

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

FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2023

or

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

For the transition period from _____ to _____

Commission File Number: **001-41628**

Strawberry Fields REIT, Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

84-2336054
(IRS Employer
Identification No.)

6101 Nimitz Parkway, South Bend, IN, 46628
(Address of principal executive offices)

(574) 807-0800
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.0001 per share	STRW	NYSE American LLC

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 6,365,856 shares of common stock, \$0.0001 par value, issued and outstanding as of August 14, 2023.

STRAWBERRY FIELDS REIT, INC.

**FORM 10-Q
June 30, 2023**

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PART I – FINANCIAL INFORMATION

Item 1 - Financial Statements

STRAWBERRY FIELDS REIT, INC. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS (Amounts in \$000's, except share data)

	June 30, 2023 (unaudited)	December 31, 2022
Assets		
Real estate investments, net	\$ 430,030	\$ 438,911
Cash and cash equivalents	37,600	20,197
Restricted cash and equivalents	29,500	25,507
Straight-line rent receivable, net	24,321	23,534
Right of use lease asset	1,675	1,833
Goodwill, other intangible assets and lease rights	10,118	11,632
Deferred financing expenses	5,650	5,791
Notes receivable, net	17,809	19,419
Other assets	950	176
Total Assets	\$ 557,653	\$ 547,000
Liabilities		
Accounts payable and accrued liabilities	\$ 14,666	\$ 13,723
Bonds, net	102,744	74,412
Notes payable and other debt	375,840	381,003
Operating lease liability	1,675	1,833
Other liabilities	10,636	10,892
Non-controlling interest redemption liability	-	15,753
Total Liabilities	\$ 505,561	\$ 497,616
Commitments and Contingencies (Note 8)		
Equity		
Common stock, \$.0001 par value, 500,000,000 shares authorized, 6,365,856 shares issued and outstanding	-	-
Preferred stock, \$.0001 par value, 100,000,000 shares authorized, 0 shares issued and outstanding	\$ -	\$ -
Additional paid in capital	5,792	5,792
Accumulated other comprehensive income	905	386
Retained earnings	1,401	1,608
Total Stockholders' Equity	\$ 8,098	\$ 7,786
Non-controlling interest	\$ 43,994	\$ 41,598
Total Equity	\$ 52,092	\$ 49,384
Total Liabilities and Equity	\$ 557,653	\$ 547,000

See accompanying notes to Condensed Consolidated financial statements.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (unaudited) (Amounts in \$000's, except share and per share data)

Six Months Ended June 30,		Three Months Ended June 30,	
2023	2022	2023	2022

Revenues				
Rental revenues	\$ 48,554	\$ 44,737	\$ 24,307	\$ 21,778
Expenses:				
Depreciation	\$ 12,461	\$ 13,051	\$ 6,230	\$ 6,524
Amortization	1,514	1,514	757	757
Loss on real estate investment impairment	2,451	-	-	-
General and administrative expenses	2,413	3,421	951	832
Property taxes	7,435	5,620	3,717	2,677
Facility rent expenses	272	259	136	128
Provision for credit losses	-	663	-	413
Total expenses	\$ 26,546	\$ 24,528	\$ 11,791	\$ 11,331
Income from operations	22,008	20,209	12,516	10,447
Interest expense, net	\$ (10,118)	\$ (9,039)	(5,310)	\$ (4,550)
Amortization of deferred financing costs	(253)	(187)	(123)	(129)
Mortgage insurance premium	(833)	(861)	(418)	(430)
Total interest expense	\$ (11,204)	\$ (10,087)	(5,851)	\$ (5,109)
Other income (loss):				
Other expense	(983)	-	(983)	-
Foreign currency transaction loss	-	(10,100)	-	-
Total other loss	(983)	(10,100)	(983)	-
Net income	\$ 9,821	\$ 22	\$ 5,682	\$ 5,338
Less -				
Net income attributable to non-controlling interest	(8,628)	(20)	(4,984)	(4,751)
Net income attributable to common stockholders	1,193	2	698	587
Other comprehensive income:				
Gain due to foreign currency translation	4,284	14,010	1,966	9,036
Reclassification of foreign currency transaction losses	-	10,100	-	-
Comprehensive income attributable to non-controlling interest	(3,765)	(21,458)	(1,724)	(8,042)
Comprehensive income	\$ 1,712	\$ 2,654	\$ 940	\$ 1,581
Net income attributable to common stockholders	\$ 1,193	\$ 2	698	587
Basic and diluted income per common share	\$.19	\$ -	\$.11	\$.10
Weighted average number of common shares outstanding	6,365,856	5,864,789	6,365,856	5,879,667

See accompanying notes to Condensed Consolidated financial statements

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STRAWBERRY FIELDS REIT, INC. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Amounts in \$000's)

	Number of common shares	Additional Paid-in Capital	Accumulated other comprehensive (loss) income	Retained Earnings	Non- controlling interest	Total
Balance, December 31, 2021	5,849,746	\$ 4,327	\$ (2,455)	\$ 393	\$ 32,785	\$ 35,050
Net change in foreign currency translation (unaudited)	-	-	1,658	-	13,416	15,074
Net loss (unaudited)	-	-	-	(585)	(4,731)	(5,316)
Balance, March 31, 2022 (unaudited)	5,849,746	4,327	(797)	(192)	41,470	44,808
Issuance of common shares in exchange for OP units	194,484	-	-	-	-	-
Non-controlling interest distributions	-	-	-	-	(4,876)	(4,876)
Net change in foreign currency translation (unaudited)	-	-	994	-	8,042	9,036
Net income (unaudited)	-	-	-	587	4,751	5,338
Balance, June 30, 2022 (unaudited)	6,044,230	\$ 4,327	\$ 197	\$ 395	\$ 49,387	\$ 54,306
Balance, December 31, 2022	6,365,856	\$ 5,792	\$ 386	\$ 1,608	\$ 41,598	\$ 49,384
Dividends (unaudited)	-	-	-	(700)	-	(700)
Non-controlling interest distributions (unaudited)	-	-	-	-	(4,999)	(4,999)
Net change in foreign currency translation (unaudited)	-	-	277	-	2,041	2,318
Net income (unaudited)	-	-	-	495	3,644	4,139
Balance, March 31, 2023 (unaudited)	6,365,856	\$ 5,792	\$ 663	\$ 1,403	\$ 42,284	\$ 50,142
Dividends (unaudited)	-	-	-	(700)	-	(700)
Non-controlling interest distributions	-	-	-	-	(4,998)	(4,998)
Net change in foreign currency translation (unaudited)	-	-	242	-	1,724	1,966
Net income (unaudited)	-	-	-	698	4,984	5,682
Balance, June 30, 2023 (unaudited)	6,365,856	5,792	905	1,401	43,994	52,092

See accompanying notes to Condensed Consolidated financial statements

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Amounts in \$000's)

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 9,821	22
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,975	14,565
Amortization of bond issuance costs	251	330
Loss on real estate investment impairment	2,451	-
Amortization of deferred financing costs	253	187
(Increase) decrease in other assets	(774)	171
Amortization of right of use asset	158	147
Foreign currency transaction loss	-	10,100
Foreign currency translation adjustments	(324)	340
(Increase) decrease in straight-line rent receivables	(787)	158
Increase (decrease) in accounts payable and accrued liabilities and other liabilities	687	(7,864)
Repayment of operating lease liability	(158)	(147)
Net cash provided by operating activities	<u>\$ 25,553</u>	<u>18,009</u>
Cash flow from investing activities:		
Purchase of real estate investments	\$ (6,031)	-
Increase in notes receivable	-	(8,000)
Principal payments of notes receivable	1,610	387
Net cash used in investing activities	<u>\$ (4,421)</u>	<u>(7,613)</u>
Cash flows from financing activities:		
Proceeds from senior debt, net	\$ 3,096	103,548
Proceeds from issuance of bonds, net	32,689	-
Repayment of bonds	-	(91,768)
Repayment of senior debt	(8,371)	(26,418)
Repayment of non-controlling interest redemption liability	(15,753)	-
Payment of dividends	(1,400)	-
Non-controlling interest distributions	(9,997)	(4,876)
Net cash provided by (used in) financing activities	<u>\$ 264</u>	<u>(19,514)</u>
Increase (decrease) in cash and cash equivalents and restricted cash and equivalents	<u>\$ 21,396</u>	<u>(9,118)</u>
Cash and cash equivalents and restricted cash and equivalents at the beginning of the period	45,704	52,128
Cash and cash equivalents and restricted cash and equivalents at the end of the period	<u>\$ 67,100</u>	<u>43,010</u>

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STRAWBERRY FIELDS REIT, INC. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, continued
(Amounts in \$000's)

	Six Months Ended June 30,	
	2023	2022
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	\$ 10,255	9,970
Supplemental schedule of noncash investing activities:		
Accumulated other comprehensive income:		
Foreign currency translation adjustments	\$ 4,284	24,110

See accompanying notes to Condensed Consolidated financial statements

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STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Business

Overview

The Company

STRAWBERRY FIELDS REIT, Inc. (the "Company") is a Maryland corporation formed in July 2019. The Company commenced operations on June 8, 2021. The Company conducts its business through a traditional UPREIT structure in which substantially all of its assets are owned by subsidiaries of Strawberry Fields Realty, LP, a Delaware limited partnership formed in July 2019 (the "Operating Partnership"). The Company is the general partner of the Operating Partnership. The Company owns approximately 12.3% and 12.0% of the outstanding OP units as of June 30, 2023 and December 31, 2022, respectively.

As the sole general partner of the Operating Partnership, the Company has the exclusive power under the partnership agreement to manage and conduct the business affairs of the Operating Partnership, subject to certain limited approval and voting rights of the limited partners. The Company may cause the

Operating Partnership to issue additional OP units in connection with property acquisitions, compensation or otherwise. The Company became a publicly traded entity on September 21, 2022.

The Company is engaged in the ownership, acquisition, financing and triple-net leasing of skilled nursing facilities and other post-acute healthcare properties. The Company's portfolio consists of 79 healthcare properties with an aggregate of 10,351 licensed beds. The Company holds fee title to 78 of these properties and holds 1 property under a long-term lease. These properties are located in Arkansas, Illinois, Indiana, Kentucky, Michigan, Ohio, Oklahoma, Tennessee and Texas. The Company generates substantially all of its revenues by leasing its properties to tenants under long-term leases primarily on a triple-net basis, under which the tenant pays the cost of real estate taxes, insurance and other operating costs of the facility and capital expenditures. Each healthcare facility located at its properties is managed by a qualified operator with an experienced management team.

Interim Condensed Consolidated Financial Statements

The accompanying unaudited, condensed consolidated financial statements of the Company have been prepared in accordance with GAAP for interim financial information, and the Securities and Exchange Commission ("SEC") rules for interim financial reporting. Certain information and footnote disclosures normally included in the Condensed Consolidated financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. However, in the opinion of management, the accompanying interim Condensed Consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the Company's Condensed Consolidated financial position as of June 30, 2023, and the Condensed Consolidated results of operations and cash flows for the periods presented. The Condensed Consolidated results of operations for interim periods are not necessarily indicative of the results of operations to be expected for any subsequent interim period or for the fiscal year ending December 31, 2023.

Variable Interest Entity

The Company consolidates the Operating Partnership, a variable interest entity ("VIE") in which the Company is considered the primary beneficiary. The primary beneficiary is the entity that has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE.

Non-Controlling Interest

A non-controlling interest is defined as the portion of the equity in an entity not attributable, directly or indirectly, to the primary beneficiary. Non-controlling interests are required to be presented as a separate component of equity on a Condensed Consolidated balance sheet. Accordingly, the presentation of net income is modified to present the income attributed to controlling and non-controlling interests. The non-controlling interest on the Company's Condensed Consolidated balance sheets represents OP units not held by the Company and represents approximately 87.7% and 88.0% of the outstanding OP Units issued by the Operating Partnership as of June 30, 2023 and December 31, 2022, respectively. The holders of these OP units are entitled to share in cash distributions from the Operating Partnership in proportion to their percentage ownership of OP units. Net income is allocated to the non-controlling interest based on the weighted average of OP units outstanding during the period.

Basis of Presentation

The Company maintains its accounting records on an accrual basis in accordance with generally accepted accounting principles in the United States of America ("GAAP").

STRAWBERRY FIELDS REIT, INC. and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. Summary of Significant Accounting Policies

Use of Estimates

Management is required to make estimates and assumptions in the preparation of the Condensed Consolidated financial statements in conformity with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Condensed Consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from management's estimates.

Principles of Consolidation

The accompanying Condensed Consolidated financial statements include the accounts of the Company and the Operating Partnership and its wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated upon consolidation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and short-term investments with original maturities of three months or less when purchased.

The Company's cash, cash equivalents and restricted cash and cash equivalents periodically exceed federally insurable limits. The Company monitors the cash balances in its operating accounts and adjusts the cash balances as appropriate; however, these cash balances could be impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, the Company has experienced no loss or lack of access to the cash in its operating accounts. On June 30, 2023 and December 31, 2022, the Company had \$50.7 million and \$40.7 million, respectively, on deposit in excess of federally insured limits. On June 30, 2023, the Company entered into Interbank Cash Sweep accounts to minimize exposure to loss of funds not federally insured. These sweep accounts held approximately \$17.7 million as of June 30, 2023.

Restricted Cash and Cash Equivalents

Restricted cash primarily consists of amounts held by mortgage lenders to provide for real estate tax expenditures, tenant improvements, capital expenditures and security deposits, as well as escrow accounts related to principal and interest payments on Bonds.

Real Estate Depreciation

Real estate costs related to the acquisition and improvement of properties are capitalized and depreciated over the expected life of the asset on a straight-line basis. The Company considers the period of future benefit of an asset to determine its appropriate useful life. The Company does not incur expenditures for tenant improvements as they are the responsibility of the tenant per their respective leases. The Company anticipates the estimated useful lives of its assets by class to be generally as follows:

Building and improvements	7-53 years
Equipment and personal property	1-14 years

STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. Summary of Significant Accounting Policies (Cont.)

Real Estate Valuation

In determining fair value and the allocation of the purchase price of acquisitions, the Company uses current appraisals or third-party valuations services. The most significant components of these allocations are typically the allocation of fair value to land and buildings and, for certain of its acquisitions, in place leases and other intangible assets. In the case of the fair value of buildings and the allocation of value to land and other intangibles, the estimates of the values of these components will affect the amount of depreciation and amortization the Company records over the estimated useful life of the property acquired or the remaining lease term. In the case of the value of in place leases, the Company makes best estimates based on the evaluation of the specific characteristics of each tenant's lease. Factors considered include estimates of carrying costs during hypothetical expected lease up periods, market conditions and costs to execute similar leases. These assumptions affect the amount of future revenue that the Company will recognize over the remaining lease term for the acquired in place leases.

The Company evaluates each purchase transaction to determine whether the acquired assets meet the definition of a business. Transaction costs related to acquisitions that are not deemed to be businesses are included in the cost basis of the acquired assets, while transaction costs related to acquisitions that are deemed to be businesses are expensed as incurred. All of the Company's acquisitions of investment properties qualified as asset acquisitions during the period ended June 30, 2023.

Revenue Recognition

Rental income from operating leases is generally recognized on a straight-line basis over the terms of the leases. Substantially all of the Company's leases contain provisions for specified annual increases over the rents of the prior year and are generally computed in one of three methods depending on specific provisions of each lease as follows:

- (i) a specified annual increase over the prior year's rent, generally between 1.0% and 3.0%;
- (ii) a calculation based on the Consumer Price Index; or
- (iii) specific dollar increases.

Contingent revenue is not recognized until all possible contingencies have been eliminated. The Company considers the operating history of the lessee and the general condition of the industry when evaluating whether all possible contingencies have been eliminated and have historically, and expect in the future, to not include contingent rents as income until received. The Company follows a policy related to rental income whereby the Company considers a lease to be non-performing after 60 days of non-payment of past due amounts and does not recognize unpaid rental income from that lease until the amounts have been received.

Rental revenues relating to non-contingent leases that contain specified rental increases over the life of the lease are recognized on the straight-line basis. Recognizing income on a straight-line basis requires us to calculate the total non-contingent rent containing specified rental increases over the life of the lease and to recognize the revenue evenly over that life. This method results in rental income in the early years of a lease being higher than actual cash received, creating a straight-line rent receivable asset included in our accompanying Condensed Consolidated balance sheets. At some point during the lease, depending on its terms, the cash rent payments eventually exceed the straight-line rent which results in the straight-line rent receivable asset decreasing to zero over the remainder of the lease term. The Company assesses the collectability of straight-line rent in accordance with the applicable accounting standards and reserve policy. If the lessee becomes delinquent in rent owed under the terms of the lease, the Company may provide a reserve against the recognized straight-line rent receivable asset for a portion, up to its full value, that the Company estimates may not be recoverable.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. Summary of Significant Accounting Policies (Cont.)

Revenue Recognition (Cont.)

Capitalized above-market lease values are amortized as a reduction of rental income over the remaining terms of the respective leases. Capitalized below-market leases are accreted to rental income over the remaining terms of the respective leases and expected below-market renewal option periods.

The Company reports revenues and expenses within our triple-net leased properties for real estate taxes that are escrowed and obligations of the tenants in accordance with their respective lease with us.

Gain from sale of real estate investments is recognized when control of the property is transferred and it is probable that substantially all consideration will be collected.

Allowance for Doubtful Accounts

The Company evaluates the liquidity and creditworthiness of its tenants, operators and borrowers on a monthly and quarterly basis. The Company's evaluation considers industry and economic conditions, individual and portfolio property performance, credit enhancements, liquidity and other factors. The Company's tenants, borrowers and operators furnish property, portfolio and guarantor/operator-level financial statements, among other information, on a monthly or quarterly basis; the Company utilizes this financial information to calculate the lease or debt service coverages that it uses as a primary credit quality indicator. Lease and debt service coverage information is evaluated together with other property, portfolio and operator performance information, including revenue, expense, net operating income, occupancy, rental rate, reimbursement trends, capital expenditures and EBITDA (defined as earnings before interest, tax, depreciation and amortization), along with other liquidity measures. The Company evaluates, on a monthly basis or immediately upon a significant change in circumstance, its tenants', operators' and borrowers' ability to service their obligations with the Company.

The Company maintains an allowance for doubtful accounts for straight-line rent receivables resulting from tenants' inability to make contractual rent and tenant recovery payments or lease defaults. For straight-line rent receivables, the Company's assessment is based on amounts estimated to be recoverable over the lease term.

Impairment of Long-Lived Assets and Goodwill

The Company assesses the carrying value of real estate assets and related intangibles ("real estate assets") when events or changes in circumstances indicate that the carrying value may not be recoverable. The Company tests its real estate assets for impairment by comparing the sum of the expected future undiscounted cash flows to the carrying value of the real estate assets. The expected future undiscounted cash flows are calculated utilizing the lowest level of identifiable cash flows that are largely independent of the cash flows of other assets and liabilities. If the carrying value exceeds the expected future undiscounted cash flows, an impairment loss will be recognized to the extent that the carrying value of the real estate assets is greater than their fair value. See Note 4 below.

Goodwill is tested for impairment at least annually based on certain qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying value. Potential impairment indicators include a significant decline in real estate values, significant restructuring plans, current macroeconomic conditions, state of the equity and capital markets or a significant decline in the Company's market capitalization. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company applies the required two-step quantitative approach. The quantitative procedures of the two-step approach (i) compare the fair value of a reporting unit with its carrying value, including goodwill, and, if necessary, (ii) compare the implied fair value of reporting unit goodwill with the carrying value as if it had been acquired in a business combination at the date of the impairment test. The excess fair value of the reporting unit over the fair value of assets and liabilities, excluding goodwill, is the implied value of goodwill and is used to determine the impairment amount, if any. The Company has selected the fourth quarter of each fiscal year to perform its annual impairment test.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. Summary of Significant Accounting Policies (Cont.)

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash and cash equivalents, notes receivable and operating leases on owned properties. These financial instruments are subject to the possibility of loss of carrying value as a result of the failure of other parties to perform according to their contractual obligations or changes in market prices which may make the instrument less valuable. Cash and cash equivalents, restricted cash and equivalents are held with various financial institutions. From time to time, these balances exceed the federally insured limits. These balances are maintained with high quality financial institutions which management believes limits the risk.

With respect to notes receivable, the Company obtains various collateral and other protective rights, and continually monitors these rights, in order to reduce such possibilities of loss. In addition, the Company provides reserves for potential losses based upon management's periodic review of our portfolio.

On June 30, 2023, the Company held four notes receivable with an outstanding balance of \$ 17.8 million. The notes have maturities ranging from 2023 through 2046, and interest rates ranging from 2% to 10.25%. One of the notes is collateralized by tenants' accounts receivable. All other notes receivable are uncollateralized as of June 30, 2023. As of December 31, 2022, the Company held five notes receivable for a total amount of \$19.4 million. As of June 30, 2023 all of these notes are paid monthly and are current.

Market Concentration Risk

As of June 30, 2023 and December 31, 2022, the Company owned 78 properties and leased 1 property. The properties are located in 9 states, with 20 properties of its total properties located in Illinois (which include 4,226 skilled nursing beds or 40.8% of the Company's total beds) and 15 properties of its total properties in Indiana (which include 1,388 skilled nursing beds or 13.4% of the Company's total beds). Since tenant revenue is primarily generated from Medicare and Medicaid, the operations of the Company are indirectly subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to the Centers for Medicare & Medicaid Services, and the Department of Health and Aging in all states in which the Company operates. Such administrative directives, rules and regulations, including budgetary reimbursement funding, are subject to change by an act of Congress, the passage of laws by the state regulators or an administrative change mandated by one of the executive branch agencies. Such changes may occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden, to comply with a change.

Debt and Capital Raising Issuance Costs

Costs incurred in connection with the issuance of equity interests are recorded as a reduction of additional paid-in capital. Debt issuance costs related to debt instruments, excluding line of credit arrangements, are deferred, recorded as a reduction of the related debt liability, and amortized to interest expense over the remaining term of the related debt liability utilizing the interest method. Deferred financing costs related to line of credit arrangements are deferred, recorded as an asset and amortized to interest expense over the remaining term of the related line of credit arrangement utilizing the interest method.

Penalties incurred to extinguish debt and any remaining unamortized debt issuance costs, discounts and premiums are recognized as income or expense in the Condensed Consolidated statements of income at the time of extinguishment.

Segment Reporting

Accounting guidance regarding disclosures about segments of an enterprise and related information establishes standards for the manner in which public business enterprises report information about operating segments. The Company's investment decisions in health care properties, and resulting investments are managed as a single operating segment for internal reporting and for internal decision-making purposes. Therefore, the Company has concluded that it operates as a single segment.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. Summary of Significant Accounting Policies (Cont.)

Basic and Diluted Income Per Common Share

The Company calculates basic income per common share by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. At June 30, 2023 and 2022, there were 45,436,232 and 47,212,167 OP units outstanding which were potentially dilutive securities. During the six month periods ended June 30, 2023 and 2022, the assumed conversion of the OP units had no impact on basic income per share.

Foreign Currency Translation and Transactions

Assets and liabilities denominated in foreign currencies that are translated into U.S. dollars use exchange rates in effect at the end of the period, and revenues and expenses denominated in foreign currencies that are translated into U.S. dollars use average rates of exchange in effect during the related period. Gains or losses resulting from translation are included in accumulated other comprehensive income, a component of equity on the Condensed Consolidated balance sheets.

Gains or losses resulting from foreign currency transactions are translated into U.S. dollars at the rates of exchange prevailing at the dates of the transactions. The effects of transaction gains or losses, if any, are included in other income (loss), in the Condensed Consolidated statements of income.

Fair Value Measurement

The Company measures and discloses the fair value of nonfinancial and financial assets and liabilities utilizing a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

- Level 1—quoted prices for identical instruments in active markets;
- Level 2—quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3—fair value measurements derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company measures fair value using a set of standardized procedures that are outlined herein for all assets and liabilities which are required to be measured at fair value. When available, the Company utilizes quoted market prices from an independent third-party source to determine fair value and classifies such items in Level 1. In instances where a market price is available, but the instrument is in an inactive or over-the-counter market, the Company consistently applies the dealer (market maker) pricing estimate and classifies the asset or liability in Level 2. If quoted market prices or inputs are not available, fair value measurements are based upon valuation models that utilize current market or independently sourced market inputs, such as interest rates, option volatilities, credit spreads and/or market capitalization rates. Items valued using such internally generated valuation techniques are classified according to the lowest level input that is significant to the fair value measurement. As a result, the asset or liability could be classified in either Level 2 or Level 3 even though there may be some significant inputs that are readily observable. Internal fair value models and techniques used by the Company include discounted cash flow valuation models.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. Summary of Significant Accounting Policies (Cont.)

Real Estate Investments – Held for Sale

On June 30, 2023, the Company had two properties included in real estate investments which were held for sale and carried at the lower of their net book value or fair value on a non-recurring basis on the Condensed Consolidated balance sheets. On December 31, 2022, the Company had one property included in real estate investments which was held for sale and carried at the lower of its net book value or fair value on a non-recurring basis on the Condensed Consolidated balance sheets. The Company's real estate investments held for sale were classified as Level 3 of the fair value hierarchy.

Stock-Based Compensation

The Company accounts for share-based payment awards in accordance with ASC Topic 718, Compensation – Stock Compensation ("ASC 718"). ASC 718 requires that the cost resulting from all share-based payment transactions be recognized in the Condensed Consolidated financial statements. ASC 718 requires all entities to apply a fair value-based measurement method in accounting for share-based payment transactions. The Company recognizes share-based payments over the vesting period.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 is intended to improve financial reporting by requiring timelier recognition of credit losses on loans and other financial instruments held by financial institutions and other organizations. The amendments in ASU 2016-13 eliminate the "probable" initial threshold for recognition of credit losses in current accounting guidance and, instead, reflect an entity's current estimate of all expected credit losses. Previously, when credit losses were measured under current accounting guidance, an entity generally only considered past events and current conditions in measuring the incurred loss. The amendments in ASU 2016-13 broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The use of forecasted information incorporates more timely information in the estimate of expected credit loss. A reporting entity is required to apply the amendments in ASU 2016-13 using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption.

The adoption of ASU 2016-13 on January 1, 2023, was not material to the Company's Condensed Consolidated financial position and results of operations.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. Restricted Cash and Equivalents

The following table presents the Company's restricted cash and equivalents and escrow deposits:

	June 30, 2023	December 31, 2022
	(amounts in \$000's)	
Escrow with trustee	\$ -	\$ 2,287
MIP escrow accounts	1,300	745
Other escrow and debt deposits	4,297	781
Property tax and insurance escrow	6,324	5,243
Interest and expense reserve bonds escrow	3,765	2,276
HUD replacement reserves	13,814	14,175
Total restricted cash and equivalents	\$ 29,500	\$ 25,507

Escrow with trustee - The Company transfers funds to the trustee for its Series A, C and D Bonds to cover principal and interest payments prior to the payment date.

MIP escrow accounts - The Company is required to make monthly escrow deposits for mortgage insurance premiums on the HUD guaranteed mortgage loans.

Other escrow and debt deposits - The Company funds various escrow accounts under certain of its loan agreements, primarily to cover debt service on underlying loans.

Property tax and insurance escrow - The Company funds escrows for real estate taxes and insurance under certain of its loan agreements.

Interest and expense reserve bonds escrow - The indentures for the Series A, C and D Bonds require the funding of a six-month interest reserve as well as an expense reserve. See Note 7 - Notes Payable and Other Debt.

HUD replacement reserves - The Company is required to make monthly payments into an escrow for replacement and improvement of the project assets covered by HUD guaranteed mortgage loans. A portion of the replacement reserves are required to be maintained until the applicable loan is fully paid.

NOTE 4. Real Estate Investments, net

Real estate investments consist of the following:

	Estimated Useful Lives (Years)	June 30, 2023	December 31, 2022
		(Amounts in \$000's)	
Buildings and improvements	7-53	\$ 494,776	\$ 495,215
Equipment and personal property	1-14	79,804	78,524
Land	-	61,241	60,010
		635,821	633,749
Less: accumulated depreciation		(205,791)	(194,838)
Real estate investments, net		\$ 430,030	\$ 438,911

For the three-month periods ended June 30, 2023 and 2022, total depreciation expense was \$ 6.2 million and \$6.5 million, respectively. For the six-month periods ended June 30, 2023 and 2022, total depreciation expenses were \$12.5 million and \$13.1 million, respectively.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. Real Estate Investments, net (Cont.)

Acquisition of Properties

On January 3, 2023, the Company acquired a property located in Kentucky for a total cost of \$ 6.0 million including finder fees and leasehold improvements. The Company also committed to a \$700,000 leasehold improvement that will be completed by the new tenant. This property contains a skilled nursing facility with 120 licensed beds and approximately 34,824 square feet. Concurrently with the closing of the acquisition, we added the property to an existing master lease with a third-party operator. The lease has an initial term of 10 years, with two extension options of five years each. The initial annualized base rent is \$600,000, which is subject to an annual increase of approximately 3.0%.

Other Properties

In December 2022, the Company, through one of its subsidiaries, took title on a property in Massachusetts through a foreclosure. As of June 30, 2023 and December 31, 2022, the property is carried at its estimated fair value of \$1.2 million and is included in real estate investments in the accompanying Condensed Consolidated balance sheets.

In February 2023, one facility under our southern Illinois master lease was closed. The closure was made at the request of the tenant and mainly for efficiency reasons. This facility is under a master lease with two other facilities. The closing did not affect the aggregate rent payable under the master lease, which has been paid without interruption. As a result of the closure, the Company has elected to sell the property. The Company has written off the remaining book value of this property and has recorded a loss on real estate investment impairment of approximately \$2.5 million during the six-month period ended June 30, 2023, since the facility is no longer licensed to operate as a skilled nursing facility. Additionally, the tenant continues to be responsible for ensuring the building is secure and paying utilities, real estate taxes and insurance bills.

On June 8, 2023, the Company entered into a Purchase and Sale Agreement with respect to the purchase of 24 healthcare facilities located in Indiana (the "Indiana Facilities") for \$102.0 million. The 24 Facilities are comprised of nineteen skilled nursing facilities with 1,659 licensed beds and five assisted living facilities with 193 beds, of which 29 beds are licensed.

The Company made an initial earnest money deposit of \$4.0 million in June 2023 and a second deposit of \$ 1.0 million in July 2023 under the Purchase and Sale Agreement, which will be applied to the purchase price at closing. The Company plans to pay the balance of the purchase price from the Company's current working capital and utilizing funds provided by a third-party lender. Under the Purchase and Sale Agreement, the Company has agreed to make a loan of approximately \$6.5 million to the sellers, which will be due and payable within 60 days after the closing.

The Indiana Facilities are currently leased under a master lease agreement dated November 1, 2022, between the sellers and a group of tenants affiliated with two of the Company's directors, Moishe Gubin and Michael Blisko. Under the master lease, the tenants are required to pay annual rent, on a triple net basis, commencing on December 1, 2022, in the amount of \$9.5 million, which amount is subject to annual increases set forth in the master lease. The master lease has an initial term of seven years. The tenants have three options to extend the lease. The first option is for 3 years, the two remaining options are for 5 years each. The tenants have an option to buy the properties after 6 years for \$127 million. The material terms of the master lease will not be modified as a result of the purchase. The tenants operate the Indiana Facilities as skilled nursing and assisted living facilities. Closing is expected during the third quarter of 2023.

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STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. Intangible Assets and Goodwill

Intangible assets consist of the following goodwill, Certificate of Need ("CON") licenses and lease rights:

	Goodwill including CON Licenses	Lease Rights	Total
	(Amounts in \$000's)		
<u>Balances, December 31, 2021</u>			
Gross	\$ 1,323	\$ 54,577	\$ 55,900
Accumulated amortization	-	(41,240)	(41,240)
Net carrying amount	1,323	13,337	14,660
Amortization	-	(1,514)	(1,514)
<u>Balances, June 30, 2022</u>			
Gross	1,323	54,577	55,900
Accumulated amortization	-	(42,754)	(42,754)
Net carrying amount	\$ 1,323	\$ 11,823	\$ 13,146
<u>Balances, December 31, 2022</u>			
Gross	\$ 1,323	54,577	55,900
Accumulated amortization	-	(44,268)	(44,268)
Net carrying amount	1,323	10,309	11,632
Amortization	-	(1,514)	(1,514)
<u>Balances, June 30, 2023</u>			
Gross	1,323	54,577	55,900
Accumulated amortization	-	(45,782)	(45,782)
Net carrying amount	\$ 1,323	\$ 8,795	\$ 10,118

Estimated amortization expense for all lease rights for each of the future years ending December 31, is as follows:

	Amortization of Lease Rights
	(Amounts in \$000's)
2023 (six months)	1,514
2024	3,028
2025	3,028
2026	675
2027	461
Thereafter	89
Total	\$ 8,795

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STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. Leases

As of June 30, 2023 and December 31, 2022, the Company had leased 83 facilities (79 properties) to tenant/operators in the States of Arkansas, Illinois, Indiana, Kentucky, Michigan, Ohio, Oklahoma, Tennessee and Texas. As of June 30, 2023 and December 31, 2022, all of the Company's facilities were leased. Most of these facilities are leased on a triple net basis, meaning that the lessee (*i.e.*, operator of the facility) is obligated under the lease for all expenses of the property in respect to insurance, taxes and property maintenance, as well as the lease payments.

The following table provides additional information regarding the properties owned/leased by the Company for the periods indicated:

	June 30, 2023	December 31, 2022
Cumulative number of facilities (properties)	83 (79)	83 (79)
Cumulative number of operational beds	10,351	10,332

The following table provides additional information regarding the properties/facilities leased by the Company as of June 30, 2023:

State	Number of Operational Beds/Units	Owned by Company	Leased by Company	Total
Illinois	4,226	20	-	20
Indiana	1,388	14	1	15
Michigan	100	1	-	1

Ohio	238	4	-	4
Tennessee	1,056	12	-	12
Kentucky	1,165	11	-	11
Arkansas	1,568	14	-	14
Oklahoma	137	2	-	2
Texas	473	4	-	4
Total properties	10,351	82	1	83
Facility Type				
Skilled Nursing Facilities	10,189	77	1	78
Long-Term Acute Care Hospitals	63	2	-	2
Assisted Living Facility	99	3	-	3
Total facilities	10,351	82	1	83

As of June 30, 2023, total future minimum rental revenues for the Company's tenants are as follows:

Year	Amount
(Amounts in \$000s)	
2023 (six month period)	\$ 41,958
2024	84,816
2025	75,152
2026	56,159
2027	56,453
Thereafter	184,588
Total	\$ 499,126

STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. Leases (Cont.)

The following table provides summary information regarding the number of operational beds associated with a property leased by the Company and subleased to third-party operators:

	June 30, 2023	December 31, 2022
Number of facilities leased and subleased to third parties	1	1
Number of operational beds	68	68

Right of use assets and operating lease liabilities are disclosed as separate line items in the Condensed Consolidated balance sheets and are valued based on the present value of the future minimum lease payments at the lease commencement. As the Company's leases do not provide an implicit rate, the Company used its incremental borrowing rate based on the information available at the adoption date in determining the present value of future payments. Lease expense is recognized on a straight-line basis over the lease term. The Company's operating lease obligation is for one skilled nursing facility. The lease has an initial term that expires on March 1, 2028 and has two five-year renewal options. The lease is a triple net lease, which requires the Company to pay real and personal property taxes, insurance expenses and all capital improvements. The Company subleases the building as part of the Indiana master lease. Based on the sublease with the Company's tenant, the tenant is required to pay real and personal property taxes, insurance expenses and all capital improvements.

The components of lease expense and other lease information are as follows (dollars in thousands):

	Six Month Period ended June 30,		Three Month Period ended June 30,	
	2023	2022	2023	2022
Operating lease cost	\$ 197	195	99	98

	June 30, 2023	December 31, 2022
Operating lease right of use asset	\$ 1,675	\$ 1,833
Operating lease liability	\$ 1,675	\$ 1,833
Weighted average remaining lease term-operating leases (in years)	4.75	5.25
Weighted average discount rate	4.1%	4.1%

Future minimum operating lease payments under non-cancellable leases as of June 30, 2023, reconciled to the Company's operating lease liability presented on the Condensed Consolidated balance sheets are:

	(Amounts in \$'000s)
2023 (six month period)	\$ 197
2024	395
2025	395
2026	395
2027	395
Thereafter	99
Total	\$ 1,876
Less Interest	(201)
Total operating lease liability	\$ 1,675

Other Properties leased by the Company

The Company, through one of its subsidiaries, leases its office spaces from a related party. Rental expense under the leases for the six-month periods ended June 30, 2023 and 2022, was \$105,000 and \$97,000, respectively. Rental expense under the leases for the three-month periods ended June 30,

STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. Notes Payable and Other Debt

Notes Payable and Other Debt consist of the following:

	Weighted Interest Rate at June 30, 2023	June 30, 2023	December 31, 2022
(Amounts in \$'000s)			
HUD guaranteed loans	3.23%	\$ 275,222	\$ 275,778
Bank loans	8.67%	100,617	105,225
Series A, C and D Bonds	6.59%	105,303	75,788
Gross Notes Payable and other Debt		\$ 481,142	\$ 456,791
Debt issuance costs		(2,558)	(1,376)
Net Notes Payable and other Debt		\$ 478,584	\$ 455,415

Principal payments on the Notes Payable and Other Debt payable through maturity are as follows (amounts in \$'000s):

Year Ending December 31,	
2023 (six-month period)	\$ 19,785
2024	27,127
2025	17,426
2026	83,801
2027	102,711
Thereafter	230,292
	\$ 481,142

Debt Covenant Compliance

As of June 30, 2023 and December 31, 2022, the Company was party to approximately 41 and 40 outstanding credit related instruments, respectively. These instruments included credit facilities, mortgage notes, bonds and other credit obligations. Some of the instruments include financial covenants. Covenant provisions include, but are not limited to, debt service coverage ratios, and minimum levels of EBITDA (defined as earnings before interest, tax, and depreciation and amortization) or EBITDAR (defined as earnings before interest, tax, depreciation and amortization and rental expense). Some covenants are based on annual financial metric measurements, and some are based on quarterly financial metric measurements. The Company routinely tracks and monitors its compliance with its covenant provisions. As of June 30, 2023, the Company was in compliance with all financial and administrative covenants.

