, 40%, 60%, or 100% vested after completing one, two, three, four, or five or more years of credited service, respectively. A participant can also become 100% vested upon reaching early retirement age, normal retirement age, death or disability.

Forfeitures

Upon termination of employment, participants with less than 5 years of credited service will forfeit their non-vested balances. Forfeitures of non-vested terminated participants' accounts are used to pay plan expenses and offset employer contributions. Unallocated forfeitures amounted to $103,654 and $102,380 as of December 31, 2014 and 2013, respectively. Forfeitures were used to pay Plan expenses for 2014.

Participant Loans

Participants may borrow from the Plan amounts not to exceed the lesser of one-half of the participant's vested balance from his or her 401(k) account or $50,000. The loans are collateralized by the participant's vested account balance and bear interest at fixed rates of 1% above 1st Source Bank's (a wholly owned subsidiary of 1st Source) prime rate. The loans are repayable over 5 years except for loans used to acquire or construct a participant's principal residence, in which case the repayment term may exceed 5 years but no more than 15 years.

Payment of Benefits

On termination of service, a participant generally receives a lump-sum amount equal to the value of his or her vested account balance.

As a result of the Economic Growth and Tax Relief Reconciliation Act of 2001, contributions by employees and the employer were closed to the Money Purchase Account and benefits became and remain subject to joint survivor and annuity requirements.

Hardship withdrawals are allowed for participants incurring an immediate and heavy financial need, as defined by the Plan. Hardship withdrawals are strictly regulated by the IRS, and a participant must exhaust all available loan options prior to requesting a hardship withdrawal.

Administrative Expenses

The Plan's administrative expenses are paid by either the Plan or the Company, as provided by the Plan's provisions. Administrative expenses paid by the Plan include record-keeping fees. Expenses relating to purchases, sales, or transfers of the Plan's investments are charged to the particular investment fund to which the expenses relate.

Plan Termination

Although it has not expressed any intention to do so, 1st Source has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become fully vested in their accounts.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Use of Estimates

The financial statements of the Plan are prepared in conformity with United States generally accepted accounting principles (GAAP), which require management to make estimates and assumptions that affect amounts in the financial statements, accompanying notes, and supplemental schedule. Actual results could differ from those estimates.

Payment of Benefits

Benefits are recorded when paid.

Notes Receivable From Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance. Interest income on notes receivable from participants is recorded when it is earned. No allowance for credit losses has been recorded as of December 31, 2014 or 2013. If a terminated participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the terminated participant's vested balance is reduced and a benefit payment is recorded.

Excess Contributions Payable

Amounts payable to participants for contributions in excess of amounts allowed by the IRS are recorded as a liability with a corresponding reduction to contributions. The Plan distributed the excess contributions to the applicable participants prior to March 15, 2015.

Investment Valuation and Income Recognition

Investments held by the Plan are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). See Note 5 for further discussion and disclosures related to fair value measurements.

The 1st Source Bank Employee Benefit Low Risk Fund invests in fully benefit-responsive investment contracts. These investment contracts are recorded at fair value; however, since these contracts are fully benefit-responsive, an adjustment is reflected in the statements of net assets available for benefits to present these investments at contract value. Contract value is the relevant measurement attributable to fully benefit-responsive investment contracts because the contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The contract value represents contributions plus earnings, less participant withdrawals and administrative expenses.

U.S. GAAP establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used in the measurement are observable or unobservable. Observable inputs reflect market-driven or market-based information obtained from independent sources, while unobservable inputs reflect estimates about market data. The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market data.

The hierarchy established gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Plan's investments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement.

The three levels of the fair value hierarchy and its applicability to the Plan's investments are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Quoted prices for similar assets or liabilities or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the security.
- Level 3 - Pricing inputs are unobservable for the asset or liability. That is, inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 includes private portfolio investments that are supported by little or no market activity.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-07 “Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent).” The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments that fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset per share practical expedient. The amendments should be applied retrospectively to all periods presented and is effective for fiscal years beginning after December 15, 2015. The Plan is assessing the impact of ASU 2015-07 on its accounting and disclosures.

Note 3. Investments

The Plan’s investments (including investments purchased, sold, as well as held during the year) appreciated (depreciated) in value as follows:

	Year Ended December 31, 2014
1st Source Corporation common stock	$3,013,744
Mutual funds	6,448,092
1st Source Bank common trust funds	(405,864)
Net appreciation in fair value of investments	$9,055,972

The fair value of individual investments that represent 5% or more of the fair value of the Plan’s net assets is as follows:

	December 31, 2014	2013
1st Source Corporation common stock	$44,878,887	$44,701,084
Wasatch-1st Source Income Fund*	23,874,460	21,887,901
Robeco BP All Cap Value Fund*	22,628,460	20,872,530
Vanguard 500 Index Fund*	17,432,226	15,129,582
Fidelity Contrafund*	14,618,813	13,821,579
Vanguard Wellington Fund*	14,576,810	12,808,710
1st Source Bank Employee Benefit International Equity Fund*	13,753,392	14,129,723
1st Source Bank Employee Benefit Low Risk Fund*	13,490,312	14,109,642

*Includes nonparticipant-directed investments.

Note 4. Nonparticipant-Directed Investments

Nonparticipant-directed investments are put into participants’ accounts by the employer (match, profit sharing, and 2%). Employees do not get to select or direct into which funds or investments the employer contributions are deposited.

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

	December 31, 2014	2013
Net assets		
1st Source Corporation common stock	$—	$26,113
Mutual funds	35,564,735	33,530,047
1st Source Bank common trust funds	7,234,802	6,974,012
Total net assets - nonparticipant-directed investments	$42,799,537	$40,530,172

Ordinary Shares, NIS 1.00 par value per share; 800,000,000 authorized shares, 122,182,946 issued shares* and 120,882,946 outstanding shares	28,965
Additional paid-in capital	584,400
Capital notes	176,401
Equity component of convertible debentures and cumulative stock based compensation	25,218
Accumulated deficit	(684,073)
Treasury stock, 1,300,000 shares	(9,072)
Total shareholders' equity	121,839
Total capitalization	$ 688,600

* Includes 1,300,000 treasury shares.

