SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from _____ to

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

Commission File Number 000-29992

OPTIBASE LTD.

(Exact name of Registrant as specified in its charter)

N/A	**Israel**
(Translation of Registrant's name into English)	**(Jurisdiction of incorporation or organization)**

15 Abba Even Street
Herzliya 4672533, Israel
+972-73-7073700
(Address of principal executive offices)

Mr. Amir Philips, Chief Executive Officer
Telephone Number: 972-73-7073700, Fax Number: 972-73-7073701, Email: amirp@optibase-holdings.com
15 Abba Even Street
Herzliya 4672533, Israel
(Name, Telephone, E-Mail and/or Facsimile and Address of Company Contact Person)

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

Title of Each Class	Name of Each Exchange on Which Registered
Ordinary Shares, par-value NIS 0.65 each	**The Nasdaq Global Market**

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

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
Not Applicable

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **5,183,525 Ordinary Shares, par value NIS 0.65 per share, including 49,895 Ordinary Shares held by the Registrant and 12,000 Ordinary Shares held by a trustee for the benefit of the Registrant's employees and directors under the Registrant's incentive plan which have not vested on March 21, 2016, or within 60 days thereafter, both awarding their holders no voting or equity rights.**

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

Yes No ☒

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

Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

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

U.S. GAAP ☒

International Financing Reporting Standards as issued by the International Accounting Standards Board ☐

Other ☐

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

Item 17 ☐ Item 18 ☐

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

Yes ☐ No ☒

TABLE OF CONTENTS

CERTAIN DEFINED TERMS

In this annual report, unless otherwise provided, references to the "Company," "Optibase", "we", "us" or "our" are to Optibase Ltd., a company organized under the laws of Israel, and its wholly owned subsidiaries. In addition, references to our financial statements are to our consolidated financial statements, except as the context otherwise requires. References to "U.S." or "United States" are to the United States of America, its territories and its possessions.

In this annual report, references to "$" or "dollars" or "U.S. dollars" or "USD" are to the legal currency of the United States, references to "CHF" are to Swiss Francs, references to "€" or "Euro" or "EUR" are to the legal currency of the European Union and references to "NIS" are to New Israeli Shekels, the legal currency of Israel. The Company's financial statements are presented in accordance with United States generally accepted accounting principles, or U.S. GAAP. Except as otherwise specified, financial information is presented in U.S. dollars. References to a particular "fiscal" year are to the Company's fiscal year ended December 31 of such year.

FORWARD-LOOKING STATEMENTS

IN ADDITION TO HISTORICAL INFORMATION, THIS ANNUAL REPORT CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE REFLECTED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE SUCH A DIFFERENCE INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN THE SECTIONS ENTITLED "RISK FACTORS", "INFORMATION ON THE COMPANY" AND "OPERATING AND FINANCIAL REVIEW AND PROSPECTS" AND ELSEWHERE IN THIS REPORT. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH REFLECT MANAGEMENT'S BELIEFS, ASSUMPTIONS AND EXPECTATIONS OF OUR FUTURE OPERATIONS AND ECONOMIC PERFORMANCE, TAKING INTO ACCOUNT CURRENTLY AVAILABLE INFORMATION. IN ADDITION, READERS SHOULD CAREFULLY REVIEW THE OTHER INFORMATION IN THIS ANNUAL REPORT AND IN THE COMPANY'S PERIODIC REPORTS AND OTHER DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION FROM TIME TO TIME. WE DO NOT UNDERTAKE ANY OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE, EXCEPT AS MAY BE REQUIRED UNDER APPLICABLE SECURITIES LAWS AND REGULATIONS.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A. SELECTED CONSOLIDATED FINANCIAL DATA

We derived the consolidated statement of operations data for the years ended December 31, 2013, 2014 and 2015, and consolidated balance sheet data as of December 31, 2014 and 2015 from the audited consolidated financial statements included elsewhere in this annual report. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP, and audited by our independent registered public accounting firm. We derived the consolidated statement of operations data for the years ended December 31, 2011 and 2012 and the consolidated balance sheet data as of December 31, 2011, 2012 and 2013 from audited consolidated financial statements that are not included in this Form 20-F that were also prepared in accordance with U.S. GAAP and audited by our independent registered public accounting firm. The selected financial data set forth below should be read in conjunction with and are qualified by reference to "Item 5. Operating and Financial Review and Prospects" and the financial statements, and notes thereto and other financial information included elsewhere in this annual report on Form 20-F.

Consolidated Statement of Operations Data:	**Year Ended December 31,**				
	2011	**2012**	**2013**	**2014**	**2015**
	(U.S. dollars in thousands, except per share data)				
Fixed income from real estate	$ 12,479	$ 13,676	$ 13,711	$ 13,938	$ 15,273
Costs and expenses:					
Cost of real estate operation	1,869	1,966	2,199	2,777	2,958
Real estate depreciation and amortization	2,153	2,569	3,369	3,813	3,925
General and Administrative	3,057	2,068	1,870	2,167	1,849
Other operating costs					2,352
Total costs and expenses	7,079	6,603	7,438	8,757	11,084
Gain on sale of operating properties	-	-	-	2,709	-
Operating income	5,400	7,073	6,273	7,890	4,189
Gain on bargain purchase	4,412	-	-	-	-
Other income (loss)	-	(100)	384	394	429
Financial expenses, net	(7,481)	(1,243)	(1,343)	(1,151)	(1,807)
Net income (loss) before taxes on income	2,331	5,730	5,314	7,133	2,811
Taxes on income	(481)	(1,643)	(1,518)	(1,502)	(1,609)
Equity share in earnings (losses) of associates, net	-	(32)	(172)	(186)	(31)
Net income from continuing operations	1,850	4,055	3,624	5,445	1,171
Net loss from discontinued operations	(51)	-	-	-	-
Net income	$ 1,799	$ 4,055	$ 3,624	$ 5,445	$ 1,171
Net income attributable to non-controlling interest	2,038	2,478	2,159	2,106	2,239
Net income (loss) attributable to Optibase LTD	$ (239)	$ 1,577	$ 1,465	$ 3,339	$ (1,068)
Net earnings (loss) per share :					
Basic and Diluted net earnings (loss) per share from continuing operations	$ (0.07)	$ 0.41	$ 0.38	$ 0.65	$ (0.21)
Basic and diluted net loss per share from discontinued operations	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Basic and diluted net earnings (loss) per share	$ (0.07)	$ 0.41	$ 0.38	$ 0.65	$ (0.21)
Weighted average number of shares used in computing basic and diluted net earnings (loss) per share (in thousands):					
Basic	3,642	3,818	3,822	5,127	5,133
Diluted	3,642	3,820	3,826	5,131	5,133

Consolidated Balance Sheet Data:	Year Ended December 31,				
	2011	2012	2013	2014	2015
	(U.S. dollars in thousands)				
Cash and cash equivalents	$ 22,945	$ 19,142	$ 18,811	$ 22,902	$ 23,806
Working capital	16,361	11,985	10,112	14,500	10,360
Real estate property net	192,173	194,826	209,761	185,204	214,840
Total assets	219,885	224,882	238,748	218,004	262,944
Long term loans and bonds, including current maturities	126,135	126,895	127,741	112,481	161,100
Capital Stock	131,478	131,568	138,813	138,886	138,949
Total shareholders' equity	$ 61,261	$ 66,552	$ 78,924	$ 77,075	$ 75,584

3.B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

3.C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

3.D. RISK FACTORS

Our business operations are subject to various risks resulting from changing economic, political, industry, business and financial conditions. In addition, this annual report contains various forward-looking statements that reflect our current views with respect to future events and financial results. Below we attempt to identify and describe the principal uncertainties and risk factors that in our view at the present time may affect our financial condition, cash flows and results of operations and our forward-looking statements. Readers are reminded that the uncertainties and risks identified below in this annual report do not purport to constitute a comprehensive list of all the uncertainties and risks, which may affect our business and the forward-looking statements in this annual report. In addition, we do not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Risks Relating to the Economy, Our Financial Condition and Shareholdings

We have a history of losses and we might not be able to sustain profitability.

Prior to 2012, mainly during our engagement in the Video Solutions Business and except for several non-continuous quarters during 2010 and 2011, we have been operating at a loss. Since 2012, except for the second quarter, and during 2013, 2014, we have been profitable. In 2015, we operated at a loss mainly due to acquisition-related costs of $2.4 million related to the acquisition of the twenty-seven (27) supermarkets in Bavaria, Germany.

As of December 31, 2015, we have accumulated losses of $61 million. However, given current market conditions, the demand for our real estate properties and other expenses, we may operate at a loss and may not be able to sustain profitability in the future, and our operating results for future periods will continue to be subject to numerous uncertainties and risks. We cannot assure you that we will be able to increase our revenues and sustain profitability. For further details regarding our cash flow, see Item 5.B"Operating and Financial Review and Prospects - Liquidity and Capital Resources".

We may be affected by instability in the global economy, including the recent European economic and financial turmoil.

Instability in the global credit markets, including the recent European economic and financial turmoil related to sovereign debt issues in certain countries, the instability in the geopolitical environment in many parts of the world and other disruptions, such as changes in energy costs, may continue to put pressure on global economic conditions. The world has recently experienced a global macroeconomic downturn, and if global economic and market conditions, or economic conditions in key markets, remain uncertain, stagnant or deteriorate further, we may experience material adverse impacts on our business, operating results, and financial condition.

Our ability to freely operate our business is limited as a result of certain covenants included in the deed of trust of our Series A Bonds.

The deed of trust governing the Series A Bonds, or the Series A Deed of Trust, contains a number of covenants that limit our operating and financial flexibility (such as our minimum equity (excluding minority interest) will not be less than $33 million; our equity (including minority interest) to balance sheet ratio will not be less than 25%; the net financial debt to CAP ratio will not be greater than 70%). For a description of Series A Deed of Trust, see Item 5.B "Operating and Financial Review and Prospects - Liquidity and Capital Resources".

Our ability to continue to comply with these and other obligations depends in part on the future performance of our business. Such covenants may hinder our ability to finance our future operations or the manner in which we operate our business. In particular, any non-compliance with our financial covenants and other undertakings under Series A Deed of Trust could result in demand for immediate repayment of the outstanding amount under the Series A Bonds and restrict our ability to obtain additional funds, which could have a material adverse effect on our business, financial condition and our results of operations.

We may continue to seek to expand our business through acquisitions that could result in a diversion of resources and our incurring additional expenses, which could disrupt our business and harm our financial condition.

As we have done in the past, we may in the future continue to pursue acquisitions of businesses, or the establishment of joint ventures, that could expand our business. The negotiation of potential acquisitions or joint ventures as well as the integration of an acquired or jointly developed business, could cause diversion of management's time as well as our resources. Future acquisitions could result in:

- Additional operating expenses without additional revenues;
- Potential dilutive issuances of equity securities;
- The incurrence of debt and contingent liabilities;
- Amortization of bargain purchase gain and other intangibles;
- Impairment charges; and
- Other acquisition-related expenses.

Acquired businesses or joint ventures may not be successfully integrated with our operations. If any acquisition or joint venture were to occur, we may not receive the intended benefits of the acquisition or joint venture. If future acquisitions disrupt our operations, our business may suffer.

A large percentage of our ordinary shares are held by one shareholder who could significantly influence the outcome of actions.

The Capri Family Foundation, or Capri, a foundation organized under the laws of the Republic of Panama, beneficially own, directly and indirectly through its subsidiaries, approximately 73.95% of our outstanding ordinary shares. For further information, see Item 4.A. "History and Development of The Company" and Item 7.A. "Major Shareholders" below. As a result of such holdings in our ordinary shares, Capri can significantly influence the outcome of corporate actions requiring an ordinary majority approval by our shareholders, including the election of directors and the approval of mergers or other business combination transactions.

We are currently, and may be in the future, the target of securities class action, derivative claim or other litigation, which could be costly and time consuming to defend.

In the past, following a period of volatility in the market price of a company's securities, securities class action lawsuits, derivative claims and other actions have often been taken against public companies and their directors and officers. Recent years have been characterized by a substantial increase in the number of requests for certification of class actions filed and approved in Israel. Currently, we are engaged in one material legal proceeding, which is for substantial amounts. In May 2015 we were served with a motion to approve the filing of a derivative claim (on behalf of the Optibase) against the Company's controlling shareholder, directors and CEO and against certain former controlling shareholder and directors. Should this request to certify lawsuits against us as a derivative claim be approved and succeed, this may have a material adverse effect on our financial results. Additionally, and due to the nature of derivative claims, regardless of its outcome, and even if the claims are without merits, it incurs substantial costs and our management resources that are diverted to defending such litigation. For further details see Item 8. "Financial Information - Legal Proceedings".

We have experienced significant fluctuations in our results of operations at times in the past and expect these fluctuations to continue. These fluctuations may result in volatility in our share price.

We have experienced at times in the past, and may in the future experience, significant fluctuations in our quarterly and annual results. Factors that may contribute to the fluctuations in our quarterly results of operations include:

- The purchase or failure to purchase real-estate assets;
- Changes in rent prices for our properties;
- Changes in presence of tenants and tenants' insolvency;
- Changes in the availability, cost and terms of financing;
- The ongoing need for capital improvements;
- Changes in foreign exchange rates;
- Changes in interest rates; and
- General economic conditions, particularly in those countries or regions in which we operate.

It is likely that in some future periods, our operating results may be below expectations of public market analysts or investors. If this occurs, the market price of our ordinary shares may drop.

The trading price of our ordinary shares has been volatile, and may continue to fluctuate due to factors beyond our control.

The trading price of our ordinary shares is and will continue to be subject to significant fluctuations in response to numerous factors, including:

- Availability of funding resources for the acquisition of new real estate assets;
- General market conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors;

- Seizure of a substantial business opportunity by our competitors or us;
- Changes in interest rates;
- Changes in foreign exchange rates;
- The entering into new businesses;
- Quarterly variations in our results of operations or in our competitors' results of operations; and
- Changes in earnings estimates or recommendations by securities analysts.

This volatility may continue in the future. In addition, any shortfall or changes in our revenues, operating income, earnings or other financial results could cause the market price of our ordinary shares to fluctuate significantly. In recent years, the stock market has experienced significant price and trading volume fluctuations, which have particularly affected the market price of many companies and which may not be related to the operating performance of those companies. These broad market fluctuations have affected and may continue to affect adversely the market price of our ordinary shares. In recent years, the trading price of our ordinary shares has been highly volatile. From January 2014 through March 21, 2016, the closing price of our ordinary shares listed on the NASDAQ Global Market fluctuated reaching a high of $9.29 and decreasing to a low of $5.15. The fluctuations and factors listed above, as well as general economic, political and market conditions may further materially adversely affect the market price of our ordinary shares.

Our effective tax rate could be materially affected by several factors including, among others, changes in the amount of income taxed by or allocated to the various jurisdictions in which we operate that have differing statutory tax rates, changing tax laws, regulations and interpretations of such tax laws in multiple jurisdictions.

We conduct business globally and file income tax returns in multiple jurisdictions. We report our results of operations based on our determination of the amount of taxes owed in the various jurisdictions in which we operate. The determination of our consolidated provision for income taxes and other tax liabilities requires estimation, judgment and calculations where the ultimate tax determination may not be certain. Our determination of tax liability is always subject to review or examination by authorities in various jurisdictions.

If a tax authority in any jurisdiction reviews any of our tax returns and proposes an adjustment, including as a result of a determination that the transfer prices and terms we have applied are not appropriate, such an adjustment could have a negative impact on our financial results**.**

Holders of our ordinary shares who are United States residents face income tax risks.

There is a substantial risk that we are a passive foreign investment company, commonly referred to as PFIC. Our treatment as a PFIC could result in a reduction in the after-tax return to the holders of our ordinary shares and would likely cause a reduction in the value of such ordinary shares. For U.S. federal income tax purposes, we will be classified as a PFIC for any taxable year in which either (i) 75% or more of our gross income is passive income, or (ii) at least 50% of the average value of all of our assets for the taxable year produce or are held for the production of passive income. For this purpose, cash and real estate properties are considered to be an asset, which produces passive income. As a result of our substantial cash position and the decline in the value of our stock, we believe that there is a substantial risk that we may have been a PFIC during the taxable year ended December 31, 2015, under a literal application of the asset test described above, which looks solely to the market value. If we are classified as a PFIC for U.S. federal income tax purposes, highly complex rules would apply to U.S. holders owning ordinary shares. Accordingly, you are urged to consult your tax advisors regarding the application of such rules. In addition, there can be no assurance that we will not be classified as a PFIC in the future, because the determination of whether we are a PFIC is based upon the composition of our income and assets from time to time, and such determination cannot be made with certainty until the end of a calendar year. United States residents should carefully read "Item 10.E. Taxation" under the heading "United States Federal Income Tax Consequences" below for a more complete discussion of the U.S. federal income tax risks related to owning and disposing of our ordinary shares.

We do not intend to pay dividends.

We have never declared or paid any cash dividends on our ordinary shares. We currently intend to retain any future earnings to finance operations and expand our business and, therefore, do not expect to pay any dividends in the foreseeable future.

We manage our available cash through investments in interest bearing bank deposits and money market funds with leading banks. We are exposed to the credit risk of such banks.

During 2015, our available cash was invested in interest bearing bank deposits and money market funds with various banks. Our available cash is subject to the credit risk of the banks with which the funds are deposited and as such we may suffer losses if those banks fail to repay those deposits.

The extenuations given to us as a foreign private issuer impact our publicly available information.

As a foreign private issuer, we are permitted to file less information with the SEC than a company incorporated in the United States. Accordingly, there may be less publicly available information concerning us than there is for companies incorporated in the United States.

We may fail to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002.

The Sarbanes-Oxley Act of 2002 imposes certain duties on us and our executives and directors. Our efforts to comply with the requirements of Section 404 have resulted in increased general and administrative expense and a diversion of management time and attention, and we expect these efforts to require the continued commitment of resources. We have documented and tested our internal control systems and procedures in order for us to comply with the requirements of Section 404. While our assessment of our internal control over financial reporting resulted in our conclusion that as of December 31, 2015, our internal control over financial reporting was effective, we cannot predict the outcome of our testing in future periods. If we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting. Failure to maintain effective internal control over financial reporting could result in investigation or sanctions by regulatory authorities, and could have a material adverse effect on our operating results, investor confidence in our reported financial information, and the market price of our ordinary shares.

Risks Relating to our Business

The real estate sector continues to be cyclical and affected by changes in general economic, or other business conditions that could materially adversely affect our business or financial results.

The real estate sector has been cyclical historically and continues to be significantly affected by changes in industry conditions, as well as in general and local economic conditions, such as:

- employment levels;
- availability of financing for homebuyers and for real estate investors/funds;
- interest rates;
- consumer confidence and expenditure;
- levels of new and existing homes for sale;
- demographic trends;
- urban development and changes;
- housing demand;
- local laws and regulations; and
- acts of terror, floods or earthquakes.

These may occur on a global scale, like the recent housing downturn, or may affect some of the regions or markets in which we operate. An oversupply of alternatives to our real estate properties can also reduce our ability to lease spaces and depress lease prices, thus reducing our margins.

As a result of the foregoing matters, we may face difficulties in the leasing of our projects and we may not be able to recapture any increased costs by raising lease payments.

We rely on one large property for a significant portion of our revenue.

As of December 31, 2015, our commercial property in Geneva, Switzerland, accounted for approximately 71% of our portfolio annualized rent. Our revenue would be materially adversely affected if this property was materially damaged or destroyed. Additionally, our revenue would be materially adversely affected if rental payments at this property decrease or if tenants at this property fail to timely make rental payments due to adverse financial conditions or otherwise, default under their leases or file for bankruptcy. For further information regarding our property in Geneva, Switzerland, see Item 4.B. "Business Overview - Properties".

With respect to our commercial properties, we are dependent on the continued tenant demand for our properties. If there is a decrease in tenant demand and an increase in vacancy of our commercial properties, it would adversely affect our financial condition and results of operations.

We own, through our subsidiaries, certain holdings in several commercial real estate properties, which are currently leased to third parties. In all of our commercial properties we rely on a few tenants which occupy a significant portion of the available rentable area in such properties. For further details regarding the leases of tenants in our properties see Item 4.B. "Business Overview - Properties". If the lease agreements with such tenants are terminated, there is no assurance that we will be able to attract new lessees in favorable terms or at all, which would materially adversely affect our financial condition and results of operations.

Economic recession, pressures that affect consumer confidence, job growth, energy costs and income gains can affect the financial condition of prospective tenants, and a continuing soft economic cycle may impact our ability to find tenants for our properties. Failure to attract tenants, the termination of a tenant's lease, or the bankruptcy or economic decline of a tenant may adversely affect the rent fees for our properties and adversely affect our financial condition and results of operations.

We may have difficulties leasing real-estate properties.

The fixed income real-estate sector relies on the presence of tenants in the real-estate assets. The failure of a tenant to renew its lease, the termination of a tenant's lease, or the bankruptcy or economic decline of a tenant can have a material adverse effect on the economic performance of the real-estate asset. There can be no assurance that if a tenant were to fail to renew its lease, we would be able to replace such tenant in a timely manner or that we could do so without incurring material additional costs. In addition, we are dependent on our ability to enter into new leases on favorable terms with third parties, in order to receive a profitable price for each real-estate property. We may find it more difficult to engage tenants to enter into leases during periods when market rents are increasing, or when general consumer activity is decreasing, or if there is competition for tenants from competing properties. The existence of competitive alternatives could have a material adverse effect on our ability to lease space and on the level of rents we can obtain. The global economic condition, pressures that affect consumer confidence, job growth, energy costs and income gains can affect retail sales growth, and a continuing soft economic cycle, may impact our ability to find tenants for our properties. Failure to attract tenants, the termination of a tenant's lease, or the bankruptcy or economic decline of a tenant may adversely affect the price obtainable for our real estate projects and adversely affect our financial condition and results of operations. The failure of tenants to abide by the terms of their agreements may cause delays or result in a temporary or long term decline in rental income, the effects of which we may not be able to offset due to difficulties in finding a suitable replacement tenant.

We are depended on the solvency of our tenants and may lease properties at below expected rental rates.

Rental leases may decrease below our expectations. In the case of such decrease, or if circumstances arise beyond our control, such as market prices, market demand and negative trends, we may have to sell a project at a price below our projections. In addition, we could be in a position where there would be no demand at acceptable prices and we would be required to hold, operate and maintain the project until the financial environment would improve and allow its disposal.