Senior Debt – Commercial Bank Mortgage Loan Facility

On March 21, 2022, the Company closed a mortgage loan facility with a commercial bank pursuant to which the Company borrowed approximately \$ 105 million. The facility provides for monthly payments of principal based on a 20-year amortization with a balloon payment due in March 2027. The rate is based on the one-month Secured Overnight Financing Rate ("SOFR") plus a margin of 3.5% and a floor of 4% (as of June 30, 2023, the rate was 8.67%). As of June 30, 2023 and December 31, 2022, total amounts outstanding were \$100.62 million and \$102.39 million, respectively. This facility loan is collateralized by 21 properties owned by the Company. The loan proceeds were used to repay the Series B Bonds and prepay commercial loans not secured by HUD guaranteed mortgages. The Company recognized a foreign currency transaction loss of approximately \$10.1 million in connection with the repayment of the Series B Bonds during the six months ended June 30, 2022.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. Notes Payable and Other Debt (Cont.)**Senior Debt – Commercial Bank Mortgage Loan Facility (Cont.)**

The credit facility financial covenants consist of (i) a covenant that the ratio of the Company's indebtedness to its EBITDA cannot exceed 8.0 to 1, (ii) a covenant that the ratio of the Company's net operating income to its debt service before dividend distribution is at least 1.20 to 1.00 for each fiscal quarter as measured pursuant to the terms of the loan agreement, (iii) a covenant that the ratio of the Company's net operating income to its debt service after dividend distribution is at least 1.05 to 1.00 for each fiscal quarter as measured pursuant to the terms of the loan agreement, and (iii) a covenant that the Company's GAAP equity is at least \$20.0 million. As of June 30, 2023, the Company was in compliance with these loan covenants.

Senior Debt – Mortgage Loans Guaranteed by HUD

As of June 30, 2023 and December 31, 2022, the Company had HUD guaranteed mortgage loans from financial institutions of approximately \$ 275 million and \$276 million, respectively. These loans were secured by first mortgage liens on the applicable properties, assignments of rent and second liens on the operator's assets. In addition to interest payments, the Company pays HUD annual mortgage insurance premiums of 0.65% of the loan balances. As a result, the overall interest rate paid by the Company with respect to the HUD guaranteed loans as of June 30, 2023 and December 31, 2022 was 3.88% (including the mortgage insurance premium).

Series A Bonds

In November 2015, the Company, through a subsidiary, issued Series A Bonds in the face amount of NIS 265.2 million (\$68 million) and received the net amount after issuance costs of NIS 251.2 million (\$64.3 million). Since then, the Company increased the series amount twice in September 2016 and May 2017 and received a combined net amount of \$30.1 million. The Series A Bonds interest rate is 6.4% as of June 30, 2023. The effective weighted interest

rate on these bonds, including those issued in the additional offering, is 7.4%. In June 2023, Standard & Poor's provided rating for the Series A Bonds of iIA. As of June 30, 2023 and December 31, 2022, the outstanding balances of the Series A Bonds were \$20.2 million and \$21.5 million, respectively.

Payment Terms

The principal amount of the Series A Bonds is payable in eight annual installments due on July 1 of each of the years 2017 through 2024. The first four principal payments were equal to 15% of the original principal amount of the Series A Bonds, and each of the last four principal payments are equal to 10% of original principal amount of the Series A Bonds.

The Series A Bonds are not secured except for an interest reserve. The indenture for the Series A Bonds requires the Strawberry Fields REIT, Ltd. a wholly-owned subsidiary of the Operating Partnership organized under the laws of the British Virgin Islands (the "BVI Company") to maintain an interest reserve with the trustee equal to the next interest payment on the Series A Bonds. In addition, the BVI Company has committed not to further encumber its assets under a general lien without obtaining the approval of the holders of the Series A Bonds, provided that the BVI Company may grant specific liens on its properties and also to provide guarantees; and its subsidiaries are entitled to register general and specific liens on their assets.

Financial Covenants

The financial covenants of the BVI Company are measured based on its financial statements prepared in accordance with IFRS accounting principles. The annual rate of interest on the Series A Bonds will increase by 0.5%, but only once with respect to each breach of any such covenant, if: (i) the shareholders' equity of the BVI Company (excluding minority interests) is less than \$110 million, (ii) the ratio of adjusted net financial debt to adjusted EBITDA (for the latest four quarters) exceeds 12 or (iii) the ratio of equity to total assets is less than 27%. Compliance with these financial covenants is measured annually and quarterly based on the BVI Company's annual financial statements and quarterly financial statements. As of June 30, 2023, the BVI Company was in compliance with the above covenants.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. Notes Payable and Other Debt (Cont.)

Series A Bonds (Cont.)

Dividend Restrictions

The indenture for the Series A Bonds limits the amount of dividends that may be paid by the BVI Company to the Operating Partnership. The BVI Company may not make any distribution unless all of the following conditions are fulfilled (with all amounts calculated under IFRS):

- The distribution amount may not exceed 40% of the net profit after tax that is recognized in the most recent Consolidated financial statements of the BVI Company, less profits or losses arising from a change in accounting methods, net of revaluation profits/losses (that have not yet been realized) arising from a change in the fair value of the assets with respect to the fair value in the prior reporting period.
- The ratio of the Condensed Consolidated stockholders' equity of the BVI Company to its total Condensed Consolidated balance sheet may not be less than 30%.
- The distributable profits for which no distribution was performed in a specific year will be added to the following quarters.
- The BVI Company's equity at the end of the last quarter, before the distribution of dividends, less the dividends distributed, may not be less than \$ 120 million.

As of June 30, 2023, the BVI Company met these financial conditions and the BVI Company is not in violation of any of its material undertakings to the holders of the Series A Bonds.

Increase in Interest Rate

The annual rate of interest on the Series A Bonds will increase by 0.25% if there is a decrease in the rating of the Series A Bonds, up to a maximum increase of 1.25% per year. In the event of the increase in the rate of interest on the Series A Bonds for the above reasons, the rate will be decreased if the underlying cause of the interests is eliminated, provided that the rate of interest will not be less than 6.4%.

Security

The BVI Company committed not to pledge its assets under general liens without obtaining the consent in advance of the holders of the Series A Bonds. Nevertheless, the BVI Company is entitled to register specific liens on its properties and also to provide guarantees; and its subsidiaries are entitled to register liens, including general and specific, on their assets.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. Notes Payable and Other Debt (Cont.)

Series A Bonds (Cont.)

Redemption Provisions

The BVI Company may, at its discretion, call the Series A Bonds for early repayment. In the event of the redemption of all of the Series A Bonds, the BVI Company would be required to pay the highest of the following amounts:

- the market value of the balance of the Series A Bonds in circulation which will be determined based on the average closing price of the Series A Bonds for thirty (30) trading days before the date on which the board of directors resolves to undertake the early redemption;
- the par value of the Series A Bonds available for early redemption in circulation (i.e., the principal balance of the Series A Bonds plus accrued interest until the date of the actual early redemption); or

- the balance of the payments under the Series A Bonds (consisting of future payments of principal and interest), when discounted to their present value based on the annual yield of the Israeli government bonds plus an "additional rate." The additional rate will be 2.5% per annum for early repayment.

Change of Control

The holders of a majority of the Series A Bonds may accelerate the outstanding balance of the Bonds if the control of the BVI Company is transferred, directly or indirectly, unless the transfer of control is approved by the holders of a majority of the Series A Bonds.

For purposes of the Series A Bonds, the "controlling stockholders" of the BVI Company are deemed to be Moishe Gubin, Tira Gubin and Michael Blisko.

For the purpose of this provision, a transfer of control means a change of control of the BVI Company such that the BVI Company has a controlling stockholder that is not any of the "controlling stockholders" and/or is in the hands of any of their immediate family members (including through trusts that the controlling stockholders and/or any of their immediate family members are the beneficiaries under and/or are their managers)., "Control" is defined in the Israeli Companies Law.

Bond Repurchases

On March 19, 2020, the Board of Directors of the BVI Company approved a \$ 5 million buyback program to Series A and Series B Bonds. The Program was extended annually to expire on March 20, 2022. On March 28, 2022, the Board of Directors of the BVI Company approved a \$10 million buyback program (the "Program") to Series A and Series C Bonds. The Program was approved for a year and was extended on March 28, 2023 for another year. The BVI Company did not repurchase any bonds during the six-month periods ended June 30, 2023 and 2022.

Series C Bonds

In July 2021, the BVI Company completed an initial offering on the Tel Aviv Stock Exchange ("TASE") of Series C Bonds with a par value of NIS 208.0 million (\$64.7 million). These Series C Bonds were issued at par. Offering and issuance costs of approximately \$ 1.7 million were incurred at closing. During February 2023, the Company issued additional Series C Bonds with a par value of NIS 40.00 million (\$11.3 million) and raised a gross amount of \$10.73 million (NIS 38.1 million). The Bonds were issued at a price of 95.25%. As of June 30, 2023 and December 31, 2022, the outstanding balances of the Series C Bonds were \$63.7 million and \$55.6 million, respectively.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 7. Notes Payable and Other Debt (Cont.)

Series C Bonds (Cont.)

Interest

The Series C Bonds initially bore interest at a rate of 5.7% per annum. In July 2021, Standard & Poor's provided an initial rating for the Series C Bonds of iIA+.

Interest on the Series C Bonds is payable semi-annually in arrears on July 31 and January 31 of each year. The interest rate may increase if certain financial ratios are not achieved, as discussed below.

Payment Terms

The principal amount of the Series C Bonds is payable in five annual installments due on July 31 of each of the years 2022 through 2026. The first four principal payments are equal to 6% of the original principal amount of the Series C Bonds, and the last principal payments is equal to the outstanding principal amount of the Series C Bonds.

Financial Covenants

Until the date of full repayment of the Series C Bonds, the BVI Company must comply with certain financial covenants described below. The application of the covenants is based on the financial statements of the BVI Company as prepared under the IFRS accounting method. The financial covenants are as follows:

- The stockholders' equity of the BVI Company may not be less than \$ 230 million.
- The ratio of the Condensed Consolidated stockholders' equity of the BVI Company to its total Condensed Consolidated balance sheet may not be less than 25%.
- The ratio of the adjusted net financial debt to adjusted EBITDA of the BVI Company (for the past four quarters) may not exceed 12.
- The ratio of the outstanding amount of the Series C Bonds to the fair market value of the collateral may not exceed 75%.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 7. Notes Payable and Other Debt (Cont.)

Series C Bonds (Cont.)

Dividend Restrictions

The indenture for the Series C Bonds limits the amount of dividends that may be paid by the BVI Company to the Operating Partnership. The BVI Company may not make any distribution unless all of the following conditions are fulfilled (with all amounts calculated under IFRS):

- The distribution amount may not exceed 80% of the net profit after tax that is recognized in the most recent Condensed Consolidated financial statements of the BVI Company, less profits or losses arising from a change in accounting methods, net of revaluation profits/losses (that have not yet been realized) arising from a change in the fair value of the assets with respect to the fair value in the prior reporting period.
- The ratio of the consolidated stockholders' equity of the BVI Company to its total consolidated balance sheet may not be less than 30%.
- The distributable profits for which no distribution was performed in a specific year will be added to the following quarters.
- The BVI Company's equity at the end of the last quarter, before the distribution of dividends, less the dividends distributed, may not be less than \$ 250 million.

As of June 30, 2023, the BVI Company met these financial conditions, and the BVI Company was not in violation of any of its material undertakings to the holders of the Series C Bonds.

Increase in Interest Rate

In the event that:

- (i) the stockholders' equity of the BVI Company (excluding minority interests) is less than \$ 250 million;
- (ii) the ratio of the adjusted net financial debt to adjusted EBITDA (for the latest four quarters) exceeds 11;
- (iii) the ratio of the consolidated equity of the BVI Company to total consolidated assets of the BVI Company is below 27%; or
- (iv) the ratio of outstanding amount of the Series C Bonds to the fair market value of the collateral for the Series C Bonds exceeds 75%,

then, in each case, the interest on the Series C Bonds will increase by an additional 0.5% annually, but only once with respect to each failure to meet these requirements. Compliance with these financial covenants is measured quarterly.

Additionally, if a decline in the rating of the Series C Bonds should take place, then for each single ratings decrease, the interest will be increased by 0.25% per year, up to a maximum increment of 1.25% annually.

In any case, the total increase in the interest rate as a result of the above adjustments will not exceed 1.5% per year. The increases in the interest rate will also be reversed if the BVI Company regains compliance.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. Notes Payable and Other Debt (Cont.)

Series C Bonds (Cont.)

Security

The Series C Bonds are secured by first mortgage liens on nine properties. In addition, the Series C Bonds are also secured by interest and expenses reserves. The BVI Company has agreed not to pledge its assets pursuant to a general lien without obtaining the prior consent of the holders of the Series C Bonds, provided that the BVI Company is entitled to register specific liens on its properties and also to provide guarantees and its subsidiaries are entitled to register general and specific liens on their assets.

Under the terms of the indenture for the Series C Bonds, the BVI Company can take out properties from the collateral (in case of HUD refinancing) or to add properties and increase the Series C Bonds as long as the ratio of outstanding amount of the Series C Bonds to fair market value of the collateral is not more than 65%. In addition, starting from July 1, 2023, if the fair market value of the collateral is below 55%, the BVI Company can request to release collateral so the fair market value will increase to 55%.

Additional Bonds

The BVI Company can issue additional Series C Bonds at any time not to exceed a maximum outstanding of NIS 630 million (or \$170 million).

Redemption Provisions

The BVI Company may, at its discretion, call the Series C Bonds for early repayment. In the event of the redemption of all of the Series C Bonds, the BVI Company would be required to pay the highest of the following amounts:

- the market value of the balance of the Series C Bonds in circulation which will be determined based on the average closing price of the Series C Bonds for thirty (30) trading days before the date on which the board of directors resolves to undertake the early redemption;
- the par value of the Series C Bonds available for early redemption in circulation (i.e., the principal balance of the Series C Bonds plus accrued interest until the date of the actual early redemption); or
- the balance of the payments under the Series C Bonds (consisting of future payments of principal and interest), when discounted to their present value based on the annual yield of the Israeli government bonds plus an "additional rate." The additional rate will be 1.0% per annum for early repayment performed by September 30, 2022, 2.5% from October 1, 2022 to September 30, 2023, and 3.0% thereafter.

Change of Control

The holders of a majority of the Series C Bonds may accelerate the outstanding balance of the Bonds if the control of the BVI Company is transferred, directly or indirectly, unless the transfer of control is approved by the holders of a majority of the Series C Bonds.

For purposes of the Series C Bonds, the "controlling stockholders" of the BVI Company are deemed to be Moishe Gubin and Michael Blisko.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. Notes Payable and Other Debt (Cont.)

Change of Control (Cont.)

For the purpose of this provision, a transfer of control means a change of control of the BVI Company such that the BVI Company has a controlling stockholder that is not any of the "controlling stockholders" and/or is in the hands of any of their immediate family members (including through trusts that the controlling stockholders and/or any of their immediate family members are the beneficiaries under and/or are their managers). In this regard, "control" is defined in the Israeli Companies Law.

Series D Bonds

In June 2023, the BVI Company completed an initial offering on the Tel Aviv Stock Exchange ("TASE") of Series D Bonds with a par value of NIS 82.9 million (\$22.9 million). These Series D Bonds were issued at par. Offering and issuance costs of approximately \$ 0.6 million were incurred at closing. As of June 30, 2023 the outstanding balance of the Series D Bonds was \$22.4 million. As discussed in Note 14 below, in July 2023, the BVI Company issued an additional NIS 70.0 million (\$19.2 million) in Series D Bonds.

Interest

The Series D Bonds initially bore interest at a rate of 9.1% per annum. In June 2023, Standard & Poor's provided an initial rating for the Series D Bonds of iIA.

Interest on the Series D Bonds is payable semi-annually in arrears on March 31 and September 30 of each year. The interest rate may increase if certain financial ratios are not achieved, as discussed below.

Payment Terms

The principal amount of the Series D Bonds is payable in three annual installments due on September 30 of each of the years 2024 through 2026. The first two principal payments are equal to 6% of the original principal amount of the Series D Bonds, and the last principal payments is equal to the outstanding principal amount of the Series D Bonds.

Financial Covenants

Until the date of full repayment of the Series D Bonds, the BVI Company must comply with certain financial covenants described below. The application of the covenants is based on the financial statements of the BVI Company as prepared under the IFRS accounting method. The financial covenants are as follows:

- The stockholders' equity of the BVI Company may not be less than \$ 230 million.
- The ratio of the Condensed Consolidated stockholders' equity of the BVI Company to its total Condensed Consolidated balance sheet may not be less than 25%.
- The ratio of the adjusted net financial debt to adjusted EBITDA of the BVI Company (for the past four quarters) may not exceed 12.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. Notes Payable and Other Debt (Cont.)

Series D Bonds (Cont.)

Dividend Restrictions

The indenture for the Series D Bonds limits the amount of dividends that may be paid by the BVI Company to its stockholders. The BVI Company may not make any distribution unless all of the following conditions are fulfilled (with all amounts calculated under IFRS):

- The distribution amount may not exceed 80% of the net profit after tax that is recognized in the most recent Condensed Consolidated financial statements of the BVI Company, less profits or losses arising from a change in accounting methods, net of revaluation profits/losses (that have not yet been realized) arising from a change in the fair value of the assets with respect to the fair value in the prior reporting period.
- The ratio of the consolidated stockholders' equity of the BVI Company to its total consolidated balance sheet may not be less than 30%.
- The distributable profits for which no distribution was performed in a specific year will be added to the following quarters.
- The BVI Company's equity at the end of the last quarter, before the distribution of dividends, less the dividends distributed, may not be less than \$ 250 million.
- The BVI Company meets the financial conditions described above, and the BVI Company is not in violation of all and/or any of its material undertakings to the holders of the Series D Bonds as of June 30, 2023.

Increase in Interest Rate

In the event that:

- (i) the stockholders' equity of the BVI Company (excluding minority interests) is less than \$ 250 million;
- (ii) the ratio of the adjusted net financial debt to adjusted EBITDA (for the latest four quarters) exceeds 11;
- (iii) the ratio of the consolidated equity of the BVI Company to total consolidated assets of the BVI Company is below 27%; or

then, in each case, the interest on the Series D Bonds will increase by an additional 0.5% annually, but only once with respect to each failure to meet these requirements. Compliance with these financial covenants is measured quarterly.

Additionally, if a decline in the rating of the Series D Bonds should take place, then for each single ratings decrease, the interest will be increased by 0.25% per year, up to a maximum increment of 1.25% annually.

In any case, the total increase in the interest rate as a result of the above adjustments will not exceed 1.5% per year. The increases in the interest rate will also be reversed if the BVI Company regains compliance.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. Notes Payable and Other Debt (Cont.)

Series D Bonds (Cont.)

Security

The BVI Company has committed not to pledge its assets under general liens without obtaining the consent in advance of the Bond holders. Nevertheless, the BVI Company is entitled to register specific liens on its properties and also to provide guarantees; and its subsidiaries are entitled to register liens, including general and specific, on their assets.

Additional Bonds

The BVI Company can issue additional Series D Bonds at any time not to exceed a maximum outstanding of NIS 450 million (or \$120 million).

Redemption Provisions

The BVI Company may, at its discretion, call the Series D Bonds for early repayment. In the event of the redemption of all of the Series D Bonds, the BVI Company would be required to pay the highest of the following amounts:

- the market value of the balance of the Series D Bonds in circulation which will be determined based on the average closing price of the Series D Bonds for thirty (30) trading days before the date on which the board of directors resolves to undertake the early redemption;
- the par value of the Series D Bonds available for early redemption in circulation (i.e., the principal balance of the Series D Bonds plus accrued interest until the date of the actual early redemption); or
- the balance of the payments under the Series D Bonds (consisting of future payments of principal and interest), when discounted to their present value based on the annual yield of the Israeli government bonds plus an "additional rate." The additional rate will be 1.0% per annum for early repayment performed by September 30, 2024, and 3.0% thereafter.

Change of Control

The holders of a majority of the Series D Bonds may accelerate the outstanding balance of the Bonds if the control of the BVI Company is transferred, directly or indirectly, unless the transfer of control is approved by the holders of a majority of the Series D Bonds.

For purposes of the Series D Bonds, the "controlling stockholders" of the BVI Company are deemed to be Moishe Gubin and Michael Blisko.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. Notes Payable and Other Debt (Cont.)

Change of Control (Cont.)

For the purpose of this provision, a transfer of control means a change of control of the BVI Company such that the BVI Company has a controlling stockholder that is not any of the "controlling stockholders" and/or is in the hands of any of their immediate family members (including through trusts that the controlling stockholders and/or any of their immediate family members are the beneficiaries under and/or are their managers). In this regard, "control" is defined in the Israeli Companies Law.

NOTE 8. Commitments and Contingencies

Commitments

The Company guarantees from time-to-time obligations of its wholly-owned subsidiaries.

Contingencies

The Company's operating results and financial condition are dependent on the ability of its tenants to meet their lease obligations to us.

Although the amount of rent that the Company receives from its tenants is not dependent on the tenants' operating results, the tenants' ability to fulfill their lease obligations, including the payment of rent, could be adversely affected if our tenants encountered significant financial difficulties due to a pandemic. To date, the Company does not believe that the coronavirus outbreak has had a material adverse impact on its tenants.

In March 2020, Joseph Schwartz, Rosie Schwartz and certain companies owned by them filed a complaint in the U.S. District Court for the Northern District of Illinois against Moishe Gubin, Michael Blisko, Strawberry Fields REIT, LLC ("the Predecessor Company") and 21 of its subsidiaries, as well as the operators of 17 of the facilities operated at our properties. The complaint was related to the Predecessor Company's acquisition of 16 properties located in Arkansas and Kentucky that were completed between May 2018 and April 2019 and the attempt to purchase an additional 5 properties located in Massachusetts. The complaint was dismissed by the court in 2020 for lack of subject matter jurisdiction. The plaintiffs did not file an appeal of this dismissal, and the time for an appeal has expired.

In August 2020, Joseph Schwartz, Rosie Schwartz and several companies controlled by them filed a second complaint in the Circuit Court in Pulaski

County, Arkansas. The second complaint had nearly identical claims as the federal case, but was limited to matters related to the Predecessor Company's acquisition of properties located in Arkansas. The sellers, which were affiliates of Skyline Health Care, had encountered financial difficulties and requested the Predecessor Company to acquire these properties. The defendants have filed an answer denying the plaintiffs' claims and asserting counterclaims based on breach of contract. The parties are currently engaged in discovery.

In January 2021, Joseph Schwartz, Rosie Schwartz and certain companies owned by them filed a third complaint in Illinois state court in Cook County, Illinois, which has nearly identical claims to the initial federal case but was limited to claims related to the Kentucky and Massachusetts properties. The complaint has not been properly served on any of the defendants, and, accordingly, the defendants did not respond to the complaint. On January 11, 2023, the Cook County Circuit Court granting a motion to quash service on all defendants. In March 2023, the plaintiffs filed a new complaint and again attempted to serve it on the defendants. The defendants filed a motion to dismiss the complaint on the basis that service was defective. The court granted this motion and dismissed the complaint on June 20, 2023.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. Commitments and Contingencies (Cont.)

In each of these complaints, the plaintiffs asserted claims for fraud, breach of contract and rescission arising out of the defendants' alleged failure to perform certain post-closing obligations under the purchase contracts. The Company has potential direct exposure for these claims because the subsidiaries of the Predecessor Company that were named as defendants are now subsidiaries of the Operating Partnership. Additionally, the Operating Partnership is potentially liable for the claims made against Moishe Gubin, Michael Blisko and the Predecessor Company pursuant to the provisions of the contribution agreement, under which the Operating Partnership assumed all of the liabilities of the Predecessor Company and agreed to indemnify the Predecessor Company and its affiliates for such liabilities. The Company and the named defendants believe that the claims set forth in the complaints are without merit. The named defendants intend to vigorously defend the litigation and to assert counterclaims against the plaintiffs based on their failure to fulfill their obligations under the purchase contracts, interim management agreement, and operations transfer agreements. The Company believes this matter will be resolved without a material adverse effect to the Company.

As noted above, the March 2020 and January 2021 complaints also related to the Predecessor Company's planned acquisition of five properties located in Massachusetts. Certain subsidiaries of the Predecessor Company purchased loans related to these properties in 2018 for a price of \$7.74 million with the expectation that the subsidiaries would acquire title to the properties and the loans would be retired. The subsidiaries subsequently advanced \$3.1 million under the loans to satisfy other liabilities related to the properties. The planned acquisition/settlement with the sellers/owners and borrowers was cancelled because they were forced to surrender their licenses to operate healthcare facilities on these properties due to their cash flow issues. In July 2022, the Company as lender sold four of the five properties at auction for the total amount of \$4.4 million. In December 2022, the Company took title to the fifth property. The Company is in the process of pursuing collection efforts with respect to the balance outstanding and plans to sell the foreclosed property and pursue the guarantors of the loans to recover the unpaid principal balances as well as protective advances and collection costs.

Note 9. Equity Incentive Plan

The Company has adopted the 2021 Equity Incentive Plan (the "Plan"). The Plan permits the grant of both options qualifying under Section 422 of the Internal Revenue Code ("incentive stock options") and options not so qualifying, and the grant of stock appreciation rights, stock awards, incentive awards, performance units, and other equity-based awards. A total of 250,000 shares have been authorized to be granted under the Plan.

As of June 30, 2023, 225,100 shares were available for grant. No shares were issued during the six month periods ended June 30, 2023 and 2022.

STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. Stockholders' Equity and Distributions

The Company elected and qualified to be treated as a REIT commencing with the taxable year ended December 31, 2022. U.S. federal income tax law requires that a REIT distribute annually at least 90% of its net taxable income, excluding net capital gains, and that it pays tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income, including net capital gains. In addition, a REIT is required to pay a 4% nondeductible excise tax on the amount, if any, by which the distributions that it makes in a calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from prior years.

As of June 30, 2023, there were a total of 6,365,856 shares of common stock issued and outstanding. The outstanding shares were held by a total of approximately 508 stockholders of record, including certain affiliates of the Company who held 864,240 of these shares.

At June 30, 2023, there were 45,436,232 OP units outstanding. Under the terms of the partnership agreement for the Operating Partnership, such holders have the right to request the cash redemption of their OP units. If a holder requests redemption, the Company has the option of issuing shares of common stock to the requesting holder instead of cash. The OP unit holders are required to obtain Company approval prior to the sale or transfer of any or all of such holder's OP units.

The Company has reserved a total of 45,436,232 shares of common stock that may be issued, at the Company's option, upon redemption of the OP units outstanding as of June 30, 2023.

NOTE 11. Related Party Transactions and Economic Dependence

The following entities and individuals are considered to be Related Parties:

Moishe Gubin	CEO & Chairman of the Board and a stockholder of the Company
Michael Blisko	Director and a stockholder of the Company
Nahman Eingal	Chief Financial Officer and a stockholder of the Company
Operating entities	See list below

Lease Agreements with Related Parties

As of June 30, 2023 and December 31, 2022, each of the Company's facilities was leased and operated by separate tenants. Each tenant is an entity that leases the facility from one of the Company's subsidiaries and operates the facility as a healthcare facility. The Company had 41 tenants out of 83 who were related parties as of June 30, 2023, and December 31, 2022. Most of the lease agreements are triple net leases.

TN	505 North Roan, LLC	Agape Rehabilitation & Nursing Center, A Water's Community LLC	50.00%	50.00%	1,628,910	3.00%	1.97%	7/1/2031	2 five year
TN	14510 Highway 79, LLC	Waters of McKenzie, A Rehabilitation & Nursing Center, LLC	50.00%	50.00%	1,279,858	3.00%	1.55%	7/1/2031	2 five year
TN	6500 Kirby Gate Boulevard, LLC	Waters of Memphis, A Rehabilitation & Nursing Center, LLC	50.00%	50.00%	1,745,261	3.00%	2.11%	7/1/2031	2 five year
TN	978 Highway 11 South, LLC	Waters of Sweetwater, A Rehabilitation & Nursing Center, LLC	50.00%	50.00%	1,745,261	3.00%	2.11%	7/1/2031	2 five year
TN	2830 Highway 394, LLC	Waters of Bristol, A Rehabilitation & Nursing Center, LLC	50.00%	50.00%	2,327,014	3.00%	2.82%	7/1/2031	2 five year
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STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. Related Party Transactions and Economic Dependence (cont.)

Lease Agreements with Related Parties (cont.)

State	Lessor/ Company Subsidiary	Manager/ Tenant/ Operator	Related Party Ownership in Manager/Tenant/ Operator ^{(1) (2)}		Average Annual rent over life of lease	Annual Escalation	% of total rent	Lease maturity	Extension options
			Moishe Gubin/Gubin Enterprises LP	Michael Blisko/Blisko Enterprises LP					
IL	516 West Frech Street, LLC	Parker Rehab & Nursing Center, LLC	50.00%	50.00%	498,350	Varies between \$12,000 and \$24,000 annually	0.60%	3/31/2031	None
IN	1316 North Tibbs Avenue Realty, LLC	Westpark A Waters Community, LLC	50.00%	50.00%	549,884	3.00%	0.67%	6/1/2024	2 five year
IL	Ambassador Nursing Realty, LLC	Ambassador Nursing and Rehabilitation Center II, LLC	40.00%	40.00%	1,005,313	3.00%	1.22%	2/28/2026	2 five year
IL	Momence Meadows Realty, LLC	Momence Meadows Nursing and Rehabilitation Center, LLC	50.00%	50.00%	1,038,000	None	1.26%	12/30/2025	None
IL	Forest View Nursing Realty, LLC	Forest View Rehabilitation and Nursing Center, LLC	50.00%	50.00%	1,215,483	3.00%	1.47%	12/1/2024	2 five year
IL	Lincoln Park Holdings, LLC	Lakeview Rehabilitation and Nursing Center, LLC	40.00%	40.00%	1,260,000	None	1.53%	5/31/2031	None
IL	Continental Nursing Realty, LLC	Continental Nursing and Rehabilitation Center, LLC	40.00%	40.00%	1,575,348	None	1.91%	3/1/2031	None
IL	Westshire Nursing Realty, LLC	City View Multicare Center, LLC	50.00%	50.00%	1,788,365	3.00%	2.17%	9/1/2025	2 five year
IL	Belhaven Realty, LLC	Belhaven Nursing and Rehabilitation Center, LLC	50.00%	50.00%	2,134,570	3.00%	2.59%	2/28/2026	2 five year
IL	West Suburban Nursing Realty, LLC	West Suburban Nursing and Rehabilitation Center, LLC	40.00%	40.00%	1,961,604	None	2.38%	11/1/2027	None
IN	1585 Perry Worth Road, LLC	The Waters of Lebanon, LLC	50.00%	50.00%	116,676	3.00%	0.14%	6/1/2027	2 five year
IL	Niles Nursing Realty LLC	Niles Nursing & Rehabilitation Center LLC	50.00%	50.00%	2,409,998	3.00%	2.92%	2/28/2026	2 five year
IL	Parkshore Estates Nursing Realty, LLC	Parkshore Estates Nursing and Rehabilitation Center, LLC	50.00%	50.00%	2,454,187	3.00%	2.97%	12/1/2024	2 five year
IL	Midway Neurological and Rehabilitation Realty, LLC	Midway Neurological and Rehabilitation Center, LLC	50.00%	50.00%	2,547,712	3.00%	3.09%	2/28/2026	2 five year
IL	4343 Kennedy Drive, LLC	Hope Creek Nursing and Rehabilitation Center, LLC	27.50%	27.50%	478,958	3.00%	0.58%	10/1/2030	2 five year

IL	Oak Lawn Nursing Realty, LLC	Oak Lawn Respiratory and Rehab center, LLC	50.00%	50.00%	\$ 1,038,048	None	1.31%	6/1/2031	None
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STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. Related Party Transactions and Economic Dependence (cont.)

Lease Agreements with Related Parties (cont.)

- (1) The interests of the two listed related parties are not held through any commonly owned holding companies. Mr. Gubin's interests are held directly/indirectly by Gubin Enterprises LP. Mr. Blisko's interests are held by Blisko Enterprises LP and New York Boys Management, LLC.
- (2) Each of the tenants is a limited liability company. The percentages listed reflect the owners' percentage ownership of the outstanding membership interests in each tenant.

Guarantees from Related Parties

As of June 30, 2023 and December 31, 2022 Mr. Gubin and Mr. Blisko were not parties to any guarantees of any debt of the Company or its subsidiaries.

Balances with Related Parties

	June 30, 2023	December 31, 2022
	(amounts in \$000s)	
Straight-line rent receivable	\$ 13,143	\$ 11,591
Tenant portion of replacement reserve	\$ 9,971	\$ 10,227
Notes receivable	\$ 7,450	\$ 7,816

Payments from and to Related Parties

	Six Months ended June 30,		Three Months ended June 30,	
	2023	2022	2023	2022
	(amounts in \$000s)		(amounts in \$000s)	
Rental income received from related parties	\$ 26,286	27,171	\$ 14,448	13,599

Other Related Party Relationships

On June 30, 2023 and December 31, 2022, the Company had approximately \$ 0.4 million and \$4.7 million, respectively, on deposit with OptimumBank. Mr. Gubin is the Chairman of the Board of OptimumBank, and Mr. Blisko is a director.

On June 14, 2022, the Company purchased an \$8 million note held by Infinity Healthcare Management, a company controlled by Mr. Blisko and Mr. Gubin. The note was issued by certain unaffiliated tenants. It bears interest at 7% per annum, payable annually. The principal amount of the note becomes payable 120 days after the date on which tenants are first able to exercise the purchase option for the properties contained in their lease. The purchase option becomes exercisable upon the Company's ability to deliver fee simple title to the properties. If the tenants do not exercise the option within this period, then the outstanding balance of the note will thereafter be payable in thirty-six (36) equal monthly installments of principal and interest.

NOTE 12. Income Taxes

The Company elected and qualified to be taxed as a REIT for federal income tax purposes commencing with the year ended December 31, 2022.

As a REIT, the Company generally is not subject to federal income tax on its net taxable income that it distributes currently to its stockholders. Under the Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they distribute each year at least 90% of their REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains. If the Company fails to qualify for taxation as a REIT in any taxable year and does not qualify for certain statutory relief provisions, the Company's income for that year will be taxed at regular corporate rates, and the Company would be disqualified from taxation as a REIT for the four taxable years following the year during which the Company ceased to qualify as a REIT. Even if the Company qualifies as a REIT for federal income tax purposes, it may still be subject to state and local taxes on its income and assets and to federal income and excise taxes on its undistributed income.

The Company follows recent accounting guidance relating to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-than-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment.

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STRAWBERRY FIELDS REIT, INC. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. Fair Value of Financial Instruments

The Company is required to disclose the fair value of financial instruments for which it is practicable to estimate that value. The fair value of short-term financial instruments such as cash and cash equivalents, restricted cash, accounts payable and accrued expenses approximate their carrying value on the Condensed Consolidated balance sheets due to their short-term nature. The Company's foreclosed real estate is recorded at fair value on a non-recurring basis and is included in real estate investments on the Condensed Consolidated balance sheets. Estimates of fair value are determined based on a variety of information, including the use of available appraisals, estimates of market values by licensed appraisers or local real estate brokers and

knowledge and experience of management. The fair values of the Company's remaining financial instruments that are not reported at fair value on the Condensed Consolidated balance sheets are reported below:

(amounts in \$000s)	Level	June 30, 2023		December 31, 2022	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Note payable, other debt, and bonds	3	\$ 478,584	480,740	\$ 455,415	\$ 454,523
Notes receivable	3	\$ 17,809	17,065	\$ 19,419	\$ 18,479

The fair value of the notes payable, other debt, bonds and notes receivable are estimated using a discounted cash flow analysis.

NOTE 14. Subsequent Events

During July 2023, the BVI Company issued additional Series D Bonds with a par value of NIS 70.0 million and raised a gross amount of \$ 19.2 million (NIS 69.8 million). The Bonds were issued at a price of 99.7%.

On August 10, 2023 our Board of Directors approved a dividend distribution of \$ 0.11 per share, based on the expected net income for the third quarter of 2023. The dividend will be paid on or prior to September 29, 2023.

NOTE 15. Financing Income (Expenses), Net

	Six months ended June 30,		Three months ended June 30	
	2023	2022	2023	2022
	(amounts in \$000s)		(amounts in \$000s)	
Financing expenses				
Interest expenses with respect to bonds	\$ (2,657)	\$ (3,665)	\$ (1,443)	\$ (1,495)
Interest expenses on loans from banks and others	(7,982)	(5,374)	(4,124)	(3,593)
Interest expenses with respect to leases	(37)	(41)	(18)	(20)
Other financing expenses (including related parties), net	-	(59)	-	610
Total financing expenses	\$ (10,676)	\$ (9,139)	\$ (5,585)	(4,498)
Financing income	\$ 558	\$ 100	\$ 275	(52)
Interest Expense, Net	\$ (10,118)	\$ (9,039)	\$ (5,310)	(4,550)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

Certain statements in this quarterly Report on Form 10-Q are "forward-looking statements" within the meaning of the U.S. federal securities laws. Forward-looking statements provide our current expectations or forecasts of future events and are not statements of historical fact. This Form 10-Q also contains forward-looking statements by third parties relating to market and industry data and forecasts; forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as the other forward-looking statements contained in this Form 10-Q. These forward-looking statements include information about possible or assumed future events, including, among other things, discussion and analysis of our future financial condition, results of operations, Funds From Operations ("FFO"), our strategic plans and objectives, cost management, potential property acquisitions, anticipated capital expenditures (and access to capital), amounts of anticipated cash distributions to our stockholders in the future and other matters. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates" and variations of these words and other similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and/or could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

Forward-looking statements involve inherent uncertainty and may ultimately prove to be incorrect or false. Readers are cautioned to not place undue reliance on forward-looking statements. Except as otherwise may be required by law, we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or actual operating results. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to:

- risks and uncertainties related to the national, state and local economies, particularly the economies of Arkansas, Illinois, Indiana, Kentucky, Michigan, Ohio, Oklahoma, Tennessee and Texas, and the real estate and healthcare industries in general;
- availability and terms of capital and financing;
- the impact of existing and future healthcare reform legislation on our tenants, borrowers and guarantors;
- adverse trends in the healthcare industry, including, but not limited to, changes relating to reimbursements available to our tenants by government or private payors;
- competition in the long-term healthcare industry and shifts in the perception of various types of long-term care facilities, including skilled nursing facilities;

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements (continued)

- our tenants' ability to make rent payments;
- our dependence upon key personnel whose continued service is not guaranteed;
- availability of appropriate acquisition opportunities and the failure to integrate successfully;

- ability to source target-marketed deal flow;
- ability to dispose of assets held for sale for the anticipated proceeds or on a timely basis, or to deploy the proceeds therefrom on favorable terms;
- fluctuations in mortgage and interest rates;
- changes in the ratings of our debt securities;
- risks and uncertainties associated with property ownership and development;
- the potential need to fund improvements or other capital expenditures out of operating cash flow;
- potential liability for uninsured losses and environmental liabilities;
- the outcome of pending or future legal proceedings;
- changes in tax laws and regulations affecting REITs;
- our ability to maintain our qualification as a REIT; and
- the effect of other factors affecting our business or the businesses of our operators that are beyond our or their control, including natural disasters, other health crises or pandemics and governmental action, particularly in the healthcare industry.