The information set forth on an actual basis in the foregoing table excludes the following securities as of March 31, 2007:

(i) approximately 14.8 million ordinary shares issuable upon exercise of options granted to employees and directors at a weighted average exercise price of $2.14;

(ii) 14,782,416 ordinary shares issuable upon exercise of options granted to our Chief Executive Officer at a weighted average exercise price of $1.58;

(iii) 1,348,527 ordinary shares issuable upon conversion of unsecured, subordinated convertible debentures, net, that we issued in January 2002, which are convertible through December 31, 2008;

(iv) 896,596 ordinary shares issuable upon exercise of warrants issued to our banks in connection with our credit facility with an exercise price of $6.17 per share exercisable until September 2011;

(v) 58,906 ordinary shares issuable upon exercise of warrants issued to Israel Corp. in connection with the November 2003 amendment to our facility agreement with an exercise price of $6.17 per share and exercisable until December 2008;

(vi) 8,264,464 ordinary shares issuable upon exercise of warrants we issued to our banks with an exercise price of $1.21 in connection with the July 2005 amendment to our facility agreement exercisable until September 2011;

(vii) 26,661,682 ordinary shares issuable upon conversion of our debentures convertible until December 2011, pursuant to the prospectus dated December 15, 2005;

(viii)

117,763,158 ordinary shares issuable upon conversion of the equity equivalent convertible capital notes we issued to our banks and to Israel Corp., in September 2006;

(ix) 5,481,000 ordinary shares issuable upon exercise of warrants issued in our June 2006 public offering in Israel with an exercise price of NIS 7.40 per share and exercisable until June 2009;

(x) 5,227,500 ordinary shares issuable upon exercise of warrants sold in our private placements completed in November 2006, with an exercise price of approximately $2.28 per share and exercisable until December 2010;

(xi) 24,232,464 ordinary shares issuable upon conversion of our debentures convertible until December 2011, issued pursuant to our June 2006 public offering in Israel; and

(xii) 28,207,796 ordinary shares covered by the registration statement of which this prospectus forms a part, issuable upon exercise of the warrants issued in our March 2007 private placement.

This information does not take into account the following potential dilutive issuances of securities pursuant to our credit facility agreement, agreements with our major wafer partners and with Israel Corp. and option arrangements with our chief executive officer which cannot be calculated as of the date of this prospectus since the number of shares issuable will depend upon future transactions in which we may engage and/or the market price of our shares and/or other conditions: (i) ordinary shares issuable upon conversion of up to approximately $4.7 million in wafer prepayment credits (as of March 31, 2007) which we have issued to our major wafer partners; (ii) ordinary shares issuable upon conversion of securities we may be required to issue in connection with a rights offering and outside investor provisions agreed to in the November 2003 amendment to our facility agreement; (iii) ordinary shares issuable to our banks in January 2011 as a result of the reduction of the interest rate applicable to the quarterly actual interest payments on our outstanding loans and (iv) anti-dilution options that may be granted to our Chief Executive Officer.

USE OF PROCEEDS

We will not receive any proceeds from the sale of ordinary shares by the selling stockholders. All net proceeds from the sale of the ordinary shares covered by this prospectus will go to the selling stockholders. Upon exercise by payment of cash of any warrants whose underlying shares are covered hereby, however, we will receive the exercise price of the warrants. If all of such warrants are exercised for cash, we will receive approximately $51 million. We expect to use the proceeds we receive from the exercise of warrants, if any, for the purchase of equipment and for general working capital purposes.

We have agreed to bear all expenses relating to the registration of the securities registered pursuant to this prospectus.

PLAN OF DISTRIBUTION

The selling stockholders, which as used herein includes donees, pledgees, transferees or other successors-in-interest selling shares of ordinary shares or interests in shares of ordinary shares received after the date of this prospectus from a selling stockholder as a gift, pledge, partnership distribution or other transfer, may, from time to time, sell, transfer or otherwise dispose of any or all of their shares of ordinary shares or interests in shares of ordinary shares on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale, or at negotiated prices.

The selling stockholders may use any one or more of the following methods when disposing of shares or interests therein:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

- block trades in which the broker-dealer will attempt to sell the shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;

- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

- an exchange distribution in accordance with the rules of the applicable exchange;

- privately negotiated transactions;

- short sales effected after the date the registration statement of which this Prospectus is a part is declared effective by the SEC;

- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;

- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share; and

- a combination of any such methods of sale, or any other methods permitted by applicable law.

The selling stockholders may, from time to time, pledge or grant a security interest in some or all of the ordinary shares owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the ordinary shares, from time to time, under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus. The selling stockholders also may transfer the ordinary shares in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

In connection with the sale of our ordinary shares or interests therein, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the ordinary shares in the course of hedging the positions they assume. The selling stockholders may also sell our ordinary shares short and deliver these securities to close out their short positions and to return borrowed shares in connection with such short sales, or loan or pledge the ordinary shares to broker-dealers that in turn may sell these securities. The selling stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The aggregate proceeds to the selling stockholders from the sale of the ordinary shares offered by them will be the purchase price of the ordinary shares less discounts or commissions, if any. Each of the selling stockholders reserves the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of ordinary shares to be made directly or through agents. We will not receive any of the proceeds from this offering. Upon any exercise of any warrants by payment of cash, however, we will receive the exercise price of the warrants.

The selling stockholders also may resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act of 1933, provided that they meet the criteria and conform to the requirements of that rule.

The selling stockholders and any underwriters, broker-dealers or agents that participate in the sale of the ordinary shares or interests therein may be deemed to be underwriters within the meaning of Section 2(11) of the Securities Act. Any discounts, commissions, concessions or profit they earn on any resale of the shares may be deemed to be underwriting discounts and commissions under the Securities Act. At the time a particular offering of the ordinary shares is made, a prospectus supplement, if required (or if appropriate, a post-effective amendment to this registration statement which includes this prospectus), will be filed, which will set forth the aggregate amount of ordinary shares being offered and the terms of the offering, including the name or names of any broker-dealers or agents, any discounts, commissions and other terms constituting compensation from the selling stockholders and any discount, commissions or concessions allowed or reallowed or paid to broker-dealers.

Under the securities laws of some states, the ordinary shares may be sold in these jurisdictions only through registered or licensed brokers or dealers. In addition, in some states the ordinary shares may not be sold unless they have been registered or qualified for sale or an exemption from registration or qualification requirements is available and is complied with.

We have advised the selling stockholders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the selling stockholders and their affiliates. In addition, we will make copies of this prospectus (as it may be supplemented or amended from time to time) available to the selling stockholders for the purpose of satisfying the prospectus delivery requirements of the Securities Act. The selling stockholders may indemnify any broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act.

We have agreed to indemnify the selling stockholders against liabilities, including liabilities under the Securities Act and state securities laws, relating to the registration of the shares offered by this prospectus.

We have agreed with the selling stockholders to keep the registration statement of which this prospectus constitutes a part effective until the earlier of (1) such time as all of the shares covered by this prospectus have been disposed of pursuant to and in accordance with the registration statement or (2) the date on which the shares may be sold pursuant to Rule 144(k) of the Securities Act.