In addition, the ability to collect rents depends on the solvency of the tenants. Tenants may be in default or not pay on time, or we may need to reduce the amount of rents invoiced by lease incentives, to align lease payments with the financial situation of some tenants. In all of these cases, tenant insolvency may hurt our operational results.

We may experience future unanticipated expenses.

Our performance depends, among others, on our ability to pay for adequate maintenance, insurance and other operating costs, including real estate taxes. All of these expenditures could increase over time, and may be more expensive than anticipated. Sources of labor and materials required for maintenance, repair, capital expenditure or development may also be more expensive than we expected. An unplanned deviation from one of the above expenditures, and other, could increase our operating costs.

The fair value of our real estate may be harmed by certain factors, which may entail impairment losses not previously recorded which, in turn, will adversely affect our financial results.

Certain circumstances may affect the fair value of our real estate assets, including, among other things, (i) the absence of or modifications to permits or approvals required for the operation of any real estate asset; (ii) lawsuits that are pending, whether or not we are a party thereto, may have a significant impact on our real estate assets and/or on certain of our shareholding rights in the companies owning such assets. In addition, certain laws and regulations, applicable to our business in certain countries where the legislation process undergoes constant changes, may be subject to frequent and substantially different interpretations; (iii) agreements which may be interpreted by governmental authorities so as to shorten the term of use of real estate, and which may be accompanied with a demolition order with or without compensation, may significantly affect the value of such real estate asset. The fair value of our real estate assets may be significantly decreased, thereby resulting in potential impairment losses not previously recorded in our financial results.

Since market conditions and other parameters (such as macroeconomic environment trends, and others), which affect the fair value of our real estate, vary from time to time, the fair value may not be adequate on a date other than the date the measurement was executed (in general, immediately after the annual balance sheet date). In the event the projected forecasts regarding the future cash flows generated by those assets are not met, we may have to record an additional impairment loss not previously recorded.

In addition, any change in the yield rate of any of our real estate assets may cause a significant decrease to the fair value of such assets, thereby resulting in potential impairment losses not previously recorded in our financial results.

We may not be able to raise additional financing for our future capital needs on favorable terms, or at all, which could limit our growth and increase our costs and could adversely affect the price of our ordinary shares.

Real estate activities are largely financed from external sources. We cannot be certain that we will be able to obtain financing on favorable terms for our future real estate activities, or at all. In addition, an adverse change can occur in the terms of the financing that we receive. Any such occurrence could increase our financing costs and/or result in a material adverse effect on our results and ability to develop our real estate business. The amount of long term loans currently outstanding may inhibit our ability to obtain additional financing for our future capital needs, inhibit our long-term expansion plans, increase our costs and adversely affect the price of our ordinary shares.

It is probable that we will need to raise additional capital in the future to support our strategic plans. We cannot be certain that we will be able to obtain additional financing on commercially reasonable terms or at all. If we are unable to obtain additional financing, this could inhibit our growth and increase our operating costs.

In the event we are unable to continuously comply with the covenants, including with respect to financial covenants, which we undertook with respect to our properties, our results of operations may be adversely affected.

In connection with the financing of most of our properties, we have long-term agreements with several banks. The agreements that govern the provision of financing include, among other things, undertakings and financial covenants that we are required to maintain for the duration of such financing agreements. Those existing agreements allow the lender to demand an immediate repayment of the loans in certain events (events of default), including, among other things, a material adverse change in the Company's business and noncompliance with the financial covenants set forth in those agreements. The occurrences of any event of default may have an adverse effect on our financial position and results of operations and on our ability to obtain outside financing for our continued growth.

Rapid and significant changes in interest rates may adversely affect our profitability.

We have financed the purchase of the CTN complex and the Rumlang property with loans bearing floating interest rates and further received during 2015 a loan secured by our condominium units in Miami which bears floating interest rate (as of December 31, 2015 the balance of all such loans was $109.9 million, see also Item "Item 5.B Operating and Financial Review and Prospects – Liquidity and Capital Resources."). As a result we are exposed to changes in the libor interest rate (libor on the US Dollar and libor on the CHF). An increase in the libor interest rate could materially adversely affect our financial expenses and thereby our profitability. In light of the low interest rate environment we have also decided at this stage not to perform hedging against our exposure to such changes in interest rates.

An adverse change in the Swiss real estate market will adversely affect our results of operations.

Two out of our investments, including our most significant property (the CTN complex in Geneva), are located in Switzerland. During 2013 and throughout 2015, as Swiss interest rates declined further, the Swiss real estate prices remained stable in most segments, while other segments were showing signs of increase mainly due to the low interest rates and lack of investments alternatives. Along with the historically low interest rates, the overall availability of financing has decreased significantly as LTV (Loan To Value) rates have been reduced by lenders, leading to more pressure on leveraged transactions further decreasing investments yields. At the same time, there was no increase in the demand for new rental spaces and the rental market appeared to be slowing down further, in particular the demand for prime office space and the price for such real estate properties. Any significant adverse change in the real estate market in Switzerland, such as lack of attractive financing, a decline in the real estate rates or decrease in demand for the type of properties we own, will adversely affect our results of operations.

We may suffer adverse consequences if our revenues decline since our operating costs do not necessarily decline in proportion to our revenue.

We earn a significant portion of our income from renting our properties. Our operating costs, however, do not fluctuate in relation to changes in our rental revenue. As a result, our costs will not necessarily decline even if our revenues do. Similarly, our operating costs could increase while our revenues stay flat or decline. In either such event, we may be forced to borrow to cover our costs or we may incur losses.

Because of our small size, we rely on a small number of personnel who possess both executive and financial expertise, and the loss of any of these individuals would hurt our ability to implement our strategy and may adversely affect our financial results.

Because of our small size and our reliance on a limited financial and management personnel, our continued growth and success depends upon the continued contribution of the managerial skills of our financial and management personnel. If any of the current members of the management is unable or unwilling to continue in our employ, our results of operations could be adversely affected.

We may experience difficulties in finding suitable real-estate properties for investment, either at all or at viable prices.

Being a company that engages in investments in real-estate, finding a suitable real-estate property for investment is critical to our income. Such finding becomes difficult as the demand for real-estates in the markets we are involved in grows, and the supply decreases. Therefore, difficulties in finding suitable real-estate properties for investment may affect our growth and the number of assets we have to offer, and therefore materially affect our potential profit and our business and results of operation.

The choice of suitable locations for real estate projects is an important factor in the success of the individual projects. For example, office space should ideally be located within, or near, the city center, with well-developed transportation infrastructure (road and rail) located in close proximity to facilitate customer access. If we are not able to find sites in the target cities which meet our criteria or which meet our price range, this may materially adversely affect our business and results of operation.

In addition, we may be unable to proceed with the acquisition of properties because we cannot obtain financing on favorable terms or at all. We may require substantial up-front expenditures for property acquisition. Accordingly, we may require substantial amounts of cash and financing from banks and other capital resources (such as institutional investors and/or the public) for our real estate operations. We cannot be certain that such external financing would be available on favorable terms or on a timely basis or at all.

We face risks associated with property acquisitions.

We may acquire individual properties and portfolios of properties, including large portfolios that could significantly increase our size and alter our capital structure. Our acquisition activities may be exposed to, and their success may be adversely affected by, the following risks:

- even if we enter into an acquisition agreement for a property, it is usually subject to customary conditions to closing, including due diligence investigations to our satisfaction;
- we may be unable to finance acquisitions on favorable terms or at all;
- acquired properties may fail to perform as we expected;
- we may not be able to obtain adequate insurance coverage for new properties; and
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and therefore our results of operations and financial condition could be adversely affected.

We may acquire properties or property holding companies subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were asserted against us arising from our ownership of those properties, we might have to pay substantial sums to settle it, which could adversely affect our cash flow. Unknown liabilities with respect to properties acquired might include:

- liabilities for clean-up of undisclosed environmental contamination;
- claims by tenants, vendors or other persons arising from dealing with the former owners of the properties;
- liabilities incurred in the ordinary course of business; and
- claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

The illiquidity of real-estate properties may affect our ability to sell our properties.

Real estate properties in general are relatively illiquid. Such illiquidity may affect the ability to dispose of or liquidate part of real-estate assets in a timely fashion and at satisfactory prices in response to changes in the economic environment, the real estate market or other conditions.

An adverse change in the German real estate market will adversely affect our results of operations.

Since 2015, we own through our wholly-owned subsidiary, a portfolio of supermarkets located mainly in Bavaria, Germany. In recent years the German real estate market was showing signs of growth, and stabilization towards the end of 2015. As the European economy have been stagnant at best over the last few years, the German economy and its real estate sector have shown significant signs of improvement also fueled by a steady decrease in interest rates, an increase in availability of financing and the increasing demand for real estate investments by foreign investors drown to the German market for the reduced availability of other rewarding investment opportunities in the European market. Any significant adverse change in the real estate market in Germany, such as an increase of interest rates, a decrease in availability of financing, a decline in the real estate rates or decrease in demand for the type of properties we own, will adversely affect our results of operations.

An adverse change in the U.S. real estate market will adversely affect our results of operations.

We own, through our wholly-owned subsidiary, several real estate properties located in Philadelphia, Texas, Chicago and Miami, in the U.S. During 2013, the pressure on properties' pricing have eased somewhat and the U.S. real estate market was showing signs of stabilization and an increase towards the end of the year. During 2014 and throughout 2015 the U.S. real estate market has shown signs of improvement and a consistent increase in assets prices as the demand for investments increased significantly also driven by financial institutions increased willingness to finance new transactions along with low interest rates. Any significant adverse change in the real estate market in the United States, such as an increase of interest rates, a decline in the real estate rates or decrease in demand for the type of properties we own, will adversely affect our results of operations.

With respect to our residential properties in Miami, Florida, the success of our investment will depend on market conditions.

We own, through our wholly-owned subsidiary, 25 residential properties in Miami and Miami Beach, Florida, including 21 luxury condominium units and two penthouse units in the Marquis Residences, one penthouse unit in Ocean One Condominium and one condominium units in the Continuum on South Beach Condominium. To date, 22 of the units have been fully constructed and are in rentable condition, while three penthouses are still undergoing renovations and remodeling. Currently 20 of the units are occupied by tenants and the remaining units are being marketed to potential tenants and potential buyers. For further information, see Item 4.B. "Business Overview - Real Estate Business".

We intend to keep holding the units for investment purposes and will consider renting or selling the units in accordance with our business considerations and market conditions. Depending on our decision, we may be unable to sell or lease up these condominium properties on schedule or on favorable terms, which may result in a decrease in expected rental revenues and/or lower yields, if any.

We depend on partners in our partnerships and collaborative arrangements.

We are currently, with respect to our real-estate properties in Geneva, Switzerland, Philadelphia, Chicago and Texas, and we may, in the future, own interests in real-estate assets or real-estate holding companies in partnership with other entities. Our investments in these partnerships may, under certain circumstances, be subject to (i) the risk that one of our partners may become bankrupt or insolvent or may not fulfill its financial obligations under our partnership agreements, which may cause us to provide financing in excess of our ownership share or which may cause us to be unable to fulfill our financial obligations, possibly triggering a default under our bank financing agreements or, in the event of a liquidation, preventing us from managing or administering our business or entail a compulsory sale of the asset at less favorable terms; (ii) the risk that one of our partners may have economic or other interests or goals that are inconsistent with our interests and goals, and that such partner may be in a position to veto actions which may be in our best interests; and (iii) the possibility that disputes may arise regarding the continued operational requirements of our assets that are jointly owned. In addition, we hold approximately 30%, approximately 20% and approximately 4%, respectively, of the beneficial interest in the real-estate properties located in Chicago, Philadelphia and Texas. Our minority interest causes us to rely on our partners to manage the properties, and our influence over decisions regarding the properties and their management is limited.

Cause of physical damages and other nature losses may affect our properties.

Properties could suffer physical damage caused by fire or other causes, resulting in losses which may not be fully compensated by insurance. In addition, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, terrorism or acts of war that may be uninsurable or are not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, also might result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds may be inadequate to restore the economic position with respect to the affected properties. Should an uninsured loss or a loss in excess of insured limits occur, we could lose capital invested in the affected property as well as anticipated profits from that property. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

Competition for acquisitions may reduce the number of acquisition opportunities available to us and increase the costs of those acquisitions.

We plan to continue acquiring properties as we are presented with attractive opportunities. We may face competition for acquisition opportunities from other investors, particularly private investors who can incur more leverage, and this competition may adversely affect us by subjecting us to the following risks:

- an inability to acquire a desired property because of competition from well-capitalized real estate investors, including publicly traded and privately held REITs, private real estate funds, domestic and foreign financial institutions, life insurance companies, sovereign wealth funds, pension trusts, partnerships and individual investors; and

- an increase in the purchase price for such acquisition property, in the event we are able to acquire such desired property.

Environmental discoveries may have a significant impact on the value, viability and marketability of our assets.

We may encounter unforeseen decrease in value of our assets due to factors beyond our control caused by previously unknown soil contamination or the discovery of archaeological findings which may have a significant impact and a detrimental effect on the value, viability or marketability of our assets or cause legal liability in connection with our real estate properties. We may be liable for the costs of removal, investigation or remedy of hazardous or toxic substances located on or in a site owned or leased by us, regardless of whether we were responsible for the presence of such hazardous or toxic substances. The costs of any required removal, investigation or remedy of such substances may be substantial and/or may result in significant budget overruns. The presence of such substances, or the failure to remedy such substances properly, may also adversely affect our ability to sell or lease such property or to obtain financing using the real estate as security. Additionally, any future sale of such property will be generally subject to indemnities and warranties to be provided by us to the purchaser against such environmental liabilities. Accordingly, we may continue to face potential environmental liabilities with respect to a particular property even after such property has been sold. Laws and regulations may also impose liability for the release of certain materials into the air or water from a property, and such release can form the basis for liability to third persons for personal injury or other damages. Other laws and regulations can limit the development of, and impose liability for, the disturbance of wetlands or the habitats of threatened or endangered species. Any environmental issue may significantly cause decrease in value of our assets or vacancy periods in our leased properties, which could have a material adverse effect on the profitability of that asset and our results of operations and cash flows.

We are exposed to cyber security risks that, if materialized, may affect our business and operations.

Our operations rely on computer, information and communications technology and various computer hardware and software applications. Despite our implementation of network security measures, our tools and servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems and tools located at customer sites, or could be subject to system failures or malfunctions for other reasons. System failures or malfunctioning could disrupt our operations and our ability to timely and accurately process and report key components of our financial results.

Risks Relating to the Sale of our Video Solutions Business

On March 16, 2010 we and our subsidiary, Optibase Inc., entered into an asset purchase agreement for the sale of all of the assets and liabilities related to our Video Solutions Business. For further details see Item 10.C "Material Contracts". The following is a risk related to the sale of our Video Solutions Business:

We have been and may, in the future, be subject to further review in connection with government programs that we participated in or received.

During our activities in the Vitec Solutions Business, we received grants from the Office of the Chief Scientist, or the OCS, in the Israeli Ministry of Industry, Trade and Labor for research and development programs that meet specified criteria. In addition, we were also involved in joint research projects with European Companies under the auspices of, and with financial assistance from, the European Union Research and Development Framework Programs.

In that respect, during 2009 and 2010 we were audited by the European Union, or the EU, for grants received under three FP6 contracts. As a result of the audit findings implementation, during 2012, we paid an aggregate amount of approximately Euro 340,000 which settled and concluded the financial audit.

Furthermore, we are currently undergoing an audit by the OCS for royalties paid before the sale of our Video Solutions Business. A payment to the OCS will adversely affect our cash flow, although from financial prospective, at this time, we believe that we have sufficient provisions to cover the final outcome of such review processes. For further details see Item 4.B "Business Overview - Remaining items of the Video Solution Business".

In addition to such audits, we may in the future be subject to further reviews in connection with government programs that we participated in or received during our activities in the Video Solutions Business. Any review of such kind could result in substantial cost which would have a negative impact on our financial condition.

Risks Relating to Operations in Israel

The rights and responsibilities of our shareholders are governed by Israeli law and differ in some respects from the rights and responsibilities of shareholders under U.S. law.

We are incorporated under Israeli law. The rights and responsibilities of holders of our ordinary shares are governed by our articles of association and by the Israeli Companies Law, 1999, or the Companies Law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical U.S. corporations. In particular, pursuant to the Companies Law each shareholder of an Israeli company has to act in good faith in exercising his or her rights and fulfilling his or her obligations toward the company and other shareholders and to refrain from abusing his or her power in the company, including, among other things, in voting at the general meeting of shareholders and class meetings, on amendments to a company's articles of association, increases in a company's authorized share capital, mergers, and transactions requiring shareholders' approval under the Companies Law. In addition, a controlling shareholder of an Israeli company or a shareholder who knows that it possesses the power to determine the outcome of a shareholder vote, or who has the power to appoint or prevent the appointment of a director or officer in the company, or has other powers toward the company, has a duty of fairness toward the company. However, Israeli law does not define the substance of this duty of fairness. Because Israeli corporate law has undergone extensive revision in recent years, there is little case law available to assist in understanding the implications of these provisions that govern shareholder behavior.

Because a significant amount of our revenues is generated in Swiss Francs and in Euro but a portion of our expenses are incurred in New Israeli Shekels and in US dollars, our results of operations may be harmed by currency fluctuations.

Our management believes that the U.S. dollar is the currency in the primary economic environment in which we operate. Thus, our functional and reporting currency is the U.S. dollar. Notwithstanding, we generate a significant amount of our revenues in CHF (Swiss Franc) and in Euro and incur a portion of our expenses in NIS and in U.S. dollars. As a result, we are exposed to currency fluctuation of the U.S. dollar against the CHF the Euro and the NIS.

The fluctuations in the dollar costs of our operations in Israel related primarily to the costs of salaries in Israel, which are paid in NIS and constitute a portion of our expenses and the interest and principal payments of our series A bonds are made in NIS. We cannot assure you that we will not be adversely affected in the future if inflation in Israel exceeds the fluctuation of NIS against the U.S dollars or if the timing of such fluctuation lags behind increases in inflation in Israel.

Our operations could also be adversely affected if we are unable to guard against currency fluctuations in the future. Accordingly, we perform hedging transactions from time to time according to our board's approval. In the future we may enter into additional currency hedging transactions to decrease the risk of financial exposure from fluctuations. These measures, however, may not adequately protect us from adverse effects due to the impact of inflation in Israel.

The inflation rate in Israel was approximately 1.8% in 2013, and a deflation of approximately (0.2)% in 2014 and (1)% in 2015. The changes of the NIS against the dollar was an appreciation of approximately 7% in 2013, and a devaluation of approximately (12)% in 2014 and (0.3)% in 2015. The change of the CHF against the dollar was an appreciation of approximately 2.8% in 2013, and a devaluation of approximately (10)% in 2014 and (0.2)% in 2015. The change of the Euro against the dollar was a devaluation of (10)% 2015.

Our shares are listed for trade on more than one stock exchange, and this may result in price variations.

Our ordinary shares are listed for trade on The NASDAQ Global Market and on the Tel Aviv Stock Exchange Ltd., or TASE. This may result in price variations. Our ordinary shares are traded on these markets in different currencies, U.S. dollars on The NASDAQ Global Market and New Israeli Shekels on the TASE. These markets have different opening times and close on different days. Different trading times and differences in exchange rates, among other factors, may result in our shares being traded at a price differential on these two markets. In addition, market influences in one market may influence the price at which our shares are traded on the other.

Potential political, economic and military instability in Israel and its region may adversely affect our results of operations.

We are incorporated under the laws of the State of Israel, our principle offices are located in central Israel and some of our officers, employees and directors are residents of Israel. Accordingly, political, economic and military conditions in Israel and the surrounding region may directly influence us. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors, and a state of hostility, varying from time to time in intensity and degree, has led to security and economic problems for Israel. Any hostilities involving Israel or the interruption or curtailment of trade within Israel or between Israel and its trading partners could adversely affect our operations and results of operations and could make it more difficult for us to raise capital. In addition, recent political uprisings and conflicts in various countries in the Middle East, including Egypt and Syria, are affecting the political stability of those countries. It is not clear how this instability will develop and how it will affect the political and security situation in the Middle East. This instability has raised concerns regarding security in the region and the potential for armed conflict. It is also widely believed that Iran, which has previously threatened to attack Israel, has been stepping up its efforts to achieve nuclear capability. Iran is also believed to have a strong influence among extremist groups in the region, such as Hamas in Gaza and Hezbollah in Lebanon. The tension between Israel and Iran and/or these groups may escalate in the future and turn violent, which could affect the Israeli economy generally and us in particular. Any armed conflicts, terrorist activities or political instability in the region could adversely affect our business conditions, harm our results of operations and adversely affect our share price. No predictions can be made as to whether or when a final resolution of the area’s problems will be achieved or the nature thereof and to what extent the situation will impact Israel’s economic development or our operations.

Anti-takeover provisions could negatively impact our shareholders.

The Companies Law provides that certain purchases of securities of a public company are subject to tender offer rules. As a general rule, the Companies Law prohibits any acquisition of shares in a public company that would result in the purchaser holding 25% or more, or more than 45% of the voting power in the company, if there is no other person holding 25% or more, or more than 45% of the voting power in a company, respectively, without conducting a special tender offer.

The Companies Law further provides that a purchase of shares or voting rights of a public company or a class of shares of a public company, which will result in the purchaser's holding 90% or more of the company's shares or class of shares, is prohibited unless the purchaser conducts a full tender offer for all of the company's shares or class of shares. The purchaser will be allowed to purchase all of the company's shares or class of shares (including those shares held by shareholders who did not respond to the offer), if either (i) the shareholders who do not accept the offer hold, in the aggregate, less than 5% of the issued and outstanding share capital of the company or of the applicable class, and more than half of the shareholders who do not have a personal interest in the offer accept the offer, or (ii) the shareholder who do not accept the offer hold less than 2% of the issued and outstanding share capital of the company or of the applicable class. The shareholders, including those who indicated their acceptance of the tender offer (except if otherwise detailed in the tender offer document), may, at any time within six months following the completion of the tender offer, petition the court to alter the consideration for the acquisition. At the request of an offeree of a full tender offer which was accepted, the court may determine that the consideration for the shares purchased under the tender offer, was lower than their fair value and compel the offeror to pay to the offerees the fair value of the shares. Such application to the court may be filed as a class action.

Israeli courts might not enforce judgments rendered outside of Israel, which may make it difficult to collect on judgments rendered against us.

