TOWER SEMICONDUCTOR LTD
Form 20-F
June 30, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

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

For the fiscal year ended December 31, 2008 **Commission File number:** 0-24790

TOWER SEMICONDUCTOR LTD.

(Exact name of registrant as specified in its charter and translation of registrant s name into English)

Israel
(Jurisdiction of incorporation or organization)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Ordinary Shares, par value New Israeli Shekels 1.00 per share	NASDAQ Global Market
Convertible Debentures	NASDAQ Capital Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report: 160,025,639 Ordinary Shares

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

Yes o No x

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

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

Large accelerated filer o Accelerated filer o Non-accelerated filer x

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

Yes o No o

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

US GAAP x	International Financial Reporting Standards as issued by the International Accounting Standards Board o	Other o

If Other has been checked in response to the previous question,

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 o Item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

This annual report on Form 20-F includes certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. The use of the words projects, expects, may, plans or intends, or words of similar import, identifies a statement as forward-loo There can be no assurance, however, that actual results will not differ materially from our expectations or projections. Factors that could cause actual results to differ from our expectations or projections include the risks and uncertainties relating to our business described in this annual report at Item 3. Key Information Risk Factors .

Beginning with the fourth quarter of 2007, Tower prepares its consolidated financial statements in United States dollars and in accordance with accounting principles generally accepted in the United States of America (US GAAP). Tower recast the comparative amounts included in its financial statements and in this report to US GAAP. Prior to the fourth quarter of 2007, Tower prepared its financial reports in United States dollars and in accordance with generally accepted accounting principles in Israel (Israeli GAAP) and provided reconciliation to US GAAP in the notes to the financial statements.

The transition to US GAAP was made as a result of Israel Accounting Standard 29, which stipulates that Israeli public companies that previously reported their financial results based on Israeli GAAP must begin reporting their financial results in accordance with International Financial Reporting Standards (IFRS) for periods beginning on or after January 1, 2008. However, Israeli public companies that are also listed on NASDAQ are allowed to report utilizing US GAAP rather than IFRS. We elected to use US GAAP to increase transparency and comparability of our financial reports and facilitate research and analysis by shareholders, analysts and other participants in the U.S. capital markets.

All references herein to dollars or $ are to United States dollars, and all references to Shekels or NIS are to New Israeli Shekels.

On September 19, 2008, we completed the merger with Jazz Technologies, Inc. (Jazz Technologies) in a stock for stock transaction. Jazz Technologies is the parent company of its wholly-owned subsidiary, Jazz Semiconductor, Inc. (Jazz Semiconductor), an independent semiconductor foundry focused on specialty process technologies for the manufacture of analog intensive mixed-signal semiconductor devices. As a result of this transaction, both Jazz Technologies and Jazz Semiconductor became wholly owned subsidiaries of Tower Jazz Technologies and Jazz Semiconductor are sometimes collectively referred to in this report as Jazz .

Following the merger with Jazz, our financial statements include Jazz s results commencing September 19, 2008 and our consolidated balance sheet as of December 31, 2008 includes Jazz s balances as of such dates.

As used in this annual report, we, us, our, the Company and words of similar import refer to Tower Semiconductor Ltd., Jazz Technologie Inc. and Jazz Semiconductor, Inc. References to the Company for dates prior to September 19, 2008 mean Tower Semiconductor Ltd. (excluding Jazz) (Tower), which on September 19, 2008 was merged with Jazz and references to the Company for periods on or after September 19, 2008 are references to Tower and its wholly-owned subsidiaries.

Manufacturing or production capacity refers to installed equipment capacity in our facilities and is a function of the process technology and product mix being manufactured because certain processes require more processing steps than others. All information herein with respect to the wafer capacity of our manufacturing facilities is based upon our estimate of the effectiveness of the manufacturing equipment and processes in use or expected to be in use during a period and the actual or expected process technology mix for such period. Unless otherwise specifically stated, all references herein to wafers in the context of capacity in Fab 1 are to 150-mm wafers and in Fab 2 and Jazz are to 200-mm wafers.