Expenses of the Offering

We have incurred, or expect to incur, the following estimated expenses in connection with the sale of the securities covered by this prospectus:

Securities and Exchange Commission Registration Fee	$	2,490
Legal fees and expenses	$	15,000
Miscellaneous	$	1,000
Total	$	18,490

SELLING STOCKHOLDERS

Beneficial ownership and other information.

The selling stockholders purchased the securities covered by this prospectus in a private placement by us consummated on March 15, 2007. In the private placement, we sold an aggregate of 18,805,197 ordinary shares and issued warrants to purchase 9,402,599 shares at an exercise price of $2.04 per share and warrants to purchase 18,805,197 shares at an exercise price of $1.70 per share. The higher-priced warrants, which we refer to as Series I Warrants, expire on the fifth anniversary of the private placement, and the lower-priced warrants, which we refer to as Series II Warrants, expire on the later of December 31, 2007 and 90 days after the effective date of the registration statement of which this prospectus forms a part. The warrant expiration date of the Series II Warrants is subject to extension to reflect periods during which the registration statement may not be effective or may otherwise become suspended or subject to a stop order. Both series of warrants contain antidilution protections that are triggered upon the occurrence of certain events. The Series I Warrants also contain a net exercise feature, enabling the holders to exercise their warrants on a cashless basis.

Except as described herein, we have no material relationships with any of the selling stockholders and have not had any material relationships with any of the selling stockholders in the past three years. CE Unterberg, Towbin acted as co-placement agent for the private placement in which the securities covered by this prospectus were sold. The following selling stockholders are affiliated with the placement agent or its principals: C.E. Unterberg, Towbin Capital Partners I, L.P., Marjorie & Clarence E. Unterberg Foundation Inc., Thomas I. Unterberg and UT Special Opportunities Fund, L.P.

Nothing in this Registration Statement shall be construed as an admission that any selling stockholder is the beneficial owner of any of our securities, other than the securities held directly by such party, nor that any selling stockholder or other persons or entities constitute a group , for purposes of Section 13(d) of the Exchange Act and the rules promulgated thereunder. The Series I Warrants and Series II Warrants contain a limitation on the number of ordinary shares purchasable thereunder. Under the limitation, the holder will not have the right to exercise any portion of the warrants, to the extent that after giving effect to such exercise, the holder and other persons with whom such holder s ownership would be aggregated for purposes of beneficial ownership rules, would own in excess of 4.99% of our outstanding ordinary shares immediately after such exercise; the number of shares in the second column in the below table does not reflect this limitation. This limitation is not applicable in the case of a call by us of the Series II Warrants and may be increased to 9.99% at the election of the holder, which election will not become effective until 61 days after a holder provides us with notice thereof.

The following table assumes that each selling stockholder will sell all of the securities owned by it and covered by this prospectus. Information included in the table is based upon information provided by the selling stockholders. Our registration of these securities does not necessarily mean that the selling stockholders will sell any or all of the securities.

Except as otherwise noted below none of the selling stockholders are broker-dealers or affiliates of broker-dealers.

Name and Address of Selling Stockholder	Shares Beneficially Owned Prior to Offering/ Percentage of Class[1]	Shares Being Offered	Shares Beneficially Owned Upon Completion of Offering / Percentage of Class
C.E. Unterberg, Towbin Capital Partners I, L.P. c/o C.E. Unterberg, Towbin 350 Madison Avenue, 10th Floor New York, NY 10017	324,677/*(2)	324,677	0/0%
Capital Ventures International c/o Heights Capital Management 101 California Street, Suite 3250 San Francisco, CA 94111	4,870,130/3.87%(3)	4,870,130	0/0%
Enable Growth Partners , L.P. One Ferry Building, Suite 255 San Francisco, CA 94111	4,139,610/3.31%(4)	4,139,610	0/0%
Enable Opportunity Partners, L.P. One Ferry Building, Suite 255 San Francisco, CA 94111	487,012/*(5)	487,012	0/0%
Fort Mason Master, LP 4 Embarcadero Center, Suite 2050 San Francisco, CA 94111	4,573,540/3.65%(6)	4,573,540	0/0%
Fort Mason Partners, LP 4 Embarcadero Center, Suite 2050 San Francisco, CA 94111	296,590/*(7)	296,590	0/0%
Highbridge International LLC c/o Highbridge Capital Management, LLC 9 West 57th Street, 27th Floor New York, NY 10019	10,000,000/7.64%(8)	10,000,000	0/0%
Investcorp Interlachen Multi-Strategy Master Fund Limited c/o Interlachen Capital Group LP 800 Nicollet Mall, Suite 2500 Minneapolis, MN 55402	5,681,820/4.49%(9)	5,681,820	0/0%
Iroquois Master Fund Ltd. 641 Lexington Avenue, 26th Floor New York, NY 10022	3,246,755/2.62%(10)	3,246,755	0/0%
LB I Group Inc. c/o Eric Salzman, Lehman Brothers 399 Park Avenue, 9th Floor New York, NY 10022	4,870,130/3.87%(11)	4,870,130	0/0%
Majorie & Clarence E Unterberg Foundation Inc. c/o C.E. Unterberg, Towbin 350 Madison Avenue, 10th Floor New York, NY 10017	811,688/*(12)	811,688	0/0%
Menora Mivtachim Insurance Ltd. 115 Allenby Road			

Name and Address of Selling Stockholder	Shares Beneficially Owned Prior to Offering/ Percentage of Class[1]	Shares Being Offered	Shares Beneficially Owned Upon Completion of Offering / Percentage of Class
Tel Aviv Israel	2,573,351/2.08%(13)	1,623,378	949,973/0.56%
Pierce Diversified Strategy Master Fund LLC, Ena One Ferry Building, Suite 255 San Francisco, CA 94111	243,508/*(14)	243,508	0/0%
Tempo Master Fund LP Two Greenwich Plaza 2nd Floor Greenwich, CT 06830	4,870,130/3.87%(15)	4,870,130	0/0%
Thomas I. Unterberg c/o C.E. Unterberg, Towbin 350 Madison Avenue, 10th Floor New York, NY 10017	811,688/*(16)	811,688	0/0%
UT Special Opportunities Fund, L.P. c/o C.E. Unterberg Towbin 350 Madison Avenue, 10th Floor New York, NY 10017	162,337/*(17)	162,337	0/0%

* Denotes less than 1%.

1 Beneficial ownership is calculated as of March 31, 2007 in accordance with General Instruction F. to Form 20-F and is based on 120,882,946 ordinary shares outstanding.

2 Includes 64,935 ordinary shares underlying Series I Warrants and 129,871 ordinary shares underlying Series II Warrants. Mr. Andrew Arno, a managing member of General Partner, UTCM, L.L.C., has voting and dispositive authority with respect to these securities. This selling stockholder is an affiliate of C.E. Unterberg Towbin, LLC a registered broker-dealer. This selling stockholder has represented to us that it (i) purchased the securities in the ordinary course of business and (ii) did not have an agreement or understanding, directly or indirectly, with any person to distribute the securities at the time it purchased the securities.