We are incorporated in Israel. Most of our directors and officers are not residents of the United States and some of their assets and our assets are located outside the United States. Service of process upon our non-U.S. resident directors and officers and enforcement of judgments obtained in the United States against us, and our directors and executive officers may be difficult to obtain within the United States.

We have been informed by our Israeli legal counsel, that there is doubt as to the enforceability of civil liabilities under U.S. securities laws in original actions instituted in Israel. However, subject to certain time limitations, an Israeli court may declare a foreign civil judgment enforceable if it finds that all of the following terms are met:

- The judgment was rendered by a court which was, according to the laws of the state of the court, competent to render the judgment;
- The judgment can no longer be appealed;
- The obligation imposed by the judgment is enforceable according to the rules relating to the enforceability of judgments in Israel and the substance of the judgment is not contrary to public policy; and
- The judgment is executory in the state in which it was given.

Even if the above conditions are satisfied, an Israeli court will not enforce a foreign judgment if it was given in a state whose laws do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases) or if its enforcement is likely to prejudice the sovereignty or security of the State of Israel. An Israeli court will also not declare a foreign judgment enforceable in the occurrence of any of the following:

- The judgment was obtained by fraud;
- There was no due process;
- The judgment was rendered by a court not competent to render it according to the laws of private international law in Israel;
- The judgment is at variance with another judgment that was given in the same matter between the same parties and which is still valid; or
- At the time the action was brought in the foreign court a suit in the same matter and between the same parties was pending before a court or tribunal in Israel.

ITEM 4. INFORMATION ON THE COMPANY

4.A. HISTORY AND DEVELOPMENT OF THE COMPANY

History

We are a real estate company engaged through our subsidiaries in purchasing and operating of real estate properties intended for leasing and resale primarily for the purpose of commercial, industrial, office space use as well as for residential purposes.

We were founded and incorporated in the State of Israel in 1990 under the name of Optibase Advanced Systems (1990) Ltd. In November 1993 we changed our name to Optibase Ltd. Our ordinary shares have been trading on The NASDAQ Global Market under the symbol "OBAS" since our initial public offering on April 7, 1999.

We listed our ordinary shares for trade on the Tel Aviv Stock Exchange Ltd., or the TASE, on August 6, 2007. On September 23, 2008, we decided to delist our ordinary shares from trade on the TASE. The delisting of our ordinary shares from trade on the TASE was effective on September 28, 2008. The last day for trading of our ordinary shares on the TASE was September 24, 2008. In April 2015, we listed again our ordinary shares for trade on the TASE. According to the Israeli legislation, Israeli companies whose shares are traded on certain stock exchanges outside of Israel are allowed to be registered on the TASE, while reporting, in substance, in accordance with the provision of the relevant foreign securities law applicable to the Company. In August 2015, we completed an offering of NIS 60 million non-convertible bonds to the public in Israel and such bonds have been traded on the TASE. For further information, see "Item 5.B Operating and Financial Review and Prospects – Liquidity and Capital Resources."

Commencing in February 2001, Festin Management Corp., a British Virgin Island corporation jointly owned by Shlomo (Tom) Wyler and Arthur Mayer-Sommer started to acquire our ordinary shares on the open market. On September 10, 2004, Festin Management Corp. transferred all of its holdings in us to its shareholders. In addition, during 2008 and 2011, we issued an aggregate number of 1,063,381 ordinary shares in a private placement to Mr. Wyler, who was considered, until September 12, 2012, our controlling shareholder, and as of the date of this annual report, serves as the Chief Executive Officer of our subsidiary Optibase Inc. Since 2012, Capri, our current controlling shareholder, and Gesafi Real Estate S.A., a Panama Corporation, or Gesafi, acquired 1,797,290 of our ordinary shares from Mr. Wyler. In addition, during November 2013, Gesafi transferred all of our ordinary shares held by it to Capri and on December 31, 2013, we issued a net sum of 1,300,580 of our ordinary shares to Capri, in consideration for twelve luxury condominium units purchased by us. During January-February 2015, Capri acquired additional 71,229 of our ordinary shares in two different transactions with an unrelated third party and on the Nasdaq Global Market. For additional information see Item 7.A. "Major Shareholders".

Since our foundation we were engaged in the Video Solution Business. On May 11, 2009, our board of directors resolved to expand and diverse our operations and enter into the fixed-income real estate sector. At a special shareholders meeting held on June 25, 2009, our shareholders approved the diversification of our operations by entering into the fixed income real-estate sector. Such approval was sought solely for cautionary purposes and without any obligation to do so. As of the date hereof, we have entered into certain agreements for the purchase of real estate assets. For further information, see Item 4.B "Business Overview" and Item 10.C "Material Contracts".

On March 16, 2010, we and our subsidiary, Optibase Inc., entered into an asset purchase agreement with Optibase Technologies Ltd. and Stradis Inc., wholly owned subsidiaries of S.A. Vitec (also known as Vitec Multimedia), pursuant to which Optibase Technologies Ltd. and Stradis Inc. purchased all of the assets and liabilities related to our video solutions business. The closing of the transaction occurred on July 1, 2010.

In addition, we held, on a fully diluted basis, approximately 2.04% of the issued and outstanding share capital of Mobixell Networks Inc., or Mobixell, a private company which designs, develops and markets solutions for mobile rich media adaptation, optimization and delivery. As of December 31, 2012, such investment was written off completely in our financial reports for 2012. In January 2014 we sold all of our holdings in Mobixell to Flash Networks Ltd., or FN, without consideration, since Mobixell entered into a share acquisition agreement with FN.

Our principal executive offices are located at 15 Abba Even Street, Herzliya 4672533, Israel, and our telephone number at that location is +972-73-7073700. Our website is located at www.optibase-holdings.com. We use a local agent in California for administrative purposes and domestic filings, which is Formation Solutions Inc. 400 Continental Boulevard, 6th Floor El Segundo, CA 90245.

4.B. BUSINESS OVERVIEW

The real estate market includes the purchasing and operating of real estate properties intended for leasing and resale primarily for the purpose of commercial, industrial, office space, parking garage, warehouse use as well as for residential purposes. The real estate market is affected by growth or slowdown in the economy, and by changes in the demand and the available supply of commercial and/or residential properties, as well as the construction of additional commercial and/or residential properties. The real estate market is also affected by governmental, municipal and tax authority policies regarding planning, building, marketing and taxation of land.

Commencing in the fourth quarter of 2008 and as a result of the global economic and financial market crisis, there has been a slowdown in the real estate market which is evidenced by a decline in the number of real estate transactions, a reduction in the availability of credit sources, an increase in financing costs and stricter requirements by banks for providing such financing. During the last year, the situation has changed in some of the real estate markets we are active in (*i.e.* Central and Western Europe and North America) as interest rates decreased and financial institutions are more inclined to grant financing for qualified assets. This has led to increased demand for real estate properties and an increased volume of transactions in most asset classes.

Our strategy in our real estate activities is to become a substantial owner of properties. To achieve this goal, we intend to pursue a number of operating and growth strategies, which include:

- purchase of real estate mainly in Central and Western Europe, North America and Israel;
- developing and improving existing real estate;
- maximize the leasing of existing properties to commercial users;
- increase and develop unused building rights in our existing properties; and
- acquire additional commercial, residential and other real estate assets in light of market conditions, while diversifying our real estate property base.

As of the date of this annual report, our portfolio includes the holdings of interests in six operating commercial properties as well as condominium units in three residential projects.

Properties

The following table provides details regarding real-estate assets properties wholly owned or controlled by us or by our subsidiaries, as of the date of this annual report:

Property	Location	Acquisition Date	Company Stake	Nature of Rights	Property Type	Net Rentable Square Meters Excluding Redevelopment Space[1]	Annualized Rent ($000)[2]	Rate of Occupancy [3]	Annualized Rent per Occupied Square Meter ($)[4]	NOI ($000) [5]
Centre des Technologies Nouvelles (CTN)	Geneva, Switzerland	March 2, 2011	51%	Ownership with land lease	Commercial	34,720	10,406	93%	323	9,350
Edeka supermarkets	Bavaria, Germany	June 2, 2015 and July 8, 2015	100%	Ownership	Commercial	37,000	3,288	99%	90	1,733
Rümlang	Rümlang, Switzerland	October 29, 2009	100%	Ownership	Commercial	12,500	1,654	92%	144	1,438
Miami, Florida	Miami, Florida	2010-2013	100%	Ownership	Residential - Condominium Units	4,260	970	80%	285	(206)
Portfolio Total/ Weighted Average	-	-	-	-	-	88,480	16,318	95%	196	12,315

(1) Net rentable square meters at a building represents the current square meter at that building under lease as specified in the lease agreements plus management's estimate of space available for lease based on engineering drawings. Net rentable square meter includes tenants' proportional share of common areas but excludes space held for redevelopment.

(2) Annualized rent represents the monthly contractual rent under existing leases as of December 31, 2015 multiplied by 12.

(3) Excludes space held for redevelopment. Includes unoccupied space for which we are receiving rent and excludes space for which leases had been executed as of December 31, 2015, but for which we are not receiving rent. We estimate the total square meter available for lease based on a number of factors in addition to contractually leased square meter, including available power, required support space and common area.

(4) Annualized rent per square meter represents annualized rent as computed above, divided by the total square meter under lease as of the same date.

(5) Net Operating Income, or NOI, is a non-GAAP financial measure. The most directly comparable GAAP financial measure is operating income, which, to calculate NOI, is adjusted to add back real estate depreciation and amortization and general and administrative expenses less gain on sale of operating properties. We use NOI internally as a performance measure and believe that NOI (when combined with the primary GAAP presentations) provides useful information to investors regarding our financial condition and results of operations because it reflects only those income and expense item that are incurred at the property level.

A reconciliation of operating income to NOI is as follows:

	Year Ended December 31		
	Thousands US$		
	2013	**2014**	**2015**
Net operating income NOI (Non-GAAP):			
CTN	9,785	9,696	9,350
Edeka	-	-	1,733
Rumlang	1,612	1,558	1,438
Miami	115	(93)	(206)
Total ("NOI") (Non-GAAP)	**11,512**	**11,161**	**12,315**
Less:			
Real estate depreciation and amortization	3,369	3,813	3,925
General and administrative	1,870	2,167	1,849
Other operating costs (*)	-	-	2,352
Gain on sale of operating properties (**)	-	2,709	-
Operating income	6,273	7,890	4,189

(*) Acquisition-related costs related to the acquisition of the twenty-seven (27) supermarkets in Bavaria, Germany.
(**) Sell of residential condominium units located in Florida.

We consider the NOI to be an appropriate supplemental non-GAAP measure to operating income because it assists management, and thereby investors, to understand the core property operations prior to depreciation and amortization expenses and general and administrative costs. In addition, because prospective buyers of real estate have different overhead structures, with varying marginal impact to overhead by acquiring real estate, we consider the NOI to be a useful measure for determining the value of a real estate asset or groups of assets.

The metric NOI should only be considered as supplemental to the metric operating income as a measure of our performance. NOI should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions. NOI should also not be used as a supplement to, or substitute for, cash flow from operating activities (computed in accordance with generally accepted accounting principles in the United States).

Funds From Operation

Funds from operation, or FFO, is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income, which, to calculate FFO, is adjusted to add back depreciation and amortization and after adjustments for unconsolidated associates. We make certain adjustments to FFO, which it refers to as recurring FFO, to account for items we do not believe are representative of ongoing operating results, including transaction costs associated with acquisitions. We use FFO internally as a performance measure and we believe FFO (when combined with the primary GAAP presentations) is a useful, supplemental measure of our operating performance as it's a recognized metric used extensively by the real estate industry. We also believe that Recurring FFO is a useful, supplemental measure of our core operating performance. The company believes that financial analysts, investors and shareholders are better served by the presentation of operating results generated from its FFO and Recurring FFO measures.

A reconciliation of net income to FFO and Recurring FFO is as follows:

	Year Ended December 31		
	Thousands US$		
	2013	**2014**	**2015**
Net income (loss) attributable to Optibase Ltd.	1,465	3,339	(1,068)
Adjustments:			
Real estate depreciation and amortization	3,369	3,813	3,925
Pro rata share of real estate depreciation and amortization from unconsolidated associates	505	541	541
Non controlling interests share in the above adjustments	(1,651)	(1,868)	(1,923)
Fund from Operation ("FFO") (Non-GAAP)	**3,688**	**5,825**	**1,475**
Other operating costs (*)	-	-	2,352
Gain on sale of operating properties (**)	-	(2,709)	-
Recurring Fund from Operation ("Recurring FFO") (Non-GAAP)	**3,688**	**3,116**	**3,827**

(*) Acquisition-related costs related to the acquisition of the twenty-seven (27) supermarkets in Bavaria, Germany.
(**) Sell of residential condominium units located in Florida.

We consider the FFO and Recurring FFO to be an appropriate supplemental non-GAAP measure to operating income because it assists management, and thereby investors, in analyzing our operating performance.

The metric's FFO and Recurring FFO should only be considered as supplemental to the metric net income as a measure of our performance. FFO (i) does not represent cash flow from operations as defined by GAAP, (ii) is not indicative of cash available to fund all cash flow needs, including the ability to make distributions, (iii) is not an alternative to cash flow as a measure of liquidity, and (iv) should not be considered as an alternative to net income (which is determined in accordance with GAAP) for purposes of evaluating our operating performance.

The following table provides details regarding our non-controlled real-estate assets or projects in which we indirectly own a minority stake, as of the date of this annual report:

Property	Location	Acquisition date	Company Stake	Nature of Rights	Property Type	Net Rentable Square Feet Excluding Redevelopment Space[1]	Annualized Rent ($000)[2]	Rate of Occupancy [3]	Annualized Rent per Occupied Square Feet ($)[4]
2 Penn Center Plaza	Philadelphia, Pennsylvania	October 12, 2012	19.66%	Beneficial interest in the owner of the property	Commercial	514,300	11,772	93	25
Texas Shopping Centers Portfolio	Houston, Dallas, San Antonio, Texas	December 31, 2012	4%	Beneficial interest in the portfolio	Commercial	2,514,000	29,699	95.5	12
South Riverside Plaza Office Tower [5]	300 South Riverside Plaza, Chicago	December 29, 2015	30%	Beneficial interest in the owner of the property	Commercial	1,056,900	17,365	98.98	17
Portfolio Total/ Weighted Average	-	-	-	-	-	4,085,200	58,836	96	15

(1) Net rentable square feet at a building represents the current square meter at that building under lease as specified in the lease agreements plus management's estimate of space available for lease based on engineering drawings. Net rentable square meter includes tenants' proportional share of common areas but excludes space held for redevelopment.

(2) Annualized rent represents the monthly contractual rent under existing leases as of December 31, 2015 multiplied by 12.

(3) Excludes space held for redevelopment. Includes unoccupied space for which we are receiving rent and excludes space for which leases had been executed as of December 31, 2015, but for which we are not receiving rent. We estimate the total square meter available for lease based on a number of factors in addition to contractually leased square meter, including available power, required support space and common area.

(4) Annualized rent per square meter represents annualized rent as computed above, divided by the total square meter under lease as of the same date.

(5) Was purchased on December 29, 2015.

Set forth below is additional information with respect to our projects:

Geneva, Switzerland

On March 3, 2011, we acquired, through our newly owned subsidiary, an office building complex in Geneva, Switzerland known as Centre des Technologies Nouvelles, or CTN complex. The acquisition was undertaken by OPCTN S.A., or OPCTN, a Luxembourg company owned 51% by Optibase and 49% by The Phoenix Insurance Company Ltd and The Phoenix Comprehensive Pension, or, collectively, The Phoenix. OPCTN executed the transaction by acquiring all of the shares of the property owner, Eldista. The seller, Apollo CTN. S.a.r.l, is an entity majority owned by area property partners.

The CTN complex is a six-building complex located in the Plan-Les-Ouates business park in the outskirts of Geneva. The complex includes approximately 35,000 square meters of leasable space (approximately 377,000 square feet), is currently leased to 49 tenants, primarily in the field of advanced industries including biotech electronic and information technology industries, and is currently 93% occupied.

The following table sets forth certain information regarding leases of tenants in the CTN Complex, as of December 31, 2015:

	Number of tenants whose leases will expire*	**Total area covered by these leases**	**Area covered by these leases (%)**	**Annual rent at expiration ($000)**	**Percent of annual rent at expiration (%)**
2016	14	1,808	5.2	611	5.9
2017	8	5,667	16.3	1,584	15.2
2018	8	7,296	21	2,403	23.1
2019	5	811	2.3	319	3.1
2020	9	12,098	34.8	4,020	38.6
Thereafter	5	4,560	13.2	1,469	14.1
Sub-total	49	32,240	93	10,406	100
Vacant	-	2,480	7	-	-
Total	49	34,720	100	10,406	100

* The leases with the tenants described in the above table include either fixed end date, or notice periods ranging from one to twelve months.

In connection with the transaction, Optibase and The Phoenix entered into an agreement regarding their shareholdings in OPCTN. The agreement provides that Optibase will make day-to-day decisions and provide The Phoenix with customary protective rights. For further information see Item 10.C “Material Contracts”.

For a summary of the principal terms of the financing agreement entered by us for the purchase of the CTN complex, see Item 5.B “Operating and Financial Review and Prospects - Liquidity and Capital Resources”.

Rümlang, Switzerland

On October 29, 2009, our wholly-owned subsidiary, Optibase RE 1 s.a.r.l., acquired a commercial building located at Riedmattstrasse 9, Rümlang from the Swiss property company Zublin Immobilien AG. Rümlang is situated 15 km from Zurich and as many commercial buildings due to its strategic location in proximity to Zurich international airport. The purchase price for the transaction was approximately CHF 23.5 million of which CHF 18.8 million (approximately $22.8 million and $18.1 million respectively, as of the purchase date) was financed by a local Swiss bank pursuant to a mortgage agreement.

The five-story building includes 12,500 square meters (approximately 135,000 square feet) of rentable space with office, laboratory and retail uses. The office building in Rümlang is currently leased to 14 tenants, and is currently 92% occupied.

The following table sets forth certain information regarding leases of tenants in the Rümlang property, as of December 31, 2015:

	Number of tenants whose leases will expire*	Total area covered by these leases	Area covered by these leases (%)	Annual rent at expiration ($000)	Percent of annual rent at expiration (%)
2016	3	4,088	32.7	583	35.3
2017	3	974	7.8	171	10.3
2018	3	1,379	11	181	10.9
2019	2	1,208	9.7	202	12.2
2020	2	431	3.4	99	6
Thereafter	1	3,369	27.4	419	25.3
Sub-total	14	11,449	92	1,654	100
Vacant	-	1,051	8	-	-
Total	14	12,500	100	1,654	100

* The leases with the tenants described in the above table include either fixed end date, or notice periods ranging from three to six months.

For details regarding an option agreement granted to Swiss Pro for the purchase of twenty percent (20%) of the shares of Optibase RE 1 s.a.r.l, the owner of the property, see Item 10.C “Material Contracts”. For details on a demand received from Swiss Pro to receive certain data in connection with the option agreement, see Item 8. “Financial Information - Legal Proceedings”.

For a summary of the principal terms of the financing agreement entered by us for the purchase of the Rumlang property, see Item 5.B “Operating and Financial Review and Prospects - Liquidity and Capital Resources”.

Two Penn Center Plaza

On October 12, 2012, our wholly-owned subsidiary, Optibase 2 Penn, LLC, acquired an approximately twenty percent (20%) beneficial interest in the owner of a Class A twenty story commercial office building in Philadelphia known as Two Penn Center Plaza.

The transaction was based on a valuation of Two Penn Center Plaza of approximately $66 million including existing nonrecourse mortgage financing in the principal amount of approximately $51.7 million provided by UBS Real Estate Securities, or UBS. The UBS mortgage loan has a fixed interest rate of 5.61%, maturing in May 2021, and requiring monthly payments of principal and interest of approximately $300,000. We made a capital contribution of approximately $4 million to acquire a 19.66% indirect beneficial interest in the owner of the property. For further information, see Item 7.B. “Related Party Transactions”.

Optibase 2 Penn, LLC is a limited partner in a larger joint venture that acquired 88% of the beneficial interests in the owner of the Two Penn Center Plaza. Two Penn Center Plaza has approximately 500,000 rentable square feet and is located in the Center City neighborhood of Philadelphia opposite City Hall and Love Park. The building is currently leased to 137 tenants, primarily for general office and retail related usage. As of December 31, 2015, the Two Penn Center Plaza was 93% occupied and the annual rental income for the year 2015 totaled to approximately 10.4 million.

Texas Shopping Centers Portfolio

On December 31, 2012, our wholly-owned subsidiary, OPTX Equity LLC, acquired an approximately 4% beneficial interest in a portfolio of Texas shopping centers. OPTX Equity LLC undertook this investment as an approximately 16.5% limited partner in Global Texas, LP a Florida limited partnership that is controlled by Global Fund Investments. Global Texas, LP is a limited partner in Global Texas Portfolio, LP a joint venture that acquired 49% of the beneficial interests in the shopping center portfolio. The partnership agreement of Global Texas, LP provides for contributions of capital and distributions of proceeds pro rata among the partners according to their respective partnership interests. OPTX Equity LLC has the right to participate in certain major decisions of Global Texas, LP that require the approval of 51% of the Global Texas, LP partnership interests.

In connection with the transaction, our wholly-owned subsidiary, OPTX Lender LLC, became an owner of approximately 16.5% of the partnership interests in Global Texas Lender, LP a Florida limited partnership. Global Texas Lender, LP provided a loan to Global Texas Portfolio, LP to finance the purchase price paid by Global Texas Portfolio, LP to acquire its 49% beneficial interest in the shopping center portfolio. The terms of the partnership agreement of Global Texas Lender, LP are substantially similar to the terms of the partnership agreement of Global Texas, LP.

The transaction was based on a portfolio valuation of approximately $342 million including existing nonrecourse mortgage financing in the principal amount of approximately $252 million. The primary mortgage loan has a fixed interest rate of 5.73% and matures in April 2016.

At the closing of the transaction, which occurred on December 31, 2012, we made an aggregate capital contribution of approximately $4 million to OPTX Equity LLC and OPTX Lender LLC in order to fund our share in the transaction.

The shopping centers portfolio includes more than two million square feet of leasable area and is located in Houston, Dallas, and San Antonio areas of Texas. The leasable area is currently 96% occupied. For the year ended on December 31, 2015, Texas shopping centers portfolio annual rental income totaled to approximately 29 million.