This list of risks and uncertainties, however, is only a summary of some of the most important factors and is not intended to be exhaustive. New risks and uncertainties may also emerge from time to time that could materially and adversely affect us.

Overview

Strawberry Fields REIT, Inc. (the "Company") is engaged in the ownership, acquisition, financing and triple-net leasing of skilled nursing facilities and other post-acute healthcare properties. Currently, our portfolio consists of 79 healthcare properties with an aggregate of 10,351 licensed beds. We hold fee title to 78 of these properties and hold one property under a long-term lease. These properties are located in Arkansas, Illinois, Indiana, Kentucky, Michigan, Ohio, Oklahoma, Tennessee and Texas. We generate substantially all our revenues by leasing our properties to tenants under long-term leases primarily on a triple-net basis, under which the tenant pays the cost of real estate taxes, insurance and other operating costs of the facility and capital expenditures. Each healthcare facility located at our properties is managed by a qualified operator with an experienced management team.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview (continued)

We employ a disciplined approach in our investment strategy by investing in healthcare real estate assets. We seek to invest in assets that will provide attractive opportunities for dividend growth and appreciation in asset value, while maintaining balance sheet strength and liquidity, thereby creating long-term stockholder value. We expect to grow our portfolio by diversifying our investments by tenant, facility type and geography.

We are entitled to monthly rent paid by the tenants and we do not receive any income or bear any expenses from the operations of such facilities. As of June 30, 2023, the aggregate annualized average base rent under the leases for our properties was approximately \$84.2 million.

We elected a REIT status for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2022. We are organized in an UPREIT structure in which we own substantially all of our assets and conduct substantially all of our business through the Operating Partnership. We are the general partner of the Operating Partnership and as of the date of the report own approximately 12.3% of the outstanding OP units.

Recent Developments

On January 3, 2023, the Company acquired a property in Kentucky for \$6.0 million, including \$1.0 million in finder fees and \$0.7 million in leasehold improvements, which was paid in cash. This property contains a skilled nursing facility with 120 licensed beds and approximately 34,824 square feet. Concurrently with the closing of the acquisition, we added the property to an existing master lease with an unaffiliated third-party operator. The lease has an initial term of 10 years, with two 5-year extension options. The initial annualized base rent is \$600,000 with 3.0% annual rent escalation.

During February 2023, the Company issued an additional NIS 40.00 million in par value of Series C Bonds and received a gross amount of \$10.73 million (NIS 38.1 million). The Bonds were issued at a price of 95.25%.

In February 2023 one of the SNFs owned by the Company in southern Illinois was closed. The closure was made at the request of the tenant and was mainly for efficiency reasons. This SNF is under a master lease with two other facilities and the full amount of the rental payment under the master lease is continuing to be paid. The Company has written off the remaining book value of this property and has recorded a loss on asset impairment of \$2.5 million since the facility is no longer licensed to operate as a skilled nursing facility. The Company is seeking to sell the property.

On May 1, 2023, the Company paid \$15.6 million to redeem 1,454,308 OP units granted to the sellers of five properties in Tennessee and one in Kentucky the Company acquired in 2021.

On June 8, 2023, the Company entered into a Purchase and Sale Agreement with respect to the purchase of 24 healthcare facilities located in Indiana (the "Indiana Facilities") for \$102.0 million. The 24 Facilities are comprised of nineteen skilled nursing facilities with 1,659 licensed beds and five assisted living facilities with 193 beds, of which 29 beds are licensed.

The Company made an initial earnest money deposit of \$4.0 million in June 2023 and a second deposit of \$1.0 million in July 2023 under the Purchase and Sale Agreement, which will be applied to the purchase price at closing. The Company plans to pay the balance of the purchase price from the Company's current working capital and utilizing funds provided by a third-party lender. Under the Purchase and Sale Agreement, the Company has agreed to make a loan of approximately \$6.5 million to the sellers, which will be scheduled to be repaid within 60 days of the closing.

The Indiana Facilities are currently leased under a master lease agreement dated November 1, 2022, between the sellers and a group of tenants affiliated with two of the Company's directors, Moishe Gubin and Michael Blisko. Under the master lease, the tenants are required to pay annual rent, on a triple net basis, commencing on December 1, 2022, in the amount of \$9.5 million, which amount is subject to annual increases set forth in the master lease. The master lease has an initial term of seven years. The tenants have three options to extend the lease. The first option is for 3 years, the two remaining options are for 5 years each. The tenants have an option to buy the properties after 6 years for \$127 million. The material terms of the master lease will not be modified as a result of the purchase. The tenants operate the Indiana Facilities as skilled nursing and assisted living facilities. Closing is expected

during the third quarter of 2023.

On June 19, 2023, the Company completed an initial offering of Series D Bonds with a par value of NIS 82.9 million (\$22.9 million). The Series D Bonds were issued at par and the interest rate is 9.1%. During July 2023, the BVI Company issued additional Series D Bonds with a par value of NIS 70.0 million and raised a gross amount of \$19.2 million (NIS 69.8 million). The Bonds were issued at a price of 99.7%. See Notes 7 and 14 to the Consolidated Condensed Financial Statements included under Item 1 to this Form 10-Q.

As of the date of this report, none of the Company's tenants are delinquent on the payment of rent, and there have been no requests to amend the terms of their respective leases or to reduce current or future lease payments.

Related Party Tenants

As a landlord, the Company does not control the operations of its tenants, including related party tenants, and is not able to cause its tenants to take any specific actions to address trends in occupancy at the facilities operated by its tenants, other than to monitor occupancy and income of its tenants, discuss trends in occupancy with tenants and possible responses, and, in the event of a default, exercise its rights as a landlord. However, Moishe Gubin, our Chairman and Chief Executive Officer, and Michael Blisko, one of our directors, as the controlling members of 41 of our tenants and related operators, have the ability to obtain information regarding these tenants and related operators and cause the tenants and operators to take actions, including with respect to occupancy.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Operating Results

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022:

<i>(dollars in thousands except per share data)</i>	Three Months Ended June 30,		Increase / (Decrease)	Percentage Difference
	2023	2022		
Revenues:				
Rental revenues	\$ 24,307	\$ 21,778	\$ 2,529	11.6%
Expenses:				
Depreciation	6,230	6,524	(294)	(4.5%)
Amortization	757	757	-	-
General and administrative expenses	951	832	119	14.3%
Property and other taxes	3,717	2,677	1,040	38.9%
Facility rent expenses	136	128	8	6.3%
Provision for credit losses	-	413	(413)	(100%)
Total Expenses	11,791	11,331	460	4.1%
Interest expense, net	5,310	4,550	760	16.7%
Amortization of interest expense	123	129	(6)	(4.7%)
Mortgage insurance premium	418	430	(12)	(2.8%)
Total Interest Expenses	5,851	5,109	742	14.5%
Other expense				
Miscellaneous expense	(983)	-	983	100%
Net income	5,682	5,338	344	6.4%
Net income attributable to non-controlling interest	(4,984)	(4,751)	(233)	(4.9%)
Net income attributable to common stockholders	698	587	111	18.7%
Basic and diluted income per common share	\$ 0.11	\$ 0.10	0.01	10.0%

Rental revenues: The increase in Rental Revenues of \$2.5 million or 11.6% is due to annual lease escalations, lease renewals and increased property taxes collected from tenants.

Depreciation and Amortization: The decrease in depreciation of \$0.30 million or 4.5% is primarily due to certain equipment and personal property having been fully depreciated between the quarters ended June 30, 2023 and June 30, 2022, offset by certain site improvements.

General and administrative expenses: The increase in general and administrative expenses of \$0.1 million or 14.3% reflects corporate salaries and expenses.

Property and other taxes: The increase in property taxes of \$1 million or 38.9% is primarily due to increases in property taxes due.

Provision for credit losses: The decrease in the provision for credit losses of \$0.4 million or 100.0% is related to write-offs of receivables related to certain defaulted leases and defaulted loan interest in 2022.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations (continued)

Interest expense, net: The increase in interest expense of \$0.8 million or 16.7% is primarily due to an increase in the floating rate on the commercial bank loan facility and additional interest on Series C Bonds and Series D Bonds issuances that occurred in 2023.

Miscellaneous expense: The increase in miscellaneous expense of \$1.0 million is a result of a fee paid to an investment banking firm to cancel an agreement with respect to a proposed financing transaction.

Net Income: The increase in net income from \$5.3 million during the second quarter of 2023, to \$5.7 million income during the second quarter of 2023 is primarily a result of higher rental income in the second quarter of 2023 offset by higher general and administrative expenses due to one-time consulting fees, higher property taxes, and an increase in interest expense.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022:

(dollars in thousands)	Six Months Ended June 30,		Increase / (Decrease)	Percentage Difference
	2023	2022		
Revenues:				
Rental revenues	\$ 48,554	\$ 44,737	\$ 3,817	8.5%
Expenses:				
Depreciation	12,461	13,051	(590)	(4.5%)
Amortization	1,514	1,514	-	-
Loss on real estate investment impairment	2,451	-	2,451	100.0%
General and administrative expenses	2,413	3,421	(1,008)	(29.5%)
Property and other taxes	7,435	5,620	1,815	32.3%
Facility rent expenses	272	259	13	5.0%
Provision for credit losses	-	663	(663)	(100.0%)
Total Expenses	26,546	24,528	2,018	8.2%
Interest expense, net	10,118	9,039	1,079	11.9%
Amortization of interest expense	253	187	66	35.3%
Mortgage Insurance Premium	833	861	(28)	(3.3%)
Total Interest Expenses	11,204	10,087	1,117	11.1%
Other income (expense)				
Miscellaneous Expense	(983)	-	983	100.0%
Foreign currency transaction loss	-	(10,100)	10,100	100.0%
Net Income	9,821	22	9,796	445.3%
Net income attributable to non-controlling interest	(8,628)	(20)	(8,608)	430.4%
Net Income Attributable to common stockholders	1,193	2	1,191	595.5%
Basic and diluted income per common share	\$ 0.19	\$ -	0.19	100.0%

Rental revenues: The increase in Rental revenue of \$3.8 million or 8.5% is due to renegotiation of certain leases, acquisition of new property and additional property taxes being reimbursed by the tenants.

Depreciation and Amortization: The decrease in depreciation of \$0.6 million or 4.5% is primarily due to certain equipment and personal property having been fully depreciated.

Loss on real estate investment impairment: In February 2023, one facility under one of our southern Illinois master leases was closed. The closure was made at the request of the tenant and was mainly for efficiency reasons. This facility is leased under a master lease with two other facilities. The closure did not result in any reduction in the aggregate rent payable under the master lease, which has been paid without interruption. As a result of the closure, the Company is seeking to sell the property. Since the facility is no longer licensed to operate as a skilled nursing facility, we wrote off its remaining book value.

General and administrative: The decrease in general and administrative of \$1.0 million or 29.5% is primarily a result of certain executive compensation expenses incurred in the period ended June 30, 2022 that was not incurred in the 2023 period.

Property and other taxes: The increase in property taxes of \$1.8 million or 32.3% is primarily due to increases in real estate taxes and franchise taxes.

Provision for credit losses: The decrease in the provision for credit losses of \$0.6 million or 100% is primarily related to write-offs of receivables related to certain defaulted leases and defaulted loan interest during the six month period ended June 30, 2022.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations (continued)

Interest expense, net: The increase in interest expense of \$1.1 million or 11.9% is primarily related to increases in the floating rate on the commercial bank loan facility and additional interest on Series C Bonds and Series D Bonds issuances that occurred during 2023.

Miscellaneous Expense: The increase in miscellaneous expense of \$1.0 million is the result of a fee paid to an investment banking firm in connection with the cancellation of an agreement with respect to a proposed financing transaction.

Foreign Currency Transaction Loss: The decrease in foreign currency transaction loss of \$10.1 million related to losses incurred in 2022 resulting from the repayment of the Series B Bonds. These losses were the result of changes in the value of the U.S. dollar relative to the New Israeli Shekel (NIS).

Net Income: The increase in net income of \$9.8 million in 2023 is primarily due to the absence of the foreign currency transaction losses realized in 2022.

Liquidity and Capital Resources

To qualify as a REIT for federal income tax purposes, we are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, to our stockholders on an annual basis. Accordingly, we intend to make, but are not contractually bound to make, regular quarterly dividends to common stockholders from cash flow from operating activities. All such dividends are at the discretion of our board of directors.

As of June 30, 2023, we had cash and cash equivalents and restricted cash and equivalents of \$67.1 million. We also had the ability to offer an additional \$136.2 million in Series C Bonds and an additional \$84.8 million in Series D Bonds subject to compliance with covenants and market conditions.

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain our assets and operations, make distributions to our stockholders and other general business needs. Our primary sources of cash include operating cash flows, stock sales and borrowings. Our primary uses of cash include funding acquisitions and investments consistent with our investment strategy, repaying principal and interest on any outstanding borrowings, making distributions to our equity holders, funding our operations and paying accrued expenses.

Our long-term liquidity needs consist primarily of funds necessary to pay for the costs of acquiring additional healthcare properties and principal and

interest payments on our debt. We expect to meet our long-term liquidity requirements through various sources of capital, including future equity issuances or debt offerings, net cash provided by operations, long-term mortgage indebtedness and other secured and unsecured borrowings.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Liquidity and Capital Resources (continued)

We may utilize various types of debt to finance a portion of our acquisition activities, including long-term, fixed-rate mortgage loans, variable-rate term loans and secured revolving lines of credit. As of June 30, 2023, on a Condensed Consolidated basis, we had total indebtedness of approximately \$478.6 million, consisting of \$275.2 million in HUD guaranteed debt, \$102.7 million in net Series A Bonds, Series C Bonds and Series D bonds outstanding and \$100.6 million in commercial mortgages loans. Under our Bonds and our commercial mortgages loans, we are subject to continuing covenants, and future indebtedness that we may incur may contain similar provisions. In the event of a default, the lenders could accelerate the timing of payments under the debt obligations, and we may be required to repay such debt with capital from other sources, which may not be available on attractive terms, or at all, which would have a material adverse effect on our liquidity, financial condition, results of operations and ability to make distributions to our stockholders.

Through 2027 there are three balloon payment obligations consisting of a payment of \$51.6 million due under the Series C Bonds in 2026, a payment of \$19.7 million due under the Series D Bonds in 2026, and a payment of \$86.0 million due under our commercial bank mortgage loan facility due in 2027. We may also obtain additional financing that contains balloon payment obligations. These types of obligations may materially adversely affect us, including our cash flows, financial condition and ability to make distributions.

The Company believes that its overall level of indebtedness is appropriate for the Company's business in light of its cash flow from operations and value of its properties and is generally typical for owners of multiple healthcare properties. The Company expects to generate sufficient positive cash flow from operations to meet its ongoing debt service obligations and the distribution requirements for maintaining REIT status.

Cash Flows

The following table presents selected data from our Condensed Consolidated statements of cash flows for the periods presented:

	Six Months Ended June 30,	
	2023	2022
<i>(dollars in thousands)</i>		
Net cash provided by operating activities	\$ 25,553	\$ 18,009
Net cash used in investing activities	(4,421)	(7,613)
Net cash provided by (used in) financing activities	264	(19,514)
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	21,396	(9,118)
Cash and cash equivalents, and restricted cash and cash equivalents beginning of period	45,704	52,128
Cash and cash equivalents and restricted cash and cash equivalents, end of period	\$ 67,100	\$ 43,010

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Cash Flows (continued)

Net cash provided by operating activities was \$25.5 million for the six months ended June 30, 2023 and primarily consisted of net earnings of \$9.8 million adjusted by depreciation and amortization of \$14.0 million and a loss on real estate impairment of \$2.5 million. Net cash provided by operating activities for the six months ended June 30, 2022 of \$18.0 million primarily consisted of net earnings of \$0.0 million adjusted by depreciation and amortization of \$14.6 million and a foreign currency transaction loss of 10.1 million, offset by a decrease in accounts payable and accrued liabilities of \$7.9 million.

Cash used in investing activities for the six months ended June 30, 2023 was comprised of the acquisition of a new facility in Kentucky for \$6.0 million offset by \$1.6 million of principal payments on notes receivable. Net cash used in investing activities for the six months ended June 30, 2022 of \$7.6 million was primarily due to funding the purchase of a note receivable.

Cash provided by financing activities for the six months ended June 30, 2023 were primarily comprised of a private placement of Series C Bonds which netted \$10.4 million, issuance of Series D Bonds which netted \$22.3 million and a new HUD loan of \$3.1 million. These amounts were offset by \$8.4 million in principal debt payments, dividends paid to common shareholders of \$1.4 million, a \$10.0 million distribution to the non-controlling interest holders and repayment of non-controlling interest redemption liability of \$15.8 million. Cash used in financing activities for the six months ended June 30, 2022 were primarily comprised of proceeds from senior debt of \$103.5 million used to repay Bond B at maturity for \$91.7 million, repayment of bank loans of \$26.4 million and non-controlling interest distributions of \$4.9 million.

Indebtedness

Mortgage Loans Guaranteed by HUD

As of June 30, 2023, we had non-recourse mortgage loans of \$275.2 million from third party lenders that were guaranteed by HUD.

Each loan is secured by first mortgages on certain specified properties, interests in the leases for these properties and second liens on the operator's assets. In the event of default on any single loan, the loan agreement provides that the applicable lender may require the tenants for the property securing the loan to make all rental payments directly to the lender. In exchange for the HUD guarantee, we pay HUD, on an annual basis, 0.65% of the principal balance of each loan as mortgage insurance premium, in addition to the interest rate denominated in each loan agreement. As a result, the overall average interest rate paid with respect to the HUD guaranteed loans as of June 30, 2023, was 3.88% per annum (including the mortgage insurance payments). The loans have an average maturity of 25.0 years.

Commercial Bank Term Loan

On March 21, 2022, the Company closed a mortgage loan with a commercial bank pursuant to which the Company borrowed approximately \$105 million.

The loan agreement provides for monthly payments of principal based on a 20-year amortization with a balloon payment due in March 2027. The rate is based on the one-month Secured Overnight Financing Rate ("SOFR") plus a margin of 3.5% and a floor of 4% (as of the June 30, 2023 the rate was 8.67%). As of June 30, 2023 and December 31, 2022, total outstanding principal amount was \$100.62 million and \$102.39 million, respectively. This loan is collateralized by 21 properties owned by the Company. The loan proceeds were used to repay the Series B Bonds and prepay commercial loans not secured by HUD guarantees. The Company recognized a foreign currency transaction loss of approximately \$10.1 million in connection with the repayment of the Series B Bonds.

The loan agreement covenants consist of (i) a covenant that the ratio of the Company's indebtedness to its EBITDA cannot exceed 8.0 to 1, (ii) a covenant that the ratio of the Company's net operating income to its debt service before dividend distribution is at least 1.20 to 1.00 for each fiscal quarter as measured pursuant to the terms of the loan agreement, (iii) a covenant that the ratio of the Company's net operating income to its debt service after dividend distribution is at least 1.05 to 1.00 for each fiscal quarter as measured pursuant to the terms of the loan agreement, and (iii) a covenant that the Company's GAAP equity is at least \$20.0 million. As of June 30, 2023, the Company was in compliance with the loan covenants.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Indebtedness (continued)

Outstanding Bond Debt

The Company has issued Series A Bonds, Series C Bonds and Series D Bonds.

Series A Bonds

In November 2015, Strawberry Fields REIT, Ltd., a wholly owned subsidiary of the Company ("BVI Company") issued Series A Bonds in the face amount of New Israeli Shekels ("NIS") 265.2 million (\$68 million) and received the net amount, after issuance costs of NIS 251.2 million (\$64.3 million). Since then, the Company extended the series amount twice in September 2016 and May 2017 and received a combined net amount of \$30.1 million.

As of June 30, 2023, the outstanding principal amount of the Series A Bonds was NIS 74.9 million (\$20.2 million).

A portion of the Series A Bonds have been repurchased by a subsidiary of the BVI Company. As of June 30, 2023, we held NIS 3.7 million (\$1.0 million) of these Bonds that we have repurchased. The Series A Bonds interest rate was 6.4% at June 30, 2023.

The Series A Bonds are traded on the Tel Aviv Stock Exchange Ltd. ("TASE").

Series C Bonds

In July 2021, the Company completed an initial offering of Series C Bonds with a par value of NIS 208.0 million (\$64.7 million). The Series C Bonds were issued at par. During February 2023, the BVI Company issued additional Series C Bonds in the face amount of NIS 40.0 million (\$11.2 million) and raised a net amount of NIS 38.1 million (\$10.7 million). These Series C Bonds were issued at a price of 95.25%. The Series C Bonds interest rate is 5.7% at June 30, 2023.

As of June 30, 2023, the outstanding principal amount of the Series C Bonds was NIS 235.5 million (\$63.7 million).

The Series C Bonds are traded on the TASE.

Series D Bonds

In June 2023, the Company completed an initial offering of Series D Bonds with a par value of NIS 82.9 million (\$22.9 million). The Series D Bonds were issued at par. The Series D Bonds interest rate was 9.1% at June 30, 2023.

As of June 30, 2023, the outstanding principal amount of the Series D Bonds was NIS 82.9 million (\$22.4 million).

The Series D Bonds are traded on the TASE.

Summary of fixed and variable loans

	June 30, 2023	December 31, 2022
	(Amounts in \$000s)	
Fixed rate loans	\$ 380,525	\$ 351,566
Variable rate loans	100,617	105,225
Gross Notes Payable and other Debt	<u>\$ 481,142</u>	<u>\$ 456,791</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Funds From Operations ("FFO")

The Company believes that funds from operations ("FFO"), as defined in accordance with the definition used by the National Association of Real Estate Investment Trusts ("NAREIT"), and adjusted funds from operations ("AFFO") are important non-GAAP supplemental measures of our operating performance. Because the historical cost accounting convention used for real estate assets requires straight-line depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a REIT that uses historical cost accounting for depreciation could be less informative. Thus, NAREIT created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation and amortization, among other items, from net income, as defined by GAAP. FFO is defined as net income, computed in accordance with GAAP, excluding gains or losses from real estate dispositions, plus real estate depreciation and amortization. AFFO is defined as FFO excluding the impact of straight-line rent, above-/below-market leases, non-cash compensation and certain non-recurring items. We believe that the use of FFO, combined with the required GAAP presentations, improves the understanding of our operating results among investors and makes comparisons of operating results among REITs more meaningful. We consider FFO and AFFO to be useful measures for reviewing comparative operating and financial performance because, by excluding the applicable items listed above, FFO and AFFO can help investors compare our operating performance between periods or as

compared to other companies.

While FFO and AFFO are relevant and widely used measures of operating performance of REITs, they do not represent cash flows from operations or net income as defined by GAAP and should not be considered an alternative to those measures in evaluating our liquidity or operating performance. FFO and AFFO also do not consider the costs associated with capital expenditures related to our real estate assets nor do they purport to be indicative of cash available to fund our future cash requirements. Further, our computation of FFO and AFFO may not be comparable to FFO and AFFO reported by other REITs that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define AFFO differently than we do.

The following table reconciles our calculations of FFO and AFFO for the six and three months ended June 30, 2023 and 2022, to net income the most directly comparable GAAP financial measure, for the same periods:

FFO and AFFO

	Six Months Ended June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
<i>(dollars in \$1,000s)</i>				
Net income	\$ 9,821	\$ 22	\$ 5,682	\$ 5,338
Depreciation and amortization	13,975	14,565	6,987	7,281
Funds from Operations	23,796	14,587	12,669	12,619
Adjustments to FFO:				
Straight-line rent	(787)	(917)	(296)	(423)
Straight-line rent receivable write-off*	-	1,075	-	1,075
Foreign currency transaction loss	-	10,100	-	-
Loss on real estate investment impairment	2,451	-	-	-
Contract cancellation expense for proposed financing**	1,000	-	1,000	-
Funds from Operations, as Adjusted	\$ 26,460	\$ 24,845	\$ 13,373	\$ 13,271

*The Company recognized a loss of \$1.1 million in the second quarter 2022 due to the write-off of straight-line rent receivables related to the Western Illinois facilities.

**The Company incurred a non-recurring expense of \$1.0 million in the second quarter of 2023 in connection the cancellation of an contract with an investment banking firm related to a proposed financing.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Subsequent Events

During July 2023, the Company issued additional Series D Bonds with a par value of NIS 70.0 million and raised a gross amount of \$19.19 million (NIS 69.8 million). The Bonds were issued at a price of 99.7%.

On August 10, 2023, our Board of Directors approved a dividend distribution of \$0.11 per share. The dividend will be paid on or prior to September 29, 2023.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q have been prepared in accordance with GAAP for interim financial information set forth in the Accounting Standards Codification, as published by the Financial Accounting Standards Board. GAAP requires us to make estimates and assumptions regarding future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base these estimates on our experience and assumptions we believe to be reasonable under the circumstances. However, if our judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, we may have applied a different accounting treatment, resulting in a different presentation of our financial statements. We periodically reevaluate our estimates and assumptions, and in the event they prove to be different from actual results, we make adjustments in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. Please refer to "Critical Accounting Policies and Estimates" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our 2022 Annual Report on 10-K filed on March 27, 2023 for further information regarding the critical accounting policies that affect our more significant estimates and judgments used in the preparation of our Condensed Consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. There have been no material changes in such critical accounting policies during the six months ended June 30, 2023.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. In pursuing our business and investment objectives, we expect that the primary market risk to which we will be exposed is interest rate risk.

We may be exposed to the effects of interest rate changes primarily as a result of long-term debt used to acquire properties. As of June 30, 2023, we had \$19.4 million net outstanding under our Series A Bonds, which bear interest at a fixed rate of 6.4% per annum, \$62.8 million outstanding under our Series C Bonds, which bear interest at a fixed rate of 5.7% per annum, \$23.0 million outstanding under our Series D Bonds, which bear interest at a fixed rate of 9.1% per annum, and \$375.8 million in senior debt notes, of which \$275.2 million are HUD guaranteed debt at a fixed interest rate of 3.88% and \$100.6 million (20.9% of total debt) are floating rate debt, which bears interest at a variable rate equal to one-month SOFR plus a margin of 3.5% and a floor of 4% (as of June 30, 2023 the rate was 8.67%). At June 30, 2023, one-month SOFR was 4.87%. Assuming no increase in the amount of our variable interest rate debt, if one-month SOFR increased 100 basis points, our annual cash flow would decrease by approximately \$1.0 million. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve our objectives, we may borrow at fixed rates or variable rates. We also may enter into derivative financial instruments such as interest rate swaps and caps in order to mitigate our interest rate risk on a related financial instrument.

Item 3. Quantitative and Qualitative Disclosures about Market Risks (continued)

In addition to changes in interest rates, the value of our future investments is subject to fluctuations based on changes in local and regional economic conditions, changes in currency rates between the Israeli Shekel and the U.S. Dollar and changes in the creditworthiness of tenants/operators, which may affect our ability to refinance our debt if necessary.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act") that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and regulations and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of June 30, 2023, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, as of June 30, 2023.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a party to any material legal proceedings other than the following:

In March 2020, Joseph Schwartz, Rosie Schwartz and certain companies owned by them filed a complaint in the U.S. District Court for the Northern District of Illinois against Moishe Gubin, Michael Blisko, the Predecessor Company and 21 of its subsidiaries, as well as the operators of 17 of the facilities operated at our properties. The complaint was related to the Predecessor Company's acquisition of 16 properties located in Arkansas and Kentucky that were completed between May 2018 and April 2019 and the attempt to purchase an additional 5 properties located in Massachusetts. The complaint was dismissed by the court in 2020 for lack of subject matter jurisdiction. The plaintiffs did not file an appeal with respect to this action, and the time for an appeal has expired.

In August 2020, Joseph Schwartz, Rosie Schwartz and several companies controlled by them filed a second complaint in the Circuit Court in Pulaski County, Arkansas. The second complaint had nearly identical claims as the federal case, but was limited to matters related to the Predecessor Company's acquisition of properties located in Arkansas. The sellers, which were affiliates of Skyline Health Care, had encountered financial difficulties and requested the Predecessor Company to acquire these properties. The defendants have filed an answer denying the plaintiffs' claims and asserting counterclaims based on breach of contract. The parties are currently engaged in discovery.

In January 2021, Joseph Schwartz, Rosie Schwartz and certain companies owned by them filed a third complaint in Illinois state court in Cook County, Illinois, which has nearly identical claims to the initial federal case but was limited to claims related to the Kentucky and Massachusetts properties. The complaint has not been properly served on any of the defendants, and, accordingly, the defendants did not respond to the complaint. On January 11, 2023, the Cook County Circuit Court granting a motion to quash service on all defendants. In March 2023, the plaintiffs filed a new complaint and again attempted to serve it on the defendants. The defendants filed a motion to dismiss the complaint on the basis that service was defective. The court granted this motion and dismissed the complaint on June 20, 2023.

In each of these complaints, the plaintiffs asserted claims for fraud, breach of contract and rescission arising out of the defendants' alleged failure to perform certain post-closing obligations under the purchase contracts. The Company has potential direct exposure for these claims because the subsidiaries of the Predecessor Company that were named as defendants are now subsidiaries of the Operating Partnership. Additionally, the Operating Partnership is potentially liable for the claims made against Moishe Gubin, Michael Blisko and the Predecessor Company pursuant to the provisions of the contribution agreement, under which the Operating Partnership assumed all of the liabilities of the Predecessor Company and agreed to indemnify the Predecessor Company and its affiliates for such liabilities. The Company and the named defendants believe that the claims set forth in the complaints are without merit. The named defendants intend to vigorously defend the litigation and to assert counterclaims against the plaintiffs based on their failure to fulfill their obligations under the purchase contracts, interim management agreement, and operations transfer agreements. The Company believes this matter will be resolved without a material adverse effect to the Company.

As noted above, the March 2020 and January 2021 complaints also related to the Predecessor Company's planned acquisition of five properties located in Massachusetts. Certain subsidiaries of the Predecessor Company purchased loans related to these properties in 2018 for a price of \$7.74 million with the expectation that the subsidiaries would acquire title to the properties and the loans would be retired. The subsidiaries subsequently advanced \$3.1 million under the loans to satisfy other liabilities related to the properties. The planned acquisition/settlement with the sellers/owners and borrowers was cancelled because they were forced to surrender their licenses to operate healthcare facilities on these properties due to their cash flow issues. In July 2022, the Company as lender sold four of the five properties at auction for the total amount of \$4.4 million. In December 2022, the Company took title to the fifth property. The Company is in the process of pursuing collection efforts with respect to the balance outstanding and plans to sell the foreclosed property and pursue the guarantors of the loans to recover the unpaid principal balances as well as protective advances and collection costs.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

No redemptions occurred in the first half of 2023.

Item 5. Other Information

None

Item 6. Exhibits

Exhibit No.

10.1	Deed of Trust dated June [] 2023, between Strawberry Fields REIT, LTD and Mishmeret Trust Services Company Ltd.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Strawberry Fields REIT, Inc.*
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Strawberry Fields REIT, Inc.*
32.1	Section 1350 Certification of the Chief Executive Officer of Strawberry Fields REIT, Inc.**
32.2	Section 1350 Certification of the Chief Financial Officer of Strawberry Fields REIT, Inc.**
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income and Comprehensive Income, (iii) Condensed Consolidated Statements of Changes in Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101).

* Exhibits that are filed herewith.

** Exhibits that are furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Strawberry Fields REIT, Inc.

Date: August 14, 2023

By: /s/ Moishe Gubin

Name: Moishe Gubin

Title: Chief Executive Officer and Chairman

Date: August 14, 2023

By: /s/ Nahman Eingal

Name: Nahman Eingal

Title: Chief Financial Officer

Deed of Trust

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Deed of Trust

Entered into and executed in Tel Aviv on July __, 2023

Between:

Strawberry Fields REIT Ltd.
(Company Number: 1863501)

A foreign company in the British Virgin Islands whose registered office in the British Virgin Islands is:

Blenheim Trust (BV) Limited
P.O. Box 3483
Road Town, Tortola
British Virgin Islands

Whose address in Israel for the purpose of this Deed and the service of legal process (subject to Section 5.7 of this Deed) is:

c/o Fischer & Co.
Of 146 Menachem Begin Road, Tel Aviv 6492103
Tel: 03-6944249
Fax: 03-6944157
(the "**Company**")

Of the first part:

and between:

Mishmeret Trust Services Company Ltd.
Of 48 Menachem Begin Ave., Tel Aviv
Telephone: 03-6374351
Fax: 03-6374344
(the "**Trustee**")

Of the second part:

- Whereas: The Company's board of directors resolved to approve the issuance of Bonds (Series D) under the Shelf Prospectus and Shelf Offer Report, as defined below; and
- Whereas: On [____], Standard & Poor's Maalot Ltd. announced a preliminary rating of [____] for the issuance of the Bonds (Series D) of the Company in the amount of up to ILS 200 million par value; and

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- Whereas: The Company declares that as of the signature of this Deed, the Company meets all of the conditions of the rating agency (as the term is defined below) for rating the series of Bonds with the rating set forth above; and
- Whereas: The Trustee is a private company limited by shares that is incorporated in Israel under the Companies Law, 5759-1999, whose main purpose is to engage in trusteeship; and
- Whereas: The Trustee has declared that there is no impediment under the Securities Law, 5728-1968 or any other law for its engagement with the Company under this Deed of Trust and that it meets the requirements and conditions of eligibility set forth under the Securities Law for the Trustee to serve as a trustee for holders of bonds (Series D) offered under the Shelf Prospectus and Shelf Offer Report; and
- Whereas: The Trustee has no personal interest in the Company and the Company has no material interest in the Trustee; and
- Whereas: The Company declares that there is no impediment under any law (whether in Israel or abroad) and/or agreement for the performance of an issue of the Bonds under the terms of this Deed and/or its engagement with the Trustee under this Deed of Trust and has received all of the approvals under any law (in Israel or outside of Israel) and/or an agreement for the execution of the issuance under this Deed; and
- Whereas: In the framework of the Shelf Offer Report by virtue of the Shelf Prospectus, the Company intends to issue Bonds (Series D) as set forth in Section 2
- Whereas: The Bonds (Series D) will be listed for trade in the stock exchange, as defined below; and
- Whereas: The Company is a reporting corporation as defined below; and
- Whereas: The Company has requested that the Trustee to serve as a trustee for the Holders of the Bonds (Series D) and the Trustee has agreed to sign this Deed of Trust and act as a trustee for the bondholders, all subject to and in accordance with the terms of this Deed of Trust;

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Therefore it is agreed, declared and stipulated between the Parties as follows:

1. **Introduction, Definitions and Interpretation**

- 1.1 The preamble to this Deed of Trust and the appendices attached hereto constitute integral and substantial parts hereof.
- 1.2 The division of this Deed of Trust into sections and the titles of the sections are provided for the sake of convenience and orientation alone, and should not be used for the purpose of interpretation.
- 1.3 All of the provisions of this Deed in the plural form shall imply the singular and vice-versa, and all of the provisions in the masculine form shall imply the feminine form and vice-versa, and all of the provisions relating to an individual shall imply a corporation as well, all provided that there is no explicit provisions of this Deed to the contrary.