3 Includes 974,026 ordinary shares underlying Series I Warrants and 1,948,052 ordinary shares underlying Series II Warrants. Heights Capital Management, Inc., the authorized agent of Capital Ventures International (CVI), has discretionary authority to vote and dispose of the shares held by CVI and may be deemed to be the beneficial owner of these shares. Mr. Martin Kobinger, in his capacity as Investment Manager of Heights Capital Management, Inc., may also be deemed to have investment discretion and voting power over the shares held by CVI. Mr. Kobinger disclaims any such beneficial ownership of the shares. This selling stockholder is under common control with one or more NASD members, none of whom are currently expected to participate in the sale pursuant to this prospectus of ordinary shares purchased by the selling stockholder in this offering. This selling stockholder has represented to us that it (i) purchased the securities in the ordinary course of business and (ii) did not have an agreement or understanding, directly or indirectly, with any person to distribute the securities at the time it purchased the securities.

4 Includes 827,922 ordinary shares underlying Series I Warrants and 1,655,844 ordinary shares underlying Series II Warrants. Mr. Mitch Levine, managing partner of this selling stockholder, has voting and dispositive authority with respect to these securities. Mr. Levine disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein, if any.

5 Includes 97,402 ordinary shares underlying Series I Warrants and 194,805 ordinary shares underlying Series II Warrants. Mr. Mitch Levine, managing partner of this selling stockholder, has voting and dispositive authority with respect to these securities. Mr. Levine disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein, if any.

[6] Includes 914,708 ordinary shares underlying Series I Warrants and 1,829,416 ordinary shares underlying Series II Warrants. Fort Mason Capital, LLC, serves as the general partner of Fort Mason Master, LP, and, in such capacity, exercises sole voting and dispositive authority with respect to such shares. Mr. Daniel German serves as the sole managing member of Fort Mason Capital, LLC. Fort Mason Capital, LLC, and Mr. German each disclaim beneficial ownership of these securities except to the extent of its or his pecuniary interest therein, if any.

[7] Includes 59,318 ordinary shares underlying Series I Warrants and 118,636 ordinary shares underlying Series II Warrants. Fort Mason Capital, LLC, serves as the general partner of Fort Mason Partners, LP, and, in such capacity, exercises sole voting and dispositive authority with respect to such shares. Mr. Daniel German serves as the sole managing member of Fort Mason Capital, LLC. Fort Mason Capital, LLC, and Mr. German each disclaim beneficial ownership of these securities except to the extent of its or his pecuniary interest therein, if any.

[8] Includes 2,000,000 ordinary shares underlying Series I Warrants and 4,000,000 ordinary shares underlying Series II Warrants. Highbridge Capital Management, LLC is the trading manager of Highbridge International LLC and has voting control and investment discretion over the securities held by Highbridge International LLC. Mr. Glenn Dubin and Mr. Henry Swieca control Highbridge Capital Management, LLC, and have voting control and investment discretion over the securities held by Highbridge International LLC. Each of Highbridge Capital Management, LLC, Mr. Dubin and Mr. Swieca disclaims beneficial ownership of the securities held by Highbridge International LLC. Notwithstanding the amount listed for the selling stockholder, with respect to the warrants held by the selling stockholder, such amount is subject to the exercise limitation set forth in the warrants which prohibits the exercise of the warrants if such action would result in the selling stockholder and other persons with whom such selling stockholder s ownership would be aggregated for purposes of beneficial ownership rules, owning in excess of 4.99% of our outstanding ordinary shares immediately after such exercise.

[9] Includes 1,136,364 ordinary shares underlying Series I Warrants and 2,272,728 ordinary shares underlying Series II Warrants. Interlachen Capital Group LP is the trading manager of Investcorp Interlachen Multi-Strategy Master Fund Limited and has voting and investment discretion over securities held by Investcorp Interlachen Multi-Strategy Master Fund Limited. Andrew Fraley, in his role as Chief Investment Officer of Interlachen Capital Group LP, has voting control and investment discretion over securities held by Investcorp Interlachen Multi-Strategy Master Fund Limited. Interlachen Capital Group LP and Andrew Fraley disclaim beneficial ownership of the securities held by Investcorp Interlachen Multi-Strategy Master Fund Limited.

[10] Includes 649,351 ordinary shares underlying Series I Warrants and 1,298,702 ordinary shares underlying Series II Warrants. Mr. Joshua Silverman, an authorized representative of Iroquois Master Fund Ltd., has the dispositive and voting authority over the shares held by the corporation.

[11] Includes 974,026 ordinary shares underlying Series I Warrants and 1,948,052 ordinary shares underlying Series II Warrants. Lehman Brothers Holdings, Inc., a public reporting company, has voting and dispositive authority over the shares held by this selling stockholder. LB I Group Inc. is an affiliate of Lehman Brothers Inc., a registered broker-dealer. This selling stockholder has represented to us that it (i) purchased the securities in the ordinary course of business and (ii) did not have an agreement or understanding, directly or indirectly, with any person to distribute the securities at the time it purchased the securities.

[12] Includes 162,338 ordinary shares underlying Series I Warrants and 324,675 ordinary shares underlying Series II Warrants. Thomas I. Unterberg, President of the selling stockholder, has voting and dispositive authority with respect to these securities. Mr. Unterberg is Chairman of C.E. Unterberg Towbin Holding Co. a registered broker-dealer. This selling stockholder has represented to us that it (i) purchased the securities in the ordinary course of business and (ii) did not have an agreement or understanding, directly or indirectly, with any person to distribute the securities at the time it purchased the securities.

[13] Includes 324,676 ordinary shares underlying Series I Warrants and 649,351 ordinary shares underlying Series II Warrants and 949,973 ordinary shares held by the selling stockholder prior to the private placement described above. This selling stockholder is a wholly-owned subsidiary of Menorah Holdings Ltd., a public company registered with the Israel Securities Authority. Certain mutual, pension and provident funds, managed by Menorah Finances Ltd., a wholly-owned subsidiary of Menorah Holdings Ltd., also hold ordinary shares. The selling stockholder disclaims beneficial ownership of these securities.

[14] Includes 48,702 ordinary shares underlying Series I Warrants and 97,403 ordinary shares underlying Series II Warrants. Mr. Mitch Levine, managing partner of this selling stockholder, has voting and dispositive authority with respect to these securities. Mr. Levine disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein, if any.