Marquis Residences in Miami, Florida

On December 30, 2010, our wholly-owned subsidiary, Optibase Real Estate Miami LLC, had acquired 21 luxury condominium units in the Marquis Residences in Miami, Florida. The condominium units were sold by Leviev Boymelgreen Marquis Developers, L.L.C., a Florida limited liability company. In consideration for the 21 condominium units, we paid a net purchase price of approximately $8.6 million. In addition to the purchase price, we have invested approximately $823,000 in finishing the units.

The Marquis Residences is a 67-story tower with 292 luxury residential units ranging from 1,477 to 4,200 square feet, a restaurant, a hotel, a spa and fitness center.

To date, 20 of the 21 units are rented out and the remaining unit is being offered for rental or sale. We intend to hold the units for investment purposes and will consider to continue renting or selling the units in accordance with our business considerations and market conditions.

21 units are pledged in connection with a financing agreement entered into by us, see Item 5.B “Operating and Financial Review and Prospects - Liquidity and Capital Resources”.

Penthouses Units in Miami

On April 9, 2013 and on August 22, 2013, our wholly-owned subsidiary, Optibase Real Estate Miami LLC, had acquired two luxury condominium penthouses located in the Marquis Residence in Miami and one condominium penthouse located in the Ocean One condominium in Sunny Isles Beach, Florida. In consideration for the three penthouses, we paid a net purchase price of approximately $4.8 million.

The Ocean One condominium in Sunny Isles Beach is a twin tower project with 241 luxury residential units ranging from 1,990 to 2,610 square feet, with penthouses containing more square footage, and the amenities include, 700 feet of ocean frontage, a private beach club, a health and fitness center, a pool and spa and two tennis courts.

To date two penthouses are still undergoing renovations and remodeling, while the third unit's renovation has been recently completed. We intend to hold the remaining two units for investment purposes and will consider renting or selling the units in accordance with our business considerations and market conditions.

Condominium Units in Miami Beach, Florida

On December 31, 2013, our two wholly-owned subsidiaries, Optibase FMC LLC and Optibase Real Estate Miami LLC, had acquired twelve luxury condominium units located in the Flamingo-South Beach One Condominium and in the Continuum on South Beach Condominium, both located in Miami Beach, Florida, in consideration for the issuance of our 1.37 million newly issued ordinary shares (of which approximately 67,000 ordinary shares were off set against the lease of one unit), representing, as of the date of the approval of the transaction by our board of directors, a value of approximately $8.8 million. The condominium units were sold by private companies indirectly controlled by Capri, our controlling shareholder. At closing, and following the approval of the transaction by our shareholders, we issued to Capri a net sum of 1,300,580 of our ordinary shares. The net fair value of the condominium units as recorded in our financial statement as of the closing date was approximately $7.2 million, representing the fair value of the ordinary shares issued as of the closing date.

The eleven units at the Flamingo-South Beach One Condominium, or Flamingo Condominium, are located on various floors of the South Building of the Flamingo Condominium, and ranging in size from 924 to 2,347 square feet. The Flamingo Condominium is a 15-story tower with 513 luxury residential units ranging in size from approximately 450 to approximately 2,347 square feet. On October 20, 2014, we sold the eleven units located in the Flamingo Condominium, in consideration for an aggregated gross price of $6.4 million, and we recorded a capital gain of approximately $2.7 million resulting from such transaction. For further details on the transaction to sell such eleven units, see Item 7.B. "Related Party Transactions" and Item 10.C. "Material Contracts".

The unit at the Continuum on South Beach Condominium, or Continuum, is located on the 33rd floor of the North Tower of the Continuum on South Beach Condominium located at 50 S. Pointe Drive, Miami Beach, Florida. The Continuum on South Beach Condominium is a 37-story ocean-front tower with 203 luxury residential units ranging in size from 1,554 to 3,497 square feet. Residences of the Continuum on South Beach Condominium enjoy the right to use the common areas of the residence, including swimming pool, tennis courts, spa and a sporting club. At the closing of the acquisition of the Continuum Unit, the seller of the unit leased the Continuum Unit from us for a term of 36 months. We intend to hold the unit for investment purposes and will consider to continue renting or selling the unit in accordance with our business considerations and market conditions.

Four units are pledged in connection with a financing agreement entered into by us, see Item 5.B "Operating and Financial Review and Prospects - Liquidity and Capital Resources" .For further information, see Item 7.B. "Related Party Transactions".

German Commercial Properties Portfolio

On December 18, 2014, our wholly owned European subsidiary, Optibase Bavaria GmbH & Co. KG, or Optibase Bavaria, entered into a purchase agreement with Lincoln Dreizehnte Deutche Grundstucksgellschaft mbH and Lincoln Land Passau GmbH, unrelated third parties, or the Sellers, to acquire a retail portfolio of 26 separate commercial properties in Bavaria, Germany, and one commercial property in Saxony, Germany, or the Transaction Portfolio. On June 2, 2015 the closing of the transaction occurred and at the first stage we acquired 25 supermarkets in Bavaria. In consideration for the 25 supermarkets, we paid a net purchase price of €24 million. On July 8, 2015 we acquired the two remaining supermarkets for an additional purchase price of €4.75 million.

The Transaction Portfolio represents a homogenous retail portfolio in established retail locations. It has approximately 37,000 square meters of total rental space and currently generates annual net rental income of approximately EUR 3 million (approximately $3.3 million). The properties have an average tenancy rate of more than 90% of the total rental area, and an average remaining lease term of approximately seven years.

The tenants currently operate on the properties includes 26 supermarkets, and one commercial building with partly office use. The largest tenant in the Transaction Portfolio is EDEKA Handelsgesellschaft Südbayern mbH, or Edeka, one of the largest supermarket chain in the German market, which currently leases 22 of the rental properties in the Transaction Portfolio. In addition to the supermarkets, smaller shops (such as bakeries and post offices) operate on several locations as subtenants of Edeka.

For a summary of the principal terms of the financing agreement entered by us for the purchase of the portfolio, see Item 5.B "Operating and Financial Review and Prospects - Liquidity and Capital Resources".

South Riverside Plaza Office Tower, Chicago

On December 29, 2015, our wholly-owned subsidiary, Optibase Chicago 300 LLC, completed an investment in 300 River Holdings, LLC, or the Joint Venture Company, which beneficially owns the rights to a 23-story Class A office building located at 300 South Riverside Plaza in Chicago under a 99 year ground lease expiring in 2114. We invested $12,900,000 in exchange for a thirty percent (30%) interest in the Joint Venture Company.

The property is located in Chicago's premier West Loop submarket, along the Chicago River. The building, situated on the riverfront, offering 360 degree views at every level of the building. The building is currently approximately 98% occupied, including major tenants JP Morgan Chase, Zurich American Insurance, DeVry, Inc., National Futures Association, Federal Deposit Insurance Corporation and Newark Corporation.

JPMorgan Chase currently anchors the building occupying approximately 486,000 square feet, or 46% of the rentable area and has exercised its option to terminate its entire office space at no penalty after September 2016. As a result, we are currently seeking and negotiating alternative tenants to fulfil the vacant space.

Material Tenants

Our commercial properties in Switzerland are supported by anchor tenants who, due to size, reputation and other factors are considered as such. Our largest tenants in Switzerland are Lem SA and Novimune SA, located in the CTN complex. As of December 31, 2015, these tenants occupied approximately 13,000 square meters and accounted for approximately $4.5 million of rent income, or approximately 37% of our gross leasable area in Switzerland and approximately 28%, of our annual rent in Switzerland. Our Commercial Properties Portfolio in Germany is supported by anchor tenants who, due to size, reputation and other factors are considered as such. Our largest tenant in Germany is Edeka. As of December 31, 2015, Edeka occupied approximately 32,290 square meters and accounted for approximately $3 million of rent income, or approximately 87% of our gross leasable area and approximately 91%, of our annual rent. Our other tenant in Germany is Buchbauer Handelsmärkte GmbH. Or Buchbauer. As of December 31, 2015, Buchbauer occupied approximately 4,710 square meters and accounted for approximately $300,000 of rent income, or approximately 13% of our gross leasable area and approximately 8%, of our annual rent. No other tenant accounted for over 10% of our annual rent (on a consolidated basis).

Competition

The real estate market is highly competitive and is characterized by a large number of competitors. The main factor affecting competition in this market is geographic location of property. There are properties in close proximity to some of our properties that are similar in purpose and use, which has the effect of increasing competition for the leasing of those properties as well as reducing the rental rates for those properties. Other factors affecting competition are the leasing price, the physical condition of the properties and their energy efficiency rate, the finishing of the properties and the level of the management services provided to tenants. Furthermore, the overall economic and financial trends as reflected, among other things, in interest rates, may further increase competition, leading to a reduction of rental fees and a decline in demand for properties. However, as most of our real estate is leased under medium to long term agreements, we believe that our exposure is limited to most of the effects of slowdown in the real estate market, although a significant change in market conditions may adversely affect our ability to maintain current rates of occupancy or current rent levels.

Remaining items of the Video Solution Business

In connection with the sale of our Video Solutions Business to Vitec, we transferred all rights related to the support of the OCS for the period ending on the date of the closing of the Vitec Transaction to Vitec. Although we have no further obligation to pay royalties on revenues generated by our Video Solutions Business subsequent to its sale, we are currently undergoing an audit by the OCS, for royalties paid before the sale of our Video Solution Business. We believe we have sufficient provisions to cover the outcome of such review process.

4.C. ORGANIZATIONAL STRUCTURE

As of December 31, 2015, we have been managing our activity through our two wholly-owned direct subsidiaries: Optibase Inc. which was incorporated in California, the United States in 1991, Optibase Real Estate Europe SARL, or Optibase SARL, which was incorporated in Luxembourg in October 2009, and through our 51% held subsidiary OPCTN S.A., which was incorporated in Luxembourg on February 24, 2011. Our subsidiaries hold the following companies: Optibase Inc. wholly owns Optibase Real Estate Miami LLC, Optibase 2Penn LLC, OPTX Equity LLC, OPTX Lender LLC, Optibase FMC LLC, and Optibase 300 Chicago LLC, all limited liability companies which were incorporated in Delaware or Florida, United States. Optibase SARL wholly owns Optibase RE1 SARL and Optibase RE2 SARL, which were incorporated in Luxemburg. Optibase SARL wholly owns Optibase Bavaria GmbH & Co. KG, a German partnership, and Optibase Bavaria Holding GmbH, a German corporation. OPCTN S.A. wholly owns Eldista GmbH, which was incorporated in Switzerland.

Our real estate activity is managed through several subsidiaries held directly and indirectly by Optibase Ltd. or its abovementioned subsidiaries.

4.D. PROPERTY, PLANTS AND EQUIPMENT

Since December 2011, our headquarters were located in offices occupying approximately 1,399 square feet in Herzliya Pituach, Israel. Our lease for this space expired in December 2015. Currently our headquarters are located in offices occupying approximately 1,080 square feet in Herzliya Pituach, Israel. Our lease for this space expires in April 2016. We have leased new headquarters occupying approximately 3,412 square feet in Herzliya Pituach, our lease commence in April 2016 and ends in 2026

Our European subsidiaries occupy offices totaling approximately 646 square feet in Luxembourg. The current leases do not have an expiration date and can be terminated at any time with a three months prior notice.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis about our financial condition and results of operations contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those set forth under "Item 3.D. Risk Factors" above and "Item 5.D. Trend Information" below, as well as those discussed elsewhere in this annual report. You should read the following discussion and analysis in conjunction with the "Selected Consolidated Financial Data" and the Consolidated Financial Statements included elsewhere in this annual report.

Overview

Since our foundation we were engaged in the Video Solution Business. We sold that business to Vitec in July 2010 and we are currently engaged in the real estate sector. See Item 4.B "Business Overview"

Our consolidated financial statements are presented in accordance with generally accepted accounting principles in the U.S., or U.S. GAAP.

Our functional currency is the U.S dollar.

The functional currencies of our subsidiaries are CHF, EUR and U.S dollar. We have elected to use the U.S. dollar as our reporting currency for all years presented.

The functional currency of our subsidiaries in the United States is the U.S dollars, the functional currency of the subsidiaries in Switzerland is their lead currency, *i.e.*, CHF and the functional currency of our subsidiary in Germany is the EUR. Since our functional and reporting currency is the U.S dollars, the financial statements of Optibase Real Estate SARL and OPCTN S.A whose functional currency has been determined to be CHF and the financial statements of Optibase Bavaria whose functional currency has been determined to be Euro have been translated into U.S. dollars. Assets and liabilities of this subsidiary are translated at the year-end exchange rates and their statement of operations items are translated using the actual exchange rates at the dates on which those items are recognized. Such translation adjustments are recorded as a separate component of accumulated other comprehensive income in shareholders' equity.

As of December 31, 2015, we had available cash, cash equivalents, long term investments, restricted cash and other financial investments net of approximately 23.8 million. As of March 24, 2016, we have available cash, cash equivalents, long term investments, restricted cash and other financial investments net of approximately $24.8 million. For information regarding the investment of our available cash, see Item 5.B. "Operating and Financial Review and Prospects - Liquidity and Capital Resources" below.

Our business may be affected by the condition in Israel, see Item 3.D. "Risk Factors".

Fixed income from real estate rent

Fixed income real-estate consists primarily of revenues derived from real estate properties, held through our subsidiaries, in Switzerland (Rümlang and Geneva), Miami and Germany.

Cost of real estate operations

Cost of real estate operations consist primarily of direct costs associated with operating the real estate properties such as building insurance, management company fees and property tax.

Real estate depreciation and amortization

Real estate depreciation and amortization consist primarily of depreciation expenses related to the value of properties net of amounts accounted for land, as well as amortization expenses associated with intangible assets derived from the purchase of real estate properties.

General and administrative expenses

General and administrative expenses consist primarily of fees to outside consultants, legal and accounting fees, expenses related to the purchase of real estate assets, stock option compensation charges and certain office maintenance costs.

Other operating cost

Other operating cost consists of acquisition related cost of $2.4 million related to the acquisition of the 27 supermarkets in Bavaria, Germany.

Gain on sale of operating properties

Gain on sale of operating properties consists of sale of eleven condominium units located in Miami Beach, Florida during 2014.

Equity share in earnings (losses) of associates, net

Associates in which we have significant influence over the financial and operating policies without having control are accounted for using the equity method of accounting, accordingly we recorded during 2015 an equity loss in associate of our holdings of Two Penn Center Plaza in Philadelphia, Pennsylvania.

Other income (loss)

Other income (expenses), net, consists of dividend received and interest income on loan to associated company and impairment expenses.

Financial income (expenses), Net

Financial expenses consist primarily of interest we paid in connection with bank loans, debt issuance, currency hedging transactions, and losses from realization of securities and financial instruments. Financial income consists mainly of interest received on deposits and other financial assets held in our bank accounts and gains from realization of securities and financial instruments. Our exchange differences occur primarily as a result of the change of the NIS, CHF and Euro value relative to the U.S. dollar.

Taxes

As of 2015, Israeli companies are generally subject to a corporate income tax rate of 26.5%. On 5 January 2016, the Israeli Parliament officially published the Law for the Amendment of the Israeli Tax Ordinance (Amendment 216), that reduces the standard corporate income tax rate from 26.5% to 25%.

Taxable income of Luxemburg, Switzerland, Germany and the United States is subject to tax at the rate of approximately 29%, 24%, 16% and 34% respectively in 2015.

We have final tax assessments through the tax year 2011.

As of December 31, 2015, we had approximately $61 million of net operating loss carry-forwards for Israeli tax purposes. These net operating loss carry-forwards have no expiration date. Optibase Inc. had U.S. federal net operating loss carry-forward of approximately $32 million that can be carried forward and offset against taxable income for 20 years, no later than 2035. Utilization of U.S. net operating losses may be subject to the substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986, and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization.

Net Income Attributable to Non-Controlling Interest.

Net income attributed to non-controlling interest following the acquisition of the CTN property in Geneva, Switzerland in March 2011. We have entered into the said transaction with The Phoenix group, who owns 49% of the property. Thus, 49% of the net operating results of the property are attributed to them.

5.A. OPERATING RESULTS

The following table sets forth, for the years ended December 31, 2013, 2014 and 2015 statements of operations data as percentages of our total revenues:

	Year Ended December 31		
	2013	**2014**	**2015**
Fixed income real estate	100.0%	100.0%	100.0%
Costs and expenses:			
Cost of real estate operations	16	19.9	19.4
Real estate depreciation and amortization	24.6	27.4	25.7
General and administrative	13.6	15.5	12.1
Other operating expenses	-	-	15.4
Total costs and expenses	54.2	62.8	72.6
Gain on sale of operating properties	-	19.4	-
Operating income	45.8	56.6	27.4
Other income, net	2.8	2.8	2.8
Financial expenses, net	(9.8)	(8.3)	(11.8)
Income before provision for tax	37.5	49.8	18.4
Provision for tax	(11.1)	(10.8)	(10.5)
Equity share in losses of associates, net	(1.3)	(1.3)	(0.2)
Net income	26.4	39	7.6
Net income attributable to non-controlling interest	15.7	15	14.6
Net income (loss) attributable to Optibase	10.7	24	(7)

Results of Operations for the Years Ended 2015 and 2014

Fixed income from real estate rent. Our fixed income real estate rent increased in 2015 to $15.3 million compared to $13.9 million in 2014. The increase is mainly attributed to rental income deriving from our German portfolio purchased on June and July 2015 partially offset by decrease of rental income derived from the sale of eleven condominium units located in Miami Florida sold on September 2014.

Cost of real estate operations. Our cost of real estate operation increased in 2015 to $3 million compared to $2.8 million in 2014. Such costs increased in 2015 mainly due to an increase in building maintenance expenses related to the new portfolio purchased in Germany partially offset by decrease of operation expenses derived from the sale of eleven condominium units located in Miami Florida sold on September 2014.

Real estate depreciation and amortization. Our real estate depreciation and amortization in 2015 increased to $3.9 million compared to $3.4 million in 2014. Such costs increased in 2015 mainly due to increase in depreciation expenses related to the new portfolio purchased in Germany partially offset by decrease of depreciation expenses derived from the sale of eleven condominium units located in Miami Florida sold on September 2014.

General and Administrative Expenses. General and administrative expenses decreased to $1.8 million in 2015 from $2.2 million in 2014. The decrease can be mainly attributed to a one-time, non-recurring expenses in 2014 in connection to the settlement agreement between us and Swiss Pro, partially offset by a one-time non-recurring legal expenses in 2015 due to a motion to the company to approve filing of a derivative claim as detailed in Item 8. “Financial Information - Legal Proceedings”.

Other operating cost. Other operating cost consists of acquisition related cost of $2.4 million related to the acquisition of the twenty-seven (27) supermarkets in Bavaria, Germany.

Gain on sale of operating properties. On 2014 we recorded a gain on sale of operating properties of $2.7 million in 2014 due to the sale of eleven condominium units located in Miami Beach, Florida during 2014.

Operating Income. As a result of the foregoing, we recorded operating income of $4.2 million in 2015 compared with an operating income of $7.9 in 2014. The decrease in our operating income in 2015 is mainly due to acquisition related cost of $2.4 million and due to the decrease in gain on sale of operating properties in 2014 and partially, increase in rental income offset by increase in operation expenses and depreciation expenses and by overall decrease in one-time, non-recurring general and administrative expense.

*Equity share in losses of associates, net. We recorded equity loss of $*31,000 in 2015, compared with equity loss of $186,000 in 2014 associated with 2 Penn Philadelphia LP, a limited partnership of which our wholly-owned subsidiary, Optibase 2 Penn, LLC, is a limited partner.

Other income (loss). We recorded other income of $429,000 in 2015 compared with other income of $394,000 in 2014, related to dividend received and interest income on loan to an associated company.

Financial Expenses, Net. We recorded financial expenses, net of $1.8 million in 2015, compared with financial expenses, net of $1.1 million in 2014. The increase can be mainly attributed to loan interest of Miami long term loan, Germany long term loan and bonds issuance transactions as well as foreign currency translation differences.

Taxes on Income. We and our subsidiaries account for income taxes in accordance with ASC Topic 740 "*Income Taxes*", or ASC 740. Under the requirements of ASC 740, we reviewed all of our tax positions and determined whether the position is more-likely-than-not to be sustained upon examination by regulatory authorities. Accordingly, we recorded tax expenses of $1.6 million in 2015, compared with $1.5 in 2014, respectively, mainly related to our Luxemburg and Germany subsidiaries.

Net Income. As a result of the forgoing, we recorded net income of $1.2 million in 2015, compared with a net income of $5.4 million in 2014.

Net Income Attributable to Non-Controlling Interest. Net income attributed to non-controlling interest was first recorded in 2011 following the acquisition of the CTN property in Geneva, Switzerland in March 2011. We have entered into the said transaction with The Phoenix group, who owns 49% of the property. Thus, 49% of the net operating results of the property are attributed to them.

Net income (loss) attributable to Optibase Ltd. Net income (loss) attributed to Optibase Ltd., is the result of net income as affected by net income attributed to non-controlling interest.

Results of Operations for the Years Ended 2014 and 2013

Fixed income from real estate rent. Our fixed income real estate rent increased in 2014 to $13.9 million compared to $13.7 million in 2013. The increase is mainly attributed to rental income deriving from the twelve luxury condominium units in Miami purchased in December 2013.

Cost of real estate operations. Our cost of real estate operation increased in 2014 to $2.8 million compared to $2.2 million in 2013. Such costs increased in 2014 mainly due to an increase in building maintenance expenses related to the new properties purchased in Miami, Florida.

Real estate depreciation and amortization. Our real estate depreciation and amortization in 2014 increased to $3.8 million compared to $3.4 million in 2013. Such costs increased in 2014 mainly due to increase in depreciation expenses related to the new properties purchased in Miami, Florida.

General and Administrative Expenses. General and administrative expenses increased to $2.2 million in 2014 from $1.9 million in 2013. The increase can be mainly attributed to a one-time, non-recurring expenses in connection the settlement agreement between us and Swiss Pro, as detailed in Item 8. "Financial Information - Legal Proceedings".

Gain on sale of operating properties. We recorded a gain on sale of operating properties of $2.7 million in 2014 due to the sale of eleven condominium units located in Miami Beach, Florida during 2014.