- 1.4 In the event of any matter connected to the terms of the Bonds (Series D) that is omitted from this Deed and in any event of a conflict between the provisions of Israeli law which cannot be conditioned upon and this Deed of Trust, the parties will act in accordance with the provisions of Israeli law that cannot be conditioned upon. In any event of a conflict between the provisions set forth in the Shelf Prospectus Report in connection with this Deed and/or the bonds, the provisions of this Deed will prevail. It is clarified that as of the date of the Shelf Offer Report, there is no conflict between provisions pertaining to the Bonds described in the Shelf Offer Report and the provisions of the Deed of Trust and the ancillary documents.
- 1.5 In this Deed of Trust and in the bonds, the following expressions shall have the meanings set forth beside them only:
- 1.5.1 **"Bonds (Series D)"** or the **"Bonds"** – the Bonds (Series D) that are issued by the Company in accordance with the Shelf Prospectus and Shelf Offer Report, as well as additional bonds (Series D) issued by the Company, if any;
- 1.5.2 The **"Stock Exchange"** - the Tel Aviv Stock Exchange Ltd.;
- 1.5.3 **"Controlling Shareholders"**: Moshe Gubin and Michael Blisko;
- 1.5.4 **"Financial Statements"** - annual or quarterly consolidated financial statements, audited or reviewed, that the Company is required to publish in accordance with the Securities Law and the regulations thereunder;
- 1.5.5 **"Shelf Offer Report"** - the shelf offer report dated [____], will be published by the Shelf Prospectus as defined below, based on which the Bonds (Series D) are offered;
- 1.5.6 **"2022 Periodic Report"** - the periodic and annual report for 2020, will be published by the Company on March 31, 2023 (reference no.: 2023-01-036486);
- 1.5.7 **"Dollars"** - United States dollars (USD);
- 1.5.8 **"Rating"** - Rating by the rating company, as defined below;
- 1.5.9 **"Special Resolution"** - a resolution passed in a general meeting of Bondholders (Series D), who are present themselves or by their agent whose Bonds represent at least 50% of the balance of the par value of the Bonds (Series D), or in an adjourned meeting attended by the Bondholders (Series D), themselves or by their agent, who hold at least 20% of the balance of the par value as stated, and which is passed (whether in the original meeting or adjourned meeting) with a majority of at least two thirds (2/3) of the balance of the par value of the Bonds (Series D) represented in the vote, excluding abstentions;
- 1.5.10 **"Ordinary Resolution"** - a resolution passed in a meeting of Bondholders convened under Section 35113 and 35114(a) of the Securities Law, passed (whether in the original or adjourned meeting) with a majority of at least fifty percent (50%) of all of the votes of the participants in the vote, excluding abstentions;

- 1.5.11 **"Rating Company"** or the **"Rating Agency"**— Standard and Poor's Maalot Ltd. (**"Maalot"**) and/or Midroog Ltd. (**"Midroog"**) or another rating company that is registered under the Regulation of the Activities of Credit Rating Companies, 5714-2014;
- 1.5.12 **"Associated Company"** and **"Joint Control"** - as defined in the Securities Regulations (Annual Financial Statements), 5770-2010 and in the acceptable accounting rules;
- 1.5.13 The **"Nominee Company"** - the Nominee Company of Mizrahi Tefhot of Israel Ltd. or any other nominee company that shall replace it, provided that all the Company's securities will be registered under its name;
- 1.5.14 The **"Law"** or the **"Securities Law"** - the Securities Law, 5728-1968 and the regulations thereunder, as they may be from time to time;
- 1.5.15 The **"Companies Law"** - the Companies Law, 5759-1999 and the regulations thereunder, as they may be from time to time;
- 1.5.16 The **"Consolidated Circular"** – the Consolidated Circular of the Commissioner of the Capital Market, Insurance and Savings to institutional bodies as will be in effect from time to time.
- 1.5.17 **"Trading Day"** - a day on which transactions are performed in the stock exchange;
- 1.5.18 **"Business Day"** or **"Bank Business Day"** - any day on which the clearing house of the stock exchange and most of the banks in Israel are open for the performance of transactions;
- 1.5.19 **"Holder"** and/or **"Bondholder"** - as Holder and/or Bondholder are defined in the Securities Law;
- 1.5.20 **"The Tender"**: The auction on the fixed annual interest rate to be borne by the Bonds (Series D) that will be issued by the Company in accordance with the Shelf Prospectus and Shelf Offer Report;
- 1.5.21 **"Register of Bondholders"** and/or the **"Register"** - a register of bondholders, as set forth in Section 30 of this Deed;
- 1.5.22 **"Trustee"**: Mishmeret - Trust Services Company Ltd. and/or anyone who will serve from time to time as trustee of the bondholders under this Deed;
- 1.5.23 **"Principal Amount"** - the total par value amount of the Bonds that are not yet paid;
- 1.5.24 **"The Group"** - the Company and its subsidiaries;
- 1.5.25 **"This Deed"** or **"Deed of Trust"** or **"This Deed of Trust"** - this Deed of Trust, including the appendices attached hereto and constituting an integral part hereof;
- 1.5.26 **"Reporting Corporation"** - As defined in the Securities Law;
- 1.5.27 **"Bond Certificate"** - a certificate of the Bonds in the form attached as the First Addendum to this Deed;

1.5.28 **"Reporting Regulations"** - the Securities Regulations (Periodic and Immediate Reports), 5730-1970;

1.5.29 The **"Prospectus"** and/or the **"Shelf Prospectus"** - a shelf prospectus of the Company dated January 12, 2023;

1.5.30 In this Deed of Trust and the Bonds, the Rating of the Bonds will have the meanings set forth in the table below:

"A plus"	ilA+ rated by Maalot or A1 when rated by Midroog or a rating parallel to the aforesaid ratings that will be determined by another rating company that rates or will rate the Bonds (Series D).
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"A"	ilA rated by Maalot or A2 when rated by Midroog or a rating parallel to the aforesaid ratings that will be determined by another rating company that rates or will rate the Bonds (Series D).
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"A minus"	ilA- rated by Maalot or A3 when rated by Midroog or a rating parallel to the aforesaid ratings that will be determined by another rating company that rates or will rate the Bonds (Series D).
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"BBB Plus"	ilBBB+ rated by Maalot or Baa1 when rated by Midroog or a rating parallel to the aforesaid ratings that will be determined by another rating company that rates or will rate the Bonds (Series D).
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"BBB"	ilBBB rated by Maalot or Baa2 when rated by Midroog or a rating parallel to the aforesaid ratings that will be determined by another rating company that rates or will rate the Bonds (Series D).
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"BBB Minus"	ilBBB- rated by Maalot or Baa3 when rated by Midroog or a rating parallel to the aforesaid ratings that will be determined by another rating company that rates or will rate the Bonds (Series D).
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"BB Plus"	ilBB+ rated by Maalot or Ba1 when rated by Midroog or a rating parallel to the aforesaid ratings that will be determined by another rating company that rates or will rate the Bonds (Series D).
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- 1.6 As long as the Bonds are listed for trade on the Stock Exchange, in any event in which the rules and guidelines of the Stock Exchange apply or will apply to any operation under this Deed of Trust, the operation dates as stated and the manner of performance will be determined in accordance with the rules and guidelines of the Stock Exchange. It is clarified that the performance of actions as stated (including if bylaws and guidelines of the Stock Exchange are modified) will not derogate from the agreements of the parties under this Deed.
- 1.7 In any event of a conflict between the Deed of Trust and the accompanying documents, the provisions of the Deed of Trust will govern.
- 1.8 In the event of termination of the issuance of the Bonds for any reason, the validity of this Deed of Trust will be concluded.
- 1.9 Any reference in this Deed of Trust to a number of sections in the Law will be adjusted, mutatis mutandis, to changes occurring in the Law, if any.
- 1.10 The Trustee's actions are valid even if a defect is discovered in his appointment or eligibility.
- 1.11 In any case in which this Deed of Trust or its appendices explicitly states that the Company will announce something in an immediate report, the report will be based on the details required in the Reporting Regulations. The above will not derogate from the other reporting obligations of the Company under any law or the provisions of This Deed of Trust.
- 1.12 The Trustee's signature on the Trust Deed does not constitute an opinion by the Trustee as to the nature of the offered securities or the advisability of investment in these securities.

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- 1.13 Anywhere in this Deed where "subject to any law" (or a similar phrase) is stated, the meaning is subject to any law that may be not stipulated under Israeli law.

2. **Issuance of Bonds; Terms of Issue; Equal Rank**

- 2.1 The Company will issue the Bonds (Series D) as described in the preamble of this Deed. The Bonds (Series D) that will be issued under the Shelf Prospectus and the Shelf Offer Report (if any are issued) will be listed for trade on the Stock Exchange and the Company will act to the best of its ability so that the Bonds (Series D) will be traded on the Stock Exchange until they are fully repaid.
- 2.2 The terms of the Bonds (Series D) that are issued under the Shelf Prospectus and Shelf Offer Report will be as follows:

The Bonds (Series D), offered to the public in consideration for their par value, are registered, repayable (principal) in three payments - on September 30 of each of the years 2024, 2025 and 2026, such that each of the first two payments on account of the principal amount will be 6% of the principal amount and the third and last payment on account of the principal will constitute 88% of the principal amount. The Bonds (Series D), bearing annual interest in a fixed rate as set forth in the Tender, which will not exceed the maximum interest rate as set forth below, and that is payable on March 31 and September 30 of each of the years 2023 to 2026 (inclusive) (the first interest payment will be made on September 30, 2023 and the last interest payment will be made on September 30, 2026, together with the payment of the principal of the Bonds) for the period of the six months ending on the date before the payment date (the **"Interest Period"**). The interest rate which will be paid for a particular interest period (other than the first interest period as defined below) meaning, the period which begins on the payment day of the prior interest period and ending on the last day before the payment date immediately after the commencement date will be calculated as the yearly interest rate divided by two. The first interest payment will be made on September 30, 2023, for the period beginning on the first trading day after the date of the Tender of the Bonds (Series D) and ending on September 29, 2023 (the **"First Interest Period"**), calculated on the basis of 365 days per year, based on the number of days in this period, and the last interest payment will be made on September 30, 2026.

The payments on account of the principal and/or the interest in respect of the Bonds will be paid to those whose names will be registered in the Register of the Bondholders on March 19 and September 18 for each relevant period preceding the date of that payment as stated in This Deed of Trust. Notwithstanding the foregoing, the final payment of the principal and the interest shall be made against delivery of the bond certificates to the Company at the Company's registered office or at any other place that it announces, provided that such notice shall be given by the Company no later than five business days prior to the date set for making the last payment.

Subject to adjustments in the event of a change in the Rating of the Bonds (Series D) and/or deviation from the financial covenants as set forth in Sections 5.2 and 5.3 below and/or eligibility for arrears interest (as defined in Section 4(a) of the overleaf conditions that are in the First Addendum of this Deed), the interest rate that the Bonds (Series D) will bear will not exceed 8% per year (the "**Maximum Interest Rate**").

- 2.3 The Company reserves the right to perform early repayment of the Bonds upon the fulfillment of the terms set forth in Section 5 of this Deed.
- 2.4 The Bonds (Series D) will all have equal rank pari-passu, among themselves, in connection with the Company's obligations under the Bonds (Series D), and without priority or preference of one over the other.
- 2.5 The principal amount of the Bonds (Series D) and the interest on the principal will be linked to the increase in the rate of the US dollar in the following manner:

If it is discovered on the payment date of any payment on account of the principal and/or interest that the Payment Rate as of the same date has increased compared to the Base Rate, the Company will make the same payment of principal and/or interest, when increased relative to the increase rate of the Payment Rate compared to the Base Rate. However, if it is discovered that the aforesaid Payment Rate is identical to the Base Rate or lower therefrom, the Payment Rate will be the Base Rate. In any event in which a payment date on account of a principal and/or interest amount payment applies on a day that is not a business day, the payment date will be postponed to the first business day thereafter, without any additional payment including interest or linkage. The linkage method will not be changed during the term of the Bonds (Series D).

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3. **Purchase of Bonds by the Company and/or an Affiliate and Performing Distributions**

- 3.1 The Company reserves the right, subject to any law that may not be conditional, to acquire the Bonds (Series D) at any time and from time to time, without derogating from the obligation to repay the Bonds (Series D) in circulation. In the event of a purchase as stated, the Company will issue an immediate report or inform the Trustee thereof in writing. In the event in which the Company acquires Bonds (Series D), the Company will file a request to the clearing house of the Stock Exchange for the withdrawal of the Bonds Certificates acquired as stated.

In the event of a purchase by the Company as stated above, the acquired Bonds (Series D) will expire automatically, will be voided and will be delisted from trade, and the Company may not reissue them. The provisions above will not harm the Company's right to redeem the Bonds (Series D) in advance as stated in Section 7 below.

- 3.2 The Controlling Shareholder of the Company (directly or indirectly) and/or its relative (as the term is defined in the Securities Law) and/or a subsidiary corporation of the Company and/or affiliated corporation and/or associated corporation of the Company and/or a corporation under the control of any of the above (directly or indirectly) (excluding the Company itself, regarding which the provisions of 3.1 above shall apply) (an "**Affiliated Party**") may acquire and/or sell Bonds (Series D) at their discretion (and subject to any law), at any time and from time to time, including by way of the Company's issuance of Bonds. In the event of an acquisition and/or sale as stated by a subsidiary corporation of the Company and/or a corporation under its control, the Company will issue an immediate report with respect thereto. The Bonds (Series D) that are held as stated by an Affiliated Party will be considered to be a property belonging to the Affiliated Party, and if they are listed for trade, they will not be delisted from trade in the Stock Exchange and will be transferrable as are the other Bonds (Series D). The Bonds (Series D) that are owned by an Affiliated Party will not grant to the Affiliated Party voting rights in a meeting of the Bondholders (Series D) and will not be counted for the purpose of determining a legal quorum required to commence such meetings. A meeting of Holders will take place based on the provisions of the Second Addendum of the Deed of Trust. An Affiliated Party will report to the Company, if required under law to do so, regarding an acquisition of Bonds (Series D) and the Company will provide the Trustee, at its request, with a list of Affiliated Parties and the quantities held thereby on the date requested by the Trustee, based on the reports received as stated from Affiliated Parties and that are reported in the MAGNA system by the Company. It is clarified that a report on the MAGNA system will be considered to be a report to the Trustee for the purposes of this Section.
- 3.3 The provisions of this Section above alone will not obligate the Company, an Affiliated Party or the Bondholders (Series D) to purchase Bonds (Series D) and/or sell the Bonds (Series D) in their possession.

4. **Additional Issuances**

4.1 **Extending the series of Bonds (Series D)**

The Company may, from time to time, at any time, without requiring the consent of the Trustee and/or the Holders existing at the time, issue additional Bonds (Series D) (whether in a private placement or in the framework of a prospectus and/or by an amendment to a prospectus whether by a shelf offering or by any other means), including to an Affiliated Party (as defined in Section 3.2 above), under the terms that it sees fit (the terms of the additional Bonds that are issued will be identical to the terms of the Bonds (Series D) in circulation) provided that the total par value of the Bonds (Series D), after the expansion, will not exceed ILS 450 million par value. The Company will refer to the Stock Exchange with a request to list for trade the additional Bonds (Series D) as stated, when they are offered.

Further to the foregoing, an additional issuance of Bonds (Series D) will be performed subject to receipt of confirmation of the Stock Exchange and subject to all of the terms set forth below being fulfilled to the satisfaction of the Trustee: (a) the additional issuance of the Bonds (Series D) as stated will not be harmed by the Rating of the Bonds (Series D), as the Rating may be at the time (i.e. the Rating before the expansion of the series will not change as a result the aforesaid expansion). For the purpose of this section, it is clarified that in the event in which the Bonds (Series D) are rated by more than one Rating Company, the ratings test for the purpose of this section will take place, at any time, based on the higher of the ratings; (b) On the date of the additional issue, in accordance with the most recent financial statements published before the date of the additional issue, and after retroactively taking into account the performance of the additional issue, the Company will meet all the financial covenants set forth in Section 6.3 below, without taking into account the remedial and waiting periods in connection with those financial covenants; (c) on the date of the additional issue there are no grounds for calling for the immediate payment of the bonds as set forth in Section 8.1, without taking into account the remedial and waiting periods in connection with the aforesaid grounds, if there is a remedial period; and (d) the Company is not in breach of any of the material obligations under the provisions of this Deed.

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The Company will provide the Trustee, prior to the tender for receiving early commitments from accredited investors (if the Company does issue a tender), and in any case before a series expansion (if the Company does not issue a tender for accredited investors as

stated), with a written confirmation that is signed by the CEO or a senior officer in the financial department of the Company, in a language satisfactory to the Trustee, regarding (in this subsection: **"Confirmation"**): (1) the fulfillment of all the conditions stated in this Section 4.1 on the date of the Confirmation (excluding the condition in subsection (a) above, for which the Company shall provide the consent of the Rating Company as described below); (2) that on the date of the Confirmation the Company is not in breach of any of its material obligations to the Bondholders (Series D)

In any case of an additional issue as stated in this Section 4.1, the increase of the series in practice will occur subject to receipt of prior consent from the Rating Company whereby the rating before the expansion of the series will not change as a result of the expansion following the aforesaid expansion. Confirmation from the Rating Company will be published in an immediate report before the expansion of the series. The Company will publish in an immediate report, even before the performance of the additional issue, whether the additional issue meets all of the aforesaid terms in this Section 4.1, and that the Company's board of directors has examined the impact of the expansion of the series as stated, on the Company's ability to meet its obligations to the Bondholders (Series D) before the performance of the issuance as stated.

This right of the Company will not exempt the Trustee from examining the additional issue as stated, if such an obligation applies to the Trustee under law, and will not derogate from the rights of the Trustee and the Bondholders under this Deed, including their right to call for immediate repayment of the Bonds as stated in Section 8 below.

Subject to the provisions of the Deed of Trust, the Trustee shall act as trustee for the holders of the Bonds (Series D) as they will be in circulation from time to time, and this also in the event of a series expansion, and the consent of the Trustee for such service for the expanded series will not be required. The Bonds (Series D) that will be in circulation before the expansion of the series and the additional Bonds (Series D) which will be issued (if at all) as described in this section above, shall constitute (from the date of their issue) one series for all purposes, and the Deed of Trust shall also apply to all of the abovementioned additional Bonds (Series D) that the Company will issue. The additional Bonds (Series D) shall not grant the right for the payment and/or interest with regard to Bonds (Series D) for which the effective date for their payment was prior to the date of their issue. In the case of such expansion of the series, there will be tax consequences including with regard to calculation of the rate of deduction, if required, as described in Section 3.4 of the Shelf Offer Report and in accordance with the provisions of any law as they are on the date of issue of the additional bonds.

- 4.2 Without derogating from the generality of the above, the Company reserves the right, subject to any law, to issue an additional series of bonds at any time and from time to time (whether in a private placement or in the framework of a prospectus and/or by an amendment to a prospectus whether by a shelf offering or by any other means) and without being required to receive the consent of the Bondholders (Series D) and/or the consent of the Trustee, as applicable, and including an Affiliated Party (as defined in Section 3.2 above), and/or other securities as the Company sees fit and this without harming the Company's repayment obligation under this Deed of Trust.
- 4.3 If the Company issues additional series of bonds (severally and collectively: **"Other Series of Bonds"**), the Other Series of Bonds will not have priority over the Bonds (Series D) upon liquidation of the Company. It is noted that if Other Series of Bonds secured by collateral and liens is issued, the priority upon liquidation will be only to the collateral and liens.

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- 4.4 Notwithstanding the abovementioned, the Company undertakes that so long that the Bonds (Series D) have not been fully repaid, it will not itself issue bonds outside of Israel and it will not assume other financial debt outside of Israel. Notwithstanding the above, the Company will be permitted to provide guarantees to lenders outside of Israel of companies under its control and to assume credit facilities and obligations in the U.S. for the purpose of currency hedging provided that at least one of the following two conditions be met: (a) the currency hedging will be for the benefit of the bonds it issued in Israel, and the Company's total liabilities for currency hedging as stated in its solo financial statements will be a negligible amount in relation to all of its liabilities; or (b) the hedging of the currency will be done by placing a specific collateral against the credit facility and commitments, which collateral and it alone will be the sole solvency source for the entity from which the company took the credit facility and commitments.

Without derogating from the above, the aforesaid rights of the Company, will not prevent the Trustee from examining the implications of the additional issue as stated, and will not derogate from the rights of the Trustee and the Bondholders under this Deed, including their right to call for immediate repayment of the Bonds (Series D) as stated in Section 8 below.

Subject to the provisions of any law, the Company will inform the Trustee regarding the additional issue before its performance.

5. **Undertakings of the Company**

- 5.1 The Company hereby undertakes to pay, on the dates prescribed, all of the amounts of principal and interest (including interest on arrears, insofar as such interest is borne) that will be paid under the terms of the Bond (Series D), and comply with all of the other terms and obligations imposed thereon under the terms of the Bonds (Series D) and under this Deed. Additionally, the Company undertakes to list the Bonds for trade in the Stock Exchange and act so that the Bonds continue to be listed for trade in the Stock Exchange until the date of final payment.
- 5.2 Adjustment of the interest rate due to a change in the rating of the Bonds (Series D):

For the purpose of this section, it shall be clarified that in the event in which the Bonds (Series D) are rated by more than one rating company, an examination of the rating for the adjustment of the interest rate to the change in the rating (if any such change occurs) will take place based on the lower of the ratings.

The interest rate that the Bonds (Series D) will bear will be adjusted for a change in the rating of the Bonds (Series D), as set forth below in this section:

It is clarified that if adjustment of interest is required in accordance with the mechanism described in this Section 5.2 above and below, and based on the mechanism described in Section 5.3 below, in any event, the maximum additional interest rate will not exceed 1.5% above the interest rate determined in the tender (the "Limitation of the Maximum Additional Interest Rate").
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In this regard:

A rating of A, A-, BBB+, BBB, BBB- and BB+ and BB - are as defined in the table in Section 1.5.30 above.

"Base Rating" - a rating of A+ or equivalent.

"Additional Interest Rate" - additional interest provided to the bondholders at a rate of 0.25% per year for each decrease of a notch in the rating of Bonds below the Base Rating until a maximum interest addition of 1.25% per year at most (the **"Limitation on the Additional Interest Rate"**).

If the rating of the Bonds (Series D) by the rating company decreases during any interest period, such that the rating determined for the Bonds (Series D) is lower than BBB-, the Additional Interest Rate to be given to the Bondholders for the decrease in the rating below BBB- will be at a rate of 0.5% per year.

- (a) If the rating of the Bonds (Series D) by the rating company (in the case of replacing a rating company, the Company shall transfer to the Trustee a comparison of the scale rating of the outgoing rating agency and the scale rating of the incoming rating agency) are updated during the any interest period, so that the rating to be determined to the Bonds (Series D) is lower by one or more notches (in this section, the **"Reduced Rating"**) below the Base Rating, the annual interest rate on the outstanding principal of the Bonds (Series D) will increase by the Additional Interest Rate (as set out below), according to the steps set forth, and this is for the period that commences on the date of publication of the Reduced Rating by the rating agency until the earlier of (a) repayment in full of the outstanding principal balance of the Bonds (Series D) or (b) the date of the rating increase pursuant to Section 5.2 (e) below. If the interest rate was raised earlier in respect of deviations from financial covenants as stated in paragraph 5.3 below, then the rise in the interest rate due to a decline in rating as aforesaid will be limited according to the limit of the maximum interest rate increase.
- (b) No later than the end of one business day from the receipt of a notice from the rating company regarding the lowering of the rating of the Bonds (Series D) to the Lowered Rating as defined in subsection (a) above, the Company will publish an immediate report, in which the Company states: (1) that the rating was lowered, the Lowered Rating, the rating report and the date on which the Lowered Rating of the Bonds (Series D) comes into effect (in this Section 5.2: the **"Date of Lowering the Rating"**); (2) deviation / non-deviation from the financial covenants described in Section 5.3 below based on the most recent reviewed or audited consolidated financial statements of the Company published before the date of the immediate report, as well as whether a change has occurred to the interest for the deviation / non-deviation from the financial covenants as stated; (3) the precise interest rate that the balance of the Bonds (Series D) will bear for the period beginning on the current interest period and until the Date of Lowering the Rating (the interest rate will be calculated based on 365 days per year) (in this Section 5.2: the **"Original Interest"** and the **"Original Interest Period,"** respectively); (4) the interest rate that the balance of the principal of the Bonds (Series D) will bear as of the Date of Lowering the Rating and until the actual next interest payment date, i.e.: the Original Interest in addition to the additional interest rate per year (the interest rate is calculated based on 365 days per year) (in this Section 5.2: the **"Updated Interest"**), and this subject to the limitation on the maximum interest increase and the Limitation on the Additional Interest Rate (5) the weighted interest rate paid by the Company to the holders of Bonds (Series D) on the upcoming interest payment date, arising from the provisions of subsections (3) and (4) above; (6) the annual interest rate reflected from the weighted interest rate; (7) the annual interest rate and the semiannual interest rate (the semiannual interest will be calculated as the annual interest divided by the number of interest payments per year, i.e. divided by two) for the coming periods.
- (c) If the date of the commencement of the rating of the Bonds (Series D) with the Lowered Rating occurs during the days beginning four days before the date set forth for payment of any interest and ending on the interest payment date that is closest to the date set forth above (in this Section 5.2: the **"Deferral Period"**), the Company will pay to the holders of the Bonds (Series D), on the upcoming interest payment date, the Original Interest, before the change, alone, while if the interest rate is not increased prior thereto due to a deviation from the financial covenants as stated in Section 5.3 below, the interest rate arising from the additional interest in the rate equal to the rate of the additional annual interest during the Deferral Period (calculated based on 365 per year), will be paid on the following interest payment date and all subject to the maximum interest increase and the Limitation on the Additional Interest Rate. The Company will announce, in an immediate report, the precise interest rate for payment on the upcoming interest payment date.
- (d) In the event of updating the rating of the Bonds (Series D) by the rating company, in a manner impacting the interest rate that the Bonds (Series D) will bear as stated in Section 5.2(a) in this Section 5.2(e) or 5.2(f) below, the Company will inform the trustee thereof in writing within one business day from the publication of the immediate report as stated.
- (e) In the event that after the reduction of the rating in a manner that will impact the interest rate that the Bonds (Series D) will bear as stated in Section 5.2(a) above, the rating company will update the rating for the Bonds (Series D) upwards, the annual interest that the outstanding principal that the Bonds (Series D) will bear on the relevant date of payment of the interest will decrease at the Additional Interest Rate, in accordance with the abovementioned established levels, for the period in which the Bonds (Series D) were rated with the High Rating alone, such that the interest rate borne by the outstanding balance of the principal of the Bonds (Series D) after the rating is upgraded to a rating equal to or higher than the Base Rating will be the interest rate set in the tender, as the Company will publish in an immediate report on the issue results, with no premium due to lowering the rating as stated in this section 5.2 (and in any case, the interest rate on the Bonds will not be less than the interest rate set in the tender). In such a case, the Company will act in accordance with the provisions of subsections (b) through (e) above, mutatis mutandis, arising from the High Rating instead of the Lowered Rating. It is emphasized that of the rating of the Bonds will exceed the Base Rating, this will not affect the interest borne on the Bonds at that time.

- (f) If the Bonds (Series D) cease to be rated for a reason dependent on the Company (for example, but not only, due to non-fulfillment of the Company's obligations vis-à-vis the rating company, including due to failure to provide payments and/or reports that the Company has undertaken to provide towards the rating company) for a period exceeding 21 trading days, before the final payment, the cessation of the rating will be considered a Lowered Rating below the Base Rating, such that the additional interest rate will amount to 1.5% retroactively, beginning from the date the aforesaid rating was discontinued by the Company (even if the interest rate increased in accordance with subsection (A) above prior to such date), and the provisions of subsection (b) through (e) above will apply accordingly, without derogating from the provisions of Section 8.1.22 below. For the avoidance of doubt, it shall be clarified that if the Bonds (Series D) cease to be rated, before the final payment, for a reason independent of the Company, the above will not impact the interest rate as stated in Subsection (a) above and the provisions of this Section 5.2 (f) will not apply.
- (g) In the case in which the rating company is replaced or the Bonds (Series D) cease to be rated by the rating company (even if the Bonds (Series D) are rated by several rating companies), the Company will publish an immediate report, within one trading day from the date of the change, in which the Company will announce the circumstances of the replacement of the rating company or the cessation of the rating, as applicable.
- (h) For the avoidance of doubt, it is clarified that: (a) a change in the outlook for the rating of the Bonds (Series D) will not lead to a change in the interest rate that the Bonds (Series D) will bear as stated in this section above; (2) if the Bonds (Series D) are rated by more than one rating company and as long as they are rated by more than one rating company as stated, subsection (f) above will not apply, other than in a case in which all of the rating companies together cease to rate the Bonds (Series D), and the determination of the rating for the purpose of corresponding the interest rate to the change in the rating (if such a change occurs) shall be done, at any time according to the lowest rating among them.

- (i) In the case of a reduction of the rating, the Company will act in accordance with Subsection (b) above. If before the Date of Lowering the Rating, an increase occurs to the interest rate due to a deviation from one or more of the financial covenants based on the mechanism set forth in Section 5.4 below, the change that occurs to the interest for the adjustment mechanism set forth in this Section 5.2 above will be limited, according to the limitation on the maximum interest increase.
- (j) The Company undertakes to act such that, to the extent that it is in its control, the Bonds (Series D) are Rated by at least one Rating Company during the entire duration of the Bonds (Series D), and for the same purpose, the Company undertakes, *inter alia*, to pay the Rating Company the payments that it has undertaken to pay to the Rating Company, and to provide the Rating Company with the reports and information required thereby in the framework of the engagement between the Company and the Rating Company. In this regard, the non-performance of payments that the Company has undertaken to pay to the Rating Company and the failure to provide the reports and information required by the Rating Company in the framework of the engagement between the Company and the Rating Company will be deemed to be reasons and circumstances that are under the Company's control. In the event in which the Rating of the Bonds (Series D) ceases or the Rating Company is replaced, the Company will publish an immediate report thereof, and will state the reasons for the cessation of the rating or replacement of the Rating Company, as applicable. The Company does not undertake to refrain from replacing the Rating Company or to refrain from terminating the engagement therewith during the duration of the Bonds (Series D). In the event in which the Company replaces the Rating Company even if at the time of replacement it is not the only rating company that rates the Bonds (Series D) at the time of the replacement and/or terminates the work of a Rating Company (also in the event in which it is not the only Rating Company), the Company undertakes to report the same in an immediate report and to inform the Trustee and the Bondholders thereof, and state the reasons for the change of the Rating Company in its notice, no later than one Trading Day from the date of the replacement as stated and/or the date of the decision to terminate the work of the Rating Company, whichever is earlier. It shall be clarified that the provisions above will not derogate from the right of the Company to replace the Rating Company or terminate the work of the Rating Company at any time (in the event in which it is not the only Rating Company), at its exclusive discretion and for any reason that it sees fit.

5.3 Adjustment of the interest rate as a result of deviation from financial covenants:

The interest rate that the Bonds (Series D) will bear will be adjusted due to a deviation from the financial covenants set forth below:

- (1) In the event that the consolidated equity of the Company (excluding minority rights) is less than USD 250 million (this amount will not be linked to the index) (in this section 5.3: the **"Equity Condition"**).
- (2) In the event that the adjusted net financial debt to adjusted EBITDA ratio (as defined below) will exceed 11 (the **"Covenant of the Adjusted Net Financial Debt to Adjusted EBITDA Ratio"**).

For the purpose of this subsection (2) alone:

"Adjusted Net Financial Debt" - the total financial debt (including the interest accrued) as it appears in the Company's financial statements, less unrestricted cash, unrestricted cash equivalents and short-term investments on the basis of the Company's financial statements, in addition to relative consolidation of the adjusted net financial debt in the associated companies and companies under joint control according to the principles set forth above in this section. The data regarding the adjusted net financial debt will be provided in the notes of the financial statements.

"Adjusted EBITDA" - the consolidated operating profit net of revaluation gains/losses (in addition to relative consolidation of the adjusted EBITDA, i.e. the consolidated operating profit net of revaluation gains/losses) in associated companies and companies under joint control; the Adjusted EBITDA will be calculated based on the data of the last four quarters in the aggregate, and will be listed in the notes of the financial statements.

It shall be clarified that after the purchase or one or more income-generating properties is expressed in the financial statements, the calculation of the financial covenant as stated will take place while adding to the numerator of the Adjusted EBITDA the Adjusted EBITDA that is attributed to the same property since its purchase date, while amending the Adjusted EBITDA of the property, since its purchase date until the balance sheet date, to the terms of a full year.

- (3) If the consolidated equity of the Company (excluding minority rights) to the total consolidated balance sheet will be less than 27% (in this Section 5.3: the **"Equity to Balance Sheet Covenant"** or the **"Minimum Equity to Balance Sheet Ratio"**).

The Equity Covenant, covenant of the Adjusted Net Financial Debt to Adjusted EBITDA and the capital to balance sheet ratio covenant each be referred to in this Section 5.3 as: a **"Financial Covenant"** and together in this Section 5.3: the **"Financial Covenants"**.

It is clarified that if adjustment of interest is required in accordance with the mechanism described in this Section 5.3 above and below, and based on the mechanism described in Section 5.2 above, and pursuant to any other section in this Deed (if any), then in any event, the maximum aggregate rate of the additional interest rate will not exceed the maximum interest increase limitation (as defined in Section 5.2 above). Arrears interest, if applicable in accordance with Section 4(a) of the terms stated overleaf, will be added to the said rate and will not constitute part thereof.

In this regard:

The **"Additional Interest Rate"** - additional interest at a rate of 0.5% for a deviation from each of the financial covenants.

The increase of the interest rate will take place only once for each deviation from any of the Financial Covenants, if such a deviation occurs, and the interest rate will not be increased again in the event that the deviation from any of the Financial Covenants continues (in this regard, it shall be clarified that if the deviation from any of the Financial Covenants is remedied and thereafter there is an additional deviation, the aforesaid addition will apply). It shall be emphasized that in the event in which due to a decrease in the rating of the Bonds, the annual interest rate is increased in accordance with the provisions of Section 5.2 above, in any event, the additional interest rate under the same section, together with the additional interest rate under this Section 5.3, for the deviation from the Financial Covenants, will not exceed the limitation on the maximum interest increase.

The **"Deviation Date"** - the publication date of the financial statements that indicate the deviation.

- A. If the Company deviates from any of the financial covenants under the Company's reviewed or audited consolidated Financial Statements (in this Section 5.3: the "**Deviation**"), the annual interest rate that the unpaid balance of the Bonds (Series D) will bear will be increased by the additional interest rate for the Deviation, above the interest rate as it was at the time, before the change, for the period that begins from the Deviation Date and until the earlier of the full repayment of the unpaid principal balance of the Bonds (Series D) or the date of the publication of the Company's Financial Statements whereby the Company does not have a deviation from any of the financial covenants, all subject to the limitation on the maximum interest increase.
- B. In the event in which a Deviation from any of the Financial Covenants occurs as stated, no later than the end of one business day from the publication of the Company's audited or reviewed Financial Statements (as applicable) indicating a deviation, the Company will publish an immediate report in which the Company will state: (a) the aforesaid deviation, while specifying the financial covenants on the date of the publication of the financial report and whether there is a change to the interest rate following a change in the rating, if there is such a change as stated; (b) the updated rating of the Bonds (Series D) based on the most recent rating report published before the date of the immediate report; (c) the precise interest rate that the principal of the Bonds (Series D) will bear for the period beginning from the current Interest Period and until the Deviation Date (the interest rate will be calculated based on 365 days per year) (in this Section 5.3: the "**Original Interest**" and the "**Original Interest Period**", respectively); (d) the interest rate that the balance of the principal of the Bonds (Series D) will bear as of the Deviation Date and until the upcoming actual interest payment date, i.e.: the Original Interest with the addition of the additional annual interest rate (the interest rate will be calculated based on 365 days per year) (in this Section 5.3: the "**Updated Interest**"), and this subject to the limitation on the maximum interest increase.; (e) the Weighted Interest Rate that is paid by the Company to the Bondholders (Series D) on the upcoming interest payment date, arising from the provisions of Subsection (c) and (d) above; (f) and the annual interest rate reflected from the Weighted Interest Rate; (g) the annual interest rate and the semiannual interest rate (the semiannual interest will be calculated as the annual interest divided by the number of interest payments per year, i.e. divided by two) for the subsequent periods.
- C. In the event in which the Deferral Date occurs during the days beginning four days before the effective date for the payment of any interest and ending on the subsequent interest payment date (in this Section 5.3: the "**Deferral Period**"), the Company will pay the Bondholders (Series D) on the subsequent interest date, the Original Interest of prior to the change only, while the interest rate arising from the addition of the interest in a rate equal to the additional annual interest rate during the Deferral Period will be paid on the following interest payment date. The Company will provide notice in an immediate report of the precise interest rate for payment on the following interest payment date.

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- D. In the event of a deviation from any of the Financial Covenants in a manner that impacts the interest rate that the Bonds (Series D) will bear (as stated in Paragraph A or Paragraph E), the Company will inform the Trustee thereof in writing within one business day from the date of the publication of the Financial Statements as stated.
- E. It is clarified for the avoidance of doubt that in the event that after the Deviation the Company publishes its audited or reviewed Financial Statements (as applicable), based on which the Company has not deviated from any of the aforesaid Financial Covenants, the increase in the Additional Interest Rate will be cancelled for the deviation (and due to the deviation being continued, to the extent of its continuing and as applicable) from any of the aforesaid Financial Covenants in a manner that annual interest rate that the bonds will bear will be reduced by the Additional Interest Rate as aforesaid and this for the period in which the Company has not deviated from any of the Financial Covenants, which shall begin on the date of the publication of the Financial Statements that indicate non-deviation from the Financial Covenants, so that the interest rate that will be borne by the outstanding balance of the principal of the Bonds (Series D) shall be - if the interest rate has not previously been raised in respect of a decrease in the rating of the Bonds (Series D) as stated in Section 5.2 above and if there is no deviation from the other financial covenants - the interest rate that was determined in the Tender, (and in any event, the interest rate that the Bonds will bear will not be less than the interest rate determined in the Tender) or any other interest rate determined as a result of a decrease in the rating of the Bonds (Series D) as stated in section 5.2 above and/or as a result of a deviation in another financial covenant as stated above in this section. In such a case, the Company will act in accordance with the provisions of Subsection (b) through (d) above, mutatis mutandis, as applicable and with respect to the Company's non-deviation from the same Financial Covenants. It is clarified that in any case, the interest rate that the bonds will bear will not be lower than the interest rate established in the Tender.
- F. The examination regarding the Company's deviation from the financial covenants will be performed on the date of the publication of the Financial Statements by the Company and as long as the Bonds (Series D) exist in circulation with respect to the annual/quarterly Financial Statements that the Company is required to publish until the same date.

The Company will specify within the notes of the financial statements in each financial statement published, as applicable, the existence of a deviation or lack of deviation from the financial covenants.

For the avoidance of doubt, it shall be clarified that subject to the above and the limitation on the maximum interest increase, the additional interest payments as a result of the Lowered Rating as stated in Section 5.2 above and/or as a result of the Company's non-compliance with any of the financial covenants as stated in this Section 5.3 above are aggregated. Therefore, in the event that a Lowered Rating occurs, while in addition the Company deviates from any of the financial covenant, one or more, the Bondholders (Series D) will be entitled to an increase in the interest rate as stated above, provided that the additional annual interest does not exceed 1.5%.

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5.4 Interested party transactions

The Company undertakes that excluding the Exempt Transactions as defined below, Extraordinary Transactions (as defined in the Israeli Companies Law) of the Company with its controlling shareholders, or Extraordinary Transactions of the Company with another person in which the Controlling Shareholders have a personal interest, or the engagements of the Company with the Controlling Shareholders or their relatives, directly or indirectly, including through a company under their control, including as well as if he is also an officer in the Company, *inter alia* - regarding the terms of his service and employment, and if he is an employee of the Company and is not an officer thereof, *inter alia* - regarding his employment in the Company (in this Section 5.4 "**Extraordinary Transactions**"), shall be subject to the approval of the Bondholders of the Bonds (Series D) by a Resolution with an ordinary majority.