*micro*FLASH® is a registered trademark of Tower

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM KEY INFORMATION

Selected Financial Data

This section presents our selected historical financial data. You should carefully read the financial statements included in this annual report, including the notes to the financial statements. The selected data in this section is not intended to replace the financial statements.

We derived the selected statement of operations data and other financial data for the years ended December 31, 2008, 2007 and 2006, and selected balance sheet data as of December 31, 2008 and 2007 from the audited financial statements in this annual report. Those financial statements were audited by Brightman Almagor & Co., a member firm of Deloitte Touche Tohmatsu, independent registered public accounting firm. We derived the selected statement of operations data and other financial data for the years ended December 31, 2005 and 2004 and the selected balance sheet data as of December 31, 2006, 2005 and 2004 from our audited financial statements that are not included in this annual report, which were recast to US GAAP. Our management believes that the financial statements contain all adjustments needed to present fairly the information included therein.

Following the merger with Jazz, our financial statements include Jazz results commencing September 19, 2008 and our consolidated balance sheet as of December 31, 2008 includes Jazz s balances as of such date.

	Year Ended December 31,				
	2008	**2007**	**2006**	**2005**	**2004**
	(in thousands, except per share data)				
Statement of Operations Data:					
Revenues	$ 251,659	$ 230,853	$ 187,438	$ 101,991	$ 126,055
Cost of revenues	298,683	284,771	267,520	238,358	228,410
Gross loss	(47,024)	(53,918)	(80,082)	(136,367)	(102,355)
Research and development	14,969	13,790	15,048	16,029	17,053
Marketing, general and administrative.	33,223	31,604	25,831	17,418	21,297
Write-off of in-process research and development	1,800	-	-	-	-
Merger related costs	520	-	-	-	-
Fixed assets impairment	120,538	-	-	-	-
Operating loss	(218,074)	(99,312)	(120,961)	(169,814)	(140,705)
Financing expense, net	(17,566)	(34,976)	(47,563)	(35,651)	(29,745)
Gain on debt restructuring	130,698	-	-	-	-
Other income (expense), net	(918)	92	597	2,383	32,682
Loss before income tax expenses	(105,860)	(134,196)	(167,927)	(203,082)	$ (137,768)
Income tax provision	(575)	-	-	-	-
Loss for the year	$ (106,435)	$ (134,196)	$ (167,927)	$ (203,082)	$ (137,768)
Basic loss per ordinary share	$ (0.79)	$ (1.13)	$ (2.03)	$ (3.06)	$ (2.13)
Other Financial Data:					
Depreciation and amortization	$ 138,808	$ 154,343	$ 171,743	$ 153,189	$ 131,576

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	Year Ended December 31,				
	2008	**2007**	**2006**	**2005**	**2004**
	(in thousands)				
Selected Balance Sheet Data:					
Cash and cash equivalents, including short-term interest-bearing deposits and designated cash	$ 34,905	$ 44,536	$ 40,940	$ 38,998	$ 86,591
Working capital	22,843	46,711	29,973	(40,725)	5,848

	Year Ended December 31,				
Total assets	705,503	686,782	714,132	690,624	859,043
Current maturities of long-term bank debt and short-term bank debt	7,000	-	-	21,103	-
Current maturities of convertible debentures	8,330	7,887	6,902	5,813	-
Long-term debt from banks	222,989	379,314	432,430	497,000	497,000
Debentures	208,512	117,460	83,863	42,932	24,092
Long-term customers' advances	11,138	27,983	46,042	59,621	64,428
Shareholders' equity (deficit)	110,277	44,709	39,516	(29,228)	163,318
Weighted average number of ordinary shares outstanding (*)	134,749	118,857	82,581	66,371	64,633
Number of shares issued and outstanding (*)	160,026	124,226	100,752	66,932	65,700

(*) Net of 1,300,000 treasury shares.