Operating Income. As a result of the foregoing, we recorded operating income of $7.9 million in 2014 compared with an operating income of $6.3 in 2013. The increase in our operating income in 2014 is mainly due to gain on sale of operating properties and partially, increase in rental income offset by increase in depreciation expenses and by one-time, non-recurring general and administrative expense, in connection the settlement agreement between us and Swiss Pro, as detailed in Item 8. "Financial Information - Legal Proceedings".

Other income (loss). We recorded other income of $394,000 in 2014 related to dividend received and interest income on loan to an associated company.

Financial Expenses, Net. We recorded financial expenses, net of $1.1 million in 2014, compared with financial expenses, net of $1.3 million in 2013. The change can be mainly attributed to interest SWAP transaction, as well as foreign currency translation differences.

Taxes on Income. We and our subsidiaries account for income taxes in accordance with ASC Topic 740 "*Income Taxes"*, or ASC 740. Under the requirements of ASC 740, we reviewed all of our tax positions and determined whether the position is more-likely-than-not to be sustained upon examination by regulatory authorities. Accordingly, we recorded tax expenses of $1.5 million in 2014 and 2013, respectively, mainly related to our Luxemburg subsidiaries.

*Equity share in losses of associates, net. We recorded $*186,000 equity loss associated with 2 Penn Philadelphia LP, a limited partnership of which our wholly-owned subsidiary, Optibase 2 Penn, LLC, is a limited partner.

Net Income. As a result of the forgoing, we recorded net income of $5.4 million in 2014, compared with a net income of $3.6 million in 2013.

Net Income Attributable to Non-Controlling Interest. Net income attributed to non-controlling interest was first recorded in 2011 following the acquisition of the CTN property in Geneva, Switzerland in March 2011. We have entered into the said transaction with The Phoenix group, who owns 49% of the property. Thus, 49% of the net operating results of the property are attributed to them.

Net income (loss) attributable to Optibase Ltd. Net income (loss) attributed to Optibase Ltd., is the result of net income as effected by net income attributed to non-controlling interest.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with U.S. GAAP. These accounting principles require management to make certain estimates, judgments and assumptions based upon information available at the time that they are made, historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented.

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting among available alternatives would not produce a materially different result. Our management reviewed these critical accounting policies and related disclosures with our audit committee. See Note 2 to our Consolidated Financial Statements, which contain additional information regarding our accounting policies and other disclosures required by U.S. GAAP.

Our management believes the significant accounting policies which affect management's more significant judgments and estimates used in the preparation of our consolidated financial statements and which are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- Long-lived assets including intangible assets
- Investment in companies
- Contingencies; and
- Income Taxes.

Long- Lived Assets including intangible assets

The Company and its subsidiaries long-lived assets are reviewed for impairment in accordance with ASC 360, *"Property, Plant and Equipment"*, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

The Company reviewed assets on a component-level basis, which is the lowest level of assets for which there are identifiable cash flows that can be distinguished operationally and for financial reporting purposes. The carrying amount of the asset group was compared with the related expected undiscounted future cash flows to be generated by those assets over the estimated remaining useful life of the primary asset. In cases where the expected future cash flows were less than the carrying amounts of the assets, those assets were considered impaired and written down to their fair values. Fair value was established based on discounted cash flows.

Investment in companies

Investments in non-marketable equity securities of companies in which the Company does not have control or the ability to exercise significant influence over their operation and financial policies are recorded at cost.

Management evaluates investments in non-marketable equity securities for evidence of other-than temporary declines in value. When relevant factors indicate a decline in value that is other-than temporary the Company recognizes an impairment loss for the decline in value.

Contingencies

We periodically estimate the impact of various conditions, situations and/or circumstances involving uncertain outcomes to our financial condition and operating results. These events are called "contingencies", and the accounting treatment for such events is prescribed by the ASC 450 *"Contingencies"*. ASC 450 defines a contingency as "an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an enterprise that will ultimately be resolved when one or more future events occur or fail to occur". Legal proceedings are a form of such contingencies.

In accordance with ASC 450, accruals for exposures or contingencies are being provided when the expected outcome is probable. It is possible, however, that future results of operations for any particular quarter or annual period could be materially affected by changes in our assumptions, the actual outcome of such proceedings or as a result of the effectiveness of our strategies related to these proceedings.

Income Taxes

The Company and its subsidiaries accounts for income taxes in accordance with ASC Topic 740, “Income Taxes” or ASC 740, which prescribes the use of the liability method, whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company and its subsidiaries provide a valuation allowance, if necessary, to reduce deferred tax assets to amounts more likely than not to be realized.

ASC 740 clarifies the accounting for uncertainties in income taxes by establishing minimum standards for the recognition and measurement of tax positions taken or expected to be taken in a tax return. Under the requirements of ASC 740, the Company must review all of its tax positions and make a determination as to whether its position is more-likely-than-not to be sustained upon examination by regulatory authorities. If a tax position meets the more-likely–than-not standard, then the related tax benefit is measured based on a cumulative probability analysis of the amount that is more-likely-than-not to be realized upon ultimate settlement or disposition of the underlying issue. Our policy is to accrued interest and penalties related to unrecognized tax benefits in our financial expenses.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09) "Revenue from Contracts with Customers." ASU 2014-09 supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605)”, and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. As currently issued and amended, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, though early adoption is permitted for annual reporting periods beginning after December 15, 2016. We are currently in the process of evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements, implementing accounting system changes related to the adoption, and considering additional disclosure requirements. We are still evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17 (ASU 2015-17) “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes”. ASU 2015-17 simplifies the presentation of deferred income taxes by eliminating the separate classification of deferred income tax liabilities and assets into current and noncurrent amounts in the consolidated balance sheet statement of financial position. The amendments in the update require that all deferred tax liabilities and assets be classified as noncurrent in the consolidated balance sheet. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods therein and may be applied either prospectively or retrospectively to all periods presented. Early adoption is permitted. We have early adopted this standard in the fourth quarter of 2015 on a retrospective basis. Prior periods have been retrospectively adjusted.

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-period Adjustments." This new guidance requires an acquirer in a business combination to recognize adjustments to the provisional amounts that are identified during the measurement period to be reported in the period in which the adjustment amounts are determined. In addition, the effect on earnings of changes in depreciation, amortization and other items as a result of the change to the provisional amounts, calculated as if the accounting had been complete as of the acquisition date, must be recorded in the reporting period in which the adjustment amounts are determined. ASU 2015-16 is effective for fiscal periods beginning after December 15, 2015 and must be applied prospectively. Early adoption is permitted. We have not yet adopted ASU 2015-16 and do not expect the adoption of this guidance to have a material impact on our consolidated financial position or results of operations.

In April 2015, the FASB issued ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, as part of its initiative to reduce complexity in accounting standards. To simplify presentation of debt issuance costs, the amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU 2015-15, Interest-Imputation of Interest (Subtopic 835-30), Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (SEC Update), which allows an entity to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The updated standards are effective for financial statements issued for annual and interim periods beginning after December 15, 2015. The updated standards are not expected to materially impact our financial position or disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU is expected to impact our consolidated financial statements as we have certain operating and land lease arrangements for which we are the lessee. ASU 2016-02 supersedes the previous leases standard, Leases (Topic 840). The standard is effective on January 1, 2019, with early adoption permitted. We are currently in the process of evaluating the impact the adoption of ASU 2016-02 will have on our financial position or results of operations.

In January 2016, the FASB issued ASC 2016-01, *Financial Instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU makes the following targeted changes for financial assets and liabilities: i) requiring equity investments with readily determinable fair values to be measured at fair value with changes recognized in net income; ii) simplifying the impairment assessment of equity securities without readily determinable fair values using a qualitative approach; iii) eliminating disclosure of the method and significant assumptions used to fair value instruments measured at amortized cost on the balance sheet; iv) requiring use of the exit price notion when measuring the fair value of instruments for disclosure purposes; v) for financial liabilities where the fair value option has been elected, requiring the portion of the fair value change related to instrument-specific credit risk (which includes a Company's own credit risk) to be separately reported in other comprehensive income; vi) requiring the separate presentation of financial assets and liabilities by measurement category and form of financial asset (liability) on the balance sheet or accompanying notes; and vii) clarifying that the evaluation of a valuation allowance on a deferred tax asset related to available-for-sale securities should be performed in combination with the entity's other deferred tax assets. The ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those years Early adoption of item (v) above is permitted for financial statements (both annual and interim periods) that have not yet been issued. We have not determined when we will adopt item (v) above of this ASU. We will adopt the remaining provisions of the ASU on January 1, 2018. We are evaluating the impact of this ASU on Ambac's financial statements.

In February 2015, the FASB issued ASU 2015-02, *Consolidation: Amendments to the Consolidation Analysis (Topic 810)*, requiring entities to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. The revised consolidation model: (1) modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, (2) eliminates the presumption that a general partner should consolidate a limited partnership, (3) affects the consolidation analysis of reporting entities that are involved with VIEs, and (4) provides a scope exception from consolidation guidance for reporting entities with interests in certain legal entities. The updated standard is effective for financial statements issued for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The updated standard may be applied retrospectively or 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 this guidance is not expected to have an impact on our financial statements and related disclosures.

5.B. LIQUIDITY AND CAPITAL RESOURCES

We have funded our operations primarily through private and public sales of our equity securities and banks credit. As of December 31, 2015, we had cash and cash equivalents, long term investments, restricted cash and other financial investments net of $23.8 million, and as of March 24, 2016, we have available cash, and cash equivalents of approximately $24.8 million.

NOI increased by $1.2 million, or 10%, for the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase in NOI was primarily driven by an increase in minimum rent deriving from our German portfolio purchased on June and July 2015, and to contractual rent increases.

Recurrent FFO increased by $711,000, or 23%, for the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase in FFO is due primarily to an increase in cash generated from our German portfolio purchased on June and July 2015, partially offset by increase in financial expenses associated with assumptions of Miami long term loan and bonds issuance transactions in 2015.

Net cash provided by our operating activities was $4 million, $5.3 million and $7.4 million in December 31 of each of the years 2015, 2014 and 2013, respectively.

Net cash provided for operating activities in 2015 was primarily the result of net income for the period, as adjusted for depreciation and amortization, decrease in other accounts receivable and prepaid expenses, decrease in trade receivables, increase in other long term liabilities, minority interests in losses of a subsidiary offset by the increase accrued expenses and other accounts payables, decrease in short term liabilities and in land lease liabilities, and by decrease in deferred tax liabilities.

Net cash provided for operating activities in 2014 was primarily the result of net income for the period, as adjusted for depreciation and amortization, minority interests in losses of a subsidiary, increase in accrued expenses and other accounts payables, offset by the decrease in short term liabilities, decrease in deferred tax liabilities, increase in other accounts receivable and prepaid expenses, and by gain on sale of real estate. . Net cash provided for operating activities in 2013 was primarily the result of net income for the period, as adjusted for depreciation and amortization, increase in accrued expenses and other accounts payables, minority interests in losses of a subsidiary, partially offset by the decrease in long term liabilities and decrease in trade receivable.

Net cash used for investment activities in 2015 totaling $49.4 million reflects primarily the investments we have entered into during 2015 for the acquisition of a portfolio in Germany and the acquisition of 30% beneficial interest in Class A office building in Chicago, investment in long term deposits and investment in building improvements. Net cash provided from investment activities in 2014 totaling $5.2 million reflects primarily the sale of 11 residential condominium units located in Florida through our wholly-owned subsidiary, offset by investments in building improvements. Net cash used for investment activities in 2013 totaling $5.7 million reflects primarily the investments we have entered into during 2013 for the acquisition of three condominium units through our wholly-owned subsidiary Optibase Inc.

Net cash provided for financial activities in 2015 totaling $47.2 million reflects proceeds from bonds offering, bank loan relates to loan received for the acquisition of the portfolio in Germany and loan received for certain condominium units the Company own in Miami and Miami Beach, Florida partially offset by loan repayment and dividend distribution. Net cash used for financial activities in 2014 totaling $4.7 million reflects loans repayment and dividend distribution. Net cash used for financial activities in 2013 totaling $2.6 million reflects loans repayment.

During 2015, we invested our available cash solely in interest bearing bank deposits and money market funds with various banks. As of the date hereof, we do not have any material contractual commitments related to capital expenditure.

In July 2013, our audit committee and board of directors approved, in accordance with the Israeli Companies Regulations (Relieves for Transactions with Interested Parties) of 2000, or the Regulations, the receipt of guarantees, or the Guarantees, from our controlling shareholder or any affiliate thereof, or collectively, the Controlling Shareholder, to financing institutions in connection with our subsidiaries' or affiliated companies' real estate and real estate related activities, or the Real Estate Activities, all in accordance with the terms detailed below. The purpose of the receipt of the Guarantees is to increase our financial resources in order to expand our Real Estate Activities. The Guarantees will be provided by the Controlling Shareholder to financing institutions in for a credit or loan to be provided to us, our subsidiaries or affiliated companies by such financing institutions in the event we are unable to provide sufficient equity in connection with the Real Estate Activities. The Guarantees will be provided for credit or loan amounts that will not exceed US $20 million per year, effective as of July 18, 2013, and up to US $60 million for a three-year period. The Guarantees will be in effect for the entire duration of the credit agreement or loan facility. We, our subsidiaries or our affiliated companies will not bear any costs or expenses in connection with the provision of the Guarantees and will not indemnify the Controlling Shareholder in case such Guarantees are exercised. As of the date of this annual report, we have not received any Guarantee from the Controlling Shareholder.

The following table summarizes the principal terms of all of our financing agreements:

Type of Facility	Borrower	Original Date and Maturity Date	Original Amount*	Outstanding Amount (as of December 31, 2015)**	Annual Interest	Payment Terms	Principal Securities	Principal Covenants	Additional Information
Public offering of non-convertible Series A Bonds by the Company	The Company	Original Date- August 9, 2015; Maturity Date- December 31, 2021	NIS 60 million (app. $15 million)	NIS 60 million (app. $ 15 million)	6.7%	Interest - payable in semi-annual payments Principal - payable in semi-annual payments on June 30 and on December 31 of each of the years of 2016 through 2021 (last payment on December 31, 2021)	none	• negative pledge regarding the creation of a floating charge on all of the Company's assets, subject to certain exceptions. • no distributions in an amount greater than 35% of the profits • no distributions that immediately following which the Company's equity (excluding minority interest) will decrease below $50 million • increase of interest rate in case of certain decreases in the bonds' rating. • minimum equity (excluding minority interest) will not be less than $33 million • equity (including minority interest) to balance sheet ratio will not be less than 25% • net financial debt to CAP ratio will not be greater than 70% • net financial debt to EBITDA ratio will not be greater than 16. As of December 31, 2015, the Company meets all the required covenants.	The bonds are rated at a rating of "Baa1/Stable" on a local scale by Midroog Ltd., an affiliate of Moody's. Events of default include, among which, the existence of a real concern that the Company will not meet its material undertakings towards the bondholders; breach of the Company's financial covenants during two consecutives fiscal quarters; cross default provisions; the sale of the majority of the Company's assets, subject to certain exceptions; and occurrence of certain 'change of control' events. No restriction on the issuance of any new series of debt instruments, subject to certain exceptions. Expansion of the series is subject to maintaining the rating assigned to the bonds prior to the expansion date and continued compliance with the financial covenants.
Refinancing agreement of the CTN complex	OPCTN, S.A. (Mezzanine Borrower)	Original Date- October 3, 2011; Maturity Date- Up to 5 years from the original date	CHF 15 million (app. $16.5 million).	CFH 6.5 million (app. $6.6 million).	LIBOR + either: (a) 1.30%; or (b) a maximum of 2.50% if the lender's risk assessment requires such a change.	Interest due quarterly, beginning March 31, 2012. CHF 2 million to be paid per year on a quarterly basis, beginning 31.12.2011.	A senior mortgage over the property + a pledge of Eldista's shares		• Transfers/sales of property are prohibited. Any sale will result in the loan being repayable and a prepayment fee of 0.1%, plus difference between interest rate at time of termination and interest rate that bank can achieve for residual interest (LIBOR) term. • Distributions of dividends/shareholder loans are only permitted in line with available yearly profit after loan payments.
	Eldista GmbH (Senior Borrower)	Original Date- October 3, 2011;	CHF 85 million (app. $93.5 million).	CFH 85 million (app. $86.6 million).	LIBOR + 0.75% per annum.	Interest due quarterly, beginning March 31. CHF 2 million to be paid per year on a quarterly basis, beginning 31.12.2018.			• Distributions of dividends/shareholder loans are only permitted: (a) to OPCTN to make its loan payments; and (b) otherwise in line with available yearly profit after loan payments.

Type of Facility	Borrower	Original Date and Maturity Date	Original Amount*	Outstanding Amount (as of December 31, 2015)**	Annual Interest	Payment Terms	Principal Securities	Principal Covenants	Additional Information
Financing agreement (as amended) of the Edeka Portfolio	Optibase Bavaria GmbH & Co. KG	Original Date- May 2015; Maturity Date- May 31, 2020	€21 million (app. $23 million) of which €20 million (app. $22 million) has been drawn down	€19.7 (app. $21.5)	3 month Euro Interbank Offer Rate + either: (a) 1.75%; or (b) if certain mortgage requirements under German law are not met, 1.89%. There is a Hedge Agreement in place securing an interest rate of a maximum of 2.15% per annum.	quarterly amortization of €105,000 each from June 30, 2015 until the maturity date	Land charges over the Portfolio properties Assignment of rent, insurance right and claims as well as claims of all future purchase agreements; Pledge of rent accounts; Enforceable abstract promise of debt; Assignment of right and claims under the Hedge Agreement.	• Debt service cover ratio ("DSCR") of at least 130% (breach is a "Soft Default", requiring surplus income from the portfolio properties to be used to remedy the breach) or of at least 110% (breach is a "Hard Default" requiring payment by Borrower to fully remedy the breach- DSCR of 130% must be restored). DSCR must be proven towards the bank by the Borrower every six months from December 31, 2015. • Loan to value of 70% in the first three years and 65% in the fourth and fifth years (breach requires Borrower to make payment by the Borrower to remedy the breach). Portfolio was valued at €32,422,000 on December 3, 2014, and new valuations may be done at intervals of two years (first on September 30, 2016) at the cost of the Borrower or at any other time at the Lender's cost. As of December 31, 2015, the Company meets all the required covenants.	• The Borrower should pay certain release amounts (as set out in the loan agreement) if a mortgaged property is sold prior to the maturity date. The release amount is the higher of (i) the minimum re-payment amount agreed for the sold property or (ii) 75% of the net sales proceeds received for the sold property. • Exit Fee for prepayment prior to Maturity Date equal to 0.30% per remaining year of the term plus compensation for loss of interest to the Lender. • The Bank has a claim for damages in the event of a partial or full prepayment of the loan amount. • If the Borrower fulfils certain requirements with respect to expanding the Lenggries property on or by December 31, 2017, a part of the undrawn loan in the amount of €525,884 will be paid out to the Borrower. If the conditions are not met on or by December 31, 2017 then the loan will be reduced by €525,884 and Borrower will repay an amount of €74,116 on December 31, 2017. • If the Borrower fulfils certain requirements with respect to the leasehold agreement for the Chamerau property on or by June 30, 2016, it will have to repay €474,116 by December 31, 2016, a part of the undrawn loan in an amount of €474,116 will be paid out to the Borrower. If the conditions are not met on or by June 30, 2016 then the loan will be reduced by €474,116. • The Lender is authorized to syndicate or transfer parts or the entire loan at its own cost.

Type of Facility	Borrower	Original Date and Maturity Date	Original Amount*	Outstanding Amount (as of December 31, 2015)**	Annual Interest	Payment Terms	Principal Securities	Principal Covenants	Additional Information
Financing agreement of condominium units in Miami	Optibase Real Estate Miami, LLC	Original Date- July 7, 2015; Maturity Date- July 7, 2018, with an option to extend for 12 months upon satisfaction of certain conditions.	$15 million	$15 million	Libor (30-day rate) + either: (a) 2.65%; or (b) 3,25% if Borrower and Guarantor fail to maintain depository accounts with the Lender totaling $1.5 million.	Interest – payable monthly commencing in August 1, 2015 Principal: Payments to reduce the principal to: (a) $13,753,252 on July 7, 2016; (b) $11,883,180 on December 7, 2016; (c) $9,389,723 on July 7, 2017; and (d) $6,896,266 on December 7, 2017	(i) A senior mortgage spread over 25 residential condominium units; and (ii) Guaranty from Optibase, Inc., under which Optibase, Inc. guarantees the obligations of the Borrower, including the punctual payment of amounts owed under the loan documents	• Borrower to keep $1 million in a Restricted Account, from which interest payments are deducted if such payments are not paid in cash. • Guarantor and the Borrower must collectively maintain unrestricted and unencumbered Liquid Assets of at least $2,000,000.00, including any amounts held as Interest Reserve under the Loan Agreement. Guarantor not to transfer a material portion of its assets, other than in the ordinary course of business, for fair market terms, and such transfer will not have material adverse effect on its ability to perform its obligations. Guarantor can make advances to affiliates in ordinary course of business without consent. As of December 31, 2015, the Company meets all the required covenants.	• The Mortgage will be partially released so that a sale of a Unit can occur, provided: no Event of Default exists at the time the Borrower presents a contract for sale to the Lender executed by a buyer; the sale is to a bona-fide third party purchaser upon the terms and conditions set out in Exhibit B of the Loan Agreement. • Lender may obtain a new or updated Appraisal of the Project at Borrower's expense once annually, or more often if an Event of Default exists or if required by a governmental or banking agency or authority.
Financing agreement of the property in Rumlang	Optibase RE 1 SARL	Original Date- October 2009;	CHF 18.8 million ($18.4 million)	CHF 16.5 million (app. $16.7 million)	Libor (for a period determined by borrower per each interest payment for the next payment) + 0.8%	Interest - payable in four quarterly payments annually The principal amount is payable in four quarterly amortization payments annually, each in the amount of CHF 94,000 (approximately $92,000 as of the purchase date).	A senior mortgage over the property + Pledge over the holdings in borrower	• undertaking not to grant any encumbrance or mortgage on the Rümlang property without the lender's approval. As of December 31, 2015, the Company meets all the required covenants	• The lender may adjust the margin at its sole discretion on account of deterioration in Optibase RE 1's credit standing or the value of the property. • The principal payments may be adjusted at the lender's sole discretion if the lease of major tenants is terminated and no replacement tenant is found within 6 months. • Borrower may repay the mortgage at any time, subject to a prior notice of three months with no subject penalty. • The lender holds the right to accelerate future loan payments, upon occurrence of certain default conditions.