The transactions set forth below (including the renewal and extension of their validity) will be considered "**Exempt Transactions**", meaning that regarding which, no approval of holders will be required as stated in this Section 5.4 above:

- (1) The transfer of properties with positive fair value to the Company (including to companies held by the Company) for no consideration. In this regard, an allocation of shares alone will not be considered consideration;
- (2) The provision of funds to the Company in exchange for Company shares or in consideration for any other capital instrument that does not contain any aspect of debt or liability, that is deferred and inferior to the Company's debt towards the Bondholders;
- (3) Release of the controlling shareholders and/or interested parties from guarantees given in favor of third parties regarding properties owned by the Company and/or corporations that the Company owns directly or indirectly, provided that resulting from such release of guarantees, the Company will not incur another financial commitment which is not negligible; as well as an extension of the validity of the guarantees, securities and undertakings as stated without a material change to the terms thereof;
- (4) Injecting funds to Company subsidiaries in connection of which guarantees were provided to third parties by the controlling shareholders and/or interested parties, without allocating to or granting the Controlling Shareholders and/or Interested Parties any right in those subsidiaries.
- (5) The array of lease and transaction agreements set forth in Chapter 9 of the Shelf Prospectus and within Article 22 of Part D of the 2022 Periodic Report, as well as the lease agreements as aforesaid in Section 1.9 of the 2022 Periodic Report and Section 9.2 of the Shelf Prospectus, including its update or renewal in the commercial terms that are similar or better as of the Company perspectives the Company in nature to those described in the Prospectus and the 2022 Periodic Report;
- (6) (a) The lease agreements set forth within Article 22 of Part D of the 2022 Periodic Report and Section 9.2 of the Shelf Prospectus, including their updating or renewal, in commercial terms that are essentially similar or preferential as of the Company's perspective to those described above ("**Existing Lease Agreements**"), as well as (b) new lease agreements regarding new properties (including new tenants) in a format similar or preferential as of the Company's perspective to the terms of the existing lease agreements; and (c) a change of the lease fees in the existing lease agreements in the following manner:

In the case in which during the term of the relevant lease, one or more of the properties included in the existing lease agreement that is a framework agreement is sold, the following terms shall apply: (a) the property that is sold will be removed from the framework agreement; (b) a reduction of the lease fees paid under the framework agreement will be performed, in the amount allocated as rent with respect to the sold property, as determined in the framework agreement, as amended. In the event that the lessor decides to add an additional property or properties to the framework agreement, the owner of the property will be added as a lessor (and if necessary, the relevant lessee will be added as well) and the lease fees will increase in the amount of not less than 9.5% of the purchase price of the additional property. For details regarding the terms of the aforesaid agreements in subsections (4) and (5) above, see Section 9.2 of the Shelf Prospectus.

- (7) Provide guarantees by the controlling shareholders (directly or indirectly) in favor of financial entities for the Company and/or corporations that the Company holds, without any consideration for the controlling shareholders in this matter.
- (8) Special transactions that meet the terms set forth in the Companies Regulations (Leniencies in Transactions with Interested Parties), 5760-2000;
- (9) Engagement in policies to insure properties of the Company and/or subsidiaries and affiliated companies against the customary risks, within the policies that cover the property portfolio of the Company jointly with the properties of the controlling shareholders, if any whose beneficiaries may be, *inter alia*, the Company, subsidiaries or associated companies or controlling shareholders, as applicable (while the amounts of the premium are allocated by the insurance company for the various properties in a manner in which the Company does not bear a premium in excess of its relative share of the properties). The aforesaid shall also apply in relation to executive insurance policies, with the required changes;
- (10) Granting Officer exemption from liability insurance and liability insurance in the Company, as they serve from time to time, including officers from among the controlling shareholders, in similar terms to other officers who are not associated to the controlling shareholder in the Company and/or his relatives;
- (11) Granting letters of indemnity to the controlling shareholders and/or their relatives, as they may be from time to time, as set forth within Article 29a of Part D the 2022 Periodic Report, as well as new letters of indemnity in the form as updated, if at all, in accordance with the Companies Law and Regulations thereunder, as they may be from time to time and entering into directors and officers insurance as accepted in Companies such as this. It is emphasized that the contract with the controlling shareholder and/or his relatives will be in identical terms to those of Company officers who are not associated with the controlling shareholder in the Company and/or his relatives.

The Company will confirm within its period report or alternatively, provide the Trustee, in the end of March every year, with a description from the Company's CEO or the most senior financial officer in the Company of special transactions for which consent was required from the Bondholders as stated in this Section 5.4 above (which are not Exempt Transactions as stated in this Section 5.4), without providing the consent of the Bondholders (Series D) in advance as stated above.

5.5 Interest Cushion

- A. The Company will transfer an amount equal to the amount of the next interest payment (as of that date) in respect of the Bonds (series D) (the "**Interest Cushion Amount**") to the trustee by transferring the Interest Cushion Amount from an account in the name of the issue coordinator, in which the proceeds of the issue will be held, to a bank account that will be opened by the Trustee and in its name in trust for the holders of the Bonds (Series D) only (the "**Interest Cushion Account**"), except as provided in subsection B to I below. The Company hereby states that it has no and will have no rights in the Interest Cushion Account.
- B. The signature rights in the Interest Cushion Account will be the Trustee's only. The funds deposited in the Interest Cushion Account will be transferred to the property of the Bondholders and will be managed by the Trustee in accordance with the provisions of Section 17 below.

- C. If on the morning of the fifth (5th) day of every calendar month after the end of each calendar quarter and if it is not a business day, then the following business day ("**Cushion Completion Date**"), the amount deposited in the Interest Cushion Account will be lower than the amount required for payment of the nearest interest payment of that date, including due to the Trustee's use of the amount for proceedings under this Deed, the Company will transfer to the Interest Cushion Account on the date of completing the cushion (and if it is not a business day, then on the following business day) an amount that is equal to the amount required for the completion of the amount deposited in the Interest Cushion Account, on the date of completion of the cushion, to the amount of the near interest payment (together with The amount deposited at the time in the Interest Cushion Account: the "**Current Cushion Amount**"). Notwithstanding the aforesaid, if the amount of the interest cushion increases due to the issuance of additional Bonds (Series D), the amount of the interest cushion will be supplemented from the proceeds of the issuance of the additional bonds before the release to the Company of the balance of the issue proceeds from the additional bonds.
- D. To the extent that on the date of payment of the principal and/or interest in respect of the Company, the deposited amount in the Interest Cushion Account exceeds the Current Cushion Amount ("**the Excess Amount**"), the Company shall be entitled to instruct the Trustee to make use of the Excess Amount for making payments of principal and interest amounts that the Company is liable to pay to the Bondholders of Bonds (Series D). Under this Deed and pursuant to the Company's request, the Trustee will transfer to the Nominee Company for payment on the date on which the payment is to be paid, up to the amount of the payment that was offset by the Company's notice or up to the amount of the Excess Amount, whichever is lower. At the final and last redemption date of the Bonds (Series D), the Company may instruct the Trustee to make use of the Current Cushion Amount and the Excess Amount as it will be deposited in the Interest Cushion Account for the purpose of any payment in respect of the Bonds or transfer it to the Company (after full repayment of all the Bonds).
- E. It is hereby clarified that if the series of bonds is increased or an additional interest rate applies as stated in sections 5.2 and 5.3 above, the Company will deposit in the Interest Cushion Account the funds that will constitute the Interest Cushion Amount in respect of the increase or the updated interest rate within ten business days from the date of publication of the immediate report regarding the increase or the change in the interest rate as aforesaid, as the case may be.
- F. It is hereby clarified that the non-deposit of funds in the Interest Cushion Account within 5 business days from the date of completion of the Current Cushion Amount, whether as part of the issue under this Shelf Offer Report or following the occurrence of events as specified in this section, shall constitute material breach of the provisions of this Deed of Trust.
- G. For the avoidance of doubt, it is clarified that the Company's undertaking to transfer the funds to the Interest Cushion Account is not guaranteed by a mechanism that will ensure the performance of this undertaking. In the event that the Company fails to meet its obligation to transfer the funds to the interest-rate account, the trustee will not be able to prevent the breach of this undertaking, but rather to take the measures at his disposal according to law and the deed of trust, to enforce on the Company to retroactively execute its undertaking, including calling the Bonds for immediate repayment.
- H. It is hereby clarified that the Interest Cushion Amount will be held by the Bondholders and will be held by the Trustee for the Bondholders of the Bonds (Series D) until the full and final repayment of the Bonds. The Company shall not have any rights or claims with respect to these sums, save for (A) the right to issue an instruction in respect of the Excess Amount and/or providing an instruction for the interest cushion amount on the final and last repayment date of the Bonds (Series D), as stated in subsection D above, and (B) Determination of the money management policy in the Interest Cushion Account and its implementation, which shall be by mutual agreement between the Company and the Trustee, provided that the investment will be in investments as detailed in section 17 below. The Trustee may not object to the investment policy and will not be responsible vis-à-vis the Bondholders (Series D) and/or the Company for any damage and/or loss caused due to this policy.

5.6 Expenses Cushion

Without derogating from the provisions of Section 27 below, from the net issue proceeds an amount equal to USD 250 thousand (the "**Expenses Cushion Amount**"), based on the exchange rate of the dollar, known on the day of transfer of the issue proceeds to the Issue Coordinator, will be deposited in an Israeli bank account opened by the trustee and in its name in trust for the Bondholders, which will be used for payment of the ongoing expenses and management expenses of the trustee (including for proceedings to reevaluate properties, if performed by the trustee), in the case in which the Bonds (Series D) are called for immediate repayment and/or in the case in which the Company breaches a provision that is material provision of the Deed of Trust (respectively: the "**Expenses Cushion Account**")

The Expenses Cushion Amount will be held until the full and final repayment of the Bonds (Series D) (inclusive). After receipt of approval from the senior officer in the financial department at the Company or from the Chief Executive Officer of the Company, in the form to the Trustee's satisfaction, regarding full payment of the Bonds (Series D), any remaining amount, if any, in the Expenses Cushion Account (in addition to all of the profits accrued) will be transferred to the Company in accordance with the details provided by the Company. In the case in which the Expenses Cushion Amount is not sufficient to cover the expenses of the Trustee in connection with call for immediate repayment of the Bonds (Series D) and/or a material breach of the provisions of the Deed of Trust by the Company, if any such event occurs, the Trustee will act in accordance with the provisions of Section 27 below. For the purpose of this Section 5.6, "**Proceedings for the Revaluation of Properties**" shall mean the appointment of an external and independent assessor selected by the Trustee to examine the fair values of the Company's real estate properties.

It is noted that the signature rights in the Expenses Cushion Account will be granted to the Trustee exclusively; all of the costs of opening in the Expenses Cushion Account, its management and closing will be borne by the Company. The policy of managing the funds in the Expenses Cushion Account and its performance will be determined by mutual agreement between the Company and the Trustee, provided that the investment is in investments as set forth in Section 17 below. The Trustee will not be liable vis-à-vis the Bondholders (Series D) and/or vis-à-vis the Company for any loss caused due to the investments as stated.

If the aforesaid amount is held in shekels, the shekel amount will be that calculated according to the ILS-USD representative exchange rate that is known on the day of transfer of the issue proceeds to the Issue Coordinator under the first shelf offering report under which the Bonds (Series D) were initially issued.

The above will not derogate from the obligations of the Company, the controlling shareholders and officers therein as set forth in Section 35 below, which, for the avoidance of doubt, will also apply in connection with the Expenses Cushion Account.

It is clarified that the funds in the Expenses Cushion Account will be held in trust for the bondholders only and the Company's rights in the Expenses Cushion Account will not be encumbered in favor of the Trustee and the Company will have all the rights in the funds in the Expenses Cushion Account and in all that is deposited as expressly stated in this Section 5.6.

5.7 Appointment of a Company Representatives in Israel

- 5.7.1 Until after the date of the full, final and precise payment of the Bonds (Series D) under the terms of the Deed of Trust vis-à-vis the Bondholders, the Company undertakes that it will have a representative on its behalf in Israel, to which legal process can be served to the Company and/or officers thereof instead of their service to the Company's address overseas, set forth in the preamble to this Deed.
- 5.7.2 As of the date of signing This Deed, the Company's representative in Israel is the law office of Fischer & Co (whose address is as set forth in the preamble to this Deed) (the "**Company's Representative in Israel**").
- 5.7.3 Service to the Company's Israel Representative will be considered valid and binding service in connection with any claim and/or demand of the Trustee and/or the Bondholders (Series D) under this Trust Deed.
- 5.7.4 The Company will be permitted to replace the Company's Israel Representative from time to time but only if at the time of the replacement the Company shall report the details of the new Company representative in an immediate report and will deliver a notice to the Trustee.
- 5.7.5 In the case of the appointment of a new representative, the immediate report and notice to the Trustee will also include the date on which the appointment of the new representative enters into force. As long as the appointment of the new representative does not enter into force, the address of the replaced representative will be the address for the aforesaid service. The aforesaid will also apply if the Representative resigns. That is, the address of the replaced Representative will be the address for service as stated above until the appointment of a new Representative enters into effect.

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6. Securing the Bonds and Transfer of the Issuance Consideration to the Company

- 6.1 The Bonds (Series D) are not secured by collateral, liens or otherwise. For information about the Company's undertakings not to create liens, see Section 6.9 of This Deed of Trust.

For the avoidance of doubt, it is clarified that the Trustee is not subject to and will not be subject to an obligation to examine, and in practice the Trustee has not examined and will not examine, the need to provide securities to secure the payments to the Bondholders (Series D). The Trustee was not asked to conduct, and the Trustee did not conduct in practice and will not conduct, a financial, accounting or legal due diligence as to the state of the Company's business. In its engagement in this Deed of Trust and the Trustee's consent to serve as a trustee for the Bondholders (Series D), the Trustee does not express an opinion, explicitly or implicitly, as to the ability of the Company to meet its obligations vis-à-vis the Bondholders (Series D) under this Deed. The provisions above will not derogate from the Trustee's obligations under any law and/or the Deed of Trust, and will not derogate from the Trustee's obligation (if such an obligation applies to the Trustee under any law) to examine the impact of changes in the Company from the date of the Shelf Offer Report and thereafter, if they may detrimentally impact the Company's ability to meet its obligations under this Deed of Trust vis-à-vis the Bondholders (Series D).

6.2 Undertaking not to create liens

- 6.2.1 The Company undertakes not to pledge its assets and rights under a general floating pledge without receiving the prior consent from the assembly of bondholders (Series D) in a Special Resolution. It is emphasized that the Company may pledge its property, in whole or in part, under specific pledges (including a floating pledge on specific properties) and to provide guarantees without the need to obtain the consent of the assembly of bondholders; for the avoidance of doubt, it is hereby clarified that subsidiaries of the Company may pledge their properties, in whole or in part, in any lien (including floating lien) and in any manner, without obtaining the consent of the meeting of the Bondholders of the Bonds (Series D) and without requiring any collateral for Bondholders of Bond (Series D) against the creation of such pledge by them.
- 6.2.2 The Company shall provide the Trustee with an opinion of an external attorney who specializes in the relevant law applicable to the Company regarding the matter of there being no legal obligation in the British Virgin Islands for the Company to register its undertaking that it will not create a floating general pledge as described in Section 6.2.1 above ("**Undertaking Not to Create Liens**") in any registry that operates under the laws of the British Virgin Islands. The Company shall provide the Trustee, in the framework of each periodical financial statement, a confirmation from the Company's CEO or the most senior financial officer in the Company stating that the Company has not created and has not undertaken to create a lien in contravention of the Undertaking Not to Create Liens in accordance with Section 6.11.1 above. In addition, the Company shall provide the Trustee, once a year, a confirmation of an external attorney who specializes in the relevant law applicable to the Company stating that the Company did not register in its registry books or in another registry that operates under the relevant law, a pledge in favor of anyone in contravention of the Undertaking Not to Create Liens as described in Section 6.2.1 above.

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- 6.2.3 Subject to the above stated in this Section 6.9 and in the Deed of Trust, the Company may sell, lease, assign, give or transfer its property in any way, in whole or in part in any way for the benefit of anyone at its discretion, without the need for any consent of the Trustee and/or of the bondholders (Series D), as relevant. The Company is not required to notify the Trustee of a transfer or sale of any of its properties except if what is involved is a sale or a transfer of "Material Property of the Company" according to the meaning of that term in Section 8.1 below, and in addition it is not required to notify the Trustee regarding the creation of a pledge over their properties, except as described in Section 6.2 above.

6.3 Financial Undertakings

Until after the full, final and precise repayment of the Bonds under the terms of Deed of Trust, and the fulfillment of the other obligations of the Company vis-à-vis the Bondholders (Series D) under this Deed of Trust and the terms of the Bonds (Series D), the Company will meet, at all times, all the financial covenants set forth below:

- (1) The consolidated equity of the Company (excluding minority rights) will not be less than USD 230 million (the "**Equity Covenant**" or the "**Minimum Equity**").
- (2) The adjusted net financial debt ratio to adjusted EBITDA (as these terms are defined below) shall not exceed 12 (the "**Debt to EBITDA Ratio Covenant**" or the "**Maximum EBITDA to Debt Ratio**").

"Adjusted Net Financial Debt" and **"Adjusted EBITDA"** - as defined in Section 5.3 above.

(3) The consolidated equity of the Company (excluding minority rights) to the total consolidated balance sheet will not be less than 25%.

The examination regarding the Company's compliance with each of the financial covenants contained in Subsection (1) through (4) above will be performed for the date of the publication of the Financial Statements by the Company and on their basis and as long as the Bonds (Series D) exist in circulation, with respect to the quarterly/annual financial statements that the Company is required to publish by the same date ("**Date of the Examination**").

It is clarified that in the event of a change in the accounting standard applicable to the Company from the standard applicable to the Company at the time of executing this Deed, which has a material effect on the result of calculating any of the financial liabilities and/or covenants specified in this Deed and/or the distribution restrictions set forth in Section 6.14 below (in this section The "**Material Effect**"), the Company will examine the aforesaid financial liabilities and the covenants according to the accounting standard under which the Company's financial statements were made at the time of signing this Deed. For this purpose, the Company will prepare a pro forma balance sheet in an abbreviated form, including only material and relevant notes, against which the provisions of this Deed will be examined (the "**Pro Forma Balance Sheet**"). The Company will attach to each quarterly financial report the Pro Forma Balance Sheet, until the maturity date of the Bonds. For this purpose, the "**Material Effect**" means: a change of which effect begins upon the implementation of the new accounting standard (cumulatively, in respect of all changes in the standard that occurred from the date of issue of the Bonds) on the result of any of the financial covenants by more than 5%.

The Company will specify in the framework of the board of director report and notes to the quarterly or annual financial statements as relevant whether it has or has not complied with each of the financial covenants set forth in subsections (1) through (4) above, and will state in the note to the financial statement as stated the relevant calculation regarding each of the financial covenants set forth above.

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In addition, within five business days from the publication of the relevant financial statements, the Company will transfer to the Trustee confirmation of the senior officer in the Company's financial department or the CEO of the Company regarding its compliance or non-compliance with the financial conditions as stated, together with the relevant calculation to the satisfaction of the Trustee.

If the Company does not meet any of the financial undertakings in subsections (1) to (4) above, the Company will report with an immediate report on MAGNA regarding this data and the implications of the data in accordance with this Section, no later than the end of one business day after the publication of the Financial Statements (quarterly and annual, as applicable)

6.4 **Limitations to the Distribution of Dividends**

The Company undertakes that it will not perform any distribution (as defined in the Companies Law), including will not declare, pay or distribute any dividend ("**Distribution**"), unless all of the terms set forth below are met at the time of the Board of Directors' resolution on the distribution:

- (1) The Distribution amount will not exceed 80% of the net profit after tax that was recognized in the latest consolidated financial statements of the Company (quarterly or annual, as applicable) published prior to the distribution resolution less net revaluation gains/losses (not yet exercised) (the "**Revaluation Gains/ Losses**" and hereinafter jointly: the "**Distributable Profits**"). It is clarified that (a) in the case of the sale of an property (exercise) revaluated, the Revaluation Gains/Losses for the same property will be added / reduced (as the case may be) to the distributable profits recognized and/or that will be recognized in the Company's consolidated financial statements for previous periods; (b) the Distributable Profits for which no distribution was performed in a specific year will be added to the following quarters.
- (2) There are no grounds for immediate repayment, without taking into account the waiting and remedial periods listed in Section 8.1 of This Deed below.
- (3) The Company is not in breach of any of its material obligations to the holders of the Bonds (Series D).
- (4) The Company's consolidated equity shall not fall below USD 250 million.
- (5) The equity to balance sheet ratio according to the consolidated financial statements shall not fall below 30%.
- (6) At the time of the Board of Directors' resolution on dividend distribution, there are no Warning Signs, as defined in Article 10(b)(14) of the Reporting Regulations, in the Company, provided that if there is a Warning Sign under Section (4) of the definition as stated above, the Company's Board of Directors determined that this does not point to a liquidity problem in the Company, considering the expected distribution;

The stated in Sections (1) to (6) will hereinafter be referred to as the "**Dividend Restriction**".

The Company will provide the Trustee, after approval of the distribution by the Board of Directors of the Company and prior to the actual distribution, with a confirmation of the auditor of the Company of the Company meeting the Dividend Restriction (including the relevant calculation) and the Company's Confirmation under paragraph (1) to the satisfaction of the Trustee.

The Company will specify in the framework of the quarterly or annual board of director reports, as applicable, the total distributable profits as of the date of the relevant report.

7. **Early Redemption**

7.1 **Early repayment initiated by the Stock Exchange**

In the event that the Stock Exchange decides to delist the Bonds from trade because the value of the Series of Bonds is less than the amount set forth in the guidelines of the Stock Exchange regarding delisting from trade, the Company will act as follows:

- a) Within 45 days from the date of the resolution of the stock exchange's board of directors to delist from trade as stated, the Company will provide notice of an early repayment date in which the Bondholder may redeem them.

- b) The early redemption date with respect to the Bonds will occur no earlier than 17 days from the date of the notice's publication and no later than 45 days from the aforesaid date, but shall not apply in a period between the effective date for the payment of interest and the actual payment date thereof.
- c) On the early redemption date, the Company will redeem the Bonds that the holders thereof request to redeem. The early redemption consideration shall be in accordance with the highest of the alternatives set forth in Section 7.2 below. When in connection with the stated in Section 7.2 (1) - instead of the date of the Board of Directors' decision regarding early redemption, it shall be stated the date of the Exchange Board's decision regarding deletion from trading.
- d) Determination of the early redemption date as stated above will not harm the redemption rights set forth in the Bonds for any of the Bondholders that do not redeem them on the early redemption date as set forth above; however, the Bonds will be delisted from trade in the Stock Exchange, and will be subject to the tax implications that arise as a result.

Early redemption of the Bonds as stated above will not grant any of the Bondholders that redeems them as stated with the right to an interest payment for the period following the redemption date.

The Company will publish a notice of the early redemption date in an immediate report. The notice as stated will also specify the early redemption consideration amount.

7.2 **Early repayment initiated by the Company**

The Company may, at its exclusive discretion, call for the early redemption of the Bonds (Series D), as of 60 days from the listing for trade in the Stock Exchange, in which case the following provisions will apply - all subject to the instructions of the Securities Authority and the provisions of the bylaws of the Stock Exchange and the guidelines thereunder, as they may be at the relevant date:

The frequencies of the early redemptions will not exceed one per quarter.

In the event that early redemption is determined in a quarter in which an interest payment is also scheduled, or a date for payment of partial redemption or a date for payment of final redemption, the early redemption will take place on the date scheduled for the payment as stated.

In this regard, a "quarter" shall mean each of the following periods: January-March, April-June, July-September, October-December.

The minimum amount of each early repayment will not be less than ILS 1 million. Notwithstanding the above, the Company may perform early redemption in a scope of less than ILS 1 million, provided that the scope of the redemptions will not exceed one per year.

Any amount that is paid in early repayment by the Company will be repaid with respect to all of the Bondholders (Series D), pro-rata based on the par value of the Bonds (Series D) that are held thereby.

Upon the passing of a resolution by the Company's board of directors regarding the performance of early redemption as stated above, the Company will publish an immediate report with a copy to the Trustee no less than seventeen (17) days and no more than forty five (45) days before the early redemption date. The early redemption date will not occur during the period between the effective date for the payment of interest for the Bonds (Series D) and between the actual date for the payment of the interest. In the immediate report as stated, the Company will publish the principal amount that will be repaid in the early redemption, as well as the interest that has accrued for the amount of the principal as stated until the early redemption date, in accordance with the provisions below.

Early redemption will not occur for part of a series of Bonds (Series D) if the last redemption amount is less than ILS 3.2 million.

If the Company performs partial early repayment, the Company will pay the interest accrued only for the part redeemed, and not the entire unpaid balance of the Bonds (which are redeemed on the partial repayment date). In the case of payment of additional interest following the early redemption, the additional interest will be paid on the par value redeemed in early redemption only.

On the partial early redemption date, if any, the Company will issue an immediate report about: (1) the partial redemption rate in terms of the unpaid balance; (2) the partial redemption rate in terms of the original series; (3) the partial redemption interest rate on the redeemed part; (4) the interest rate that will be paid in partial redemption is calculated regarding the unpaid balance; (5) the interest rate that will be paid in the partial redemption, calculated regarding the unpaid balance; (6) update of the partial redemption rates that remain, in terms of the original series; (6) the effective date for eligibility to receive the early redemption of the principal of the Bonds that will exist twelve (12) days before the date determined for the early redemption.

The amount that will be paid to the Bondholders (Series D) in the event of early redemption, except in case of Forced Early Repayment pursuant to section 6.2.4 (e) above, will be the amount that is the higher of the following: (1) the market value of the balance of the Bonds (Series D) available for early repayment which is determined based on the average closing price of the Bonds (Series D) in thirty (30) trading days before the date on which the board of directors resolves to perform the early redemption, however, if the early repayment date has been determined on the date on which interest is paid, the amount equal to only the interest amount paid on the same date for the bonds will be reduced from the average unit price as stated; (2) the undertaking value of the Bonds (Series D) available for early redemption in circulation, i.e. the principal in addition to interest until the date of the actual early redemption; (3) the balance of the cash flow of the Bonds (Series D) that are available for early redemption (principal in addition to the interest on the Bonds, including Arrears Interest, as the case may be), when discounted based on the yield of government bonds (as defined below) with an addition of the Addition Rate (as defined below), calculated on an annual basis. Discount of the Bonds (Series D) available for early redemption will be calculated as of the early redemption date and until the last payment date determined with respect to the Bonds (Series D) available for early redemption.

In this regard, "**Addition Rate**" shall mean: in early repayment as stated, performed by 30 September 2024 - an annual interest rate of 1%; in early repayment as stated that is performed as of 1 October 2024 until the Bonds' maturity date - an annual interest rate of 3%.

In this regard: "**yield of government bonds**" shall mean the weighted average of the yield for redemption (gross) in a period of seven business days, ending two business days before the date of notice of early redemption, of the series of government bonds that are not index-linked, with interest in a fixed rate, and that during their average life is the closest to the average life of the bonds on the relevant date, i.e. one series with the closest average life higher than the life of the bonds (Series D) on the relevant date, and one series with the average life below the Bonds (Series D) on the relevant date, and whose weight will reflect the average life of the Bonds on the relevant date.

The Company will provide the Trustee, within five trading days from the date of the Board of Director's resolution, with confirmation

signed by the senior officer in the financial field or the CEO if the Company regarding calculation of the payment amount, all in the form to the satisfaction of the Trustee.

8. **Right to Call for Immediate Payment**

8.1 Upon the occurrence of one or more of the events listed in this section below, the provisions of Section 8.2 will apply, as applicable:

- 8.1.1 In the event that the Company does not pay any amount owed in connection with the debt or the Deed of Trust or does not meet any of its other material obligations vis-à-vis the holders under the Deed of Trust. For the purpose of this section, the Company will have a period of seven (7) days to remedy the breach.
- 8.1.2 In the event that the Company files a stay of proceedings order or in the event that a stay of proceedings order is given against the Company or if the Company files a motion for a settlement or arrangement with creditors of the Company under Section 350 of the Companies Law or under the Insolvency Law or a similar proceeding under foreign law (excluding for the purpose of a merger with another company as stated in Section 8.1.18 below and/or a change to the structure of the Company or a division that is not prohibited under the terms of this Deed, excluding making arrangements between the Company and its shareholders and/or holders of option warrants (that are exercisable into shares only) of the Company, that are not prohibited under the terms of this Deed and will not impact the ability to repay the Bonds (Series D)) or if the Company will otherwise offer its creditors such compromise or arrangement, against the background of the Company's inability to meet its obligations when due.
- 8.1.3 If an application is filed under Section 350 of the Companies Law or under Insolvency Law, or an order for initiating proceedings under the Insolvency Law against the Company (without its consent) that is not rejected or dismissed within 45 days from the date of its submission or a similar proceeding is performed towards it, whether under Israeli law or foreign law. It is clarified that for the purpose of this Section 8.1.3, a request under Section 350 of the Companies Law or an order for initiating proceedings under the Insolvency Law with respect to the Company will be in accordance with Israeli law or a parallel proceeding in foreign law, parallel to the Israeli proceeding.

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- 8.1.4 In the event that the Company passes a liquidation resolution (excluding liquidation for purposes of merging with another company as stated in Section 8.1.18 below) or if a fixed and final liquidation order is given by a court, or an order with a similar meaning is granted under the Insolvency Law and/or a fixed liquidator is appointed for it or a similar decision is made or a similar functionary is appointed by the Company and/or towards it or a "trustee" as defined in the Insolvency Law was appointed. It is clarified that for the purpose of this subsection, liquidation proceedings with respect to the Company will be in accordance with Israeli law or a parallel proceeding in foreign law, parallel to the Israeli proceeding.
- 8.1.5 In the event that a temporary liquidation order, or an order of similar meaning under the Insolvency Law, is given and/or a temporary liquidator or any similar functionary of similar meaning is appointed under the provisions of the Insolvency Law, or any similar officer appointed and/or any judicial decision of a similar nature is given, or a temporary trustee, as defined in the Insolvency Law, is appointed, and such order or decision as stated is not rejected or dismissed by the court within 45 days from the date on which the order is given or the decision made, as applicable. Notwithstanding the above, the Company will not be given any remedial period with respect to applications or orders that are filed or given, as applicable, by the Company or with its consent. It is clarified that for the purpose of this subsection, liquidation proceedings with respect to the Company will be in accordance with Israeli law or a parallel proceeding in foreign law, parallel to the Israeli proceeding.
- 8.1.6 In the event that an application is filed for receivership or to appoint a receiver (temporary or permanent) or any similar functionary appointed for the Company or a material property of the Company (as defined below), or if an order is given to appoint a temporary receiver or any similar functionary appointed that is not rejected or dismissed within 45 days from the submission or granting, as applicable; or, if an order is given to appoint a fixed receiver for the Company or for a material property of the Company (as defined below) or a similar order under law applicable to the Company. Notwithstanding the above, the Company will not be given any remedial period with respect to applications or orders that were submitted or granted as applicable by the Company or with its consent. It is clarified that for the purpose of this subsection, receivership proceedings with respect to the Company will be in accordance with Israeli law or a parallel proceeding in foreign law, parallel to the Israeli proceeding.
- 8.1.7 If an attachment is placed on a material property of the Company (as this term is defined below) or execution actions are performed in connection with a material property of the Company (as this term is defined below) and the attachment is not removed or the action is not terminated, as applicable, within 45 days from the date on which it is applied or performed, as applicable. Notwithstanding the above, the Company will not be given any remedial period with respect to orders or requests that are given or filed, as applicable by the Company or with its consent. It is clarified that for the purpose of this subsection, attachment proceedings or execution proceedings with respect to the Company will be in accordance with Israeli law or a parallel proceeding in foreign law, parallel to the Israeli proceeding.
- 8.1.8 If the holders of pledges are exercised or the pledges that they have on a material property of the Company (as this term is defined below).
- 8.1.9 If there is a real concern that the Company will not meet, or the Company has failed to meet its material obligations vis-à-vis holders of the Bonds (Series D). It is clarified that the material obligations of the Company include, inter alia, payment amounts to holders and their dates.
- 8.1.10 If the Company has ceased, or provided notice of its intent to cease its payments or ceases or has provided notice of its intent to cease to continue its business, as they may be from time to time.
- 8.1.11 If a material deterioration occurs in the business of the Company compared to its state on the date of the first issuance of the Bonds (Series D) and there is a real concern that the Company will be unable to pay the Bonds (Series D) on time.
- 8.1.12 If the control of the Company is transferred, directly or indirectly, and the transfer of control as stated is not approved in advance by holders of the Bonds (Series D) with a special resolution.

For the purpose of this Section 8.1.12 - "**Transfer of Control**" shall mean a change of control of the Company such that the Company has a controlling shareholder that is not any of the Controlling Shareholders (as defined in Section 1.5 of the Deed) and/or is in the hands of any of their immediate family members (including through trusts that the Controlling Shareholders and/or any of their immediate family members, as mentioned above, are the beneficiaries under and/or are their managers). In this regard, "**Control**" - as defined in the Companies Law. It is clarified that holdings together with one of the Controlling Shareholders (as defined in Section 1.5 of the Deed) with another person or corporation will not be considered to be a transfer of control.

"Immediate Family Members"- Spouse, parent, parent of parent, child, brother or child of spouse of each of these.

For the removal of doubt it is clarified for this matter that inheritance under the law does not constitute a transfer of control for this section and if the Controlling Shareholders' holdings in the Company (and/or those of any of his immediate family members) are transferred through inheritance under the law, this will not be deemed to be a transfer of control under this section.

- 8.1.13 If there is called for immediate payment: (1) another series of bonds that is issued by the Company and listed for trade on the Stock Exchange or (2) a debt and/or several cumulative debts of the Company or of consolidated companies (including consolidated companies with relative consolidation, if any) the value of which is USD 35 million at least or 5% of the total properties of the Company based on the most recent consolidated financial statements of the Company, whichever is lower, based on the most recent consolidated financial statements of the Company published (whether audited or reviewed), whichever is lower, (Provided that if the debts are cumulative, they were immediately repaid simultaneously or close to each other) , or (3) a debt and/or several cumulative debts of an affiliated company in which the multiplication of the Company's holding in (in final concatenation) in the affiliated company by the liability value of debt the debt constitutes at least USD 35 million the total properties of the Company based on the most recent consolidated financial statements or (4) a debt of the Company, including non-recourse, of which liability value is greater than 10% of the Company's total assets according to the latest consolidated financial statements of the Company (audited or reviewed, as the case may be). The debts described in subsections (1) to (4) shall be called in this section: the **"Other Debt"**, and the demand for immediate repayment pertaining to each of subsections (2) to (4) as stated is not removed within thirty (30) days from the date on which it was called for immediate repayment as stated. For the purpose of subsections (2) and (3) above, a loan with no recourse to the Company shall not be considered as a different debt as aforesaid. In this regard, it is noted that in connection with another debt for which the Company's liability arises from providing a guarantee for payment of the bonds, the grounds in Section 8.1.13 will only be established in the event that the Company is required to actually pay an amount higher than or equal to the aforesaid other debt. In the event that the covenants set forth above are met, the aforesaid grounds shall apply, as of the same date on which the Company is required to pay the other debt (subject to the curing period set forth above) and not from the date of providing the same debt for early repayment, if these dates do not overlap.
- 8.1.14 If the Company does not meet any of its financial obligations stated in Section 6.3 above for two consecutive quarters.
- 8.1.15 If the Company has performed a distribution contrary to the dividend distribution restriction, as set forth in Section 6.4 above.
- 8.1.16 If the rating of the Bonds (Series D) by the rating company is lowered to a rating that is lower than a rating of BBB minus. In the case of replacing the rating company, the Company will provide the trustee with a comparison of the rating scales of the replaced rating company and the rating scales of the new rating company.

For the purpose of this section below, it shall be emphasized that in the event that the Bonds (Series D) are rated by more than one rating company, an examination of the rating based on the grounds for calling for immediate repayment above will take place, throughout, based on the lower rating among them.

- 8.1.17 If the Company performs business activity outside the United States or Israel or sells to another/ others all of its properties or its main properties during one calendar quarter, and the holders of the Bonds (Series D) do not consent in advance to the sale with a decision passed with a Special Resolution. **"Sale to Another"** - sale to any third party (including the controlling shareholder of the Company and/or corporations under his control), excluding a sale to corporations that are fully held by the Company; **"Main Properties of the Company"** - an property or a number of properties the value of which and/or the aggregate value of which (as applicable) in the most recent consolidated financial statements published before the occurrence of the relevant event exceeds 50% of the scope of its properties in the consolidated balance sheet of the Company based on the financial statements as stated, unless the consideration for the sale is strictly invested in real estate for investment, or is used for early repayment of the Bonds (Series D) and the investment agreement as aforesaid will be signed within six (6) months from the date of the sale (including up to six months before the sale). For the avoidance of doubt, the sale proceeds will not be distributed as dividend.