Risk Factors

This annual report and statements that we may make from time to time may contain forward-looking information. There can be no assurance that actual results will not differ materially from our expectations, statements or projections. Factors that could cause actual results to differ from our expectations, statements or projections include the risks and uncertainties relating to our business described below.

Risks Affecting Our Business

If the Investment Center will not release to us the pending and over-due grants, we would be required to seek alternative financing sources to fund our on-going operations, which may not be available.

In connection with Fab 2, Tower received approval for grants and tax benefits from the Investment Center of the Israeli Ministry of Industry, Trade and Labor (Investment Center) under its Approved Enterprise Program. Under the terms of the approval, Tower was eligible to receive grants equal to 20% of up to $1.25 billion invested in Fab 2 plant and equipment, or an aggregate of up to $250 million. As of today, Tower received a cumulative amount of approximately $165 million in grants from the Investment Center in relation to Fab 2. Tower s eligibility to receive grants was with respect to investments in Fab 2 plant and equipment made between 2001 and 2005. Any failure by Tower to meet the conditions of its grants may result in the cancellation of all or a portion of the grants and tax benefits and in the Investment Center requiring Tower to repay all or a portion of grants already received. Israeli law limits the ability of the Investment Center to extend the time for investments eligible for grants beyond a five year period, unless approved through an expansion plan. Tower has therefore been holding discussions with the Investment Center for approval of an expansion plan to commence as of January 1, 2006. On numerous occasions, Tower received assurances and commitments from governmental authorities that such an expansion plan would be approved pending positive recommendation of an economical audit by the Industrial Bank of the Investment Center. In 2005, at the Investment Center s request, Tower submitted a revised business plan to the Investment Center and its Industrial Bank for the period commencing January 1, 2006. Tower has invested from January 1, 2006 through May 31, 2009, approximately $225 million in Fab 2 plant and equipment; hence as of May 31, 2009, $45 million of cash grants are pending and over-due. While the Industrial Bank of the Investment Center gave a positive recommendation, the governmental approval process has been protracted and as a result, in May 2008, Tower filed a petition with the Israeli High Court of Justice seeking an approval certificate from the Investment Center for the expansion plan. A hearing has been scheduled for October 2009.

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In August 2008, the Investment Center rejected our expansion plan request. On November 2008, Tower filed an appeal on this decision to the Israeli Ministerial Committee, which is comprised of the Israeli Minister of Finance and the Israeli Minister of Industry, Trade and Labor. No proceedings of the committee related to our appeal have been held to date. In parallel, Tower is holding discussions with the Investment Center and senior Governmental officials to obtain approval of the proposed expansion plan and/or find an alternative process to release the pending and over-due $45 million of cash grants to Tower. Currently, Tower cannot estimate when it will receive the pending and over-due grants or when it will receive a formal response to its request for an expansion plan to commence as of January 1, 2006 or if the Investment Center will approve its request or release the grants. If the Investment Center does not approve our request for an expansion plan and/or find an alternative process to release the pending and over-due grants, it will have a material adverse effect on Tower s operations and financial condition, and Tower would likely be required to obtain financing from alternative sources, in order to fund its on-going operations, which financing may not be available. Such financing sources may include potential opportunities for sale and lease-back of a portion of Tower s real estate assets, sale of other fixed assets and/or intellectual property licensing.

Our business requires a significant amount of financing and our business may be adversely affected if its sources of liquidity are unavailable or insufficient to fund its operations, or if such sources will not be available.

Our working capital requirements and cash flows are subject to quarterly and yearly fluctuations, depending on a number of factors. If we are unable to manage fluctuations in cash flow, our business, operating results and financial condition may be materially adversely affected. Factors which could lead us to suffer cash flow fluctuations include:

- the level of revenue derived from sales of wafers we manufacture, engineering services, design-related services and other sources of revenue;
- the collection of receivables;
- the timing and size of capital expenditures; and
- the servicing of financing obligations and other short-term and long-term liabilities.