* Translation of the amounts into US Dollar was made in accordance with the representative rate of exchange of the relevant currency into US Dollar as of the date the loan was taken.
** Translation of the amounts into US Dollar was made in accordance with the representative rate of exchange of the relevant currency into US Dollar as of December 31, 2015.

We believe that, considering the use of cash in our ongoing operations, together with the existing sources of liquidity described above, our working capital will be sufficient to meet our present requirements and our needs for cash for at least the next 12 months. However, our liquidity and capital requirements are affected by many factors, some of which are based on the normal ongoing operations of our businesses and some of which arise from uncertainties related to global economies and the markets that we target for our services. In addition, we routinely review potential acquisitions, including the transaction we recently entered into for the acquisition of a real estate properties portfolio in Germany (see Item 10.C. "Material Contracts"), which requires more funds than are currently available. Therefore, we would likely seek additional equity or debt financing, although we cannot assure you that we would be successful in obtaining such financing on favorable terms or at all.

5.C. RESEARCH AND DEVELOPMENT

For grants received from certain entities, see Item 4.B. "Business Overview - Research and Development" above.

5.D. TREND INFORMATION

Starting in 2008 the global economic downturn caused a slowdown in the real estate market. In the later part of 2008 and through 2010, banks have lowered interest rates, but at the same time were reluctant to provide financing or perform refinancing of existing debt. Although interest rates have increased during 2011, banks are still reluctant to provide financing or perform refinancing of existing debt. Moreover, in the past few years, several European countries were experiencing difficulties refinancing their governmental debts. Such difficulties influenced the European and entire world economy, and eventually brought to a sovereign debt crisis in Europe during 2011.

In 2012, the economy showed signs of improvement, but recovery has been slow and volatile. Furthermore, severe financial and structural strains on the banking and financial systems have led to significant lack of trust and confidence in the global credit and financial system. Consumers and money managers have liquidated and may liquidate equity investments, and consumers and banks have held and may hold cash and other lower-risk investments, resulting in significant declines in the equity capitalization of companies and failures of financial institutions. The recent economic downturn resulted in many companies shifting to a more cautionary mode with respect to leasing of real estate properties. Potential tenants may be looking to consolidate, reduce overhead and preserve operating capital. The downturn also impacted the financial condition of some our tenants and their ability to fulfill their lease commitments which, in turn, impacted our ability in some of our regions to maintain or increase the occupancy level and/or rental rates of our properties.

Recent U.S. debt ceiling and budget deficit concerns have increased the possibility of additional downgrades of sovereign credit ratings and economic slowdowns. In August 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the U.S. from "AAA" to "AA+". The impact of this or any further downgrades to the U.S. government's sovereign credit rating, or its perceived creditworthiness, is inherently unpredictable and could adversely affect the U.S. and global financial markets and economic conditions. These developments, and the U.S. government's credit concerns in general, could cause interest rates and borrowing costs to rise. In addition, the lowered credit rating could create broader financial turmoil and uncertainty. In addition, during 2013, the pressure on properties' pricing have eased somewhat and the U.S. real estate market was showing signs of stabilization and an increase towards the end of the year. During 2014 and through 2015 the U.S. real estate market has shown signs of improvement and a consistent increase in assets prices as the demand for investments increased significantly also driven by financial institutions increased willingness to finance new transactions along with low interest rates. Economically, that had been supported by moderate job growth, record housing affordability and fewer distressed property sales. Throughout 2015, we have witnessed yet a further increase in demand for quality projects both in the residential and the commercial markets. More recently we have seen an ease in that demand, especially for high end residential projects in the U.S. market.

In addition, the Swiss economy led to a slight increase in demand in the office property market in 2011. In particular, Switzerland remains an attractive location for international service providers and corporate headquarters. There is also still a demand for high-quality, modern spaces, which ultimately allows for a certain stability on the rent level. However, while jobs were still being created at the beginning of 2011, the Swiss economy slowed down and consumer sentiment dimmed somewhat in the second half of the year. Towards the end of the year, the demand for office space slowed down due to announced and expected job losses. During 2013, 2014 and throughout 2015, as Swiss interest rates declined further, the Swiss real estate prices remained stable in most segments, while other segments were showing signs of increase mainly due to the low interest rates and lack of investments alternatives. At the same time, there was no increase in the demand for new rental spaces and the rental market appeared to be slowing down further, in particular the demand for prime office space and the price for such real estate properties. Although economic conditions were promising in 2013, stagnating sales, depressed income and ongoing structural challenges meant that demand for retail floor space was modest. In addition, the two most highly developed tenant markets, Zurich and Geneva, are still exposed to growing oversupply of office space. Despite the above, during 2013 and 2014, market values on direct investments generally continued to rise, mainly due to low interest rates, but have been stable during 2015. As this was accompanied by moderate demand for rents and stability in rental prices, the overall yields on such investments have decreased further. During 2015, the Swiss Central Bank has set negative interest rates for CHF deposits. This in-turn pushed investors to further invest in the real estate market while looking for investments alternatives to generate positive returns on their investments.

Over the course of 2015, the German real estate market continued its expansion and growth. While the majority of European countries are still suffering from the world economic downturn which have started back in 2008, the German economy and its real estate sector have shown significant signs of improvement supported by a decrease in interest rates and an increase in availability of financing. In addition, an increasing demand by foreign investors also supported the increase in assets value as well as the gradual devaluation of the Euro against the USD which made the German market also appealing for U.S. investors.

Our financial income is affected by changes in the 6-month Libor rate, see Item 3.D. “Risk Factors - Risks Relating to the Economy, Our Financial Condition and Shareholdings” above.

Since the quarter ended June 30, 2004 and except for several non-continuous quarters during 2009 and 2010 and 2011, we operated at a loss. During 2012, except for the second quarter, and during 2013 and 2014 we have been profitable. During 2015 we operated at a loss mainly due to acquisition-related costs of $2.4 million related to the acquisition of the twenty-seven (27) supermarkets in Bavaria, Germany.

5.E. OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

5.F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Set forth below are our contractual obligations and other commercial commitments as of December 31, 2015:

	Payments Due by Period (USD in thousands)				
Contractual Obligations	**Total**	**Less than 1 year**	**1- 3 years**	**4-5 years**	**After 5 years**
Long-Term Debt	146,055	5,973	17,252	24,924	97,906
Capital Lease Obligations	6,412	106	211	211	5,884
Lease Obligations	1,183	116	227	216	624
Bonds	15,045	2,562	5,124	5,124	2,235
Purchase Obligations					
Severance pay					
Other Long-Term Obligations					
Total Contractual Cash Obligations	168,695	8,757	22,814	30,475	106,649

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A. DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth information with respect to the individuals who are currently our directors and executive officers. All of these individuals are presently serving in the respective capacities described below:

Name	Age	Position
Alex Hilman	64	Executive Chairman of the board of directors
Amir Philips	48	Chief Executive Officer
Shlomo (Tom) Wyler	65	Chief Executive Officer of Optibase Inc.
Yakir Ben-Naim	44	Chief Financial Officer
Orli Garti Seroussi (1)(2)(3)	56	Director
Danny Lustiger(1)(3)	48	Director
Chaim Labenski(1)(2)(3)	68	Director
Reuwen Schwarz	40	Director

(1) Member of our audit committee and financial statements review committee
(2) External director
(3) Member of our compensation committee

On January 6, 2016, our shareholders approved the re-election of Alex Hilman, Danny Lustiger and Reuwen Schwarz as directors of the Company. On December 19, 2013, our shareholders approved the re-election of Orli Garti Seroussi and Chaim Labenski, as external directors of the Company, and the compensation terms of Mr. Shlomo (Tom) Wyler as the Chief Executive Officer of Optibase Inc., our subsidiary.

Shlomo (Tom) Wyler serves as the Chief Executive Officer of our subsidiary Optibase Inc. Until December 19, 2013, Mr. Wyler has served as a president and a member our board of directors. Since his investment in us in September 2001 (then through Festin Management Corp.), Mr. Wyler has served in various senior executive positions. His other areas of involvement include investment banking, foreign exchange, financial futures and real-estate. In the early 1990s, Mr. Wyler turned his efforts to real estate interests. Mr. Wyler holds a Masters degree in Business Economics from the University of Zurich.

Amir Philips serves as our Chief Executive Officer. Mr. Philips has been serving in this position since June 2011. Prior to this position, Mr. Philips served as our Chief Financial Officer from May 2007, and as Vice President Finance of Optibase Inc. from July 2004. From 2000 until 2004, Mr. Philips held the position of Group Controller and Financial Manager at Optibase Ltd. Before joining Optibase, Mr. Philips was an accountant and auditor at Lotker Stein Toledano and Co., currently a member of BDO Ziv Haft. Mr. Philips is a Certified Public Accountant in Israel. He holds an MBA from the Kellogg-Recanati School of Business and a B.B. degree in Accounting and Business Management from the Israeli College of Management.

Yakir Ben-Naim serves as our Chief Financial Officer. Ms. Ben-Naim has been serving in this position since June 2011. From 2004 until May 2011, Ms. Ben-Naim held the position of Corporate Controller and Financial Manager at Optibase Ltd. Before joining Optibase, Ms. Ben-Naim was a controller at V.Box Communications Ltd., and an accountant at Ernst & Young. Ms. Ben-Naim is a Certified Public Accountant in Israel.

Alex Hilman serves as Executive Chairman of our board of directors since September 2009. He has joined our board of directors in February 2002. Mr. Hilman is a certified accountant in Israel (C.P.A ISR.), and a partner in Hilman & Co., accountancy firm which provides auditing, tax and business consulting services to corporations. Mr. Hilman serves as a board member in other companies in Israel and abroad. Mr. Hilman was the president of the Israeli Institute of Certified Public Accountants in Israel, served on the board of IFAC (International Federation of Accountants), and was a member of the Small & Medium Practices committee in IFAC. Mr. Hilman has published professional works on tax and accounting, among them, The Israel Tax Guide. Mr. Hilman has also held professional and management positions at the ITA (the Israeli Tax Authorities) and lectured Taxation in Tel Aviv University. Mr. Hilman holds a B.A. in Accountancy and Economics from Tel-Aviv University.

Orli Garti Seroussi joined our board of directors on January 31, 2008 as an external director. Ms. Garti-Seroussi serves as an Independent Business Consultant and as an external director of Apio (Africa) Ltd. And of Gamatronic Ltd. During 2012 and 2013, Ms. Garti-Seroussi served as the Deputy Director and CFO of the Jerusalem Cinematheque - Israel Film Archive. From August 2001 until June 2011, Ms. Garti-Seroussi served as the General Manager of the Bureau of Municipal Corporation in the municipality of Tel-Aviv Jaffa. From June 1999 until July 2001 Ms. Garti-Seroussi served as manager of consulting department in Shif-Hazenfrats & Associations, CPA firm. Prior to that, Ms. Garti-Seroussi served as Deputy Director of the Department of Market Regulation in the Israel Securities Authority and as an Auditor in the Tel Aviv Stock Exchange. Ms. Garti-Seroussi holds an M.P.A from Harvard University and M.B.A degree and a B.A degree in economics and accounting from Tel Aviv University. Ms. Garti-Seroussi is a Certified Public Accountant in Israel.

Danny Lustiger joined our board of directors in October 2009. Mr. Lustiger is the president and Chief Executive Officer of Cupron Scientific Ltd. and has over 22 years of experience in various aspects of Hi-Tech industry at senior positions together with Real estate and infrastructure industries, experience at senior position in public companies. From 2007 until 2009, Mr. Lustiger served as the Chief Financial officer of Shikun & Binui Holdings Ltd. From 1996 and until 2005, Mr. Lustiger served at different managerial positions at Optibase including Chief Financial Officer. From 1993 to 1996 Mr. Lustiger held the position of an accountant and auditor at Igal Brightman & Co. (currently Brightman Almagor & Co., a member of Deloitte & Touche Tomatsu International). Mr. Lustiger is a Certified Public Accountant in Israel. Mr. Lustiger holds a B.A. degree in Accounting and Economics and an MBA in Finance and International management from the Tel-Aviv University.

Chaim Labenski joined our board of directors in December 2010. From 1977 to 1999, Mr. Labenski held a number of positions at Securities Division of Bank Hapoalim BM, including being First Vice president and Head of Foreign Securities and was involved in consulting, securities research, trading and I.P.O coordination with global investment houses. Since 1999 he acts as a private investor. Mr. Labenski holds a B.Sc degree in Civil Engineering from Astor University, U.K, a M.Sc degree in Engineering Management from Leeds University and D.B.A degree in Business Administration from Manchester Business School.

Reuwen Schwarz joined our board of directors in July 2014. Mr. Schwarz serves as an independent contractor providing services to the Company since November 2013. Since 2012, Mr. Schwarz serves as a real estate manager for a private company. From 2008 through 2012 Mr. Schwarz has served as a manager for Centris Capital AG. From 2006 through 2008 Mr. Schwarz has served as a banker for Meinl Bank AG, Vienna. Mr. Schwarz holds a Magister (MA) degree from the University of Economic and Business Administration Vienna, Austria.

6.B. COMPENSATION

The compensation terms for the Company's directors and officers is derived from their employment and services agreements and comply with our Compensation Policy for Executive Officers and Directors as approved by the Company's shareholders on December 19, 2013, or the Compensation Policy.

The table and summary below outline the compensation granted to the five highest compensated directors and officers of the Company during the year ended December 31, 2015. The compensation detailed in the table below refers to actual compensation granted or paid to the director or officer during the year 2015.

Name and Position of director or officer	Salary or Monthly Payment (1)	Value of Social Benefits (2)	Bonuses	Value of Equity Based Compensation Granted (3)	All Other Compensation (4)	Total
	(U.S. dollars in thousands)					
Amir Philips, Chief Executive Officer (5)	172	59	-	40(10)	21	292
Shlomo (Tom) Wyler, Chief Executive Officer of Optibase Inc. (6)	170	10	-	21(11)	-	201
Yakir Ben-Naim, Chief Financial Officer (7)	86	28	26	-	13	153
Alex Hilman, Executive Chairman of our board of directors (8)	62	-	-	41(12)	-	103
Reuwen Schwarz, Director (9)	59	-	-	-	5	64

(1) "Salary" means yearly gross base salary with respect to our Executive Officers (Mr. Philips, Mr. Wyler and Ms. Ben-Naim). "Monthly Payment" means the aggregate gross monthly payments with respect to the members of our board of directors (Mr. Hilman and Mr. Schwarz) for the year 2015.

(2) "Social Benefits" include payments to the National Insurance Institute, advanced education funds, managers' insurance and pension funds; vacation pay; and recuperation pay as mandated by Israeli law.

(3) Consists of amounts recognized as share-based compensation (options and restricted shares) expense on our financial statements for the year ended December 31, 2015.

(4) "All Other Compensation" includes, among other things, car-related expenses (including tax gross-up), telephone, basic health insurance, and holiday presents.

(5) Mr. Philips' employment terms as our Chief Executive Officer provide that Mr. Philips is entitled to a monthly base gross salary of NIS 55,000 (approximately $14,000). Mr. Philips is further entitled to vacation days, sick days and convalescence pay in accordance with market practice and applicable law, monthly remuneration for a study fund, contribution by us to an insurance policy and pension fund, and additional benefits, including communication expenses. In addition, Mr. Philips is entitled to reimbursement of car-related expenses from us (including tax gross-up). Mr. Philips' employment terms include an advance notice period of six months. During such advance notice period, Mr. Philips will be entitled to all of the compensation elements, and to the continuation of vesting of any options or restricted shares granted to him. In March 2016, our compensation committee and board of directors approved the following amendments to the compensation terms of Mr. Philips: (i) the monthly gross base salary will be updated to NIS 65,000 for a full time position, as of January 1, 2016 and to NIS 75,000 as of January 1, 2017; and (ii) the grant of a special bonus in the amount of NIS120,000. The amendments are subject to shareholders' approval.

(6) For details on Mr. Wyler's compensation terms as approved by our shareholders on December 19, 2013, see Item 7.B. "Related Party Transactions", below. In March 2016, our compensation committee and board of directors approved an amendment to Mr. Wyler's compensation terms in a manner that Mr. Wyler's annual gross base salary shall be $200,000 for a full time position, as of January 1, 2016. This amendment is subject to shareholders' approval.

(7) Ms. Ben-Naim's employment terms as our Chief Financial Officer provide that Ms. Ben-Naim is entitled to a monthly base gross salary of NIS 28,000 (approximately $7,000). Ms. Ben-Naim is further entitled to vacation days, sick days and convalescence pay in accordance with market practice and applicable law, monthly remuneration for a study fund, contribution by us to an insurance policy and pension fund, and additional benefits including communication expenses. In addition, Ms. Ben-Naim is entitled to reimbursement of car-related expenses from us. Ms. Ben-Naim's employment terms include an advance notice period of three months. During such advance notice period, Ms. Ben-Naim may be entitled to all of the compensation elements, and to the continuation of vesting of her options or restricted shares, if granted. In March 2016, our compensation committee and board of directors approved an amendment to Ms. Ben-Naim's compensation terms in a manner that Ms. Ben-Naim's monthly base gross salary will be updated to NIS 36,000 for a full time position, as of January 1, 2016.

(8) The compensation terms of Mr. Hilman as the Executive Chairman of our board of directors were approved by our shareholders on October 19, 2009. For details on Mr. Hilman's compensation terms, including options and restricted shares granted to him, see Item 7.B. "Related Party Transactions", below.

(9) Mr. Reuwen Schwarz entered into a service agreement with us, for the provision of real estate related consulting services to us, our subsidiaries and affiliates. Such agreement, including the compensation terms of Mr. Schwarz in consideration for the services under the agreement, were approved by our shareholders on December 19, 2013. For further details see Item 7.B. "Related Party Transactions", below.

(10) See footnote no. 3 above. We granted Mr. Philips 41,161 options and 10,000 restricted shares that are currently exercisable or exercisable within 60 days as of March 21, 2016. In addition, we granted Mr. Philips 6,000 restricted shares issued to a trustee under our 2006 Israeli Incentive Compensation Plan which have equity rights, but no voting rights as of March 21, 2016 or within 60 days thereafter.

(11) See footnote no. 3 above. We granted Mr. Wyler 20,000 options and 2,400 restricted shares that are currently exercisable or exercisable within 60 days as of March 21, 2016.

(12) See footnote no. 3 above. We granted Mr. Hilman 41,850 options and 10,800 restricted shares that are currently exercisable or exercisable within 60 days as of March 21, 2016. In addition, we granted Mr. Hilman 6,000 restricted shares issued to a trustee under our 2006 Israeli Incentive Compensation Plan which have equity rights, but no voting rights as of March 21, 2016 or within 60 days thereafter.

In addition, all of our directors and officers are entitled to benefit from coverage under our directors' and officers' liability insurance policies and were granted letters of indemnification by us. For further details see "Indemnification, exemption and insurance of Directors and Officers", below.

Following the approval by our shareholders on December 19, 2013 and in accordance with our Compensation Policy (for further information, see item 6.D. "The Compensation Committee"), each of our directors (including external directors and independent directors, but excluding the executive chairman of our board of directors and directors who serve in other roles at the Company) is entitled to a grant of compensation pursuant to the fixed amounts permitted to be paid to external directors (depending on our equity level), all in accordance with applicable regulations promulgated under the Companies Law, or the 'External Directors' Compensation Regulations, as may be from time to time. This remuneration is paid plus value added tax (as applicable). Directors are reimbursed for expenses incurred as part of their service as directors. None of the directors have agreements with us that provide for benefits upon termination of service.

As of March 21, 2016, our directors and executive officers beneficially owned 309,509 shares (of which 115,644 shares are issuable upon exercise of options that are currently vested or will vest within 60 days as of March 21, 2016). For further information, see item 6.E. "Share Ownership".

Indemnification, exemption and insurance of Directors and Officers

The Companies Law permits a company to insure its directors and officers, provide them with indemnification, either in advance or retroactively, and exempt its directors and officers from liability resulting from their breach of their duty of care towards the company, all in accordance with the terms and conditions specified under Israeli law. Our articles of association include clauses allowing us to provide our directors and officers with insurance, indemnification and to exempt them from liability subject to the terms and conditions set forth by the Companies Law, as described below.

In addition, the Israeli Securities Law of 1968, or the Securities Law, includes provisions to make the enforcement of violations of the Securities Law and certain provisions of the Companies Law more efficient by the Israel Securities Authority, or the ISA. Under the Securities Law, the ISA is allowed to initiate administrative proceedings against entities and individuals with respect to such violations, and to impose various sanctions, including fines, payment of damages to the person or entities harmed as a result of such violations, limitations on the service of any individual as director or officer and suspension or cancellation of certain permits granted to the entity. Under the Securities Law, a company is not allowed to indemnify or insure its directors and officers in connection with administrative proceedings initiated against them by the ISA, except that a company is allowed to insure and indemnify its directors and officers for any of the following: (i) financial liability imposed on any director or officer for payment to persons or entities harmed as a result of any violation for which an administrative proceedings has been initiated; (ii) expenses incurred by any director or officer in connection with administrative proceedings, including reasonable litigation fees, and including attorney fees.

Subject to statutory limitations, our articles of association provide that we may insure the liability of our directors and offices to the fullest extent permitted by the Companies Law. Without derogating from the aforesaid we may enter into a contract to insure the liability of our directors and officer for an obligation or payment imposed on such director or officer in consequence of an act done in his capacity as a director or officer of Optibase, in any of the following cases:

- A breach of the duty of care vis-a-vis us or vis-a-vis another person;

- A breach of the fiduciary duty vis-a-vis us, provided that the director or officer acted in good faith and had a reasonable basis to believe that the act would not harm us;
- A monetary obligation imposed on him or her in favor of another person;
- Financial liability imposed on him or her for payment to persons or entities harmed as a result of violations in Administrative Proceedings, as detailed in section 52(54)(A)(1)(a) of the Israeli Securities Law;
- Expenses incurred by him or her in connection with Administrative Proceedings (as defined above) he was involved in, including reasonable litigation fees, and including attorney fees; or
- Any other matter in respect of which it is permitted or will be permitted under applicable law to insure the liability of our director or officer.