- 8.1.18 In the event that a merger was performed (excluding a merger of a company wholly-owned by the Company into the Company) with the prior consent of the holders of the Bonds (Series D) with a special resolution, unless the absorbing entity undertakes all of the Company's undertakings vis-à-vis the Bondholders (Series D) under the Deed of Trust and in addition, the Company or absorbing entity declared (as applicable) vis-à-vis the holders of the Bonds (Series D), including through the trustee, at least 10 business days before the date of the merger, that there is no reasonable concern following the merger that the absorbing entity will be unable to uphold its obligations vis-à-vis the holders of the Bonds (Series D). The provisions of this section will not derogate from the other grounds for calling immediate repayment granted to the holders of the Bonds in accordance with this section 8.1 above and below. Additionally, as of the period of 30 days before the date of the planned merger and until the merger date, all of the grounds listed in this Section 8.1 above and below will also apply with respect to the absorbing company, as if it was the Company. With respect to the provisions of this Deed that are derived from the financial statements of the Company, an examination will be performed with respect to the financial statements of the absorbing company, as it may be after the merger.
- 8.1.19 If trade of the Bonds (Series D) in the Stock Exchange is suspended by the Stock Exchange in accordance with the provisions of the Fourth Part of the bylaws, excluding suspension on grounds of the creation of ambiguities as stated in the Fourth Law of the bylaws of the Stock Exchange and 60 days have transpired from the suspension date during which it was not removed.
- 8.1.20 If the Company is dissolved or terminated for any reason.
- 8.1.21 If the Company breaches the terms of the Bonds (Series D) and/or the terms of the Trust Deed with a fundamental breach, including if it is discovered that any of the material representations by the Company in the Bonds and/or Trust Deed is incorrect and/or incomplete, and the Trustee has notified the Company in writing that it is required to remedy the breach, and the Company fails to remedy the breach as stated within 14 days of the date on which the notice was provided.
- 8.1.22 If the Bonds (Series D) cease to be rated for a period exceeding 60 consecutive days following reasons and/or circumstances that are under the Company's control. In this regard, the non-performance of payments that the Company has undertaken to make to the rating company and failure to provide information and reports required by the rating company in the framework of the engagement between the Company and the rating company will be considered reasons and circumstances that are under the control of the Company.

- 8.1.23 In the event that the Company expands a series of Bonds (Series D) or issues an additional series of bonds and/or other securities, contrary to the provisions of Section 4 above.
- 8.1.24 If the Company ceases to be a reporting corporation as defined in Section 1 of the Securities Law.
- 8.1.25 If the Company does not publish a financial report that it is required to publish under any law or under the provisions of the Deed of Trust, within 30 days from the deadline on which it was required to publish the same (and of the Company was granted an extension from a competent authority, at the end of the extension period, the later of which).
- 8.1.26 If the Bonds (Series D) are delisted from trade in the Stock Exchange.

- 8.1.27 If the Bonds (Series D) are not repaid on time or another material obligation provided in favor of the holders is not fulfilled.
- 8.1.28 If the Company breaches any of its material obligations to avoid creating pledges as stated in Section 6.9 above.
- 8.1.29 If a "going concern" note is recorded in the Company's financial statements for a period of two consecutive quarters.
- 8.1.30 If the Company breaches any of its obligations in connection with approval of transactions as stated in Section 5.4 above, which are not negligible.
- 8.1.31 If the Company breaches any of its material obligation to deposit the Interest Cushion as stated in Section 5.5 above.
- 8.1.32 If the Company breaches any of its material obligation to deposit the Expenses Cushion as stated in Section 5.6 above.
- 8.1.33 If the Company breaches its undertaking not to issue bonds outside of Israel and not to take other financial debt outside of Israel as set forth in Section 4 of the Deed.
- 8.1.34 If the Company breached any of the provisions pertaining to the application of a representative for service of court documents.
- 8.1.35 If the Company, its officers and/or controlling shareholders breach their undertakings as set forth in Section 35 of This Deed.
- 8.1.36 If the main activity of the Company is not investment in income property in medical institutions in the United States (as defined in Chapter A of the 2020 Periodic Report).¹

For the purpose of this Section 8, a "**Material Property of the Company**" is an property or properties in the aggregate according to the most recent consolidated financial statements of the Company published before that date, exceeds 30% of the amount of the properties in the consolidated balance sheet of the Company based on the financial statements as stated.

- 8.2 Upon the occurrence of any of the events set forth in Sections 8.1.1 until 8.1.35 (inclusive) above, provided that the period stipulated in Section 8.1 above for rectifying the events has elapsed and they were not rectified, the following provisions will apply, as applicable:
- 8.2.1 Upon the occurrence of any of the events set forth in Sections 8.1.1 through 8.1.36 the Trustee will be required to convene a meeting of the holders of Bonds (Series D), that will convene 21 days from the date of the invitation (or a shorter time in accordance with the provisions of Section 8.2.5 below), and the agenda of which will contain a resolution regarding calling for immediate repayment of the entire unpaid balance of the Bonds (Series D) due to the occurrence of any of the events set forth in Sections 8.1.1 through 8.1.36 (inclusive) above, as applicable. The invitation will state that if the event set forth in Section 8.1 above, for which the meeting was convened, will be cancelled, terminated or removed, by the date for which the meeting was called, the invitation for the meeting of the Bondholders will be cancelled as stated above.
- 8.2.2 A resolution of the holders to call for the immediate repayment of the Bonds (Series D) will be passed in a meeting of holders that is attended by holders of at least fifty percent (50%) of the balance of the par value of the Bonds (Series D), with a majority of holders of the balance of the pay value of the Bonds represented in the vote or with a majority as stated in a deferred meeting of holders that is attended by holders of at least twenty percent (20%) of the balance as stated.
- 8.2.3 In the event in which by the date of convening the meeting as stated, none of the events set forth in Sections 8.1.1 through 8.1.32 (inclusive) above was cancelled, terminated or removed, and the resolution in the meeting of holders of the Bonds (Series D) as stated is passed in the manner required as set forth in Section 8.2.2 above, the trustee will be required, at the earliest possible date, to call for the immediate repayment of the entire unpaid balance of the Bonds (Series D), provided that the Company was given a written warning of 15 days of his intention to do so.
- 8.2.4 A copy of the invitation notice for the meeting as stated will be sent by the trustee to the Company for publication, and the invitation for the meeting will constitute prior written consent to the Company of its intent to act to call for immediate repayment of the Bonds as stated.
- 8.2.5 The Trustee may, at its discretion, shorten the count of 21 days as stated in Section 8.2.1 above and/ or the 15 days of warning mentioned in section 8.2.3 above and/or not to give a notice at all, in the case in which the trustee is of the opinion that there is a reasonable concern that waiting this period or providing the warning, as applicable, will harm the possibility of calling for immediate payment of the Bonds or harm the rights of holders. If the deadlines are advanced as stated, the Trustee will explain the reasons for advancing the meeting, in the meeting summons memorandum.

¹Without derogating from the foregoing, the Company undertakes not to do economic business in enemy states to the State of Israel.

- 8.2.6 In the event that any of the subsections of Section 8.1 above provides a period in which the Company may perform an action or make a decision as a result of which the grounds for calling for immediate repayment are terminated, the trustee or holders may call for immediate repayment as stated in this Section 8 only if the period set forth as stated transpires and the grounds are not terminated; however, the trustee may shorten the aforesaid period if it feels that the same may materially harm the rights of the holders.

- 8.2.7 For the avoidance of doubt, it shall be clarified that the provisions of this Section 8.2 above will not derogate from the authority of the trustee to call for immediate repayment of the Bonds (Series D) at its discretion.
- 8.2.8 Notwithstanding the provisions of this Section 8.2 above, in the event that the Company asks the Trustee in writing to appoint an urgent representation, it shall act in accordance with the provisions set forth in Section 19 below.
- 8.2.9 For the avoidance of doubt, it is clarified that calling for immediate repayment will take place based on the balance of the par value of the Bonds (Series D) that have not yet been paid, including interest differentials that have accrued on the principal, including arrears interest (if relevant), while the interest is calculated for the period beginning after the last day for which interest was paid and until the actual date of immediate payment (calculation of the interest for a subpart will take place based on 365 days per year).
- 8.2.10 For the avoidance of doubt, it is clarified that the right to call for immediate repayment as stated above and/or calling for immediate repayment will not derogate from or harm any other or additional remedy available to holders of the Bonds (Series D) or the trustee under the terms of the Bonds (Series D) and the provisions of this Deed or under law, and calling a debt for immediate repayment upon the occurrence of any of the cases set forth in Section 8.1 above will not constitute any waiver of the rights of the holders of the Bonds or the trustee as stated.

9. **Claims and Proceedings by the Trustee**

- 9.1 In addition to any provision in this Deed and as a right and personal authority, the Trustee shall be entitled, at any time, at its reasonable discretion, and without providing notice, to perform any of the proceedings, including legal proceedings and motions to receive orders, as it shall see fit, for the purpose of realizing and/or defending the rights of the Holders of Bonds (Series D) and in order to enforce the Company's performance of another of the Company's undertakings according to the Deed of Trust. The above shall not damage and/or derogate from the rights of the Trustee to begin legal and/or other proceedings even if the Bonds (Series D) were not called for immediate repayment, all for the defense of the Bondholders (Series D) and/or for the purpose of granting any order regarding the matters of the trusteeship. Notwithstanding the statements of this Section, it is clarified that the right to call for immediate repayment shall only be established in accordance with the provisions of Section 8 above, and not on behalf of this Section.
- 9.2 Pursuant to the provisions of the Deed of Trust, the Trustee is entitled but not obligated to convene a general assembly of the Bondholders (Series D) in order to discuss and/or accept its instruction for any matter relating to the Deed of Trust.
- 9.3 Whenever the Trustee shall be obligated according to the terms of the Deed of Trust to perform any action, including commencing proceedings or filing actions according to the request of the Bondholders (Series D), as stated in this Section, the Trustee shall be entitled, at its sole discretion, to delay the performance of any said action until it receives instructions from the general assembly of Bondholders (Series D) and/or the instructions of the court how to act, provided that the convening of the assembly or the petition to the court shall be performed on the first possible date. For the removal of doubt it shall be clarified that the Trustee shall not be entitled to delay the performance of actions or proceedings as stated in the event in which the delay may harm the rights of the Bondholders (Series D).
- 9.4 The Trustee shall be entitled, pursuant to any special resolution, to waive the covenants that it shall see fit regarding the existence of those undertakings, entirely or partially, of the Company.
- 9.5 The Trustee is entitled, prior to performing any legal proceedings, to convene an assembly of Bondholders (Series D) in order for the Holders to determine which proceedings to take for the realization of their rights under this Deed. Similarly, the Trustee shall be entitled to again convene the assembly of Bondholders (Series D) for the purpose of receiving instructions for any matter relating to the management of the proceedings as stated, provided that the convention of the assembly shall be performed on the first possible date under the provisions of the second supplement to the Deed of Trust and the delay of the proceedings shall not harm the rights of the Holders.

10. **Trust of Proceeds**

All of the funds held from time to time by the Trustee, excluding his wages, expenses and the repayment of any debt therefor, in any manner including but not limited to as a result of calling the Bonds for immediate repayment and/or as a result of the proceedings that it will conduct, if any, against the Company, will be held thereby in trust and shall remain in its possession for the purposes and in the priority as follows: **First** - the clearance of expenses, payments, levies and undertakings incurred by the Trustee, placed thereon or caused as a result of the actions of managing the trusteeship or in another manner in connection with the terms of the Deed of Trust, including its salary (and under the condition that the Trustee will not receive its salary from both the Company the Bondholders). **Second** - the payment of any other sum according to the 'indemnification undertaking' (as the term is defined in Section 27.4 below); **Third** - the payment to the Series D Bondholders carried out in installments according to Section 27.4.2 below;

The balance will serve for the purposes within the following priority: (a) first - in order to pay the Holders the interest arrears (including the arrears interest) for the Bonds they are owed according to the Bonds (Series D), if applicable, conditions pari-passu, and in a relative manner to the sum of the arrears interest which each of them are owed without preference or precedence towards any of them; (b) second - in order to pay the Holders of Bonds (Series D) the principal arrears owed to them under the terms of the Bonds (Series D) held thereby, pari-passu, in a manner that is relative to the principal sums in arrears to which they are owed, without any preference or priority right regarding any of them; (c) third - in order to pay the Holders of Bonds (Series D) the interest amounts they are owed according to the conditions of the Bonds pari-passu, and in a manner relative to the sum which each of them are owed without any preference or precedence to any of them or otherwise; (d) fourth - in order to pay the Holders the principle sums they are owed according to the Bonds held thereby pari-passu, of which payment date has not yet been reached in a manner relative to the sums they are owed, without any preference in connection with the issuance ahead of time of Bonds (Series D) by the Company or in another manner; the balance - if existing, will be paid to the Company by the Trustee or vice versa, as applicable.

Withholding tax will be deducted from the payments to the Bondholders (Series D), as long as there is an obligation to deduct it according to any law.

It shall be clarified that if the Company must bear any of the expenses but does not do so, the Trustee will act reasonably to receive the sums as stated from the Company and in the event that it will succeed in receiving them, they will be held thereby in trust and will serve in its possession for the purposes and according to priority as detailed in this Section.

11. **Authority to Demand Payment to Holders through Trustee**

The Trustee may direct the Company to transfer to it the interest payments that the Company must pay to the Bondholders, (in this section: " **the Relevant Payment** ") for the purpose of financing the Proceedings and/or expenses and/or the Trustee's fee under this Deed of Trust (in this

section: the **"Amount of Financing"**) as long as the Company did not bear the Amount of the Financing and/or deposit with the Trustee in advance the Amount of the Financing. The Company shall transfer the Amount of the Financing Fee to the Trustee no later than the date of payment of the relevant payment. The Company may not refuse to act in accordance with the said notice, and will be seen as complying with its undertakings toward the Bondholders if it proves that it transferred the entire Amount of Financing to the Trustee, as aforesaid. Until no later than one business day from the determined date for payment of the Relevant Payment from which the Amount of Financing will be deducted, a notice will be published stating the Amount of Financing, its purpose and the up-to-date amounts of principle and/or interest to be paid to the Bondholders in the framework of the Relevant Payment.

The amount of financing that the Trustee may instruct the Company to transfer to it as stated above in this section, to the extent that the decision of the holders of the matter has not been received previously and/or in the matter and/or appointed a representative on behalf of the court (including a decision in connection with the taking of the proceedings and/or the execution of the actions for which the amount of the financing and/or the appointment of representatives and/or advisors to the trustee is required) will be limited to ILS 500,000 (plus VAT) (The **"Ceiling Amount"**). It is hereby clarified that the Ceiling Amount does not limit the Trustee's right to receive indemnification from the Company and/or the Bondholders.

The above shall not release the Company from its debt to bear the expense payments and the salary as stated when it is obligated to bear them according to this Deed or by any law. Similarly, the above shall not derogate from the obligation of the Trustee to act reasonably to acquire the sums to which the Holders are entitled from the Company, which will serve to finance the proceedings and/or expenses and/or the salary of the Trustee according to the Deed of Trust.

12. **Powers to Delay the Distribution of Funds**

Notwithstanding the statements of Section 10 above, if the financial sum, which will be received as a result of performing the proceedings as stated above and which will be called at any time for a distribution in accordance with Section 10 above, shall be less than ILS 1 million, the Trustee shall not be obligated to distribute it and it shall be entitled to invest the said sum, entirely or partially, in investments permitted according to the Deed of Trust as set forth in Section 17 below, and it shall be entitled to replace these investments from time to time in other permitted investments as it sees fit. If these investments and their profits, together with additional funds that are received by the Trustee for are a sum that is not sufficient to pay the aforesaid amount, the Trustee shall pay them to the Holders in accordance with the set of priorities as stated in Section 10 above. In the event in which up to the earlier of: the closest interest/principle payment date or a reasonable time after receiving the said financial sum, the Trustee shall not be in possession of a sum that is sufficient to pay at least ILS 1 million as stated, the Trustee shall be entitled to distribute the funds in its possession to the Bondholders.

Notwithstanding the provisions of this Section 12 above, the Bondholders (Series D) shall be entitled, according to a decision passed thereby, to instruct the Trustee to pay them the funds received by the Trustee and called for distribution, as stated in Section 10 above, even if their sums amount to less than ILS 1 million, pursuant to the provisions of the Stock Exchange's Articles of Association, as shall be at that time. Notwithstanding the above, the payment of the Trustee's salary and the Trustee's expenses shall be paid from the said funds immediately upon reaching their date (and regarding the expenses already paid by the Trustee, the sums shall be returned to the Trustee immediately upon the funds arriving in the Trustee's possession) even if the funds that the Trustee received are less than ILS 1 million as stated.

13. **Notice of Distribution**

The Trustee shall notify the Bondholders (Series D) of the date and place where any payment was performed from among the payments mentioned in Sections 10-12 above, in an advance notice of 14 days that shall be sent in the manner set forth in Section 28 below. After the date determined in the notice, the Bondholders (Series D) shall be entitled to interest according to the rate determined in the Bonds, only for the balance of the principle sum (if existing) after deducting the sum that was paid as stated.

14. **Refraining from Payment for a Reason Which is not Dependent on the Company**

- 14.1 Any sum to which the Bondholders (Series D) are entitled and was not paid in practice on the date set forth for its payment, for a reason independent of the Company, while the Company was ready and able to pay it in full and on time (the **"Impediment"**), shall not bear interest from the date set forth for its payment and the Bondholders (Series D) shall be only be entitled to those sums to which they were entitled on the date set forth for the repayment of the payment at the expense of the principle or the interest.
- 14.2 The Company shall deposit with the Trustee, on the earliest date possible after the date determined for payment and no later than the end of 14 days from the date set forth for payment, the sum of the payment that was not paid on time, as stated in Section 14.1 above, and shall provide written notice based on the addresses found in its possession, if any, to the Bondholders (Series D) of the said deposit, and the said deposit shall be considered as removing that payment to the Holder and in the event of removing that is entitled for that Bond, it shall also be considered as a deposit of the Bond (Series D) by the Company. 14.1 The above will not derogate from the obligations of the Company to bear the wages of the Trustee and its expenses, all in accordance with the provisions of this Deed.
- 14.3 Any sum held by the Trustee in trust for the Holders shall be deposited by the Trustee in a bank and will be invested thereby, in its name or its order, at its discretion in investments permitted to it according to Section 17 below. If the Trustee did so, it shall only be obligated to those eligible for those sums for the consideration that it shall receive from the realization of the investments, less the expenses connected to the said investment, including for the management of the Trust Account and less its salary and debt payments and it shall pay to those eligible against the evidence that will be requested thereby to its full satisfaction. After the Trustee will receive notice from the Holder of the removal of the impediment as stated, the Trustee will transfer to the Holder all of the funds accumulated for the deposit and derived from the exercise of their investment, less all of the reasonable expenses and Trust Account management fees and less any tax by law. The payment will be performed against the presentation of that evidence, which shall be accepted by the Trustee, regarding the right of the Holder to receive it.
- 14.4 The Trustee shall hold these funds and shall invest them according to the provisions of Section 17 below, until the end of one year from the final date for the repayment of the Bond (Series D), but the Trustee shall return the accumulated sums in its possession (including their profits) less its expenses and less its salary and other expenses which it expended in accordance with the provisions of this Deed (such as salaries of service providers, etc.) to the Company and the Company shall hold these sums in trust for the Bondholders (Series D) entitled to those sums for a period of up to the end of seven (7) years from the final repayment date of the Bonds (Series D), and regarding the funds that will be transferred to it by the Trustee as stated above, the provisions of Subsection 14.3 above shall apply to it, mutatis mutandis. Funds that are not demanded from the Company by the Bondholders (Series D) at the end of seven (7) years from the final payment date of the Bonds (Series D) will be transferred to the Company's ownership after 30 days from providing notice to the aforesaid holders by the Company, in writing, based on the addresses listed in its possession, if any, and it may use the remaining funds for any purpose. The foregoing shall not derogate from the Company's obligation to pay the bondholders funds that they are entitled to under any law.

- 14.5 The Company shall provide written confirmation to the Trustee of the return of the sums as stated in Section 14.4 above, and regarding their receipt in trust for the Bondholders (Series D) and it shall indemnify the Trustee for any action and/or expense and/or damage of any kind that will be caused to it due to and for the transfer of the funds as stated, unless the Trustee acted with negligence (excluding negligence exempted by law as shall be from time to time), with a lack of good faith or with malice.

15. **Receipt by Bondholders and Trustee**

- 15.1 A signed receipt from the Bondholder (Series D) or a reference from a member of the Stock Exchange regarding the execution of the transfer or the execution of the transfer via the TASE Clearing House for the principle and interest sums paid thereto by the Trustee for the Bonds shall absolutely release the Trustee for all matters related to the essence of executing the payment of the sums denominated in the receipt.
- 15.2 A receipt from the Trustee regarding the deposit of the principle and interest sums in its possession for the benefit of the Bondholders (Series D) as stated, shall be considered a receipt from the Bondholders (Series D) for the purpose of the statements of Section 15.1 above, in relation to the release of the Company for all connected to the execution of the payment of the sums denominated in the receipt.
- 15.3 The sums distributed as stated in Sections 10 and 12 above shall be considered as payment at the expense of the repayment of the Bonds (Series D).

16. **Presentation of Bonds to the Trustee; Registration in Connection with Partial Payment**

- 16.1 The Trustee may demand from the Bondholders (Series D) to present the Trustee, upon any interest payment or partial payment of principal and interest, with the Certificate of the Bonds (Series D) for which the payments are made. A Bondholder (Series D) will be required to present the Certificate of the Bond as stated, provided that the above will not require the Bondholder (Series D) to bear any payment and/or expense and/or impose on the Bondholder (Series D) liability and/or any debt.
- 16.2 The Trustee may record on the certificate of the Bonds (Series D) a note regarding the amounts paid as stated above, and the date of their payment.
- 16.3 The Trustee may, in any special case at its discretion, waive the presentation of the Certificate of Bonds (Series D) after being provided by the Bondholder (Series D) a waiver and/or guarantee that is sufficient to its satisfaction for damage that may be caused as a result of the non-registration of the note as stated, all as it sees fit.
- 16.4 Notwithstanding the above, the Trustee may, at its reasonable discretion, hold records in another manner regarding partial payments as stated.

17. **Investment of Funds**

All of the funds that the Trustee may invest under the Deed of Trust will be invested thereby in one of the four largest banks in Israel, provided that the rating of the bank is not less than AA in its name or for its deposit, in investments as it sees fit, all subject to the terms of the Deed of Trust, provided that it deposits in shekel or index-linked bank deposits, treasury funds issued by the Bank of Israel and/or government bonds issued by the Bank of Israel.

In the event that it does so, it will only owe to those entitled to the same amounts the consideration received from the exercise of the investments, less its fees and expenses, charges and expenses related to the aforesaid investment and managing the Trust Accounts, the fees and less the obligatory payments applicable to the Trust Account, and the Trustee will act in accordance with the provisions of Sections 12 and/or 14 above, as applicable, with the balance of the funds as stated.

18. **Company's Undertakings vis-à-vis Trustee**

The Company hereby undertakes vis-à-vis the Trustee and Bondholders, as long as the Bonds (Series D) have not yet been fully repaid, as follows:

- 18.1 To maintain and manage the business of the Company and companies under its control in an orderly, proper and effective manner.

- 18.2 To manage orderly account books in accordance with the GAAP, and to maintain records, including the documents used as references therefor (including pledge and mortgage deeds, accounts and receipts) in its offices, and to allow the Trustee and/or any authorized representative of the Trustee to review, at a time coordinated with the Company in advance, no later than 5 business days from the date of the Trustee's written request, any record and/or document as stated that the Trustee requests to review that is required to the Trustee in a reasonable way. In this regard, an authorized representative of the Trustee shall mean a person that the Trustee appoints for the purpose of a review as stated, with written notice of the Trustee that is provided to the Company before the review as stated, subject to the obligation of confidentiality subject to the provisions of Section 32.12 below. To the extent possible, noting the matter and circumstances, the Company will act to enable the right of perusal as stated in this section above, in Israel, including dissemination of information with the use of any media.

- 18.3 To notify the Trustee in writing, as early as possible and no later than two business day after being made aware of any case in which an attachment is placed and/or a lien was realized and/or execution proceedings take place on a material property of the Company (as this term is defined in Section 8.1 above) and in any event in which a receiver, special manager and/or temporary and/or permanent receiver and/or trustee who is appointed in the framework of a request for a stay of proceedings under Section 350 of the Companies Law or under the Insolvency Law and/or any functionary, against the Company is appointed with respect to a material property of the Company, and to take, at its expense, any reasonable means required in order to remove such an attachment or terminate the receivership, liquidation or management, as applicable.

- 18.4 To inform the Trustee in writing, immediately upon the Company being made aware and no later than two business day, of the occurrence of one or more of the cases listed in Section 8.1 above and its subsections and on a clear and present concern of the Company as to the occurrence of any of the events listed in Section 8.1 and its subsections. The provisions of this Section and all of its subsections will be performed by the Company without taking into account the curing and waiting periods listed in Section 8.1 above, if any.

- 18.5 To provide the Trustee, no later than the end of 30 days from the date of the issuance of the Bonds (Series D) under this Deed with a repayment schedule for payment of the Bonds (principal and interest).
- 18.6 To provide the Trustee with written notice, signed by a senior officer of the Company or the CEO of the Company, no later than five business days from the date of a written request of the Trustee, of the performance of any payment to the Bondholders under the Deed of Trust and of the balance of the amounts that the Company owes under the Deed of Trust at the same date to the Bondholders after the performance of the aforesaid payment.
- 18.7 To provide the Trustee immediately upon its publication with any report that it is required to submit to the Securities Authority. An immediate report in the MAGNA system of the Securities Authority and any report or information that is published (in full) by the Company on the MAGNA system will be considered to have been provided to the Trustee. Notwithstanding the above, at the Trustee's request, the Company will provide the Trustee with a printed copy of the report or information as stated.
- 18.8 To allow the Trustee and/or the whomever appointed by the Trustee in writing for this purpose, to enter by appointment to the Company's offices and any place where the Company's properties will be found at any reasonable time and no later than seven (7) business days from the date of the Trustee's request, At the Trustee's discretion, in order to protect the Bondholders.
- 18.9 To provide the Trustee with copies of notices and invitations provided to the Company, as stated in Section 28 of this Deed.
- 18.10 To ensure that the senior financial officer of the Company or the CEO of the Company will provide, within a reasonable time from the date of the Trustee's request, and no later than 10 business days from the Trustee's request, to the Trustee and/or the individuals that it so instructs, with any explanation, document, calculation or information relating to the Company, its business and/or properties that are required, at the reasonable discretion of the Trustee, for the purpose of examinations performed by the Trustee in order to protect the Bondholders.

- 18.11 So long that the Company is bonds company that is private (as those terms are defined in the Companies Law) - to provide the Trustee pursuant to his request, the signed minutes of the shareholder meetings within a reasonable time from the date of his request and in addition the Company undertakes to provide the Trustee a copy of every document and/or information that the Company provided to the bondholders to the extent that it provided these, and to provide copies of the notices and the invitations that were provided to the bondholders if such were provided. Additionally, the Company undertakes to invite the Trustee to be present at the general meetings (whether in annual general meetings or special general meetings of the Company's shareholders) (without rights to participate or vote), held in Israel (if such are held). Publication of an invitation to a general meeting of the shareholders of the Company in the MAGNA system will be considered to be an invitation of the Trustee for the purpose of this Section.
- 18.12 As long as the Bonds (Series D) are not yet repaid in full, to provide the Trustee, further to his request, with the reports and statements as follows: ²
 - 18.12.1 Consolidated and solo annual audited financial statements of the Company, and quarterly reviewed consolidated and solo financial statements of the Company, no later than the dates set forth for their publication under the Securities Law, even in the event in which the Company ceases to be a reporting corporation.
 - 18.12.2 If the Company is a public company (as defined in the Companies Law) - a copy of any document that the Company transfers to all of its shareholders or all of the Bondholders, and details of any information that the Company transfers to them in another manner, including any report submitted under law to the Securities Law in order to be published publicly (immediate reports), immediately upon their publication. As long as the Company is a bonds company - to provide the Trustee with a copy of any document that the Company transfers to all of the Bondholders and the details of all of the information that the Company transfers to them in another manner, including any report submitted under law to the Securities Authority in order to be published publicly (immediate reports), immediately upon their publication.
 - 18.12.3 To provide the Trustee, upon its first written request, with written confirmation, signed by an accountant, stating that all of the payments to the Bondholders under this Deed have been paid on time, and the balance of the par value of the Bonds in circulation.
 - 18.12.4 In the event that the Company ceases to be a reporting corporation, the Company will provide the Trustee, in addition to the provisions of Sections 18.2 through 18.12 above, with annual, quarterly and immediate reports as set forth below:
 - (a) Annual reporting including the information set forth in Appendix 5.2.4.8 of Chapter 4 Part 2 (management of investment funds and provision of credit) in Part 5 (principles of the management of business), in the consolidated circular of the Ministry of Finance - Division of Capital Markets, Insurance and Savings³ (the "Chapter for Management of Investment Properties in the Circular by the Ministry of Finance") or as updated from time to time, no later than 60 days from the date on which the Company was required to publish the annual reports if it was a reporting corporation;
 - (b) Quarterly reporting including the information set forth in the Chapter for Management of Investment Properties in the Circular by the Ministry of Finance, as updated from time to time, no later than 30 days from the date on which the Company was required to publish the quarterly reports if it was a reporting corporation;

² It is clarified that a report in the Magna system shall constitute a report to the Trustee for the purposes of this section.

³ <http://mof.gov.il/hon/Information-entities/Pages/Codex.aspx>

- (c) A n immediate report in the case that one of the events occurs listed in Appendix 5.2.4.10 of the Chapter for Management of Investment Properties in the Circular by the Ministry of Finance, as updated from time to time. The report will be provided on the date on which the Company was required to report about the occurrence of the event based on Article 30(b) of the Reporting Regulations.

In the event of a report being submitted in accordance with the aforesaid, the Company will notify the stock exchange for the purpose of its publication on the MAYA system, according to which the Company has notified the Trustee of a notice pursuant to this section and that a bondholder may receive a copy of which upon presentation of an ownership certificate.

- 18.13 To provide the Trustee, at its written request, no later than 10 business days from the date of the Trustee's request, any affidavit and/or declaration and/or documents and/or details and/or additional information regarding the Company (including explanations, documents and calculations regarding the Company, its business or properties) and even to order its accountant and legal advisors to do so, at the reasonable written request of the Trustee, if the Trustee reasonably believes that the information is required by the Trustee in order to apply and use the authorities, powers and authorizations of the Trustee and/or its counsel under the Deed of Trust, including information that may be essential and required in order to protect the rights of the Bondholders, provided that the Trustee acts in good faith, subject to the undertaking of confidentiality as stated in Section 32.12 below.
- 18.14 To provide the Trustee with all of the reports or notices as set forth in Section 35j of the Law.
- 18.15 No later than ten business days from publication of the annual or quarterly financial statements of the Company, as applicable, the Company will provide the Trustee, with written confirmation, by the Company along with a calculation, in a form to the satisfaction of the Trustee, signed by the CEO or the most senior officer in the Company's financial department, regarding its compliance or non-compliance of the Company with all the financial covenants set forth in Section 6.13 of this Deed.
- 18.16 In the event that the Company ceases to be a reporting corporation, then -To cause the senior officer in the Company's financial department or the CEO of the Company to provide within 5 five business days of the date of the Trustee's request, to the Trustee and/or to people that he so orders, with any explanation, document, calculation, or information related to the Company, its business and/or its properties that will be reasonably required in the Trustee's discretion in order to carry out his role and to protect the Bondholders.
- 18.17 In the event the Company should cease to be a Reporting Company, on April 10 of each year, for the previous calendar year, and as long as there are Bonds (Series D) in circulation, the Company will provide the Trustee, with confirmation, signed the by a director, the CEO or Company's senior officer of the performance of all of the interest payments and/or payments on account of the principal, in connection with the Bonds (Series D), that are due to be paid before the date of the confirmation, and the payment date, as well as the balance of the par value of the Bonds from this series, which are still in circulation as of the date of the confirmation;
- 18.18 No later than April 10 of each year and so long as this Deed is in force, confirmation in writing of the Company, signed by the Company's most senior financial officer and/or the CEO, that in the period from the date of the Deed and/or from the date of the previous confirmation, the later of the two and until the date of the provision of the confirmation the Company did not breach this Deed of Trust including a breach of the terms of the Bonds unless explicitly stated otherwise.
- 18.19 To notify the Trustee in writing of any change to its name or address no later than two trading days from the day of the change.
- 18.20 The Trustee may instruct the Company to immediate report on the MAGNA system, on behalf of the Trustee, any report in the form as provided in writing by the Trustee to the Company, and the Company shall be required to provide the report as stated.

- 18.21 The Trustee will maintain the confidentiality of the information sent to him according to this Section, will not reveal it to anyone else and will not make any use of it, unless the discovery or use thereof is required in order to fulfill the Trustee's position by law, according to the Deed of Trust or according to a court order.
- 18.22 To notify the Trustee of any non-compliance with any foreign covenant at the earliest possible point and no later than 5 business days from the date of non-compliance with the foreign covenant or within 5 business days from the date on which notice was given by the investee company or the Company regarding the non-compliance with any foreign covenant, as applicable, as well as the expected implications of this non-compliance in accordance with the Company's agreements with that entity. It shall be clarified, that as long as the Company or an investee company did not fulfill any foreign covenant and it will be given an extension in order to fulfill the foreign covenant, the extension shall not be considered, regarding this Section alone, as a fulfillment of the covenant the Company will notify the Trustee of the non-compliance of the foreign covenant as stated.

For the purpose of this section -

"Foreign covenant" - a material financial condition of the Company and any investee company of the Company, in the framework of the agreement with a financial institution or with another entity which provided the Company with material credit.

"Material financial condition" - a financial condition, for which the non-compliance thereof will constitute grounds for the immediate repayment of material credit.

"Material credit" - debt constituting at least 10% of the consolidated equity of the Company (excluding minority rights). Regarding an associated company - credit that multiplies the rate of the Company's holdings (in final concatenation) in the investment company constituting at least 10% of the consolidated equity of the Company (excluding minority rights).

19. **Urgent Representation**

- 19.1 If the Company is in non-compliance with the financial covenants as stated in Section 5.3 above, and prior to the existence of a ground for immediate repayment due to non-compliance as stated in Section 8 above, in the event the Company requests the trustee in writing to appoint an urgent representation from among the bondholders, the parties shall act in accordance with the provisions set forth below (the **"Urgent Representation"**).
- 19.2 The Trustee shall appoint to the Urgent Representation the three bondholders who are, to the best of the Trustee's knowledge, holders of the highest par value of all the bonds from among the bondholders, and who declare that they meet all the conditions set out below (in this Article 19: the **"Members of the Urgent Representation"**). If any of them is unable to serve in the Urgent Representation, the Trustee will appoint in his place the next-in-line bondholder, who holds the next highest par value, who meets all the conditions listed below. The conditions are as follows:
- 19.2.1 The holder of the bonds is not in a material conflict of interest due to any other material matter that is contrary to the matter arising from his service in the Urgent Representation and his holding of the bonds. For the avoidance of doubt, it is clarified that an Affiliated Party, as defined in Section 3.2 above, will be deemed to have a material conflict of interest and will not serve in the Urgent Representation.
- 19.2.2 During that calendar year, the bondholder does not serve in similar representations of other bonds whose aggregate value exceeds the amount of the portfolio of assets managed by him, which is determined as the maximum rate that allows service in an urgent representation according to the Competition Commissioner's provisions concerning the establishment of urgent representation.

19.2.3 If during the term of the Urgent Representation, one of the circumstances listed in Sections 19.2.1 and 19.2.2 above pertaining to one of its members ceases to exist, his term of office will expire, and the Trustee will appoint another member in his place from among the bondholders (Series 15) in accordance with the provision of this Section 19.2.

19.3 Prior to the appointment of the members of the Urgent Representation, the Trustee will receive from the candidates to serve as members of the Urgent Representation a statement about any existing or potential material conflicts of interest as stated in Section 19.2.2 above and about service in other representations as stated in Section 19.2.2 above. The Trustee may demand such a statement from the members of the Urgent Representation at any time during the term of service of the Urgent Representation. A holder who does not make such a declaration shall be deemed to have a conflict of interest or impediment to serve by virtue of the provisions of the Antitrust Commissioner as aforesaid, as the case may be. Concerning a statement of conflict of interest, the Trustee will examine the existence of the conflicting matters, and if necessary, will decide whether there are any conflicts of interest that would disqualify the person from holding the office in the Representation. It is clarified that the Trustee will rely on such statements and will not be required to conduct further independent inquiry or investigation. The Trustee's decision in these matters shall be final.

19.4 The term of office of the Urgent Representation shall end on the date on which the Company publishes the decisions of the Urgent Representation in connection with the granting of an extension to the Company for the purpose of complying with the terms of the Deed of Trust as stated in Section 19.5 below. The Company will openly publish all the information that will be provided to the Urgent Representation at the end of its term, that is, upon the open publication of the Urgent Representation's decision regarding granting an extension to the issuer to comply with the terms of the Deed of Trust.

19.5 Powers of the Urgent Representation

19.5.1 The Urgent Representation shall have the power to grant a one-time extension to the Company in connection with the dates for meeting the financial covenants set forth in the terms of the Bonds, for a period not exceeding ninety (90) days or the date of publication of the Company's next financial statements, the earlier of which. It is clarified that the activities of the Urgent Representation and the cooperation between its members will be limited to the discussion of the possibility of granting such an extension, and that no other information will be passed between the members of the Urgent Representation that does not relate to granting such an extension. It is further clarified that the period of time until the appointment of the Urgent Representation will be taken into account within the aforesaid extension, and it will not constitute a ground for granting any additional extension to the Company beyond what is stated in this section above. If the Urgent Representation decides not to grant the issuer an extension, a meeting of the bondholders will be convened to decide on a resolution of calling for immediate repayment of the Bonds. Such a resolution will be made at the bondholders' meeting as stated in Section 8.2.2 above.

19.5.2 If no Urgent Representation has been appointed under the provisions of this Section 19, or if the Urgent Representation has resolved not to give the Company an extension as stated in Section 19.5.1 above, the Trustee shall must convene the bondholders' meeting which will be convened no later than seven (7) days from the date of the summons. The Trustee may, at its discretion, shorten the number of days if the Trustee believes that any delay in calling the repayment of the Company's debt jeopardizes the rights of the bondholders.

19.5.3 It is clarified that the decisions of the Urgent Representation will not prejudice previous resolutions made by the bondholders' meeting in accordance with the law or the provisions of this Deed.

19.6 The Company's obligations in connection with the Urgent Representation

19.6.1 The Company undertakes to act in full cooperation with the Urgent Representation and the Trustee and to provide the Trustee with any information it can obtain in connection with the identity of the bondholders and the extent of their holdings. In addition, the Trustee will act to obtain this information in accordance with the powers vested in him by any law.