[15] Includes 974,026 ordinary shares underlying Series I Warrants and 1,948,052 ordinary shares underlying Series II Warrants. Mr. Andrew Barnard, on behalf of JD Capital Management, LLC, the investment manager of this selling stockholder has voting and dispositive authority with respect to these securities.

[16] Includes 162,338 ordinary shares underlying Series I Warrants and 324,675 ordinary shares underlying Series II Warrants. Mr. Unterberg is Chairman of C.E. Unterberg Towbin Holding Co. a registered broker-dealer. Mr. Unterberg has represented to us that he (i) purchased the securities in the ordinary course of business and (ii) did not have an agreement or understanding, directly or indirectly, with any person to distribute the securities at the time he purchased the securities.

[17] Includes 32,467 ordinary shares underlying Series I Warrants and 64,935 ordinary shares underlying Series II Warrants. Mr. Andrew Arno, a managing member of General Partner, UTCM, L.L.C., has voting and dispositive authority with respect to these securities. This selling stockholder is an affiliate of C.E. Unterberg Towbin, LLC a registered broker-dealer. This selling stockholder has represented to us that it (i) purchased the securities in the ordinary course of business and (ii) did not have an agreement or understanding, directly or indirectly, with any person to distribute the securities at the time it purchased the securities.

DESCRIPTION OF SHARE CAPITAL

Ordinary Shares

Our authorized share capital consists of 800 million ordinary shares, par value NIS 1.00 per share. Under our articles of association, the ordinary shares do not have preemptive rights. We may from time to time, by approval of a majority of our shareholders, increase our authorized share capital. All ordinary shares are registered shares, rather than bearer shares.

The ownership or voting rights of our ordinary shares by non-residents of Israel is not restricted in any way by our memorandum of association or articles of association. 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. Our 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 our board of directors.

In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of our 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. Our Board of Directors is authorized to declare dividends, although our bank covenants currently in effect prohibit the payment of dividends on our ordinary shares, unless such payments are approved by our 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. Our major shareholders do not have different voting rights from each other or other shareholders.

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

Our registration number at the Israeli Registrar of Companies is 52-004199-7.

The objective stated in our 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.

As of March 31, 2007, 120,882,946 of our ordinary shares were outstanding. The above numbers of outstanding ordinary shares do not include 1.3 million treasury shares held by us through a trustee.

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

FOREIGN EXCHANGE CONTROLS AND OTHER LIMITATIONS

Israeli law limits foreign currency transactions and transactions between Israeli and non-Israeli residents. The Controller of Foreign Exchange at the Bank of Israel, through general and special permits, may regulate or waive these limitations. In May 1998, the Bank of Israel liberalized its foreign currency regulations by issuing a new general permit providing that foreign currency transactions are generally permitted, although some restrictions still apply. For example, foreign currency transactions by institutional investors are restricted, including futures contracts between foreign and Israeli residents if one of the base assets is Israeli currency, unless this is a fixed price forward contract for a period of less than one month. Investments outside of Israel by pension funds and insurers are also restricted. Under the new general permit, all foreign currency transactions must be reported to the Bank of Israel, and a foreign resident must report to his financial mediator about any contract for which Israeli currency is being deposited in, or withdrawn from, his account. We cannot currently assess what impact, if any, this liberalization will have on us. We also cannot predict its future impact on the value of the NIS compared to the dollar and the corresponding effect on our financial position and results of operations.

The State of Israel does not restrict in any way the ownership or voting 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.

TAXATION

The below discussion does not purport to be an official interpretation of the tax law provisions mentioned therein or to be a comprehensive description of all tax law provisions which might apply to our securities or to reflect the views of the relevant tax authorities, and it is not meant to replace professional advice in these matters. The below discussion is based on current, applicable tax law, which may be changed by future legislation or reforms. Non-residents should obtain professional tax advice with respect to the tax consequences under the laws of their countries of residence of holding or selling our securities.

A. Israeli Capital Gains Tax

Until the end of the year 2002 and provided we maintained our status as an Industrial Corporation , capital gains from the sale of our securities were generally exempt from Israeli Capital Gains Tax. This exemption did not apply to a shareholder whose taxable income was determined pursuant to the Israeli Income Tax Law (Inflationary Adjustments) 1985, or to a person whose gains from selling or otherwise disposing of our securities were deemed to be business income.

On January 1, 2006 an amendment to the Israeli tax regime became effective (the 2006 Tax Reform). The 2006 Tax Reform significantly changed the tax rates applicable to income derived from shares.

According to the 2006 Tax Reform, an individual is subject to a 20% tax rate on real capital gains derived from the sale of shares, as long as the individual is not a substantial shareholder (generally a shareholder with 10% or more of the right to profits, right to nominate a director or voting rights) in the company issuing the shares. The rate on the gains from publicly traded shares applicable to gains that were realized between January 1, 2003 and January 1, 2006 was 15%.

A substantial shareholder will be subject to tax at a rate of 25% in respect of real capital gains derived from the sale of shares issued by the company in which he or she is a substantial shareholder. The determination of whether the individual is a substantial shareholder will be made on the date that the securities are sold. In addition, the individual will be deemed to be a substantial shareholder if at any time during the 12 months preceding this date he or she had been a substantial shareholder.

Corporations will be subject to corporate tax rates in respect of total income, including capital gains, with the corporate tax rate reduced gradually from 34% in 2005 to 25% in 2010. However, between 2006 and 2009, corporations whose taxable income was not determined, immediately before the 2006 Tax Reform was published, pursuant to part B of the Israeli Income Tax Law (Inflationary Adjustments), 1985 or pursuant to the Income Tax Regulations (Rules on Bookkeeping by Foreign Invested Companies and Certain Partnership and Determination of their Chargeable Income), 1984 will generally be taxed at a rate of 25% on their capital gains from the sale of their securities.

Non-Israeli residents are exempt from Israeli capital gains tax on any gains derived from the sale of shares in an Israeli corporation publicly traded on the TASE and/or on a foreign stock exchange, provided such gains do not derive from a permanent establishment of such shareholders in Israel and that such shareholders did not acquire their shares prior to the issuer s initial public offering. However, non-Israeli corporations will not be entitled to such exemption if an Israeli resident (i) has a controlling interest of 25% or more in such non-Israeli corporation, or (ii) is the beneficiary of or is entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

In some instances where our shareholders may be liable to Israeli tax on the sale of their ordinary shares, the payment of the consideration may be subject to the withholding of Israeli tax at the source.