Our articles of association further provide that we may indemnify our directors and officers, to the fullest extent permitted by the Companies Law. Without derogating from the aforesaid, we may indemnify our directors and officers for liability or expense imposed on them in consequence of an action made by them in the capacity of their position as directors or officers of Optibase, as follows:

- Any financial liability he or she incurs or imposed on him or her in favor of another person in accordance with a judgment, including a judgment given in a settlement or a judgment of an arbitrator, approved by a court.
- Reasonable litigation expenses, including legal fees, incurred by the director or officer or which he or she was ordered to pay by a court, within the framework of proceedings filed against him or her by or on behalf of Optibase, or by a third party, or in a criminal proceeding in which he or she was acquitted, or in a criminal proceeding in which he or she was convicted of a felony which does not require a finding of criminal intent.
- Reasonable litigation expenses, including legal fees he or she incurs due to an investigation or proceeding conducted against him or her by an authority authorized to conduct such an investigation or proceeding, and which was ended without filing an indictment against him or her and without being subject to a financial obligation as a substitute for a criminal proceeding, or that was ended without filing an indictment against him, but with the imposition of a financial obligation, as a substitute for a criminal proceeding relating to an offence which does not require criminal intent, within the meaning of the relevant terms in the Companies Law.
- Financial liability he or she incurs for payment to persons or entities harmed as a result of violations in Administrative Proceedings, as detailed in section 52(54)(A)(1)(a) of the Securities Law. For this purpose "Administrative Proceeding" shall mean a proceeding pursuant to Chapters H3 (Imposition of Monetary Sanction by the Israel Securities Authority), H4 (Imposition of Administrative Enforcement Means by the Administrative Enforcement Committee) or I1 (Settlement for the Avoidance of Commencing Proceedings or Cessation of Proceedings, Conditioned upon Conditions) of the Securities Law, as shall be amended from time to time.
- Expenses that he or she incurs in connection with Administrative Proceedings (as defined above) he was involved in, including reasonable litigation fees, and including attorney fees.
- Any other obligation or expense in respect of which it is permitted or will be permitted under law to indemnify a director or officer of Optibase.

In addition, our articles of association provide that we may give an advance undertaking to indemnify a director and/or an officer in respect of all of the matters above, provided that with respect to the first matter above, the undertaking is restricted to events, which in the opinion of our board of directors, are anticipated in light of our actual activity at the time of granting the obligation to indemnify and is limited to a sum or measurement determined by our board of directors as reasonable under the circumstances. We may further indemnify an officer therein, save for the events subject to any applicable law.

Our articles of association further provide that we may exempt a director in advance and retroactively for all or any of his or her liability for damage in consequence of a breach of the duty of care vis-a-vis Optibase, to the fullest extent permitted by the Companies Law. Notwithstanding the foregoing, the Companies Law prohibits a company to exempt any of its directors and officers in advance from their liability towards such company for the breach of its duty of care in distribution, as defined in the Companies Law, for such company's shareholders (including distribution of dividend and purchase of such company's shares by the company or an entity held by it).

The above provisions with regard to insurance, exemption and indemnity are not and shall not limit the Company in any way with regard to its entering into an insurance contract and/or with regard to the grant of indemnity and/or exemption in connection with a person who is not an officer of the Company, including employees, contractors or consultants of the Company, all subject to any applicable law.

All of the above shall apply *mutatis mutandis* in respect of the grant of insurance, exemption and/or indemnification for persons serving on behalf of the Company as officers in companies controlled by the Company, or in which the Company has an interest.

The Companies Law provides that companies may not give insurance, indemnification (including advance indemnification), or exempt their directors and/or officers from their liability in the following events:

- a breach of the fiduciary duty, except for a breach of the fiduciary duty vis-à-vis the company with respect to indemnification and insurance if the director or officer acted in good faith and had a reasonable basis to believe that the act would not harm the company;
- an intentional or reckless breach of the duty of care, except for if such breach was made in negligence;
- an act done with the intention of unduly deriving a personal profit; or
- Fine, civil penalty, a financial sanction or penalty imposed on the directors or officers.

We have a directors and officers liability insurance policy, as described below.

On December 19, 2013, following the approval by our compensation committee and board of directors, our shareholders approved the purchase by the Company (including for the avoidance of doubt, any renewals or extensions), from time to time, of directors' and officers' liability insurance policies, including as directors or officers of our subsidiaries, in Israel or overseas, for a period of three years commencing on December 19, 2013, or until the annual general meeting of our shareholders to be held in 2016, whichever is later; provided however, that policies purchased under this framework comply with all of the following conditions:

- the maximum coverage amount under each policy shall not exceed the higher of: (i) US $10,000,000; or (ii) 25% of our shareholders equity based on our most recent financial statements at the time of approval by our compensation committee;
- the maximum yearly premium to be paid by us for each policy shall not exceed 1% of the aggregate coverage of such policy;
- the terms of the policy shall comply with our Compensation Policy for directors and officers; and
- the purchase of the policy (including any renewal or extension) shall be approved by our compensation committee (and, if required by law, by our board of directors) which shall determine whether the coverage amount and the relevant premium sums are reasonable considering our exposures, the scope of coverage and market conditions and that the policy reflects the current market conditions, and it shall not materially affect our profitability, assets or liabilities.

We currently have an insurance policy for our directors' and officers' liability, including as directors or officers of our subsidiaries, for the period commencing on September 1, 2015 and ending on August 31, 2016, as approved by our compensation committee and board of directors. The coverage amount under such policy and the yearly premium to be paid by us for such policy are US $19,000,000 and US $50,000, respectively. The terms of such policy are in accordance with our Compensation Policy and in accordance with the framework resolution with respect to the purchase by us, from time to time, of directors' and officers' liability insurance policies, including as directors or officers of our subsidiaries, as approved by our shareholders at the annual general meeting held at December 19, 2013.

We have undertaken to indemnify all of our directors and officers, including Mr. Tom Wyler, the Chief Executive Officer of our subsidiary Optibase Inc., to the fullest extent permitted by the Companies Law and our articles of association and entered into an indemnity letter with each of our directors and executive officers. The aggregate indemnification amount shall not exceed the higher of: (i) 25% of our shareholders' equity, as set forth in our financial statements prior to such payment; or (ii) $10 million. On November 17, 2011, our shareholders approved an amendment to the letters of indemnification issued by us to all of our directors and officers, with respect to recent amendments to the Israeli Securities Law, in connection with administrative proceedings. In addition, on October 22, 2014, our shareholders further approved the following amendments to the letters of indemnification issued by us to all of our directors and officers: (a) inclusion of additional events upon the occurrence of which we may indemnify our current and future directors and officers; and (b) increase of the aggregate and accumulated indemnification amount that we may pay our directors and officers, to an amount that shall not exceed the higher of: (i) 25% of the shareholders' equity of the Company, as set forth in our most recent consolidated financial statements prior to such payment; (ii) $10 million.

6.C. BOARD PRACTICES

Pursuant to our articles of association, our board of directors is required to consist of three to nine members. Directors are elected at the annual general meeting of our shareholders by a vote of the holders of a majority of the voting power represented at such meeting. Each director holds office until the annual general meeting of shareholders following the annual general meeting at which the director was elected or until his or her earlier resignation or removal. A director may be re-elected for subsequent terms. At present, our board of directors consists of five members, including two external directors appointed in accordance with the Israeli law requirements, as detailed herein. Our articles of association provide that our directors may at any time and from time to time, appoint any other person as a director, either to fill in a vacancy or to increase the number of members of our board of directors.

Under the Companies Law, each Israeli public company is required to determine the minimum number of directors with "accounting and financial expertise" that such company believes is appropriate in light of the particulars of such company and its activities. A director with "accounting and financial expertise" is a person that, due to education, experience and qualifications, is highly skilled and has an understanding of business-accounting issues and financial statements in a manner that enables him/her to understand in depth the company's financial statements and stimulate discussion regarding the manner of presentation of the financial data. Our board of directors resolved on March 30, 2006 and on June 27, 2010 that the minimum number of directors with accounting and financial expertise appropriate for us in light of the size of the board of directors and nature and volume of the Company's operations is one director (such director may serve as an external director, see below).

External Directors

Under the Companies Law, Israeli public companies are required to appoint at least two external directors to serve on their board of directors (following Amendment 27 to the Companies Law all of such external directors are no longer required to be Israeli residents if a company's shares are listed on a foreign stock exchange, such as our Company). Our shareholders approved on December 19, 2013 the re-appointment of Mr. Chaim Labenski and Ms. Orli Garti-Seroussi as our external directors as of December 29, 2013 and as of January 31, 2014, respectively, for a three-year term. In addition, each committee of the board of directors entitled to exercise any powers of the board is required to include at least one external director. The audit committee must include all the external directors, see "Committees of the Board of Directors" below.

Pursuant to the Companies Law, at least one external director is required to have "accounting and financial expertise" and the other is required to have "professional qualification" or "accounting and financial expertise". A director has "professional qualification" if he or she satisfies one of the following:

(i) the director holds an academic degree in one of these areas: economics, business administration, accounting, law or public administration;

(ii) the director holds an academic degree or has other higher education, all in the main business sector of the company or in a relevant area for the board position; or

(iii) the director has at least five years' experience in one or more of the following or an aggregate five years' experience in at least two or more of these: (a) senior management position in a corporation of significant business scope; (b) senior public office or senior position in the public sector; or (c) senior position in the main business sector of the company.

(i) A director with "accounting and financial expertise" is a person that in light of his or her education, experience and skills has high skills and understanding of business-accounting issues and financial reports which allow him or her to deeply understand the financial reports of the company and hold a discussion relating to the presentation of financial information. The company's board of directors will take into consideration in determining whether a director has "accounting and financial expertise", among other things, his or her education, experience and knowledge in any of the following: accounting issues and accounting control issues characteristic to the segment in which the company operates and to companies of the size and complexity of the company;

(ii) the functions of the external auditor and the obligations imposed on such auditor;

(iii) preparation of financial reports and their approval in accordance with the companies law and the securities law.

A company whose shares are traded in certain exchanges outside of Israel, including The NASDAQ Global Market, such as our company, is not required to nominate at least one external director who has accounting and financial expertise so long as another independent director for audit committee purposes who has such expertise serves on board of directors pursuant to the applicable foreign securities laws. In such case, all external directors will have professional qualification.

Under Israeli law, a person may not serve as an external director if he or she is a relative of any of the controlling shareholders or at the date of the person's appointment or within the prior two years the person, or his or her relatives, partners, employers or entities under the person's control or entities which he or she are subject to their control, have or had any affiliation with us, with our controlling shareholder, or its relative or any entity controlling, controlled by or under common control with us. Under the Companies Law, "affiliation" includes an employment relationship, a business or professional relationship maintained on a regular basis or control or service as an executive officer, excluding service as a director in anticipation of serving as an external director in a company that is about to offer its shares to the public for the first time.

Furthermore, under Israeli law, a person may not serve as an external director if he or she, or his or her relatives, partners, employers or a person or entity he or she is subordinate to directly or indirectly, or an entity controlled by the external director has business or professional relations (excluding insignificant relations) with a person or entity whose affiliation with such external director is forbidden.

A person may not serve as an external director if that person's position or other business activities create, or may create, a conflict of interest with the person's service as an external director or may otherwise interfere with the person's ability to serve as an external director. If at the time any external director is appointed, all members of the board (who are not a controlling shareholder or its relative) are the same gender, then the external director to be appointed must be of the other gender.

External directors are elected by a majority vote at a shareholders' meeting, so long as either:

(i) the majority of shares voted for the election includes the majority of the shares of non-controlling shareholders or with no personal interest excluding a personal interest not resulting from relation with controlling shareholders, voted at the meeting; or

(ii) the total number of shares to total amount of shareholders listed in subsection (i) above, who voted against the election of the external director does not exceed two percent (2%) of the aggregate voting rights of the company.

The Companies Law provides for an initial three-year term for an external director which may be extended, for two additional three-year terms subject to provision specified in the Companies Law. In the case of a company whose shares are traded in certain exchanges outside of Israel, including The Nasdaq Global Market, such as our company, regulations promulgated under the Companies Law provide that the service of an external director can be extended to additional three-year terms, if both the audit committee and the board of directors confirm that in light of the expertise and contribution of the external director, the extension of such external director's term would be in the interest of the company. Election of external directors requires a special majority, as described above and that the period which that person served as an external director together with the reasons for the extension given by the audit committee presented to the shareholders prior to such approval. External directors may be removed only by the same special majority required for their election or by a court, and then only if the external directors cease to meet the statutory qualifications for their appointment or if they violate their duty of loyalty to the company. In the event the number of external directors is less than two external directors, our board of directors is required under the Companies Law to call a shareholders' meeting to appoint a new external director.

External directors may be compensated only in accordance with regulations adopted under the Companies Law.

Our board of directors has a majority of independent directors required pursuant to the NASDAQ Global Market rules.

Independent Directors

Under the Companies Law, the majority of the members of the audit committee must be independent directors. In addition, the Companies Law includes a corporate governance recommendation according to which the majority of the members of the board of directors in a public company that does not have a controlling shareholder should be independent directors, and in a company with a controlling shareholder at least third of the board of directors should be independent directors. A public company may classify an external director or an individual serving as a director, as an independent director only if (i) the audit committee has determined that he or she is qualified to serve as an external director (with the exception that such director does not have to have professional qualifications or accounting and financial expertise in order to serve as an independent director), and (ii) he or she is not serving as a director in the company for more than consecutive nine years (only a period of two or more years, in which such person did not serve as a director in the company, shall be deemed to discontinue the nine year sequence).

Committees of the Board of Directors

As of the date of this annual report, we have three committees of the board of directors, which includes our audit committee, our financial statements review committee and our compensation committee, as described below.

The Audit Committee

The Companies Law requires public companies to appoint an audit committee. The responsibilities of the audit committee include, among others, identifying irregularities and deficiencies in the management of the company's business and approval of related party transactions as required by law. An audit committee must consist of at least three members, and include all of the company's external directors. In addition, the majority of its members shall be independent directors in accordance with the requirements of The Companies Law. However, the chairman of the board of directors, any director employed by the company or by its controlling shareholder or by any other entity controlled by such controlling shareholder or a director providing, on a regular basis, services to the company, to any controlling shareholder or to other entity controlled by such controlling shareholder, or any director whose livelihood relies on any controlling shareholder, may not be a member of the audit committee. Any controlling shareholder and any relative of a controlling shareholder may also not be a member of the audit committee. The chairman of the audit committee must be an external director, who has not been serving as a chairman of the audit committee for more than nine years. An audit committee recommends approval of transactions that are deemed interested party transactions, including directors' compensation and transactions between a company and its controlling shareholder or transactions between a company and another person in which its controlling shareholder has a personal interest. The audit committee must also determine whether a transaction constitute an extraordinary transaction. Pursuant to Amendment 22 to the Companies Law, effective as of January 10, 2014, the responsibilities of the audit committee under the Companies Law also include the following matters: (i) to ensure that a competitive procedure is conducted for related party transactions with a controlling shareholder (regardless of whether or not such transactions are deemed extraordinary transactions), optionally based on criteria which may be determined by the audit committee annually in advance; and (ii) setting forth the approval process for transactions that are 'non-negligible' (*i.e.* transactions with a controlling shareholder that are classified by the audit committee as non-negligible, even though they are not deemed extraordinary transactions), as well as determining which types of transactions would require the approval of the audit committee, optionally based on criteria which may be determined annually in advance by the audit committee. An audit committee may not approve an action or a transaction with an officer or director, a transaction in which an officer or director has a personal interest, a transaction with a controlling shareholder and certain other transactions specified in the Companies Law, unless at the time of approval two external directors are serving as members of the audit committee and at least one of the external directors was present at the meeting in which an approval was granted.

Subject to the exceptions specified in the Companies Law, any person who is not eligible to serve in the audit committee shall not participate in its meetings.

Legal quorum shall be constituted when the majority members of the audit committee shall be present at the meeting, provided that: (a) the majority of the present members are independent directors; and, (b) at least one of the present members is an external director.

Under the Companies Law there are restrictions regarding engagement or benefits with a person who served as an external director (or his or her relative) for period of two years commencing the time when such external director leaves office.

In accordance with the Sarbanes-Oxley Act of 2002 and NASDAQ requirements, our audit committee reviews our internal accounting procedures and consults with and reviews the services provided by our independent auditors.

The rules of NASDAQ currently applicable to foreign private issuers, such as us, require us to establish an audit committee of at least three members, comprised solely of independent directors. All of the members of the audit committee must be able to read and understand basic financial statements, and at least one member must have experience in finance or accounting, requisite professional certification in accounting or comparable experience or background. The board has determined that Ms. Orli Garti-Seroussi is an audit committee financial expert as defined by applicable Securities and Exchange Commission, or the "SEC" or "Commission" regulation. The responsibilities of the audit committee under the NASDAQ rules include the selection and evaluation of the outside auditors and evaluation of their independence.

The members of our audit committee are Mr. Chaim Labenski, Mr. Danny Lustiger and Ms. Orli Garti-Seroussi. These include our two external directors as required under the Companies Law, and we believe that all of the members of our audit committee are independent of management, and satisfy the requirements of Companies Law, the SEC's rules and NASDAQ rules.

The Financial Statements Review Committee

Our board of directors appointed a financial statement review committee, which consists of members with accounting and financial expertise or the ability to read and understand financial statements, with at least one of the members having "accounting and financial expertise" (as defined above). According to a resolution of our board of directors, the audit committee has been assigned the responsibilities and duties of a financial statement review committee, as permitted under relevant regulations promulgated under the Companies Law. From time to time as necessary and required to approve our financial statements, the audit committee holds separate meetings, prior to the scheduled meetings of the entire board of directors regarding financial statement approval.

The function of a financial statement review committee is to discuss and provide recommendations to its board of directors (including the report of any deficiency found) with respect to the following issues: (i) estimations and assessments made in connection with the preparation of financial statements; (ii) internal controls related to the financial statements; (iii) completeness and propriety of the disclosure in the financial statements; (iv) the accounting policies adopted and the accounting treatments implemented in material matters of the company; (v) value evaluations, including the assumptions and assessments on which evaluations are based and the supporting data in the financial statements. Our independent auditors and our internal auditor are invited to attend all meetings of the audit committee when it is acting in a role of the financial statement review committee or at which matters concerning the financial statements are discussed.

The financial statement review committee is required to consist at least three members, all of its members must be directors, and the majority of its members are required to be directors who meet certain independence requirements of the Companies Law. However, the chairman of the board of directors, any director employed by the company or by its controlling shareholder or by any other entity controlled by such controlling shareholder or a director providing, on a regular basis, services to the company, to any controlling shareholder or to other entity controlled by such controlling shareholder, or any director whose livelihood relies on any controlling shareholder, may not be a member of the financial statement review committee. In addition, any controlling shareholder and any relative of a controlling shareholder may also not be a member of the financial statement review committee. All the committee members are required to give a declaration before their appointment, and the chairperson of the committee must be an external director.

Legal quorum shall be constituted when the majority members of the financial statement review committee shall be present at the meeting, provided that: (a) the majority of the present members are independent directors; and, (b) at least one of the present members is an external director.

The members of our financial statement review committee are Mr. Chaim Labenski, Mr. Danny Lustiger and Ms. Orli Garti-Seroussi. These include our two external directors as required under the Companies Law, and we believe that all of the members of our financial statement review committee satisfy with the requirements of the Companies Law.

The Compensation Committee

Under the Companies Law, a public company is required to appoint a compensation committee. The compensation committee must consist of at least three directors, must include all the external directors, the majority of its members must be external directors, and its chairman must be an external director. In addition, all members of the compensation committee must meet the requirements under the Companies Law for membership in the audit committee, as described above.

Under the Companies Law and our compensation committee charter, our compensation committee is responsible, among others, for (i) recommending to the board of directors regarding its approval of a compensation policy in accordance with the requirements of the Companies Law, and any other compensation policies, incentive-based compensation plans and equity-based plans; (ii) overseeing the development and implementation of such compensation plans and policies that are appropriate in light of all relevant circumstances and recommending to the board of directors regarding any amendments or modifications that the compensation committee deems appropriate; (iii) determining whether to approve transactions concerning the terms of engagement and employment of our officers and directors that require compensation committee approval under the Companies Law or our compensation plans and policies; and (iv) taking any further actions as the compensation committee is required or allowed to under the Companies Law or the compensation plans and policies.

The members of our compensation committee are Mr. Chaim Labenski, Mr. Danny Lustiger and Ms. Orli Garti-Seroussi.

We do not have a nomination committee. The actions ordinarily taken by such committee are resolved by the majority of our independent directors, in accordance with the Companies Law and the NASDAQ Global Market listing requirements.

Internal auditor

The Companies Law requires the board of directors of a public company to appoint an internal auditor pursuant to the audit committee's proposal. The internal auditor must satisfy certain independence requirements as required by the law. The role of the internal auditor is to examine, among other things, the compliance of the company's conduct with applicable law and orderly business procedures. Our internal auditor is Mr. Doron Cohen of Fahn Kanne & Co., a member firm of Grant Thornton International Ltd.

Employment Agreements

Each of our executive officers entered into a written employment agreement with us that provides, among other things, that such officers be paid a monthly salary and bonuses. Each such agreement can be terminated either by us, or by the employee, upon prior notice, which ranges between 30 to 120 days for most of the management team. The employment agreements also provide that each executive officer will maintain confidentiality of matters relating to us and will not compete with us during the period of the officer's employment and for a certain period thereafter.

6.D. EMPLOYEES

Since the sale of our Video Solutions Business on July 1, 2010 and as of the date of this annual report, we have ten employees, including employees in our subsidiaries, all of them employed in our general and administrative, finance and human resources divisions.

All of our employees are currently employed pursuant to personal employment agreements.

6.E. SHARE OWNERSHIP

As of March 21, 2016, our current directors and executive officers (eight persons) beneficially owned an aggregate of 309,509 ordinary shares of our Company of which 115,644 shares are issuable upon exercise of options that may be currently exercisable or exercisable within 60 days of March 21, 2016. Such number excludes 12,000 ordinary shares held by a trustee for the benefit of directors and executive officers under the Company's incentive plan which have not vested as of March 21, 2016 or 60 days thereafter, and award their holder no voting and equity rights. Other than Shlomo (Tom) Wyler and Alex Hillman, all of our directors or executive officers hold less than 1% of our shares. See Item 7.A. "Major Shareholders" for more information regarding Mr. Wyler's holdings.

Incentive Plans

As of March 21, 2016, options to purchase 112,000 of our ordinary shares were outstanding, with exercise prices ranging from $5.96 to $10 per share. As of March 21, 2016, 112,000 of the options described above have vested or are exercisable within 60 days of such date. The expiration date of the aforementioned options is generally seven years from the date of their grant. As of December 31, 2014 and 2015, the number of options reserved for issuance under our plans was 482,722.