In addition, current uncertainty arising from the global economic downturn, including the recent disruption in financial and credit markets, and prevailing market conditions in the semiconductor industry (including global decreased demand, downward price pressure, excess inventory and unutilized capacity) pose a risk to the overall economy that could severely impact consumer and customer demand for our and our customers products, as well as commercial relationships with our customers, suppliers, and creditors, including our lenders. If the current situation continues or worsens significantly, our business could be negatively impacted.

In order to finance our business, we expect to use available cash and existing credit facilities as well as exploring measures to obtain funds from other sources of financing, including potential opportunities for sale and lease-back of a portion of Tower s real estate assets, sale of other fixed assets and/or intellectual property, licensing, receipt of all or part of the $45 million pending and over-due grants from the Israeli Investment Center if it approves Tower s expansion plan and other alternatives for fund raising. We are also working to mitigate the potential effects of the global economic downturn through several measures, including implementing a cost reduction plan, which is targeted at saving approximately $80 million of costs on an annual run-rate.

However, there is no assurance that we will be able to obtain sufficient funding from the financing sources detailed above and/or from such cost reduction measures in a timely manner to allow us to fully mitigate the effect of the existing economic downturn and any potential further deterioration in market conditions and maintain our ongoing operations and/or repay our short-term and long-term debt and other liabilities.

In addition, if we were to incur higher levels of debt, this would require a larger proportion of our respective operating cash flow to be used to pay principal and interest on our respective indebtedness. The increased use of cash to pay indebtedness could leave us with insufficient funds to finance our respective operating activities and capital expenditures, which could adversely affect our business and on-going operations.

If Tower fails to comply with the repayment schedule under the amended facility agreement and is unsuccessful in negotiating a revised repayment schedule, or if it fails to meet any of the covenants and financial ratios stipulated in its amended facility agreement and Tower s banks do not waive its noncompliance, Tower would likely be unable to fund its on-going operations.

Under Tower s amended facility agreement with Bank Hapoalim B.M. and Bank Leumi Le-Israel B.M., in the event that Tower fails to comply with the repayment schedule and is unsuccessful in negotiating a revised repayment schedule, or fails to meet any of the covenants and financial ratios stipulated in the amended facility agreement and its banks do not waive its noncompliance, its banks may require it to immediately repay all loans made by them to Tower, plus penalties, and they would be entitled to exercise the remedies available to them under the amended and restated credit facility, including enforcement of their lien against Tower s assets. There is no assurance that Tower would be able to generate the cash necessary to fund the scheduled payments from increased levels of cash from operations or from additional equity or debt financing or obtain funding from other sources (including, for example, funds from a sale and lease-back of a portion of Tower s real estate assets and/or a sale of other fixed assets). If we are not able to generate increased levels of revenue and cash from operations or raise sufficient funds in a timely manner, Tower would likely be unable to comply with the repayment schedule and Tower would likely fail to meet covenants and financial ratios under the amended facility agreement. This would have a material adverse effect on Tower and it would likely be unable to fund its on-going operations unless the banks agree to a revised repayment schedule or to waive Tower s non- compliance.

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The cyclical nature of the semiconductor industry and the resulting periodic overcapacity may lead to erosion of sale prices; downward price pressure may seriously harm our business.

The semiconductor industry has historically been highly cyclical. Historically, companies in the semiconductor industry have expanded aggressively during periods of increased demand. This expansion has frequently resulted in overcapacity and excess inventories, leading to rapid erosion of average sale prices. We expect this pattern to repeat itself in the future. The overcapacity and downward price pressure characteristic of a prolonged downturn in the semiconductor market, such as we are currently experiencing, may not allow us to operate at a profit, even at full utilization, and could seriously harm our financial results and business.

Our operating results fluctuate from quarter to quarter which makes it difficult to predict our future performance.