Pursuant to the treaty between the Governments of the United States and Israel with respect to taxes on income, or the U.S.-Israel tax treaty, the sale, exchange or disposition of our ordinary shares by a person who qualifies as a resident of the United States under the treaty and who is entitled to claim the benefits afforded to him by the treaty, will generally not be subject to Israeli capital gains tax. This exemption shall not apply to a person who held, directly or indirectly, shares representing 10% or more of the voting power in our company during any part of the 12-month period preceding the sale, exchange or disposition, subject to certain conditions. A sale, exchange or disposition of our shares by a U.S. resident qualified under the treaty, who held, directly or indirectly, shares representing 10% or more of the voting power in our company at any time during the preceding 12-month period would be subject to Israeli tax, to the extent applicable; however, under the treaty, this U.S. resident would be permitted to claim a credit for these taxes against the U.S. income tax with respect to the sale, exchange or disposition, subject to the limitations in U.S. laws applicable to foreign tax credits.

B. Israeli Tax on Interest Income and on Original Issuance Discount

Interest and Original Issuance Discount (OID) on our convertible debentures will, in general, be subject to Israeli tax of up to 20% if received by an individual. This reduced rate of tax will not apply if the interest and OID are business income in the hands of the recipient, if the interest is recorded or should be recorded in the individual s accounting books, if the recipient is a substantial shareholder of our company, if financing expenses related to the purchase of the debentures were deducted by the individual in the calculation of the individual s Israeli taxable income, or if the individual is an employee, supplier, or service provider of the company and the tax authorities have not been persuaded that the payment of interest was not affected by the relationship between the parties. In such cases the regular rate of tax on Interest and OID of up to 49% will apply to the individual. Interest and OID paid to corporations will be subject to corporate tax at the regular rates of 31% in 2006, 29% in 2007, 27% in 2008, 26% in 2009 and 25% in 2010 and thereafter. As a result of the provisions related to tax withholding, as explained below, foreign resident individuals and corporations will be subject to tax of 25% or less, according to the relevant treaty relating to their domicile country.

Under regulations promulgated as part of the 2006 Tax Reform, withholding tax at source from debenture interest and OID paid to resident individuals will, in general, be at a rate of 20%. However, if the individual receiving the interest and OID is a substantial shareholder, an employee, supplier or service provider of the company, tax will be withheld at the marginal rates applicable to individuals. Corporations will be subject to withholding tax at the applicable rate of corporate tax as set out above. Withholding tax at source from debenture interest and OID paid to non-resident individuals or corporations will be at a rate of 25% or less, according to the relevant treaty relating to their domicile country. In any event, under the US-Israel Tax Treaty, the maximum Israeli tax withheld on interest and OID paid on our convertible debentures due 2006 to a US treaty resident (other than a US bank, savings institution or company) is 17.5%.

C. Israeli Tax on Dividend Income

On distributions of dividends other than bonus shares, or stock dividends, to Israeli individuals and foreign resident individuals and corporations we would be required to withhold income tax at the rate of 20%. If the income out of which the dividend is being paid is attributable to an Approved Enterprise under the Law for the Encouragement of Capital Investments, 1959, the rate is 15%. A different rate may be provided for in a treaty between Israel and the shareholder s country of residence.

Under the US-Israel Tax Treaty, Israeli withholding tax on dividends paid to a US treaty resident may not, in general, exceed 25%, or 15% in the case of dividends paid out of the profits of an Approved Enterprise. Where the recipient is a US corporation owning 10% or more of the voting stock of the paying corporation and the dividend is not paid from the profits of an Approved Enterprise, the Israeli tax withheld may not exceed 12.5%, subject to certain conditions.

D. PFIC Rules

A non-U.S. corporation will be classified as a passive foreign investment company, or a PFIC, for U.S. federal income tax purposes if either (i) 75% or more of its gross income for the taxable year is passive income, or (ii) on a quarterly average for the taxable year by value (or, if it is not a publicly traded corporation and so elects, by adjusted basis), 50% or more of its gross assets produce or are held for the production of passive income.

We do not believe that we satisfied either of the tests for PFIC status in 2006 or in any prior year. However, there can be no assurance that we will not be a PFIC in 2007 or a later year. If, for example, the passive income earned by us exceeds 75% or more of our gross income , we will be a PFIC under the income test . Passive income for PFIC purposes includes, among other things, gross interest, dividends, royalties, rent and annuities. For manufacturing businesses, gross income for PFIC purposes should be determined by reducing total sales by the cost of goods sold. Although not free from doubt, if our cost of goods sold exceeds our total sales by an amount greater than our passive income, such that we are treated as if we had no gross income for PFIC purposes, we believe that we would not be a PFIC as a result of the income test. However, the tests for determining PFIC status are applied annually and it is difficult to make accurate predictions of future income and assets, which are relevant to the determination of PFIC status.

If we were to be a PFIC at any time during a U.S. holder s holding period, such U.S. holder would be required to either: (i) pay an interest charge together with tax calculated at maximum ordinary income tax rates on excess distributions, which is defined to include gain on a sale or other disposition of ordinary shares, or (ii) so long as the ordinary shares are regularly traded on a qualifying exchange, elect to recognize as ordinary income each year the excess in the fair market value, if any, of its ordinary shares at the end of the taxable year over such holder s adjusted basis in such ordinary shares and, to the extent of prior inclusions of ordinary income, recognize ordinary loss for the decrease in value of such ordinary shares (the mark to market election). For this purpose, the Nasdaq Global Market is a qualifying exchange. U.S. holders are strongly urged to consult their own tax advisers regarding the possible application and consequences of the PFIC rules.

DIVIDEND POLICY

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

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

LEGAL MATTERS

The validity of the securities offered in this prospectus will be passed upon for us by Yigal Arnon & Co., our Israeli counsel. In addition, certain other matters in connection with this offering with respect to United States law will be passed upon for us by Eilenberg Krause & Paul LLP, our U.S. counsel.

EXPERTS

The audited consolidated financial statements incorporated in this prospectus by reference from the company s Annual Report on Form 20-F for the year ended December 31, 2005 and the company s report on Form 6-K filed on February 8, 2007, have been audited by Brightman Almagor & Co., a member firm of Deloitte Touche Tohmatsu, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference (which reports express an unqualified opinion and include an explanatory paragraph about the differences between accounting principles generally accepted in Israel and in the United States of America), and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

ENFORCEABILITY OF CIVIL LIABILITIES AND AGENT FOR SERVICE OF PROCESS IN THE UNITED STATES

We are incorporated in Israel, most of our executive officers and directors and the Israeli experts named herein are nonresidents of the United States, and a substantial portion of our assets and of such persons are located outside the United States. For further information regarding enforceability of civil liabilities against us and other persons, see Risk Factors It may be difficult to enforce a U.S. judgment against us, our officers and directors and some of the experts named in this prospectus or to assert U.S. securities law claims in Israel.

WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION OF INFORMATION BY REFERENCE

We have filed a registration statement on Form F-3 with the Securities and Exchange Commission in connection with this offering. In addition, we file reports with, and furnish information to, the Securities and Exchange Commission. You may read and copy the registration statement and any other documents we have filed at the Securities and Exchange Commission, including any exhibits and schedules, at the Securities and Exchange Commission s public reference room at 100 F Street N.E., Washington, D.C. 20549. You may call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on this public reference room. As a foreign private issuer, all documents which were filed after November 4, 2002 on the Securities and Exchange Commission s EDGAR system are available for retrieval on the Securities and Exchange Commission s website at www.sec.gov. These Securities and Exchange Commission filings are also available to the public on the Israel Securities Authority s Magna website at www.magna.isa.gov.il and from commercial document retrieval services. We also generally make available on our own web site (www.towersemi.com) our quarterly and year-end financial statements as well as other information.

This prospectus is part of the registration statement and does not contain all of the information included in the registration statement. Whenever a reference is made in this prospectus to any of our contracts or other documents, the reference may not be complete and, for a copy of the contract or document, you should refer to the exhibits that are a part of the registration statement.

The Securities and Exchange Commission allows us to incorporate by reference into this prospectus the information we file with it, which means that we can disclose important information to you by referring you to those documents. Information incorporated by reference is part of this prospectus. We incorporate by reference the documents listed below and amendments to them. These documents and their amendments were previously filed with the Securities and Exchange Commission.

This prospectus will be deemed to incorporate by reference the following documents previously filed by us with the Securities and Exchange Commission:

Annual report on Form 20-F for the year ended December 31, 2005, filed on July 13, 2006, to the extent the information in that report has not been updated or superseded by this prospectus;

Report on Form 6-K dated July 2006 No. 2 (filed on July 24, 2006).

Report on Form 6-K dated July 2006 No. 3 (filed on July 26, 2006).

Report on Form 6-K dated August 2006 (filed on August 2, 2006).

Report on Form 6-K dated August 2006 No. 1 (filed on August 9, 2006).

Report on Form 6-K dated August 2006 No. 3 (filed on August 24, 2006).

Report on Form 6-K dated August 2006 No. 4 (filed on August 28, 2006).

Report on Form 6-K dated September 2006 No. 2 (filed on September 12, 2006).

Report on Form 6-K dated September 2006 No. 3 (filed on September 13, 2006).

Report on Form 6-K dated September 2006 No. 4 (filed on September 18, 2006).

Report on Form 6-K dated September 2006 No. 5 (filed on September 25, 2006).

Report on Form 6-K dated September 2006 No. 6 (filed on September 26, 2006).

Report on Form 6-K dated September 2006 No. 7 (filed on September 28, 2006).

Report on Form 6-K dated October 2006 No. 1 (filed on October 18, 2006).

Report on Form 6-K dated November 2006 No. 1 (filed on November 1, 2006).

Report on Form 6-K dated November 2006 No. 2 (filed on November 1, 2006).

Report on Form 6-K dated November 2006 No. 3 (filed on November 2, 2006).

Report on Form 6-K dated November 2006 No. 4 (filed on November 6, 2006).

Report on Form 6-K dated November 2006 No. 5 (filed on November 7, 2006).

Report on Form 6-K dated November 2006 No. 6 (filed on November 7, 2006).

Report on Form 6-K dated November 2006 No. 8 (filed on November 24, 2006).

Report on Form 6-K dated December 2006 No. 2 (filed on December 21, 2006).

Report on Form 6-K dated December 2006 No. 3 (filed on December 21, 2006).

Report on Form 6-K dated December 2006 No. 4 (filed on December 28, 2006).

Report on Form 6-K dated January 2007 No. 2 (filed on January 23, 2007).

Report on Form 6-K dated February 2007 No. 2 (filed on February 8, 2007).

Report on Form 6-K dated February 2007 No. 3 (filed on February 12, 2007).

Report on Form 6-K dated March 2007 No. 1 (filed on March 15, 2007).

Report on Form 6-K dated May 2007 No. 2 (filed on May 2, 2007).

any report on Form 6-K, or parts thereof, meeting the requirements of Form F-3 filed after the date of the initial registration statement and prior to its effectiveness, which states that it, or any part thereof, is being incorporated by reference herein.

This prospectus shall also be deemed to incorporate by reference all subsequent annual reports filed on Form 20-F, Form 40-F or Form 10-K, and all subsequent filings on Forms 10-Q and 8-K filed by the registrant pursuant to the Exchange Act, prior to the termination of the offering made by this prospectus. We may incorporate by reference into this prospectus, any Form 6-K meeting the requirements of Form F-3 which is submitted to the Securities and Exchange Commission after the date of the filing of the registration statement being filed in connection with this offering and before the date of termination of this offering. Any such Form 6-K which we intend to so incorporate shall state in such form that it is being incorporated by reference into this prospectus.

We will provide to each person, including any beneficial owner, to whom this prospectus is delivered, a copy of these filings, at no cost, upon written or oral request to us 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 our website, www.towersemi.com. Click on Investor Relations and then Filings.

A copy of this prospectus, our memorandum of association and our articles of association, are available for inspection at our offices at Hamada Avenue, Ramat Gavriel Industrial Park, Migdal Haemek, Israel and on the Israel Securities Authority s Magna website, www.magna.isa.gov.il.

As a foreign private issuer, we are exempt from the rules under Section 14 of the Exchange Act prescribing the furnishing and content of proxy statements and our officers, directors and principal shareholders are exempt from the reporting and other provisions in Section 16 of the Exchange Act.

47,012,993 Ordinary Shares

PROSPECTUS

You should rely only on the information incorporated by reference or provided in this prospectus. We have not authorized anyone to provide you with different information. We are not making any offer to sell or buy any of the securities in any state where the offer or sale is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date that appears below.

May __, 2007

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 8. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Israeli Companies Law-1999, or the Companies Law, provides that a company may include in its articles of association provisions allowing it to:

1. partially or fully, exempt in advance, an office holder of the company from his responsibility for damages caused by the breach of his duty of care to the company, except for damages caused to the Company due to any breach of such Office Holder s duty of care towards the company in a distribution (as defined in the Companies Law).

2. enter into a contract to insure the liability of an office holder of the company by reason of acts or omissions committed in his capacity as an office holder of the company with respect to the following:

(a) the breach of his duty of care to the company or any other person;

(b) the breach of his fiduciary duty to the company to the extent he acted in good faith and had a reasonable basis to believe that the act or omission would not prejudice the interests of the company; and

(c) monetary liabilities or obligations which may be imposed upon him in favor of other persons.