19.6.2 In addition, the Company undertakes to act in full cooperation with the Urgent Representation and the Trustee as required for the performance of the examinations they require and formulating the Urgent Representation's decision, and to provide the Urgent Representation with all the data and documents required regarding the Company, subject to the restrictions of the law that may not be stipulated. Without derogating from the generality of the foregoing, the Company will provide the Urgent Representation with the relevant information for the purpose of formulating its resolution, which will not include any misleading details and will not be incomplete.

19.6.3 The Company shall pay the costs of the Urgent Representation, including the costs of employing experts and consultants by the Urgent Representation or on its behalf, in accordance with the provisions of section 27 of the Deed of Trust.

19.7 Warranty

19.7.1 The Urgent Representation shall act and decide on matters entrusted to it, at its sole discretion, and it shall not be liable, it or any of its members, officers, employees or consultants, and the Company and the bondholders hereby exempt them in respect of any contentions, demands and claims against them that they exercised or refrained from exercising powers, authority or discretion granted to them under this Deed and in connection therewith or from any other action they executed under it, excluding malicious acts or actions in bad faith.

19.7.2 The operations of the members of the Urgent Representation and anyone on their behalf will be subject to the indemnification provisions set forth in Section 27 of the Deed of Trust, as if they were the Trustee.

19.8 All that is stated in this Section 19 above pertaining to the appointment of an Urgent Representation will be in accordance with the stated in the Consolidated Circular (as stated in the Deed of Trust) including any future amendments to it made from time to time.

20. Additional Liabilities

20.1 If the Bonds are called for immediate repayment, as defined in Section 8 above, the Company will perform, from time to time and at any time required by the Trustee, all of the reasonable actions in order to enable the operation of all of the powers granted to the Trustee, and in particular, the Company will perform the following actions, no later than seven business days from the date of the Trustee's request:

- 20.1.1 Declare the declarations and/or sign all of the documents and/or perform and/or cause the performance of all of the actions required or necessary in accordance with the law in order to give effect to the operation of the powers, authorities and authorizations of the Trustee and/or its counsel under this Deed of Trust.
- 20.1.2 Provide all of the notices, deposits and instructions that the Trustee sees fit and necessary in order to apply the provisions of the Deed of Trust.
- 20.1.3 To repay to the bond holders and to the Trustee all the amounts due to them under the terms of the Deed of Trust, whether on the original due date or the date of the charge is due ('Acceleration').
- 20.2 For the purposes of this Section - written notice, signed by the Trustee, that confirms that an action requested thereby, in the framework of its authorities, is a reasonable action, constitutes prima-facie evidence thereof.

21. **Counsel**

- 21.1 The Company hereby irrevocably appoints the Trustee as its counsel to execute and perform in its name and place all of the technical actions that it must perform under the terms included in this Deed, and to act in its name with respect to the technical actions that the Company must perform under this Deed and has not performed, or to perform authorities granted thereto, and to appoint any other person as the Trustee sees fit, and to perform its position under this Deed, subject to the Company failing to perform the technical actions that it must perform under this Deed within 14 days, as determined by the Trustee from the date of the Trustee's demand, provided that it acted reasonably.
- 21.2 An appointment under Section 21.1 above shall not obligate the Trustee to perform any action, and the Company hereby exempts the Trustee and its agents in advance in the event in which it does not perform any action, and the Company waives in advance any claim vis-à-vis the Trustee and its agents for any damage caused or that may be caused to the Company directly or indirectly, for this, on the basis of any action that is not performed by the Trustee and its agents as stated above.

22. **Other Agreements**

Subject to the provisions of the law and the limitations imposed on the Trustee by law, the fulfillment of the Trustee's position under this Deed or its position as a trustee will not prevent it from engaging with the Company in other agreements or performing transactions therewith during the ordinary course of its business, provided that the same does not create a conflict of interests with serving as a trustee for the Bondholders (Series D).

23. **Reports on Matters Relating to Trusteeship**

- 23.1 The Trustee will be required to submit a report regarding the actions performed in accordance with the provisions of Section 35h1 of the Securities Law.
- 23.2 The Trustee will prepare, by June 30 of each year, for the previous calendar year, an annual report of the Trustee's affairs (the "Annual Report").
- 23.3 The Annual Report will include a report of extraordinary events in connection with the trusteeship that occurred during the past year.
- 23.4 The Trustee will publish (itself or through the Company at the request of the Trustee) the Annual Report on the MAGNA system.
- 23.5 In the event that the Trustee becomes aware of a material breach of this Deed and/or of the terms of the Bonds (Series D) on the part of the Company, based on public publications of the Company or under a notice of the Company to the Trustee under Section 18.4 above, it will notify the Bondholders (Series D) of the breach and the measures that it has taken to prevent or enforce the fulfillment of the Company's obligations by the Company, as applicable. This obligation will not apply with respect to an event that is published by the Company under law. This obligation of the Trustee is subject to its actual knowledge of the breach event as stated.
- 23.6 The Trustee will update the Company of any report filed under this Section 23 and pass on to it a copy thereof if this does not infringe on the rights of the Bondholders.
- 23.7 The terms of this section above will not derogate from any other or additional reporting obligation imposed on the Trustee under any law.
- 23.8 The Trustee must submit a report regarding activity performed under the provisions of Chapter E1 of the Law at the reasonable request of the holders with at least ten percent (10%) of the balance of the par value of the Bonds within a reasonable time from the date of the demand, all subject to the confidentiality obligation borne by the Trustee vis-à-vis the Company as stated in Section 35j(d) of the Law.

- 23.9 At the request of holders of more than five percent (5%) of the balance of the par value of the Bonds, the Trustee will transfer to the holders data and details regarding its expenses in connection with the trust.
- 23.10 As of the signing date of this Deed, the Trustee is insured under professional liability insurance in the amount of \$ 10 million for the period (the "**Coverage Amount**"). If the Coverage Amount is reduced for any reason below \$8 million, the Trustee will update the Company no later than 7 business days from the day on which it learned of the abovementioned reduction from the Insurer in order to publish an immediate report on the matter. The provisions of this section will apply until the date on which the Regulation promulgated under the Securities Law that govern the coverage obligation and the insurance coverage of the Trustee enter into effect. After their entry into effect of these Regulations, the Trustee will be obliged to notify the Company only when the Trustee does not comply with the provisions of the Regulations.

24. **Wages and Coverage of Trustee's Expenses**

The Company will pay the Trustee its fees as set forth in **Appendix 24** of this Deed.

25. **Special Powers**

- 25.1 The Trustee may deposit all of the deeds and documents that indicate, represent and/or set forth its right in connection with the trusteeship at the subject of this Deed, including in connection with any property that it possesses at the time, in a safe and/or another place determined, with an banker and/or banking company and/or with an attorney.
- 25.2 The Trustee may, within the performance of the trusteeship under the Deed of Trust, if reasonably required for fulfilling its responsibilities as a Trustee under the Deed of Trust, commission any opinion or the counsel of any attorney, accountant, appraiser, assessor, broker or other expert (the "**Consultants**") and act in accordance with their conclusions, whether the opinion or counsel was prepared at the request of the Trustee or the request of the Company and the Trustee will not be responsible for any loss or damage caused as a result of any action or omission performed thereby on the basis of the counsel or opinion as stated, unless determined in an absolute judgment that the Trustee acted negligently (excluding negligence exempt under law as it may be from time to time) and/or in bad faith and/or maliciously. The Trustee will include, in opinion regarding the manner of exercise of the rights of the holders vis-à-vis the issuer, a copy of the opinion or counsel available to the Bondholders, further to their request (subject to the requestor proving ownership of the Bonds), subject to the Trustee's determination, at its discretion, that the exposure of the opinion as stated will not harm the rights of the Bondholders, and it may determine conditions regarding the procedures for the review of the opinion. The Company will bear all of the expenses of hiring the Consultants appointed as stated, provided that the Trustee will provide the Company with notice five days in advance of its intent to receive an expert opinion or counsel as stated, provided that the expenses are reasonable. If the same does not harm the rights of the holders, the Trustee will provide the Company with notice five business days in advance of its intent to receive an expert opinion or counsel as stated.
- 25.3 Any counsel and/or opinion as stated may be provided, sent or received by a letter, telegram, facsimile, email and/or other electronic means of transferring information, and the Trustee will not be responsible for actions performed on the basis of advice and/or an opinion or knowledge transferred via one of the methods mentioned above although it contains errors and/or was not authentic, unless the same errors or inaccuracy could have been discovered in a reasonable inspection.
- 25.4 Subject to any law, the Trustee will not be required to notify any party of the signature of the Deed of Trust, and will not be permitted to intervene in any manner in the management of the Company's business or affairs, other than based on the authorities that will be granted to the Trustee in this Deed or as agreed by the Company and the Bondholders (Series D) and the Trustee. The provisions of this Section will not limit the Trustee in actions that it must perform in accordance with the Deed of Trust.

- 25.5 The Trustee will use in the trusteeship the powers, authorizations and permissions granted thereto under the Deed of Trust, at its absolute discretion and subject to the other provisions of this Deed. In the event that the Trustee does not, it will not bear liability for any damage and/or loss and/or expense that is caused to the Company and/or the Bondholders and/or that it may bear following any action and/or omission performed by the Trustee, including as a result of mistakes in discretion, unless determined in an absolute judgment that the Trustee acted negligently (excluding negligence that is exempt under law as it may be from time to time) or in bad faith or maliciously or contrary to the provisions of this Deed, all in accordance with and subject to the provisions of the law.
- 25.6 Unless explicitly determined otherwise by Law or the provisions of this Deed, the Trustee is not required to act in a manner which is not expressly detailed in this Deed of Trust so that any information, including about the Company and/or in connection with the Company's ability to meet its obligations to bondholders comes to his attention, and this is not his role.

26. **Trustees' Power to Engage Agents**

The Trustee may appoint agent/s that will act in its place, whether an attorney or another person, in order to perform or participate in the performance of special actions that must be performed in connection with the trusteeship and pay reasonable waves to any such agent, and without derogating from the generality of the above, to take legal proceedings or representation in merger or division proceedings of the Company. The Company shall be entitled to oppose in the event that the agent/s is a competitor, either directly or indirectly, in the Company's business, and will deliver its reasonable reasoning no later than 5 business days of the Trustee's notice of the agent's appointment. It is clarified that the appointment of an agent as stated will not derogate from the liability of the Trustee for its actions and those of its agents. The Company undertakes to bear, at the full reasonable cost involved in employing any such agent appointed by the Trustee provided that as far as possible in the circumstances, and in so far as it does not infringe on the rights of the Holders, the Trustee shall notify the Company in advance of its intention to appoint such agent and the costs involves in it.

However, the Company's opposition to the appointment of a particular agent appointed at a meeting of holders, shall not delay the commencement of the employment of the agent, in so far as the delay is likely to harm the rights of the holders.

27. **Indemnification of the Trustee**

- 27.1 The Company and the Bondholders (on the relevant effective date as stated in Section 27.6 below, each for its obligations as stated in Section 27.4 below) hereby undertakes to indemnify the Trustee and all of its officers, employees, agents or an expert that it appoints and/or that are appointed by the Trustee under the provisions of this Deed of Trust and/or under a lawful decision that is passed in a meeting of Bondholders (Series D) under the provisions of this Deed of Trust (the "**Parties Eligible for Indemnification**"):
- 27.1.1 For any damage and/or loss and/or financial charge under a judgment (for which a stay is not granted) or based on a settlement that has ended (if the settlement relates to the Company, and the Company provides its consent to the settlement) the grounds of which are related to actions performed by Parties Eligible for Indemnification or that they are required to perform under the provisions of this Deed and/or under law and/or an instruction of a competent authority and/or any law and/or at the request of the Bondholders (Series D) and/or at the request of the Company; and
- 27.1.2 For the fees of the Parties Eligible for Indemnification and the reasonable expenses under the circumstances incurred and/or that will be incurred, and for any damage and/or loss that they sustain due to actions performed by the Parties Eligible for Indemnification or that they are required to perform under the provisions of this Deed, and/or under law and/or an instruction of the competent authority and/or under any law and/or at the request of the Bondholders (Series D) and/or at the request of the Company and/or in connection with use of the powers and authorities provided by virtue of this Deed, and in connection with any legal proceedings, opinion of an attorney and other experts, negotiations, discussions, expenses, claims and demands with respect to any matter and/or item performed and/or that is not performed in any manner with respect to the matter herein.

All provided that:

- 27.1.3 The Parties Eligible for Indemnification do not demand indemnification in advance regarding any manner that cannot be delayed (without harming their right to retroactive indemnification if and to the extent such right exists);

- 27.1.4 It is not determined in a final judicial decision that the Parties Eligible for Indemnification acted in bad faith and that the action was performed other than in the fulfillment of their positions, other than in accordance with the provisions of the law and/or other than under this Deed of Trust;
- 27.1.5 It is not determined in a final judicial decision that the Parties Eligible for Indemnification were negligent with negligence that is not exempt under law, as it may be from time to time;
- 27.1.6 It is not determined in a final judicial decision that the Parties Eligible for Indemnification acted maliciously;

An indemnification undertaking under this Section 27.1 will be hereinafter: an “**Indemnification Undertaking**.”

It is agreed that in also in the event in which it is claimed against the Parties Eligible for Indemnification that they -are eligible for indemnification they will be entitled to indemnification immediately upon their first request for payment of the amount eligible under the Indemnification Undertaking. In the event it is determined in a final judicial decision that they are not eligible for indemnification the Parties Eligible for Indemnification will return the Indemnification Undertaking amounts paid to them.

- 27.2 Without derogating from the rights to compensation provided to the Trustee under law and subject to the provisions of this Deed and/or the obligations of the Company under this Deed, the Parties Eligible for Indemnification will be entitled to indemnification from the funds received by the Trustee in the proceedings taken regarding the obligations that it has undertaken, with respect to reasonable expenses incurred following the performance of the trusteeship or in connection with such actions, which in their opinion are required to be performed and/or in connection with use of the powers and authorities provided by virtue of this Deed and in connection with all types of legal proceedings, opinions of attorneys and other experts, negotiations, discussions, claims and demands regarding any matter and/or action that is performed and/or not performed in any manner with respect to this, and the Trustee may delay the funds available thereto and paid from them the amounts required in order to pay the indemnification as stated. All of the said amounts will have priority over the rights of the Bondholders (Series D) and subject to the provisions of any law, provided that the Trustee acts in good faith and in accordance with the obligations imposed thereon under any law and under this Deed. For the purpose of this Section, an action of the Trustee that is approved by the Company and/or the Bondholders will be considered an action that is reasonably required.
- 27.3 Without derogating from the Indemnification Undertaking in Section 27.1 above, in the event that the Trustee is required, under the terms of the Deed of Trust and/or under law and/or an instruction of a competent authority and/or any law and/or at the request of the Bondholders (Series D) and/or at the request of the Company to perform any action including but not limited to commencing proceedings or filing cases at the request of the Bondholders (Series D) as stated in this Deed, the Trustee will be required to refrain from taking any such action until it receives, to its satisfaction, a financial deposit to cover the Indemnification Undertaking (the “**Financing Cushion**”) in the amount required, with first priority from the Company, and in the case in which the Company still has not deposited the entire financing deposit on the date required to do so by the Trustee, provided that the Trustee has taken the actions required to collect the aforesaid amounts from the Company, the Trustee will contact the Bondholders (Series D) that hold the Bonds (Series D) on the effective date (as stated in Section 27.6 below), with a request that they deposit the Financing Cushion amount, each its ‘relative share’ (as this term is defined below). In the event in which the Bondholders (Series D) do not actually deposit the entire Financing Cushion amount required, the Trustee will not be subject to the obligation to take any action or relevant proceedings. The provisions above will not exempt the Trustee from taking an urgent action required in order to prevent material detrimental harm to the rights of the Bondholders (Series D).

The Trustee is authorized to determine the Financing Cushion amount and may again create an additional cushion as stated from time to time, in the amount determined thereby. It shall be clarified that the payment by the holders under this Section will not release the Company from its obligation to bear the aforesaid payment.

- 27.4 The indemnity undertaking:
- 27.4.1 Shall apply to the Company in any event of: (1) actions performed at the reasonable discretion of the Trustee and/or under any law and/or that are required to be performed under the terms of the Deed of Trust or in order to protect rights of the Bondholders (including due to a demand of a holder that is required for the sake of protection as stated); and (2) actions performed and/or required to be performed at the request of the Company, including due to a demand as stated.
- 27.4.2 Shall apply to Holders that hold, on the effective date (as stated in Section 27.6 below) in any event of: (1) actions performed and/or that are required to be performed at the demand of the Bondholders (excluding actions which, as stated, are taken at the demand of Holders in order to protect the rights of the Bondholders); and (2) non-payment by the Company of the indemnification undertaking amount applicable thereto under Section 27.3 above (subject to the provisions of Section 27.6 below) and provided that the Parties Entitled to Indemnification have taken the reasonable actions under the circumstances required to collect the aforesaid amounts from the Company. It shall be clarified that the payment in accordance with subsection (2) above will not derogate from the obligation of the Company to bear the indemnification undertaking in accordance with the provisions of Section 27.4.1 above.
- 27.5 In any event in which the Company does not pay the entire amount required to cover the Indemnification Undertaking and/or does not deposit the entire Financing Cushion amount, as applicable, and/or the Holders are called to deposit the Financing Cushion amount under Section 27.3 above, provided that the Parties Entitled to Indemnification have taken the reasonable actions under the circumstances required to collect the aforesaid funds from the Company, the following provisions shall apply:
- 27.5.1 The funds will be collected in the following manner:
- 27.5.1.1 First - the amount will be financed from the interest and/or principal that the Company is required to pay to the Bondholders (Series D) after the date of action. It is clarified that in the event that use is made of the same amounts by the Trustee, since the Company has not paid all of the amounts required to cover the Indemnification Undertakings and/or has not deposited the entire amount of the Financing Cushion, the same amounts will not be considered to have been repaid by the Company on account of the Bonds in favor of the Bondholders;
- 27.5.1.2 Second - if, in the Trustee's opinion, the amounts deposited in the Financing Cushion are insufficient to cover the Indemnification Undertaking, the holders that hold on the Effective Date (as stated in Section 27.6 below) will deposit the missing amount, in accordance with the relative share (as this is defined), with the Trustee.

"Relative Share" shall mean: the relative share of the Bonds (Series D) held by the Holder on the relevant effective date as stated in Section 27.6 below of the total nominal value in circulation at the time. It is clarified that calculation of the relative share will remain effective even if after the same date a change occurs to the nominal value of the Bonds held by the Holder.

It shall be clarified that Bondholders that bear liability to cover expenses as stated in this Section above may bear expenses as stated in this section above in excess of their relative share, and in such a case, the priority will apply to the repayment of the funds in accordance with the provisions of Section 10 of this Deed.

- 27.6 The effective date for the determination of the obligation of a Holder in an Indemnification Undertaking and/or payment of the Financing Cushion is as follows:
- 27.6.1 In any event in which the Indemnification Undertaking and/or payment of the Financing Cushion is required due to an urgent resolution or action required in order to prevent material detrimental harm to the rights of the Bondholders (Series D), without a prior decision of the meeting of Bondholders (Series D) - the effective date for the obligation will occur at the end of the trading day of the day on which the action is taken or the decision is made, and if the same day is not a trading day, on the previous trading day.
- 27.6.2 In any event in which the Indemnification Undertaking and/or payment of the Financing Cushion is required based on a resolution of the meeting of Bondholders (Series D) - the effective date for the obligation will be the effective date for participation in the meeting (as this date is determined in the assembly notice).
- 27.7 Payment of any amount imposed on the Company under this Section 27 by the Holders in lieu of the Company will not release the Company from its obligation to bear the aforesaid payment.
- 27.8 With regard to the priority of the reimbursement to Holders that bear payments under this Section from the receipts by the Trustee, see Section 10 above. The Trustee will act reasonably to return funds as stated that are paid by the Holders in place of the Company from the Company.

28. **Notices**

- 28.1 Any notice on behalf of the Company and/or Trustee to the Bondholders will be provided through a report on the MAGNA system of the Securities Authority (the Trustee may instruct the Company and the Company will be required to immediate report on the MAGNA system on behalf of the Trustee, regarding any report in the form provided in writing by the Trustee to the Company). Any notice that is published or sent as stated will be considered to have been provided to a Bondholder on the date on which it was published as stated. If required under law, the Company will also publish an article in the paper.
- 28.2 Any notice or demand on behalf of the Trustee to the Company or on behalf of the Company to the Trustee may be provided in a letter sent via registered mail based on the address set forth in the Deed of Trust, or based on another address of which one party shall inform the other in writing (including an email address) or through dispatch via email or an agent, and any notice or demand will be considered to have been received by the Company: (1) in the event of dispatch via registered mail - three business days from the day on which it is sent via mail; (2) in the event of dispatch via email (with telephone verification of its receipt) - one business day from the date on which it is sent; (3) in the event of delivery by courier - upon the delivery by courier to the recipient or its offer for acceptance of the recipient, as applicable.
- 28.3 The Company agrees that confirmations and notices signed by it furnished by the Company or anyone acting on its behalf to the Trustee in connection with the Bonds which will be sent to the Trustee as scanned documents by electronic mail, may be presented by the Trustee as original documents.

29. **Waivers, Compromises, and Changes to the Deed of Trust**

Subject to the provisions of any law, excluding regarding (1) payment dates under the Bonds (including a technical change to the dates or effective date for payment); (2) the interest rate, adjustments of the interest arising from non-compliance with the financial covenants and a change to the rating; (3) undertakings of the Company in connection with the financial covenants and their breach; ; (4) the Company's obligations in connection with the distribution of dividends; (5) provisions relating to series expansion; (6) the repayment terms of the Bonds and grounds for immediate repayment; (7) provisions about the the negative pledge; (8) interest cushion; (9) restrictions on transactions by controlling shareholders; (10) the Company's liabilities relating to the law applicable to the Deed of Trust; (11) provisions regarding the appointment of a Company representative in Israel - the Trustee may, from time to time and at any time when, in its opinion, there will not be harm to the rights of the Bondholders (Series D), waive any breach or non-fulfillment of any of the terms of the Bonds or the non-fulfillment of any of the terms of the Deed of Trust by the Company.

Subject to the provisions of any law and with the prior approval of the Bondholders in a special resolution, the Trustee may, whether before or after the principal of the Bonds (Series D) is called for payment, settle with the Company in connection with any right or claim of the Bondholders (Series D), waive any right or claim of the Bondholders (Series D) or any of them vis-à-vis the Company under the Deed of Trust and the Bonds (Series D) and agree with the Company to any arrangement of their rights, including to waive any right or claim of the Bondholders (Series D) vis-a-vis the Company under this Deed.

In the event that the Trustee settles with the Company, waives any right or claim of the Bondholders (Series D) or agrees with the Company to any arrangement of rights of the Bondholders (Series D) after receiving the prior consent of the meeting of Bondholders (Series D) as stated above, the Trustee will be exempt from liability for this action, as approved by the bondholders' meeting, provided that the Trustee does not breach a fiduciary duty and does not act in bad faith or maliciously or with negligence that is not exempt under law, in the implementation of the resolution of the bondholders' meeting.

Without derogating from the provisions above, subject to the provisions of any law, the Company and the Trustee may, whether before or after the principal of the Bonds is called for payment, change the Deed of Trust and its appendices (including a change to the terms of the Bonds) if one of the following is met:

- (a) If the Trustee is convinced that the change does not harm the rights of the Bondholders under the Deed of Trust (excluding regarding the matters listed in subsections (1) to (11) above in this Section 29), provided that he has notified the Bondholders (Series D) of the same in writing.
- (b) The change is approved by the Bondholders (Series D) in a special resolution.

This Deed may also be changed within settlement and arrangement proceedings under Section 350 of the Companies Law or under the Insolvency Law.

The Company has provided the Bondholders with notice through an immediate report published on the MAGNA of any change as stated above, shortly after its occurrence.

In any event of use of the Trustee's right under this Section, the Trustee may demand from the Bondholders (Series D) that they provide it or the Company with the Certificates of the Bonds in order to record a note thereon regarding any settlement, waiver, change or amendment as stated, and at the request of the Trustee, the Company will record such a note. In any event of use of the Trustee's right under this Section, it will inform the Bondholders (Series D) thereof in writing within a reasonable time.

30. **Register of Bondholders**

30.1 The Company will keep and manage in its registered offices a register of Bondholders (Series D) in accordance with the Securities Law, which is open for the review of any person.

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30.2 The Company will not be required to record in the register of Bondholders (Series D) any notice regarding explicit, implicit or estimated trusteeship, or a pledge or lien of any kind or any equitable right, claim or offsetting or any other right, in connection with the Bonds (Series D). The Company will solely recognize the ownership of a person in whose name the Bonds are recorded, its legal heirs, estate managers or will executors of the registered owner and any person entitled to the Bonds, following a bankruptcy of any registered owner (or in the event of a corporation - following its liquidation) is entitled to be registered as a holder after evidence is provided which, in the opinion of the Company's managers, is sufficient in order to prove the right of the person to be registered as the Bondholder.

31. **Release**

When it is proved to the satisfaction of the Trustee that all of the Bonds (Series D) are paid, redeemed or when the Company deposits sufficient amounts of money in trust with the Trustee which will suffice for the full and final redemption, under the provisions of this Deed, as well as when it is proved to the satisfaction of the Trustee that all of his wages and all of the expenditures made by the Trustee and/or his agents in connection with his operation according to the Deed of Trust and according to its provisions are paid to him in full, and the Trustee is required, at the Company's first request, to act upon the monies deposited with him in respect of the Bonds (Series D) whose redemption was not requested, according to the terms stipulated in this Deed.

32. **Appointment of the Trustee, the Trustee's Roles, the Trustee's Powers, and the Expiry of the Trustee's Service**

32.1 The Company hereby appoints the Trustee as a trustee for the Bondholders (Series D) alone under the provisions of Section 35b of the Securities Law, including for the parties entitled to payments under the Bonds (Series D) that are not paid after the date of payment.

32.2 The trusteeship for the Bondholders and the roles of the Trustee under the terms of this Deed will enter into force on the date of the allocation of the Bonds by the Company. The term of the Trustee's appointment will be until the date of the convening of the holders' meeting in accordance with the provisions of section 35B(a1) of the Securities Law.

32.3 From the date on which this Deed of Trust takes effect, the Trustee's roles will be according to all laws and this Deed.

32.4 The Trustee will act in accordance with the provisions of the Securities Law.

32.5 The Trustee will represent the bondholders (Series D) in every matter stemming from the Company's undertaking to them, and he will be entitled, for this purpose, to take action to exercise the rights given to the holders according to the Securities Law or according to the Deed of Trust.

32.6 The Trustee is entitled to initiate any proceeding for the purpose of protecting the rights of the holders in accordance with all laws and what is detailed in this Deed of Trust.

32.7 The Trustee is entitled to appoint agents as detailed in Section 26 above.

32.8 The Trustee's actions are valid even if a defect is discovered in his appointment or eligibility.

32.9 The Trustee's signature on this Deed does not constitute an opinion on his part regarding the nature of the offered securities or desirability of investment therein.

32.10 The Trustee will not be required to notify any party of the signing of this Deed. The Trustee will not interfere in any form whatsoever in the conducting of the Company's business or affairs and this is not included amongst his roles. Nothing in this section will restrict the Trustee in any action which he must take in accordance with the provisions of this Deed.

32.11 Subject to the provisions of all laws, the Trustee is not required to act in a manner which is not expressly detailed in this Deed of Trust so that any information, including about the Company and/or in connection with the Company's ability to meet its obligations to bondholders comes to his attention, and this is not his role.

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32.12 Subject to the provisions of all laws and what is stated in this Deed of Trust, the Trustee undertakes, by his signing this Deed, to maintain in confidentiality all information provided to him by the Company and will not disclose it to another and will not make any use thereof, unless its disclosure or use is required for the purpose of fulfilling his role according to the Securities Law, according to the Deed of Trust, or according to a court order. Said duty of confidentiality will apply as well to any agent of the Trustee (including any consultant, counsel, and so forth) who will confirm by his signature his undertaking to the Company to act according to the provisions of this section. It is clarified that the transfer of information required to bondholders for the purpose of adopting a resolution relating to their rights according to the bond or for the purpose of providing report on the Company's condition does not constitute a breach of said undertaking of confidentiality, provided and subject to the Trustee having given notice to the Company a reasonable time in advance (at least two business days) of its intention to publish any information given to it by the Company.

- 32.13 The Trustee is entitled to rely, in the framework of his trust, on any written document including a letter of instruction, notice, request, consent or approval, purporting to be signed by or originating from a person or entity which the Trustee believes in good faith was signed by or originated from him.
- 32.14 The provisions of the Securities Law will apply to the end of the Trustee's service.
- 32.15 If the Trustee's service ended, a new trustee will be appointed in his place at a meeting of the holders.
- 32.16 Despite the aforesaid, a resolution of the holders on the termination of the trustee's service and his replacement with another trustee will be done, subject to any law, at a meeting at which holders with 50% of the balance of the par value of the Series D Bonds are present, or at a postponed meeting at which holders with at least 10% of said balance were present, with a majority of over 50% of those present and attending the vote.
- 32.17 Subject to the provisions of all laws, the Trustee whose service ended will continue serving in his position until the appointment of another trustee. The Trustee will provide the new trustee with all of the documents and amounts accrued by him in connection with the trust which is the subject of the Deed of Trust for Series D, and will sign any documents required for this purpose. Any new trustee will have the same powers, obligations, and authorities, and he will be able to act for all intents and purposes as if he was appointed as trustee in the first place.
- 32.18 The Company will publish an immediate report in any event of the resignation of the Trustee and/or the appointment of a different trustee.

33. **Bondholders' Meetings**

Meetings of bondholders (Series D) will be conducted as stated in the **Second Addendum** to this Deed. At the Company's request, the Trustee will provide the Company within two (2) business days from the date of the convening of each such meeting the details of all the holders who voted at the meeting (including the amount of bonds held by each of them) as well as the manner of voting (for, against, abstained, etc.) of each such holder. At the Company's request, a copy of the voting letters delivered to the trustee by the bondholders will be forwarded for review. The Company will keep this data confidential and will not be allowed to use said data except solely for the purpose of verifying the voting results.

34. **Applicable Law**

The only law which applies to this Deed of Trust and its appendices, including the bonds, is Israeli law that cannot be conditioned, only. In the event of any matter that is omitted from this Deed and in any event of a conflict between the provisions of the law that cannot be conditioned and This Deed of Trust, the parties will act only in accordance with the provisions of Israeli law that cannot be conditioned.

35. **Exclusive Jurisdiction**

The law applicable to this Deed of Trust, including its appendices, is the Israeli law only. In the event of a conflict between the provisions of the law and this Deed of Trust, the parties shall act in accordance with the provisions of Israeli law.

The exclusive and sole jurisdiction in connection with this Deed of trust, including its appendices and the bond, as an appendix thereto, is subject to the competence court in Tel Aviv- Jaffa.

The Company, (with its signing of the Shelf Offer Report) the Controlling Shareholders in the Company (present and future) and the officers in the Company, (who serve and who will serve in the Company in the future), undertook and will undertake as relevant: that they will not object to a request by the Trustee and/or the Bondholders of Bonds (Series D) who will submit to a court in Israel a request for the application of Israeli law regarding compromise, arrangement, and insolvency in connection with the Company (and including the liquidation of the Company), regarding the Company's compliance with the terms of the Deed of Trust and the Bonds (Series D), inasmuch as it shall be submitted; not to apply of their own initiative to courts outside of Israel in order to receive protection from a proceeding as aforesaid initiated against the Company by the Trustee and/or the Company's Bondholders ; not to object if a court in Israel will seek to apply Israeli law regarding a compromise an arrangement and insolvency in connection with the Company (including liquidation; and will not raise claims against the local authority of the court in Israel in connection with proceedings filed by the Trustee and/or the Company's Bondholders against the Company including a class action and derivative action regarding the Company's compliance with the terms of the Deed of Trust and the Bonds (Series D). Further, the Company (with its signing of the Prospectus) undertook that in every agreement that the Company directly enters with a third party, including with the Company's employees, it will be established that insolvency proceedings against the Company shall be initiated only in a court in Israel and according to the Israeli law. For this matter it is clarified that this undertaking shall not apply to the Company's contracting with a third party that are ancillary to the contracting of the Company's subsidiaries, including (without derogating from the generality of the above) the Company's provision of guarantees and as well it will not apply to hedging agreements that the Company will enter with a third party, if such an agreement will occur.

In light of the aforesaid and subject to the fulfillment of the Company's the Controlling Shareholders' and the officers' undertakings (in the present and in the future, as relevant), to the Company's understanding an insolvency proceeding against the Company which is not according to Israeli law and/or not before Israeli courts can only stem from a lawsuit by a foreign creditor. On this matter, it is noted that if an insolvency proceeding against the Company is initiated not according to Israeli law and/or not before a foreign court, that stems from a lawsuit by a foreign creditor, the Company will make its best efforts and argue that the forum is not appropriate and all subject to all laws.

For the avoidance of doubt it is clarified that the undertakings by the Controlling Shareholders and officers in the Company (in the present and in the future) shall include, expressly, an irrevocable undertaking as well not to commence, at their initiative, ad insolvency proceeding against the Company according to foreign law and/or in a foreign court.

In light of the aforesaid and subject to the fulfillment of the undertakings of the Company, Controlling Shareholders and officers (present and future, as applicable), it is the Company's understanding that and insolvency proceeding which is not according to Israeli law and/or before non-Israeli courts can only stem from a lawsuit by a foreign creditor which is not one of the above factors (the Company, the Controlling shareholders and the officers, as aforesaid) .

In addition, the Company (by signing this Prospectus), the Controlling Shareholders and the Officers of the Company ⁴, present and future, irrevocably undertake and will undertake in writing not to make any claims against the authority of the Securities Authority and/or the administrative enforcement committee in Israel in connection with financial sanctions and/or administrative means of enforcement placed thereon by the Securities Authority and/or the administrative enforcement committee in Israel, according to Chapter H3 and/or Chapter H4 of the Securities Law, and irrevocably undertake and will undertake in writing to uphold the decisions of the Securities Authority and/or the administrative enforcement committee in Israel including, without derogating from the generality of the foregoing, to pay the financial sanctions and/or payments to the victims of the breach placed thereon (if any) and to take the actions to amend the breach and prevent its recurrence without waiving any right to petition, appeal or otherwise claim against such financial decision or sanction.

⁴ That are not Israeli.

In addition, the Company undertakes to provide the Trustee, shortly after the signing of the Trust Deed, with an irrevocable written undertakings of the Company, the Controlling Shareholders and the Officers of the Company on the signing date of the Trust Deed (and shortly after a change of control in the Company, as applicable) and any officer as stated above serving in the Company on the date of signing the Trust Deed (and shortly after the appointment of additional officers to the Company, as applicable) by virtue of their positions as officers of the Company: (1) not to object to the request of the Trustee and/or Bondholders that will be submitted to a court in Israel for the application of Israeli law regarding compromise, arrangement, and insolvency (including liquidation) in connection with the Company, if filed; (2) not to object if the court in Israel seeks to apply Israeli law regarding a compromise, arrangement and insolvency (including liquidation) in connection with the Company; (3) not to make claims against the territorial jurisdiction of the court in Israel in connection with the proceedings filed by the Trustee and/or bondholders of the Company against the Company, including a class action or derivative claim; (4) not to apply of their own initiative to courts outside of Israel to receive protection in any proceeding initiated by the Trustee and/or the Bondholders of the Company against the Company regarding the Company's fulfillment of the terms of the Company's Bonds and Trust Deed, and not to manage on their own an insolvency proceeding against the Company under foreign law and in a jurisdiction that is not Israel; (5) not to make claims against the authority of the Securities Authority and/or an administrative enforcement committee in Israel in connection with financial sanctions and/or administrative enforcement measures imposed thereon by the Securities Authority and/or administrative enforcement committee in Israel, under Chapter H3 and/or Chapter H4 of the Securities Law, and undertake and will undertake irrevocably and in writing to uphold the decisions of the Securities Authority and/or the administrative enforcement committee in Israel, including, without derogating from the generality of the above, to pay the financial sanctions and/or payments to victims of the breach imposed thereon (if any) and to take actions to remedy the breach and prevent its recurrence without waiver on any right of petition, appeal or claim in any other manner against the aforementioned sanctions or resolutions. The aforesaid undertakings of the Company, officers and controlling shareholders of the Company will be hereinafter referred to as the **"Undertakings of the Company, Officers and Controlling Shareholders."**

The controlling shareholders' and officers' undertakings, as stated above, will be published shortly after the publication of the results of the tender regarding the issuance of Series D Bonds, or as the case may be will be attached in the framework of the immediate report regarding the appointment of the officer which the Company will publish in accordance with the provisions of the law Or regarding the change in control of the Company, as the case may be, which the Company shall publish in accordance with the provisions of the law in Israel, as part of the pre-issuance reports and at the time of the appointment of any officer and/or the entry of a new controlling shareholder, all during the course of the life of the Bonds (Series D).

The laws of the British Virgin Islands and the incorporation documents of the Company do not limit or prevent the registration for trade of the securities offered according to this Prospectus and these may be traded freely in the Stock Exchange without any limitation under the laws of the British Virgin Islands and the incorporation documents of the Company.

Moreover, it should be noted that the Controlling Shareholders and Officers in the Company, present and future, have irrevocably undertaken and will irrevocably undertake (as applicable) not to make any claims against the imposition or validity of Article 39a as aforementioned.

36. **General**

Without derogating from the other provisions of this Deed and of the Bonds (Series D), any waiver, extension, discount, silence, refraining from taking action ("Waiver") on the part of the Trustee regarding nonfulfillment or partial fulfillment or improper fulfillment of any obligation to the Trustee according to this Deed and the bond (Series D) will not be considered as a Waiver on the part of the Trustee of any right, but rather limited consent to the special opportunity in which it was granted. Without derogating from the other provisions of this Deed and the bond (Series D), any change in undertakings to the Trustee, including a waiver, requires receipt of the Trustee's prior written consent. Any other consent, whether oral or by means of Waiver and refraining from taking action or in any other way which is not written will not be considered consent of any kind. The Trustee's rights according to this Deed of Trust are individual and independent of one another, and are in addition to any right existing and/or which shall be granted to the Trustee according to law and/or agreement (including this Deed and the bond (Series D)).