Our revenues, expenses and operating results have varied significantly in the past and may fluctuate significantly from quarter to quarter in the future due to a number of factors, many of which are beyond our control. These factors include, among others:

- The cyclical nature of both the semiconductor industry and the markets served by our customers;
- Changes in the economic conditions of geographical regions where our customers and their markets are located;
- Shifts by integrated device manufacturers (IDMs) and customers between internal and outsourced production;
- Inventory and supply chain management of our customers;
- The loss of a key customer, postponement of an order from a key customer or the rescheduling or cancellation of large orders
- The occurrence of accounts receivables write-offs, failure of a key customer to pay accounts receivables in a timely manner or the financial condition of our customers;
- The rescheduling or cancellation of planned capital expenditures;
- Our ability to satisfy our customers' demand for quality and timely production;
- The timing and volume of orders relative to our available production capacity;
- Our ability to obtain raw materials and equipment on a timely and cost-effective basis;
- Environmental events or industrial accidents such as fires or explosions;
- Our susceptibility to intellectual property rights disputes;
- Our ability to continue with existing and to enter into new partnerships and technology and supply alliances on mutually beneficial terms;

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- Actual capital expenditures exceeding planned capital expenditures;
- Interest, price index and currency rate fluctuations that were not hedged;
- Technological changes and short product life cycles;
- Timing for designing and the qualification of new products; and

New accounting rules affecting our results including the accounting treatment of our bank debt and debentures.

Due to the factors noted above and other risks discussed in this section, many of which are beyond our control, investors should not rely on quarter-to-quarter comparisons to predict our future performance. Unfavorable changes in any of the above factors may seriously harm our company, including our operating results, financial condition and ability to maintain our operations.

The lack of a significant backlog resulting from our customers not placing purchase orders far in advance makes it difficult for us to forecast our revenues in future periods.

Our customers generally do not place purchase orders far in advance, partly due to the cyclical nature of the semiconductor industry. As a result, we do not typically operate with any significant backlog. The lack of a significant backlog makes it difficult for us to forecast our revenues in future periods. Moreover, since our expense levels are based in part on our expectations of future revenues, we may be unable to adjust costs in a timely manner to compensate for revenue shortfalls. We expect that in the future our revenues in any quarter will continue to be substantially dependent upon purchase orders received in that quarter and in the immediately preceding quarter. We cannot assure you that any of our customers will continue to place orders with us in the future at the same levels as in prior periods. If orders received from our customers differ adversely from our expectations with respect to the product, volume, price or other items, our operating results, financial condition and ability to maintain our operations may be adversely affected.

We occasionally manufacture wafers based on forecasted demand, rather than actual orders from customers. If our forecasted demand exceeds actual demand, we may have obsolete inventory, which could have a negative impact on our results of operations.

We generally do not manufacture wafers unless we receive a customer purchase order. On occasion, we may produce wafers in excess of customer orders based on forecasted customer demand, because we may forecast future excess or because of future capacity constraints. If we manufacture more wafers than are actually ordered by customers, we may be left with excess inventory that may ultimately become obsolete and must be scrapped when it cannot be sold. Significant amounts of obsolete inventory could have a negative impact on our results of operations.

We have a history of operating losses and expect to operate at a loss for the foreseeable future; our facilities must operate at high utilization rates in order to reduce our losses.

We have operated at a loss for the last number of years. Because fixed costs represent a substantial portion of the operating costs of semiconductor manufacturing operations, we must operate our facilities at high utilization rates for us to reduce our losses. We began construction of Fab 2 in 2001 and Fab 2 operations began in 2003. Our losses since 2003 are due primarily to significant depreciation and amortization expenses related mainly to Fab 2, as well as financing and operating expenses that have not yet been offset by a sufficient increase in the level of our revenues. If we do not succeed in operating our facilities at high utilization rates, we expect to continue to operate at a loss for the foreseeable future, which may adversely affect our business and company.

Our sales cycles are typically long and orders received may not meet our expectations, which may adversely affect our operating results.