3. indemnify an office holder of the company for:

(a) monetary liabilities or obligations imposed upon, or actually incurred by, such officer holder in favor of other persons pursuant to a court judgment, including a compromise judgment or an arbitrator s decision approved by a court, by reason of acts or omissions of such officer holder in his or her capacity as an office holder of the company;

(b) reasonable litigation expenses, including attorney s fees, actually incurred by such office holder or imposed upon him or her by a court, in an action, suit or proceeding brought against him or her by or on behalf of us or by other persons, or in connection with a criminal action from which he or she was acquitted, or in connection with a criminal action which does not require criminal intent in which he was convicted, in each case by reason of acts or omissions of such officer holder in his or her capacity as an office holder; and

(c) reasonable litigation expenses, including attorneys fees, actually incurred by such office holder due to an investigation or a proceeding instituted against such office holder by an authority competent to administrate such an investigation or proceeding, and that was finalized without the filing of an indictment against such office holder and without any financial obligation imposed on such office holder in lieu of criminal proceedings, or that was finalized without the filing of an indictment against such office holder but with financial obligation imposed on such office holder in lieu of criminal proceedings of a crime which does not require proof of criminal intent, in each case by reason of acts of such officer holder in his or her capacity as an office holder of the company.

The Companies Law provides that a company s articles of association may provide for indemnification of an office holder post-factum and may also provide that a company may undertake to indemnify an office holder in advance, as described in:

i. sub-section 3(a) above, provided such undertaking is limited to and actually sets forth the types of occurrences, which, in the opinion of the company s board of directors based on the current activity of the company, are, at the time such undertaking is provided, foreseeable, and to an amount and degree that the board of directors has determined is reasonable for such indemnification under the circumstances; and

ii. sub-sections 3(b) and 3(c) above.

The Companies Law provides that a company may not indemnify or exempt the liabilities of an office holder or enter into an insurance contract which would provide coverage for the liability of an office holder with respect to the following:

a breach of his fiduciary duty, except to the extent described above;

a breach of his duty of care, if such breach was done intentionally, recklessly or with disregard of the circumstances of the breach or its consequences;

an act or omission done with the intent to unlawfully realize personal gain; or

a fine or monetary settlement imposed upon him.

Under the Companies Law, the term office holder may include a director, managing director, general manager, chief executive officer, executive vice president, vice president, other managers directly subordinate to the managing director and any other person fulfilling or assuming any such position or responsibility without regard to such person s title.

The grant of an exemption, an undertaking to indemnify or indemnification of, and procurement of insurance coverage for, an office holder of a company requires, pursuant to the Companies Law, the approval of our audit committee and board of directors, and, in certain circumstances, including if the office holder is a director, the approval of our shareholders.

We have entered into an insurance contract for directors and officers and have procured indemnification insurance for our office holders to the extent permitted by our Articles of Association. We have never had the occasion to indemnify any of our office holders.

ITEM 9. EXHIBITS

Exhibit Numbers	Description of Document
3.1	Articles of Association of the Registrant, approved by shareholders on November 14, 2000, as amended (incorporated by reference to like number exhibit filed with the Registrant's Registration Statement on Form F-1, File No. 333-0126909). Pursuant to approvals by shareholders, the Registrant's Articles of Association provide for an authorized share capital of NIS 800,000,000 divided into 800,000,000 shares.
4.1	Form of Securities Purchase Agreement*
4.2	Disclosure Schedules to the Securities Purchase Agreement*
4.3	Form of Registration Rights Agreement*
4.4	Schedule 6(b) to the Registration Rights Agreement*
5.1	Opinion of Yigal Arnon & Co. **
23.1	Consent of Yigal Arnon & Co. (contained in their opinion constituting Exhibit 5.1) **
23.2	Consent of Brightman Almagor & Co.
24.1	Power of Attorney **

* Incorporated by reference to our Report on Form 6-K dated March 2007 No. 1 (filed on March 15, 2007).

** Previously filed.

ITEM 10. UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment hereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

provided, however, that paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this Registration Statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) To file a post-effective amendment to the Registration Statement to include any financial statements required by item 8.A. of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Act need not be furnished, *provided*, that the Registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (a)(4) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, with respect to Registration Statements on Form F-3, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Act or rule 3-19 of Regulation S-X if such financial statements and information are contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Form F-3.

(5) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

i. the registrant is relying on Rule 430B (230.430B of this chapter):

A. Each prospectus filed by the registrant pursuant to shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

B. Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such

document immediately prior to such effective date; or

ii. If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(6) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

i. Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

ii. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

iii. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

iv. Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant s annual reports pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in such Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-3 and has duly caused this Amendment No.1 to the Registration Statement on Form F-3 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Migdal Haemek, Israel, on May 7, 2007.

TOWER SEMICONDUCTOR LTD.

By: /s/ Russell C. Ellwanger

Russell C. Ellwanger
Director and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	**Title**	**Date**
*	Chairman of the Board	May 7, 2007
Dov Moran		
/s/ Russell C. Ellwanger	Director and Chief Executive Officer (Principal Executive Officer)	May 7, 2007
Russell C. Ellwanger		
*	Vice President of Finance and Acting Chief Financial Officer	May 7, 2007
Oren Shirazi	(Principal Financial Officer and Principal Accounting Officer)	
	Director	
Nir Gilad		

*	Director	May 7, 2007
Yossi Rosen		
	Director	
Dr. Eli Harari		
*	Director	Mat 7, 2007
Miin Wu		
*	Director	May 7, 2007
Melvin Keating		
*	Director	May 7, 2007
Kalman Kaufman		
*	Director	May 7, 2007
Hans Rohrer		

*	Director	May 7, 2007

Miri Katz

AUTHORIZED REPRESENTATIVE IN THE UNITED STATES
Tower Semiconductor USA, Inc.

By: /s/ Russell C. Ellwanger — May 7, 2007

Russell C. Ellwanger
Chief Executive Officer

* By: /s/ Russell C. Ellwanger

Russell C. Ellwanger
(Attorney in Fact)

Exhibit Numbers	Description of Document
3.1	Articles of Association of the Registrant, approved by shareholders on November 14, 2000, as amended (incorporated by reference to like number exhibit filed with the Registrant's Registration Statement on Form F-1, File No. 333-0126909). Pursuant to approvals by shareholders, the Registrant's Articles of Association provide for an authorized share capital of NIS 800,000,000 divided into 800,000,000 shares.
4.1	Form of Securities Purchase Agreement*
4.2	Disclosure Schedules to the Securities Purchase Agreement*
4.3	Form of Registration Rights Agreement*
4.4	Schedule 6(b) to the Registration Rights Agreement*
5.1	Opinion of Yigal Arnon & Co. **
23.1	Consent of Yigal Arnon & Co. (contained in their opinion constituting Exhibit 5.1) **
23.2	Consent of Brightman Almagor & Co.
24.1	Power of Attorney **

* Incorporated by reference to our Report on Form 6-K dated March 2007 No. 1 (filed on March 15, 2007).

** Previously filed.