37. **Trustee's Liability**

37.1 Notwithstanding what is stated in any law and anywhere in the Deed of Trust, inasmuch as the Trustee acted for the purpose of fulfilling his position in good faith and within a reasonable time, as well as ascertained the facts which a reasonable trustee would have ascertained under the circumstances, he shall not be liable to the bondholder for harm caused to him as a result of the fact that the Trustee utilized his discretion according to the provisions of section 35H(d1) or 35I1 of the Securities Law, unless it is determined in a final judgment that the Trustee acted with severe negligence. It is clarified that inasmuch as a contradiction shall be discovered between the provisions of this section and other provisions in the Date of Trust, the provisions of this section shall prevail.

37.2 If the Trustee acted in good faith and without negligence in accordance with the provisions of section 35H(d2) or 35H(d3) of the Securities Law, he will not be liable for performing said action.

38. **Addresses**

The Parties' addresses will be as detailed in the preamble to this Deed, or any other address regarding which appropriate written notice is given to the other party.

39. **Authorization to MAGNA**

In accordance with the provisions of the Securities Regulations (Signature and Electronic Reporting), 5763-2003, the Trustee hereby certifies to the entity authorized for the same on behalf of the Company, to electronically report to the Securities Authority regarding this Deed of Trust.

In witness whereof the Parties have signed:

Mishmeret Trust Services Company Ltd.

Strawberry Fields REIT Ltd.

I the undersigned, Boaz Noiman, Advocate, of the offices of Fischer & Co., certify that this Deed of Trust was signed by Strawberry Fields REIT Ltd. Through Mr. Moshe Eingal, whose signature binds the Company in connection with this Deed of Trust.

First Addendum**Certificate of Bonds (Series D)**

Issuance of a series of ILS 200,000,000 par value of Bonds (Series D), registered by name, bearing fixed annual interest in the rate determined by the Tender (the "**Interest**"), repayable (principal) in three payments – on September 30 of each of the years 2024, 2025 and 2026, such that each of the first two payments on account of the principal will constitute 6% of the total principal par value of the Bonds (Series D) and the third and last payment on account of the principal will constitute 88% of the principal total par value of the Bonds (Series D). The interest for the Bonds (Series D) will be paid on March 31 and September 30 of each of the years 2023 through 2026 (inclusive) (the first interest payment will be made on September 30, 2023 and the last interest payment will be made on September 30, 2026, together with payment of the principal of the Bonds).

Bond (Series D) Registered by Name

Number: 1

Par value: ILS 200,000,000

Annual interest: fixed at a rate determined by the Tender .

The registered owners of the Bonds in this Certificate : Mizrahi Tefahot Nominee Company Ltd.

1. This certificate indicates that Strawberry Fields REIT Ltd. (the "**Company**") will pay any party that is the registered owner of this Bond (the "**Holder of the Bond (Series D)**") on the effective date for the same payment. The payments will be made on the following dates:

[_____]

- 1.1. The principal of the par value of the Bonds (Series D) - three payments - on September 30 of each of the years 2024, 2025 and 2026, so that each of the first two payments on account of the principal will constitute 6% of the principal of the total par value of the Bonds (Series D) and the third and last payment on account of the principal will constitute 88% of the principal of the total par value of the Bonds (Series D).
- 1.2. The interest for the Bonds (Series D) – the interest for the Bonds (Series D) will be paid in semi-annual payments, on March 31 and September 30 in the years 2023 through 2026 (inclusive). The first interest payment will be made on September 30, 2023 for the period beginning on the first trading day after the closing date of the signatures and ending on the last day before the first payment date of the interest (i.e. on January 30, 2021) (the "**First Interest Period**"), which will be calculated based on the number of dates in this period on a basis of 365 days per year. The interest rate that will be paid for a certain interest period (excluding the First Interest Period) i.e. the period commencing on the payment date of the previous interest period and ending on the last day before the payment date shortly after the date of its commencement will be calculated as the annual interest rate divided by two (the "**Biannual Interest Rate**"). .

All subject to the provisions stated overleaf and the Deed of Trust, dated [____], [____], between the Company of the first part and Mishmeret Trust Services Ltd. and/or any party that serves from time to time as a trustee of the Bondholders under the Deed of Trust (the "**Trustee**" and the "**Deed of Trust**" respectively).

2. The Bonds (Series D) are not linked to any index or currency.
3. The final payment of principle and the final payment of the interest will be made in exchange for provision of the bond certificates (Series D) to the Company on the date of the final payment (i.e. on September 30, 2026) at the Company's registered office or in any other place which the Company shall indicate. The Company's notice as stated will be published no later than five (5) business days before the last payment date.

4. All of the Bonds (Series D) shall have an equal security rating between them (Pari Passu) in connection with the Company's liabilities according to the Bonds (Series D) and without a priority right or preference for one over another.
5. This Bond (Series D) is issued subject to the terms stated overleaf, the terms detailed in the Deed of Trust and the Shelf Offer Report.

Signed by the Company on _____

By:

Authorized Signatory: _____

Authorized Signatory: _____

I the undersigned, Boaz Noiman, Advocate, of Fischer and Co. certify that this bond certificate was duly signed by Strawberry Fields REIT Ltd., [____], whose signature binds the Company in connection with this bond.

Boaz Noiman, Adv.

The Terms Stated Overleaf

1. General

In this (Series D) bond, the following expressions shall have the following meanings and inasmuch as they are not defined below, shall have the meaning given them in the Deed of Trust, unless expressly stated otherwise:

"Business Day" or a "Bank Business Day"	Any day on which the exchange clearinghouse of most of the banks in Israel are open to carry out transactions.
"Series of Bonds"	- the bonds listed by name, whose terms will be in accordance with the certificate of the Bonds (Series D), the Deed of Trust and the Shelf Offer Report on behalf of the Company dated [_____] (including its amendments, if any) based on which they will be issued.
"Principal" -	The unpaid par value of the (Series D) bonds.
"Special Resolution" -	a resolution passed in a general meeting of Bondholders (Series D), who are present themselves or by their counsel whose Bonds represent at least 50% of the balance of the par value of the Bonds (Series D), or in an adjourned meeting attended by the Bondholders, themselves or by their counsel, who hold at least 20% of the balance of the par value as stated, and which is passed (whether in the original meeting or adjourned meeting) with a majority of at least two thirds (2/3) of the balance of the par value of the Bonds (Series D) represented in the vote.
"Ordinary Resolution" -	a resolution passed in a meeting of Bondholders convened under Section 35113 and 35114(a) of the Securities Law, passed (whether in the original or deferred meeting) with a majority of at least fifty percent (50%) of all of the votes of the participants in the vote, excluding abstentions;
The "Nominee Company" -	Mizrahi Tefahot Nominee Company Ltd. or a nominee company that will replace it, provided all the Company's securities will be registered under its name.
"Trading Day" -	A day on which transactions are made in the Tel Aviv Securities Exchange Ltd.
"Clearing Housing of the Stock Exchange" -	The Securities Authority The Tel Aviv Stock Exchange Ltd.

2. The Bonds

For details regarding the Bonds (Series D), see section 2.2 of the Deed of Trust.

3. Terms of Bonds (Series D)

- (a) The Bonds (Series D), registered by name, of ILS 1 par value each. The Bonds (Series D) will be payable (principal) in three payments – on September 30 of each of the years 2024, 2025 and 2026, such that each of the first two payments on account of the principal will constitute 6% of the total principal par value of the Bonds (Series D) and the third and last payment on account of the principal will constitute 88% of the principal total par value of the Bonds (Series D).

- (b) The unpaid balance of the principal of the Bonds (Series D) will bear fixed annual interest at the rate determined in the Tender (but subject to adjustments in the case of a change to the rating of the Bonds (Series D) and/or deviation from the financial covenants set forth in Sections 5.2 and 5.3, respectively, in the Deed of Trust. ⁵
- (c) The Bonds (Series D) are not linked to any currency or index.
- (d) The interest for the Bonds (Series D) will be paid in semiannual payments, on March 31 and September 30 of each of the years 2023 to 2026 (inclusive), as set forth below (excluding the first payment, which will be made as set forth in subsection (e) below).
- (e) The first payment of interest on the Bonds (Series D) will be paid on September 30, 2023 for the period beginning on the first trading day after the signature closing date and will end on the last day before the date of the first interest payment (namely, on September 29, 2023) (the **"First Interest Period"**) which shall be calculated according to the number of days during this period on the basis of 365 days per year. The interest rate which will be paid for a particular interest period (other than the first interest period) (meaning, the period which begins on the payment day of the prior interest period and ending on the last day before the payment date immediately after the commencement date) will be calculated as the yearly interest rate divided by two (the **"Semiannual Interest Rate"**). The Company will publicize, in the immediate report on the results of the tender, the initial interest rate, the annual interest rate which shall be determined in said tender, and the Semiannual Interest Rate.
- (f) The payments on account of the principal and/or the interest in respect of the Bonds will be paid to those whose names will be registered in the Register of the Bondholders on September 18 and March 19 for each relevant period preceding the date of that payment as stated in Section 1 of the Shelf Offering Report. Notwithstanding the foregoing, the final payment of the principal and the interest shall be made against delivery of the bond certificates to the Company at the Company's registered office or at any other place that it announces, provided that such notice shall be given by the Company no later than five business days prior to the date set for making the last payment.

The final payment of principle and the final payment of the interest will be made in exchange for provision of the bond certificates (Series D) to the Company on the date of the final payment (namely, on September 30, 2026) and the Company's registered office or in any other place which the Company shall indicate. Such notice by the Company will be published no later than five (5) business days before the date of the final payment.

- (g) It is clarified that a party that is not registered in the registry regarding payment of principal and/or interest, as applicable, on September 18 and March 19 regarding each relevant period that precedes the payment date of the principal and/or interest will not be entitled to payment of principal and/or interest for the principal and/or interest term beginning before the same date.

4. Payments of Principal and Interest of the Bonds (Series D)

- (a) Every payment on account of the principle and/or interest which shall be paid with a delay exceeding seven (7) days from the date stipulated for its payment according to the bond terms, and this for a reason under the Company's control, shall bear lateness interest as defined below, beginning on the date stipulated for its payment and until the date of actual payment. Regarding this, the rate of interest in arrears shall be in addition to 4% on the interest rate on bonds as stated in section 3(b) 3 above, and all on a yearly basis (the "Arrears Interest"). The Company shall give notice of the rate of Interest which has accrued (inasmuch as it has accrued) on the precise interest rate for the period, including the arrears interest, as well as the date of payment, in an immediate report and this two (2) trading days before the date of actual payment.
- (b) Payment to those who are so entitled will be done by check or bank transfer and/or by means of the Exchange Clearinghouse in favor of the bank account of the bondholders (Series D). If the Company cannot, for any reason whatsoever which is not under the Company's control, pay any amount to those so entitled, the provisions of Section 14 of the Trust Deed will apply.

⁵ It is clarified that if the Bonds (Series D) are rated by more than one reading company, the ratings test for the purpose of adjusting the interest rate to a change in rating (if and inasmuch as there shall be such a change) shall be done, at all times, according to the lower of the ratings.

- (c) A bondholder (Series D) who so wishes, will notify the Company of the details of the bank account to be credited with payments to that same holder according to the Bonds (Series D) as aforesaid, or of a change in the details of said account or his address, as applicable, in a notice which will be sent by registered mail to the Company. The Company shall be required to act in accordance with the notice from the holder regarding said change after the passing of 15 business days from the date on which the holder's notice reached the Company.
- (d) If a bondholder registered in the registry of holders did not timely provide the Company with details regarding his bank account to be credited with the transfer of payments to the same holder, according to the bond, every such payment will be made by check which will be sent by registered mail to his last address registered in the registry of holders. Sending of a check to one so entitled by registered mail as aforesaid will be considered for all intents and purposes as payment of the amount determined therein on the date of its sending by mail, provided that the check is deposited in the bank and actually paid.

5. Postponement of Dates

In any event in which a date for payment on account of principle and/or interests falls on a day which is not a business day, the payment date will be postponed to the first business day thereafter, without additional payment and the "Effective Date" for the purpose of determining entitlement for redemption or interest will not change as a result.

6. Securing the Bonds

See Section 6 of the Deed of Trust.

7. Refraining from Payment for a Reason Which is not under the Company's Control

See Section 14 of the Deed of Trust.

8. Register of Bondholders

See Section 3030 of the Deed of Trust.

9. Splitting Bond Certificates

- (a) In respect of the Bonds (Series D) registered in the name of one holder, the holder shall be issued one certificate, or at his request, he shall be issued a number of certificates in a reasonable amount (and the certificates mentioned in this section shall hereinafter be called: the "Certificates").
- (b) Every bond certificate may be split to bond certificates where the sum of all of their par value equals the amount of the par value of the certificate whose splitting is requested, provided that said certificates shall not be issued except in reasonable amounts. We split will be done in exchange for providing that same bond certificate together with a written request signed by the registered holder given to the Company at its registered office for the purpose of carrying out the split. All of the costs involved in the split, including taxes and levies, if such shall apply, will fall on the party requesting the split.

10. Transfer of Bonds

The bonds may be transferred and their full par value, as well as in part, provided that it shall be in whole New Israel Shekels. Every bond transfer shall be done by a letter of transfer in an accepted wording, duly signed by a the registered holder or his legal representatives and by the recipient of the transfer orders legal representatives, which shall be provided to the Company at its registered office together with the bond certificates transferred in accordance there with as well as every other proof required by the Company for the purpose of proving the transferor's right to transfer them. If tax or any other mandatory payment shall apply to the letter of transfer of the bonds, proof of their payment shall be provided to the Company which shall be satisfactory to the Company. The Company's Articles of Incorporation which apply to the transfer shares which are fully paid and their assignment will apply, mutatis mutandis, as applicable, on the manner of the transfer of the bonds and their assignment. In the event of a transfer of only a portion of the amount of the determinate principle in a bond certificate, it is necessary to first split, according to the provisions of section 8 above, the certificate to a number of certificates as required by the same, in a manner such that the sum of all of the determinate principle amounts therein will be equal to the amount of the determinate principle of said bond certificate. After fulfilling all of these conditions, the transfer shall be registered in the registry, and the Company shall be entitled to require that a notice regarding said transfer be registered on the certificate of the transferred bond which will be provided to the transfer recipient or that he be issued a new bond certificate in its place, and the transferee shall be subject to all of the conditions detailed in the transferred bond certificate such that in a place that it states "the holder" it shall be seen as if it says "the transferee", and he shall be considered as a "holder" for purposes of the Deed of Trust.

11. Early Redemption

Regarding early redemption of the Bonds at the initiative of the Stock Exchange and early redemption at the initiative of the Company, see Section 7 of the Deed of Trust.

12. Purchase of Bonds by the Company and/or an Affiliate

See Section 3 of the Deed of Trust.

13. Waivers, Compromises, and Changes to the Deed of Trust

See Section 29 of the Deed of Trust.

14. Bondholders' Meetings

The general meetings of bondholders (Series D) shall be convened and shall be conducted in accordance with what is stated in the Second Supplement of the Deed of Trust.

15. Receipt from Bondholders

See Section 15 of the Deed of Trust.

16. Right to Call for Immediate Repayment

See Section 8 of the Deed of Trust.

17. Notices

See Section 28 of the Deed of Trust.

18. Applicable Law and Judicial Authority

See Sections 34 and 35 of the Deed of Trust.

19. Order of Priorities

In the event of a contradiction between this supplement and the Deed of Trust, the Deed of Trust shall prevail.

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Second Addendum

Bondholders' Meetings (Series D)

1. Entitlement to Convening a Meeting

- 1.1. The Trustee will convene a meeting of Holders if it sees that the same is necessary or at the request of one or more Bondholder who has at least 5% (five percent) of the balance of the par value of the Bonds. In the event that those requesting the calling of the meeting are bondholders, the Trustee will be entitled to require indemnification, including in advance, from the requesters for the reasonable expenses involved.
- 1.2. It shall be clarified that the indemnification demand by the Trustee shall not detract from the calling of a meeting which was called for the purpose of initiating an action designed to prevent harm to the rights of the bondholders and the indemnification demand shall not derogate from the Company's obligation to bear the expenses involved in calling the meeting.
- 1.3. The Trustee will call a meeting of bondholders within 21 days from the date on which the request that it be convened is submitted to him, on a date which shall be stipulated and of the summons, and provided that the date of convening will not be earlier than seven days and no later than 21 days from the date of the summons; however the Trustee is entitled to advance the convening of the meeting to at least one day after the summons date, if he believes that this is required for the purpose of defending the holders' rights; should he do so, the Trustee will explain the reasons for advancing the convening date in the report regarding the meeting summons.
- 1.4. If the Trustee did not call a meeting of holders, according to the holder's request as aforesaid, within 21 days from the date he was requested as aforesaid, the holder is entitled to convene the meeting, and provided that the date of convening will be within 14 days of the end of the period in which the Trustee must call the meeting, and the Trustee will bear the expenses incurred by the holder in connection with convening the meeting.
- 1.5. Every meeting of bondholders (Series D) will take place in Israel and a place indicated by the Company and/or the Trustee, and the Company will bear the reasonable expenses of convening the meeting. Notwithstanding the foregoing, the Trustee may determine that the meeting be held by electronic media.

2. Meeting Summons and Meeting Agenda

- 2.1. A summons to a meeting by the Trustee for the purpose of consultation only with the bondholders will be published at least one day before the date of its convening ("Consultation Meeting"). An agenda will not be published for, and no resolutions will be adopted at a Consultation Meeting.
- 2.2. A summons to a meeting which is not a Consultation Meeting will be published in accordance with the provisions of the Securities Law as it shall exist from time to time, at least 7 (seven) days, but no more than 21 days before the convening of the meeting ("Summons").
- 2.3. The Trustee will determine the agenda at the bondholders meeting. One or more Bondholder (Series D) who has at least 5% (five percent) of the balance of the par value of the Bonds (Series D) is entitled to request that the Trustee include a topic on the holders' meeting which will be convened in the future, provided that the topic is appropriate in the Trustee's opinion for discussion at said meeting;
- 2.4. The Trustee will be entitled to shorten the date of convening to at least one day after the date of the summons if he saw that delay in convening the meeting constitutes or is likely to constitute injury to the rights of the bondholders. Should he do so, the Trustee will explain the reasons for advanced in the convening of the meeting in the report regarding the meeting summons.

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- 2.5. The summons shall detail:
 - 2.5.1. Location where the meeting will be convened;
 - 2.5.2. The date and time on which the meeting will be convened;
 - 2.5.3. The legal quorum for commencing the meeting as detailed in section 3 below;
 - 2.5.4. The effective date for participation in the meeting which shall occur no less than one day before the convening of the meeting and not more than three days before its convening.
 - 2.5.5. The topics to be discussed at the meeting and proposed resolutions will be indicated;
 - 2.5.6. Arrangements regarding written voting;

3. The Legal Quorum for Commencing the Meeting and Postponed Meeting

- 3.1. A Consultation Meeting will take place with any number of participants.
- 3.2. A meeting of bondholders so commence after it is proved that the required legal quorum as stated below for holding the meeting is present.
- 3.3. Subject to the presence of the required legal quorum for the meeting which was convened to adopt special resolutions and subject to the provisions of the Securities Law, the legal quorum for holding a holders' meeting is the presence of at least two bondholders who have 25% (twenty-five percent) at least of the unpaid balance of the par value of the bonds in circulation and that time, within half an hour from the time stipulated for opening the meeting
- 3.4. If within half an hour from the time stipulated for the opening of the meeting, a legal quorum is not present, the meeting will be postponed to a different date which shall not be earlier than two business days after the date stipulated for holding the original meeting or one business day, if the Trustee believes that this is required for the purpose of protecting the rights of the bondholders; if the meeting is postponed, the Trustee will explain the reasons for this in the report regarding the postponed-meeting summons.
- 3.5. Other than in connection with a meeting which was convened to adopt as resolution that is required to be adopted as a special resolution and subject to the provisions of the Securities Law, if a legal quorum is not present at the postponed holders' meeting within half an hour from the time stipulated for its commencement, the quorum shall be legal with any number of participants; if the meeting is convened following a request from the holders, as set forth in Sections 1.2 and 1.3 above - the legal quorum of Bondholders will be one or more holding at least 5% (five percent) of the balance of the par value of the bonds existing in circulation on the effective date for the meeting.
- 3.6. Bonds held by a related person (as defined in section 3.2 of the Deed) will not be taken into consideration for the purpose of determining the legal quorum.

4. Chairperson

At every holders' reading, the Trustee or whomever he appoints shall serve as chairperson of that same meeting.

5. Adjourned Meeting

- 5.1. A meeting which has been opened shall be adjourned at the notice of the Trustee or notice of the chairperson of the meeting, and it may have one or more sessions.
- 5.2. In a holders' meeting which has a legal quorum, the meeting chairperson and/or the Trustee are entitled to decide to hold an additional session which will take place on a different date and location which will be determined by the Trustee ("Adjourned Meeting").
- 5.3. The Trustee will be responsible for publicizing a notice regarding the date and location on which the Adjourned Meeting will be convened, and provided that said notice shall be given 12 hours at least before the convening of the Adjourned Meeting.

- 5.4. At an Adjourned Meeting, only a topic which was on the agenda of the original meeting regarding which no resolution was adopted will be discussed.
- 5.5. A holder who was not present at the original meeting will be able to be present for the Adjourned Meeting and vote on the topics which have been presented for vote (and for which the vote has not yet been sealed) and will be presented for voting, subject to the fact that he proves his ownership of bonds which are the subject of the meeting to the one calling the meeting as of the effective date of the meeting is stipulated in summons notice for the meeting.

6. Provisions for Special Meetings

In a meeting of bondholders the agenda of which contains one of the following, the provisions below will apply regarding the legal quorum in a meeting of holders or an adjourned meeting, and regarding the majority required for passing the resolutions:

- 6.1. In a meeting the agenda of which contains calling the bonds for immediate repayment - the provisions of Section 8.2.2 of the Trust Deed will apply.
- 6.2. In a meeting the agenda of which contains removing the Trustee from his service - the provisions of Section 32 of the Trust Deed will apply.
- 6.3. A change and/or amendment and/or addition to the Trust Deed - the provisions of Section 29 of the Deed of Trust will apply. 29

At a meeting on whose agenda includes a resolution on a topic regarding which it is stipulated in the Trust Deed or the bond that it is subject to a special resolution, the legal quorum is the presence of bondholders who own fifty percent (50%) at least of the balance of the bonds' par value or at a postponed meeting, the presence of bondholders who own twenty percent (20%) at least of the balance of the bonds' par value. The required majority for adopting a special resolution (whether at the original meeting or at a postponed meeting) is a majority of two-thirds (two thirds) of the balance of the bonds' par value which is represented at the vote.

7. Position Statements

- 7.1. The Trustee or the bondholder, one or more, who owns at least 5% (five percent) of the balance of the bonds' par value (Series D) is entitled to make a written application to the bondholders in a letter which will be attached to the ballot in order to convince them regarding the manner of their vote on one of the topics raised for discussion at that same meeting (in this supplement - "Position Statement").
- 7.2. A holder who wishes to make use of this right will give notice of the same to the Trustee during the session in which it is resolved to bring that same topic to a vote and will provide the Trustee with the Position Statement within 24 hours of the date of that same session.
- 7.3. Any meeting which was summoned following a request by shareholders or by the shareholders as detailed in sections 1.1 and 1.3, every holder will be entitled, by means of the Trustee, to publish a Position Statement in relation to the topics which are on the agenda for the meeting.1.21.3
- 7.4. The Trustee in the Company will be entitled, each one individually, to publish a Position Statement in response to the Position Statement which was sent in accordance with 7.1 and 7.3 above, or in response to another application to the bondholders.
- 7.5. Position Statements will not be published at a Consultation Meeting.

8. Votes at a Meeting

- 8.1. The vote at a meeting of the holders of the Bonds (Series D) will take place in relation to the topics which were detailed in the summons only.
- 8.2. A holder of a Bond (Series D) will be entitled to vote himself, by means of an agent appointed in accordance with this supplement or by means of a ballot.

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- 8.3. The meeting chairperson is entitled to determine that votes will be by ballot or by means of vote during the course of the meeting. In the event in which the chairperson determined that the vote will be by means of ballot, the trustee will ensure that the text of the ballot will be distributed to the holders, and will determine the date on which the vote is closed by which time the holders must send the full and duly signed ballot to the Trustee. The Trustees entitled to require that a holder declare, in the framework of the ballot, the existence or absence of a conflict of interest (as defined infra) which he has, in accordance with the Trustee's judgment. A holder who does not fill out the ballot in full and/or does not prove his entitlement to participate and vote at a meeting according to the provisions of the Second Supplement will be considered as one who has not submitted a ballot and accordingly has chosen not to vote on the topic(s) which are on the ballot. A fully filled out and duly signed ballot in which the holder indicated his vote which reaches the Trustee by the deadline determined for the same will be considered as presence at the meeting for the purpose of breaching the legal quorum at the meeting.
- 8.4. Unless expressly stipulated otherwise in this Deed, the required majority for adopting any resolution by the general meeting is an ordinary majority of the number of votes represented in the vote and those voting for or against. Additionally, but subject to the provisions above, the Trustee is entitled to decide at his discretion in accordance with the circumstances whether adoption of a resolution requires a majority which is not ordinary.
- 8.5. The Trustee will participate in the meeting without the right to vote. The Company may, through its representatives, present matters before the discussion and respond to questions from holders, if any. Notwithstanding the above, it shall be clarified that the Trustee may, at its sole discretion, resolve that the meetings of holders, in whole or in part, will take place in the absence of the Company or a representative on its behalf or a related holder or any other person, without being subject to the obligation to provide grounds.
- 8.6. Holders of the bonds are entitled to participate and vote in every general meeting on their own or by means of representatives. Every voter by bondholders will be conducted according to the number of votes such that every bondholder or his representative will be entitled to one vote in respect of every ILS 1 par value from the total specified principle which has not yet been repaid of the bonds based on which he is entitled to vote. In the event of joint holders, only the vote by the requested registered first between them in the registry, whether himself or by means of an agent.
- 8.7. A bondholder or his agent are entitled to vote in respect of a portion of his votes in favor of a particular proposed resolution, and against in respect of another portion, and in respect of another portion to abstain, all as he sees fit.

9. Checking for the Existence of a "Conflicted Interest"

This Section 9 will apply only if the Trustee is subject to an obligation under law to examine the presence of a conflict of interests, and subject to the provisions of law as they may be, the following provisions will apply:

- 9.1. In the number of voters, the votes of Bondholders who are a related person as defined in section 3.2 of the Trust Deed will not be considered and these bonds shall not grant the related person the right to vote at the general meeting of bondholders as long as they are held by the related person.
- 9.2. The Trustee will examine the existence of conflicts of interests by holders, whether it is a matter stemming from their holding of the bonds or whether it is another matter related to them, as determined by the Trustee (in this supplement - "Other Matter"); the Trustee is entitled to require that the holder participating in the holders' meeting notify him regarding any Other Matter of his as well as whether he has such a conflict of interests.
- 9.3. Without derogating from the generality of the aforesaid, each of the following shall be considered a conflicted owner:
 - 9.1.1 A holder who is a Related Person (as this term is defined in section 3.2 of the Trust Deed);
 - 9.1.2 A holder who served as an officer in the Company adjacent to the time of the event which is at the basis of the resolution at issue at the meeting;

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9.1.3 Any holder who the Trustee determines possesses a "conflict of interest" according to what is stated, infra, subject to all laws and/or instructions by the competent authority including: every holder who declares to the Trustee in writing that he has a substantive personal interest which deviates from the interests of all of the bondholders at the bondholders meeting (Series D). A holder who fails to provide a written declaration after having been requested to do so by the Trustee will be considered as having declared that he has a personal interest as such, and regarding him the Trustee will determine that he has a conflict of interest. Without derogating from what is stated in this section 9, the Trustee will examine whether the holder is a holder with a "conflict of interest," taking into account also the holdings of that same holder of other securities in the Company and/or securities in any other corporation relevant to the resolution presented for approval at the meeting (as shall be detailed in the ballot), in accordance with the declaration of that same holder.

Determination of a conflict of interest will be done as well on the basis of a general test for conflict of interest which shall be carried out by the Trustee. Similarly, for the avoidance of doubt is clarified that the provisions regarding the definition of bondholders with a conflict of interest shall not derogate from the provisions of any law, case law and binding guidelines by the Securities Authority regarding the definition of bondholders with a conflict of interest, as shall apply at the time of the examination.

- 9.4. For the purpose of examining a conflict of interests as aforesaid, the Trustee shall be entitled to rely on a legal opinion which he shall request, and it shall be subject to the provisions of the Deed of Trust regarding bearing of expenses.
- 9.5. It shall be clarified that the test for a conflict of interests as stated, supra, inasmuch as it is required in the judgment of the Trustee, shall be conducted separately in relation to each resolution on the meeting agenda as well as in relation to each meeting, separately. It shall be further clarified that the declaration of a holder as having a conflict of interest in a resolution or meeting will not, in and of itself, demonstrate a conflict of interests by that same holder for a different resolution which is on the meeting agenda or his conflict of interest at different meetings.
- 9.6. And counting the vote tally at a vote which took place at a holders' meeting, the Trustee will not take into account the votes of holders who did not respond to his request as described in section 9.1 above, or that of holders regarding whom he found that there is a conflict of interest as stated in that same subsection (in this supplement - "Holders With a Conflict of Interest").

10. Declaration of Adoption of a Resolution

The declaration by chairperson that a resolution at a holders' meeting was adopted or rejected, whether unanimously or by some majority, shall be prima facie evidence of what is stated therein.

11. Letter of Appointment

- 11.1. A letter appointment appointing an agent will be in written and will be signed by the a pointer or by his authorized representative, in writing as required. If the pointer is a corporation, the appointment will be made in writing, signed with of the corporation's stamp and the signature of the clerk of the corporation or the corporation's representative who is authorized to do so. A letter of appointment of an agent will be drafted in any common form. An agent is not required to be a holder himself.
- 11.2. A letter of appointment and the power of attorney or another certificate based on which the letter of appointment is signed, or a certified copy of such a power of attorney, will be deposited in the Company's office prior to the time of the meeting regarding which power of attorney is granted, unless otherwise stipulated in the notice calling the meeting.
- 11.3. A vote cast in accordance with the terms in the document appointing an agent shall be valid even if the grantor passes away beforehand or is declared legally incompetent or the letter of appointment is annulled or the bond regarding which the vote was cast is transferred, unless prior to the meeting, written notice regarding the death, declaration of incompetence, annulment, or transfer, as applicable, is received in the Company's registered office.

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- 11.4. Subject to the provisions of Section 11.2 above, every corporation which owns bonds is entitled by written and duly signed authorization, to empower a person as it sees fit to act as its representative at every meeting of bond owners, and a person thus authorized is entitled to act in the name of the corporation which he represents.

12. Minutes

- 12.1. The Trustee will prepare minutes of the holders' meeting and will maintain them in his registered office for a period of seven years from the date of the meeting. The Trustee may prepare minutes of a meeting of parts thereof by way of recording.
- 12.2. Minutes signed by the chairperson of the meeting will serve as prima facie evidence of the matters listed therein. A declaration by the chairperson of the meeting regarding adoption of a resolution or its rejection and a notation regarding the matter in the minutes' registry shall serve as prima facie evidence of this fact.
- 12.3. The registry of minutes of holders' meetings will be maintained in the Trustee's registered office and will be open for examination by the Company and the bondholders, and a copy thereof will be sent to any bondholder requesting it. The Trustee of the Company, at its request, will also be sent a copy of the minutes of this meeting in which the Company participated.
- 12.4. The Trustee will be entitled to delay delivery of any minutes, to any entity whatsoever, if in his exclusive discretion, provision of the minutes, in whole or in part, may harm or cause result in harm to the rights of bondholders (Series D).

13. A person or persons appointed by the Trustee, the Company Secretary, and any other person or persons so authorized by the Trustee will be entitled to be present at the bondholders' meeting. In a case in which according to the Trustee's reasonable discretion it shall be necessary to engage in discussions during a portion of the meeting outside of the presence of the Company's representatives, then representatives of the Company or anyone on their behalf will not take part in that same portion of the meeting.

14. Everything stated in this supplement is subject to the Deed of Trust.

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Appendix 24

Of the Deed of Trust dated _____

The Trustee's Fee

The Company will pay the Trustee fee for its services, in accordance with this Deed of Trust, as detailed below:

1. For the entire trust year (or part thereof), commencing on the issuance date of the Bonds, the Trustee will be paid annual fee in the sum of ILS 26,000 (the "**Annual Fee**").
2. Additionally, the Trustee will be entitled to a return on reasonable expenses from the Company, as defined below: "Reasonable Expenses" - sums paid by the Trustee in the framework of fulfilling his position and/or pursuant to the authorities granted thereto according to this Deed, including: expenses and costs for the initiation and convening of an assembly of holders of Bonds and expenses for the notices, transportation and advertisement publications connected to the convening of the assembly, and as required by any law.
3. Without derogating from the generality of the above, the Trustee will be entitled to wage payments from the Company in the sum of ILS 500 for each working hour required therefor for the special operations to be performed in the framework of his position as Trustee (all - pursuant to the provisions of the Deed of Trust), including:
 - 4.1 The operations derived from a material breach or a clear and present concern for a material breach of the Deed by the Company;
 - 4.2 Operations in connection with the decision of the assembly of holders of Bonds to place the Bonds for immediate repayment;
 - 4.3 Special operations that were required or will have a need to be performed, with regards to the convening of assemblies of the Bonds due to a clear and present concern of a breach of the Deed by the Company;
 - 4.4 Special works (including, without limitation, works required because of changes in the Company's structure or work because of the Company's demand) or in respect of the need to take additional actions for the purpose of fulfilling his role as a reasonable Trustee, because of changes in laws (including regulations which shall be enacted following amendments 50 and 51 of the Securities Law) and/or regulations and/or other binding instructions which shall apply in connection with the Trustee's activities and his responsibility according to this Deed of Trust;
 - 4.5 Actions in connection with the registration, amending registration or voiding of registration of guarantees and the registry (including abroad), similarly, review, supervision, control, enforcement, and so forth of obligations (such as: restrictions on the Company's freedom of operation, pledging of properties, and so forth), which the Company undertook or will undertake or which will be undertaken by anyone on its behalf or for its in connection with the guaranteeing of other undertakings by the Company or anyone acting on its behalf (such as: making payments according to the terms of the bonds) towards bondholders.
 - 4.6 In the event where the Company will be meant to pay the Trustee a payment for his wage expenses and/or payment for reasonable expenses paid thereby and/or for special operations to be performed by him or which were performed by him in the framework of fulfilling his position and/or on behalf of the authorities granted thereto according to the Deed of Trust, if any of the above is applicable, and the Company failed to do so, the Trustee may pay the full amount of these sums from the receipts that were accrued thereby in accordance with the Deed of Trust, provided that he notified the Company of his intention to do so in advance and in writing.
- 4.7 It shall be clarified that in the event that due to a future change to the laws and/or regulations and/or other binding provisions applying to the Trustee's actions additional expenses will be exclusively borne by the Trustee, required thereof for the fulfillment of his position as a reasonable Trustee, the Company will indemnify the Trustee for the reasonable expenses including his reasonable fee.
- 4.8 VAT, if applicable, will be added to each of the said sums, as applicable, and will be paid by the Company.
- 4.9 All of the abovementioned sums will be linked to the index for the month of [____]. However, in any event, a sum that is lower than the sum denominated in this Deed will not be paid.
- 4.10 The Trustee's fee will be paid in respect of the period up until the end of the Trust included in this Deed even if a receiver is appointed for the Company (or a receiver and a manager), or whether the trust according to this Deed will be managed under the supervision of the court, or not.
- 4.11 The aforesaid yearly wage will be paid at the end of every trust year.
- 4.12 Subject to the provisions of the Deed of Trust, all of the amounts described in this supplement will have preference over monies due to the bondholders.
- 4.13 To the extent that the Trustee's service as described in this Deed of Trust shall come to an end, the Trustee will not be entitled to payment of his fee as of the date of the commencement of service of the replacement trustee. To the extent that the Trustee's service ended during the course of the trust year, fee paid in respect of months in which the Trustee did not serve as trustee for the bonds shall be refunded, as of the appointment of the replacement trustee. This session will not apply regarding the initial trust year.
4. The appointment of a trustee to replace the trustee whose office ended according to Section 35b(a1) or 35(14)(d) of the Securities Law, the Holders of Bonds of Series D will bear the difference in the fee of the appointed trustee, as stated, than that which was paid to the Trustee who was replaced, if the difference as stated is unreasonable, and the provisions of the relevant laws will apply at the time of the replacement as stated. The obligation of the Holders for the difference as stated will be performed by offsetting the relative part of the difference from any payment that the Company will make to the Holders of Bonds in accordance with the terms of the Deed of Trust and the transfer thereof will be directly from the Company to the Trustee.
5. If according to any law there will be an obligation to deposit a guarantee applying to the Company to ensure the Company's obligation for the special expenses of the Trustee, the Company will act in accordance with the provisions as stated.

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
REQUIRED BY RULE 13A-14(A)/15D-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I certify that:

1. I have reviewed this report on Form 10-Q of Strawberry Fields REIT, Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within that entity, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Audit Committee of the Company's Board of Directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Moishe Gubin

Moishe Gubin
Principal Executive Officer
Date: August 14, 2023

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
REQUIRED BY RULE 13A-14(A)/15D-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I certify that:

1. I have reviewed this report on Form 10-Q of Strawberry Fields REIT, Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within that entity, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Audit Committee of the Company's Board of Directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Nahman Eingal

Nahman Eingal
Principal Financial Officer
Date: August 14, 2023

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADDED BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Strawberry Fields REIT, Inc. (the "Company") on Form 10-Q for the three and six months ended June 30, 2023 as filed with the Securities and Exchange Commission (the "Report"), I, as the Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as added by § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

/s/ Moishe Gubin

Moishe Gubin
Principal Executive Officer
Date: August 14, 2023

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADDED BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Strawberry Fields REIT, Inc. (the "Company") on Form 10-Q for the three and six months ended June 30, 2023 as filed with the Securities and Exchange Commission (the "Report"), I, as the Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as added by § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

/s/ Nahman Eingal

Nahman Eingal
Principal Financial Officer
Date: August 14, 2023