Our sales cycles, which we measure from first contact with a customer to first shipment of product ordered by the customer, vary substantially and may last as long as two years or more, particularly for new technologies. In addition, even after we make initial shipments of prototype products, it may take several more months to reach full production of the product. As a result of these long sales cycles, we may be required to invest substantial time and incur significant expenses in advance of the receipt of any product order and related revenue. If orders ultimately received differ from our expectations with respect to the product, volume, price or other items, our operating results, financial condition and ability to maintain our operations may be adversely affected.

Demand for our foundry services is dependent on the demand in our customers end markets.

In order for demand for our wafer fabrication services to increase, the markets for the end products using these services must develop and expand. For example, the success of our imaging process technologies will depend, in part, on the growth of markets for certain image sensor product applications. Because our services may be used in many new applications, it is difficult to forecast demand. If demand is lower than expected, we may have excess capacity, which may adversely affect our financial results. If demand is higher than expected, we may be unable to fill all of the orders we receive, which may result in the loss of customers and revenue.

If we do not maintain our current customers and attract additional customers, our business may be adversely affected.

During the three months ended March 31, 2009, approximately 42% of our business was generated by four significant customers that contributed 16%, 13%, 8% and 5% of our revenue, respectively. We expect to continue to receive a significant portion of our revenue from a limited number of customers for the foreseeable future. Loss or cancellation of business from, or decreases in the sales volume or sales prices to, our significant customers, or our failure to replace them with other customers, could seriously harm our financial results, revenue and business. Since the sales cycle for our services typically exceeds one year, if our customers order significantly fewer wafers than forecasted, we will have excess capacity that we may not be able to sell in a short period of time, resulting in lower utilization of our facilities. We may have to reduce prices in order to try to sell the excess capacity. In addition to the revenue loss that could result from unused capacity or lower sales prices, we might have difficulty adjusting our costs to reflect the lower revenue in a timely manner, which could harm our financial results.

We depend on a relatively small number of products for a significant portion of our revenues.

From time to time, a significant portion of our revenue is generated from a small number of very high volume products that are shipped to volatile consumer-oriented markets. The volume of orders of such products may adversely change or demand for such products may be abruptly discontinued. We expect that for the foreseeable future we will continue to be dependent upon a relatively limited number of products for a significant portion of our revenue due to the nature of our business. A decrease in the price of, or demand for, any of these products could negatively impact our financial results.

If Tower does not receive orders from its customers with whom it has signed long-term contracts, Tower may have excess capacity.

Tower has committed a portion of its capacity for future orders to some customers with whom Tower has signed long-term contracts. If these parties do not place orders with Tower in accordance with their contractual loading and purchase commitments, and if Tower is unable to fill such unutilized capacity, Tower s financial results may be adversely affected.

If we do not maintain and develop our technology processes and services, we will lose customers and may be unable to attract new ones.

The semiconductor market is characterized by rapid change, including the following:

- rapid technological developments;
- evolving industry standards;
- changes in customer and product end user requirements;
- frequent new product introductions and enhancements; and
- short product life cycles with declining prices as products mature.

Our ability to maintain our current customer base and attract new customers is dependent in part on our ability to continuously develop and introduce to production advanced specialized manufacturing process technologies and purchase the applicable equipment. Since the successful development and introduction to production of these processes may not be achieved in a timely manner or at all and we may not be able to purchase the applicable equipment required for such processes, we may be unable to maintain our current customer base and may be unable to attract new customers.

The semiconductor foundry business is highly competitive; our competitors may have competitive advantages over us.

The semiconductor foundry industry is highly competitive. We compete with more than ten independent dedicated foundries, the majority of which are located in Asia-Pacific, including foundries based in Taiwan, China, Korea and Malaysia, and with over 20 integrated semiconductor and end-product manufacturers that allocate a portion of their manufacturing capacity to foundry operations. The foundries with which we compete benefit from their close proximity to other companies involved in the design and manufacture of integrated circuits, or ICs. In addition, many of our competitors may have one or more of the following competitive advantages over us:

greater manufacturing capacity;