As of March 21, 2016 or within 60 days thereafter, an aggregate of 183,690 ordinary shares has been reserved for issuance under the 2006 Plan, and 12,000 were granted and are outstanding. As of December 31, 2014 and 2015, the number of restricted shares reserved for issuance under the 2006 Plan was 199,690 and 191,690, respectively.

The following table shows the number of options and restricted shares outstanding and reserved for issuance under each of our incentive plans, as of March 21, 2016 or within 60 days thereafter.

Plan	Number of options outstanding	Number of options reserved for issuance
1999 Israeli Plan	112,000	482,722
Plan	**Number of shares outstanding**	**Number of shares reserved for issuance**
2006 Israeli Incentive Compensation Plan	12,000	183,690

The following is a description of our incentive plans currently in effect.

1999 Plans

In January 1999, our shareholders approved the adoption of an Israeli option plan, or the 1999 Israeli Plan, and a U.S. option plan, or the 1999 U.S. Plan, collectively the "1999 Plans" both plans have a joint pool of underlying shares to be granted thereunder. The 1999 Plans were amended from time to time to include different tax tracks. The purpose of the 1999 Plans is to attract and retain the best available personnel, to provide additional incentive to employees, directors and consultants and to promote the success of our business. In December 1999, our board of directors adopted a resolution to amend the 1999 Plans in a manner that as of April 1, 2000, the number of shares made available for grant under the 1999 Plans will be automatically increased annually, to equal 5% of our outstanding share capital at the relevant time. In May 2003 we amended our 1999 Israeli Plan to provide for the grant of options to Israeli optionees under the new capital gains track provisions of the Israeli Tax Ordinance. As of March 21, 2016, or within 60 days thereafter, an aggregate of 482,722 ordinary shares has been reserved for issuance under the 1999 Israeli Plan, and 112,000 were granted and are outstanding. Unless specifically changed for a certain grantee, options vest monthly over a period of four years, starting one year after the date of grant, subject to the continued employment of the grantee. The exercise price of the options is determined by our board of directors, subject to limitations. Generally, options granted under each of the 1999 Plans will have a term of no more than seven years from the date of grant. All options are subject to earlier termination upon termination of the grantee's employment or other relationship with us, generally no less than three months from termination. We may make certain exceptions, from time to time, in the vesting and expiration terms of options granted to certain grantees.

2006 Israeli Incentive Compensation Plan

In May 2006, our board of directors approved the adoption of the 2006 Israeli Incentive Compensation Plan, or the 2006 Plan, the purpose of which is to secure the benefits arising from ownership of share capital by our employees, officers and directors who are expected to contribute to the Company's future growth and success. The 2006 Plan provides for the grant of options, restricted shares and restricted share units in accordance with various Israeli tax tracks. We currently use the 2006 Plan for the grant of restricted shares only. The restricted shares are granted for no consideration and with a vesting schedule of two years (50% each year). The restricted shares are granted in accordance with the Israeli capital gains tax track. Termination of employment of a grantee for any reason will result in the forfeiture of such grantee's unvested restricted shares. All restricted shares are subject to earlier termination upon termination of the grantee's employment or other relationship with us, generally no less than 90 days from termination. We may make certain exceptions, from time to time, in the vesting and expiration terms of the securities granted to certain grantees. In November 2013, our board of directors approved the increase of number of shares under the 2006 Plan in additional 50,000 shares and in August 2014, our board of directors approved the increase of number of shares under the 2006 Plan in additional 150,000 shares. As of March 21, 2016 or within 60 days thereafter, an aggregate of 183,690 ordinary shares has been reserved for issuance under the 2006 Plan, and 12,000 were granted and are outstanding.

NASDAQ Listing Rules permit foreign private issuers to follow home country practices in regard to certain requirements, including the requirement to obtain shareholder approval in connection with the establishment of certain incentive plans. In June and September 2006, we notified NASDAQ that we elected to follow home practices with regard to the adoption of, and the amendment to, the 2006 Plan. Accordingly, the adoption of, and the amendments to, the 2006 Plan were not approved by our shareholders.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. MAJOR SHAREHOLDERS

The following table sets forth certain information known to us regarding the beneficial ownership of our outstanding ordinary shares as of March 21, 2016 of (i) each person or group known by us to beneficially own 5% or more of the outstanding ordinary shares and (ii) the beneficial ownership of all officers and directors as a group, in each case as reported by such persons:

Name of Beneficial Owner	No. of Ordinary Shares Beneficially Owned[1]	Percentage of Ordinary Shares Beneficially Owned
The Capri Family Foundation [2]	3,796,284	73.95
Shareholding of all directors and officers as a group (eight persons)[3]	309,509	5.9

(1) Number of shares and percentage ownership is based on 5,133,630 ordinary shares outstanding as of March 21, 2016. Such number excludes: (i) 49,895 ordinary shares held by us or for our benefit, and (ii) 12,000 ordinary shares granted under our 2006 Plan held by a trustee for the benefit of the grantees thereunder, both have no voting or equity rights as of the date hereof or within 60 days thereafter. Beneficial ownership is determined in accordance with rules of the SEC and includes voting and investment power with respect to such shares. Shares subject to options that are currently exercisable or exercisable within 60 days of March 21, 2016 are deemed to be outstanding and to be beneficially owned by the person holding such options for the purpose of computing the percentage ownership of such person, but are not deemed to be outstanding and to be beneficially owned for the purpose of computing the percentage ownership of any other person. All information with respect to the beneficial ownership of any principal shareholder has been furnished by such shareholder and, unless otherwise indicated below, we believe that persons named in the table have sole voting and sole investment power with respect to all the shares shown as beneficially owned, subject to community property laws, where applicable. The shares beneficially owned by the directors include the ordinary shares owned by their family members to which such directors disclaim beneficial ownership.
(2) The information is accurate as of March 18, 2015, and based on Amendment No. 6 to Schedule 13D filed with the SEC on March 18, 2015, by The Capri Family Foundation. According to such Amendment No. 6 to Schedule 13D, Capri directly owns 3,796,284 of our ordinary shares. The core activity of Capri is the holding of investments. In addition, the beneficiaries of Capri are the children of Mr. Tom Wyler, the Chief Executive Officer of our subsidiary, Optibase Inc.
(3) Includes 193,865 ordinary shares and 115,644 ordinary shares issuable upon exercise of options exercisable within 60 days of March 21, 2016. Excludes 12,000 ordinary shares held by a trustee for the benefit of our directors and executive officers under our 2006 Plan, which have not vested on March 21, 2016 or within 60 days thereafter and do not acquire any voting or equity rights. No individual director or officer holds one percent (1%) or more of the Company's issued share capital.

Significant changes in the ownership of our shares.

The following table specifies significant changes in the ownership of our shares held by Gesafi Real Estate S.A. This information is based on Schedules 13D filed by Gesafi Real Estate S.A during the period beginning on January 1, 2013, regarding ownership of our shares, and to date:

Beneficial Owner –	Date of filing	No. Of Shares Beneficially Held
Gesafi Real Estate S.A*	February 3, 2014	0**

* To the best of our knowledge, 100% of the equity interest of Gesafi Real Estate S.A, or Gesafi, is held by The Capri Family Foundation, or Capri. The beneficiaries of Capri are the children of Mr. Shlomo (Tom) Wyler, the Chief Executive Officer of our subsidiary, Optibase Inc.
** The information is based on Amendment No. 5 to Schedule 13D filed with the SEC on February 3, 2014, by Gesafi and Capri, pursuant to the powers of the councillors of Capri, Gesafi transferred 1,127,185 ordinary shares held by it to Capri without consideration, as follows: 5,000 ordinary shares on November 8, 2013, 8,000 ordinary shares on November 12, 2013 and 1,114,185 ordinary shares on November 19, 2013.

The following table specifies significant changes in the ownership of our shares held by The Capri Family Foundation. This information is based on Schedules 13D filed by The Capri Family Foundation during the period beginning on January 1, 2013, regarding ownership of our shares, and to date:

Beneficial Owner –	Date of filing	No. Of Shares Beneficially Held
The Capri Family Foundation*	February 3, 2014	3,725,055
The Capri Family Foundation	March 18, 2015	3,796,284**

* To the best of our knowledge, the beneficiaries of The Capri Family Foundation are the children of Mr. Shlomo (Tom) Wyler, the Chief Executive Officer of our subsidiary, Optibase Inc.

** The information is based on Amendment No. 6 to Schedule 13D filed with the SEC on March 18, 2015, by Capri, in connection with the acquisition of an additional 71,229 ordinary shares by Capri, as follows: (a) on January 30, 2015, Capri acquired an additional 52,483 ordinary shares in a private transaction with an unrelated third party at a price of $6.71 per share; and (b) on February 25, 2015, Capri acquired an additional 18,746 ordinary shares on the Nasdaq Global Market, at a price of $6.40 per share.

All of our shares have the same voting rights.

On March 21, 2016, registered holders in the United States hold approximately 54% of our ordinary shares. To the best of our knowledge, except as described above, we are not owned or controlled directly or indirectly by any government or by any other corporation. We are not aware of any arrangement, the operation of which may at a subsequent date result in a change in control of us.

7.B. RELATED PARTY TRANSACTIONS

For a description of the insurance, indemnification and exemption granted to our directors and officers, see Item 6.B. “Compensation” above.

For a description of the grant of options to our directors and officers, see Item 6.E. “Share Ownership”, above. In addition, each member of our board of directors is granted compensation pursuant to the fixed amounts permitted to be paid to external directors (depending on our equity level), all in accordance with the 'External Directors' Compensation Regulations, as may be from time to time, for his/her service as a director. For additional information see Item 6.B. “Compensation” above.

On October 19, 2009, our shareholders approved the compensation of Mr. Alex Hilman, a director of the Company, who was appointed on September 1, 2009 as Executive Chairman of the board of directors. The principal terms of such compensation are as follows: a monthly payment of NIS 20,000 plus applicable value added tax, against the receipt of a tax invoice. The Company will also reimburse Mr. Hilman for his reasonable expenses directly incurred by him in the performance of his duties against the production of appropriate receipts. In addition, Mr. Hilman was granted on October 19, 2009, 20,000 options exercisable into 20,000 ordinary shares NIS 0.65 nominal value each of the Company under the Company's 1999 Israeli Share Option Plan. The options were granted under the Section 102 of the Israeli Tax Ordinance, through the capital gains tax track. The exercise price of each option is $5.96. The options vest over a period of four years in equal parts, and may be exercisable until their 10th anniversary. All other terms of the options are as stated in the Company's 1999 Israeli Share Option Plan.

On May 6, 2010, our shareholders approved the grant of 50,000 options exercisable into 10,000 ordinary shares NIS 0.65 nominal value each of the Company under the Company's 1999 Israeli Share Option Plan to Mr. Danny Lustiger as a director of the Company. The options were granted under Section 102 of the Israeli Tax Ordinance, through the capital gains tax track. The exercise price of each option is $10. The options vest over a period of four years in four equal parts, and may be exercisable until their 10th anniversary. All other terms of the options are as stated in the Company's 1999 Israeli Share Option Plan. Mr. Lustiger was also entitled to 800 restricted shares, which vest over two years in two equal parts, and which were granted pursuant to the Company's 2006 Israeli Incentive Compensation Plan.

On December 29, 2010, our shareholders approved the grant by the Company of 2,400 restricted shares of the Company, in three equal consecutive annual grants, to each of Mr. Alex Hilman, Ms. Dana Tamir-Tavor and Mr. Danny Lustiger, or the Recipients, who served at that time as directors of the Company, under the Company's 2006 Israeli Incentive Compensation Plan. The restricted shares were granted to the Recipients for no consideration, and vest after a two-year period (50% each year) from their date of grant, subject to the continued employment or service of the Recipients in the Company.

Our shareholders have further approved on December 19, 2013, the reappointment of Ms. Garti-Seroussi and Mr. Labenski as external directors of the Company, including the compensation terms for their service as external directors of the Company, in the compensation terms specified in Item 6.B. “Compensation” above.

On November 17, 2011, and following the approval by our audit committee and board of directors, our shareholders approved a grant of 20,000 options exercisable into 20,000 ordinary shares NIS 0.65 nominal value each of the Company to Mr. Hilman, the Executive Chairman of the board of directors, under the Company's 1999 Israeli Share Option Plan, without consideration. The Options were granted to a trustee for the benefit of Mr. Hilman in accordance with the requirements of the capital gains tax track chosen by the Company. The exercise price of each option is $10. The options vest during a four-year period as of their date of grant (25% each year), and may not be exercised following their 10th anniversary. All other terms of the options are as stated in the Company's 1999 Israeli Share Option Plan. Along with the approval of the grant of options to Mr. Hilman, the Company's shareholders approved a similar grant of 20,000 options exercisable into 20,000 ordinary shares to Mr. Shlomo (Tom) Wyler, the Chief Executive Officer of our subsidiary, Optibase Inc., who then served as our president and member of our board of directors, under the Company's 1999 Israeli Share Option Plan. The terms of grant of such options to Mr. Wyler are identical to the terms of grant of the options to Mr. Hilman as described above, except that the tax track available to Mr. Wyler, who considered to be our controlling shareholder as of the date grant of such options, is different from the capital gains tax track afforded to all other directors and officers of the Company. Under this tax track, we will also not be able to recognize expenses pertaining to this grant.

In July 2013, our audit committee and board of directors approved the receipt of guarantees from our controlling shareholder or any affiliate thereof, to financing institutions in connection with us, our subsidiaries' or affiliated companies' real estate and real estate related activities. For further details see Item 5.B. “Operating and Financial Review and Prospects - Liquidity and Capital Resources” above. On May 26, 2015 we utilized the guaranty given by our controlling shareholder and drew a total of €5 million that were used to partially finance the closing of the portfolio acquisition transaction in Germany. The funds were drawn in a form of a monthly credit facility bearing a yearly rate of approximately 76 basis points (0.76%). On July 24, 2015 the Company covered the monthly credit facility in full.

On December 19, 2013, and following the approval by our compensation committee and board of directors, our shareholders approved the grant of our 12,000 restricted shares, in three equal consecutive annual grants (commencing on January 1, 2014), to each of Mr. Alex Hilman, the executive chairman of our board of directors, and Mr. Amir Philips, our chief executive officer, or the Recipients, under the Company's 2006 Israeli Incentive Compensation Plan. The restricted shares were granted to the Recipients for no consideration, and vest after a two-year period (50% each year) from their date of grant, subject to the continued employment or service of the Recipients in the Company.

On December 19, 2013, and following the approval by our audit committee, compensation committee and board of directors, our shareholders approved the compensation terms of Mr. Shlomo (Tom) Wyler, for his service as Chief Executive Officer of our subsidiary Optibase Inc. According to the terms approved by our shareholders, Mr. Wyler serves as Chief Executive Officer of Optibase Inc. and is responsible for the implementation of our strategy in North America, recognizing new local opportunities, forming strategic alliances and overseeing the ongoing management of our current U.S. real estate portfolio. The yearly gross base salary in consideration for Mr. Wyler's services as Chief Executive Officer of Optibase Inc. will be $170,000 for a full time position as well as reimbursement of health insurance expenses of up to $24,000 per year, and including reimbursement of reasonable work-related expenses incurred as part of his activities as Chief Executive Officer of Optibase Inc., of up to $50,000 per year. The employment of Mr. Wyler is for a three-year term commencing on January 1, 2014. Mr. Wyler's service as our president and member of our board of directors ended as of December 19, 2013.

On December 19, 2013, and following the approval by our audit committee and board of directors, our shareholders approved the a service agreement between the Company and Mr. Reuwen Schwarz, currently serves also as a member of our board of directors, for the provision of real estate related consulting services to us, our subsidiaries and affiliates. Mr. Schwarz is a relative of the beneficiaries of Capri, our controlling shareholder. According to term of the service agreement with Mr. Schwarz, he will provide us with real estate related consulting services, including: (i) searching, introducing and advising us on real estate transactions, (ii) advising and negotiating with banks and financing institutions, (iii) advising us on our financing agreements, all as requested by us from time to time and at our sole discretion. Such services will be provided by Mr. Schwarz at the request of the Company. Mr. Schwarz will render such services faithfully and diligently for the benefit of the Company, and will devote all necessary time and attention for the performance of the services. Mr. Schwarz will also use his best efforts to implement the policies established by us in the performance of such services. In consideration for such services, we will pay Mr. Schwarz a monthly fee of EURO 4,000 (approximately $5,350) plus applicable value added tax (if applicable). Mr. Schwarz will also be reimbursed for expenses incurred as part of the services provided by him which shall not exceed EURO 12,000 (approximately $16,060) per year. In the event the service agreement with Mr. Schwarz is terminated during a certain month, Mr. Schwarz will be entitled to a pro rata fee based on the number of days that has lapsed until the termination date of the service agreement. Mr. Schwarz may either provide the services by himself or through a corporation under his control, provided that the consideration under the service agreement remains unchanged. The service agreement with Mr. Schwarz will be in effect retroactively from November 1, 2013 for a period of three years. Each of Mr. Schwarz and us may terminate the service agreement by giving a prior written notice of 30 days. During such advance notice period, Mr. Schwarz will be required to continue the provision of the services provided by him under the agreement (unless we have instructed him otherwise) and in any event Mr. Schwarz will be entitled to receive the consideration for such period, except for cause.

On October 22, 2014, our shareholders approved, following the approval by our compensation committee, audit committee and board of directors, the following amendments to our prospective undertaking to indemnify our current and future directors, including our Chief Executive Officer and including directors and officers who are affiliated with our controlling shareholder, and the grant of amended letters of indemnification accordingly: (a) inclusion of additional events upon the occurrence of which the Company may indemnify its current and future directors and officers; and (b) increase of the aggregate and accumulated indemnification amount that the Company may pay its directors and officers, to an amount that shall not exceed the higher of: (i) 25% of the shareholders' equity of the Company, as set forth in the Company's most recent consolidated financial statements prior to such payment; (ii) 10 million U.S. Dollars.

On October 22, 2014, our shareholders approved, following the approval by our compensation committee and board of directors, the grant of the following compensation to Mr. Amir Philips, our Chief Executive Officer, and to amend the compensation terms of Mr. Philips, as follows: (a) the grant of a special bonus in the amount of $50,000 to Mr. Philips; and (b) the extension of Mr. Philips' existing four (4) months advanced notice period under his employment agreement with the Company to an advance notice period of six (6) months.

Condominium Units in Miami Beach, Florida

On December 19, 2013, following the approval of our audit committee and board of directors, our shareholders approved the purchase by two wholly owned subsidiaries of the Company of twelve luxury condominium units located in Miami Beach, Florida, or the Units, in consideration for the issuance of our 1.37 million newly issued ordinary shares (of which approximately 67,000 ordinary shares were off set against the lease of one unit), representing, as of the date of the approval of the transaction by our board of directors, a value of approximately $8.8 million. The Units were sold by private companies indirectly controlled by Capri, our controlling shareholder. At closing, and following the approval of the transaction by our shareholders, we issued to Capri a net sum of 1,300,580 of our ordinary shares, as detailed below. The net fair value of the condominium units as recorded in our financial statement as of the closing date was approximately $7.2 million, representing the fair value of the ordinary shares issued as of the closing date. Set forth below is additional information with respect to the transaction to purchase the Units.

The Flamingo Condominium Units

Our wholly-owned subsidiary, Optibase FMC LLC, a Delaware limited liability company, or Optibase FMC, has entered into two purchase and sale agreements, or the Flamingo Agreements, to acquire eleven luxury condominium units, or the Flamingo Units, including ten parking spaces in the Flamingo-South Beach One Condominium located at 1500 Bar Road in Miami Beach, Florida, or the Flamingo Condominium. The sellers of the Flamingo Units, or the Sellers, are two private companies indirectly controlled by Capri, our controlling shareholder.

The Flamingo Units are located on various floors of the South Building of the Flamingo Condominium, and ranging in size from 924 to 2,347 square feet. The Flamingo Condominium is a 15-story tower with 513 luxury residential units ranging in size from approximately 450 to approximately 2,347 square feet.

The purchase price agreed upon by the parties in consideration for the Flamingo Units was $3,870,750 in the aggregate, and was be paid by the Company in 600,115 newly issued ordinary shares of the Company issued to the Sellers, at a price per share of $6.45. The price per share was set based on a calculation of average closing price of our ordinary shares on the Nasdaq Global Market during the 30 trading days preceding the signing date of the Flamingo Agreements.

On September 17, 2014, following the approval of our audit committee and board of directors, we entered into a transaction to sell the eleven Flamingo Units, to an unrelated third party, in consideration for an aggregate price of approximately $6.4 million to be paid to us. The transaction was conditioned on the purchaser's execution of a purchase and sale agreement to acquire an additional nineteen (19) condominium units located in the Flamingo Condominium from a company affiliated with our controlling shareholder. Therefore, in the interest of caution, we treated the transaction as a transaction between a public company and another party, in which the company's controlling shareholder has personal interest, as defined under the Companies Law. The transaction was subject to a twenty (20) day inspection period during which the purchaser had the right to terminate the purchase and sale agreement. The closing of the transaction occurred on October 20, 2014. At the closing of the transaction, the purchaser paid to us an aggregated gross price of $6.4 million, in consideration for the Flamingo Units. We recorded a capital gain of approximately $2.7 million resulting from such transaction.

The Continuum Unit

The Company's wholly-owned subsidiary, Optibase Real Estate Miami LLC, a Florida limited liability company, or Optibase Miami, has entered into an agreement, or the Continuum Agreement, to acquire a luxury condominium unit (including 2 parking spaces) in the Continuum on South Beach Condominium, or the Continuum Unit, located in Miami Beach, Florida. The seller of the Continuum Unit, or the Seller, is indirectly controlled by Capri, our controlling shareholder.

The Continuum Unit is located on the 33rd floor of the North Tower of the Continuum on South Beach Condominium located at 50 S. Pointe Drive, Miami Beach, Florida. The Continuum on South Beach Condominium is a 37-story ocean-front tower with 203 luxury residential units ranging in size from 1,554 to 3,497 square feet. Residences of the Continuum on South Beach Condominium enjoy the right to use the common areas of the residence, including swimming pool, tennis courts, spa and a sporting club.

The purchase price under the Continuum Agreement is $4,950,000, to be paid by the Company in 767,442 newly issued ordinary shares of the Company to be issued to the Seller, at a price per share of $6.45. The price per share was set based on a calculation of average closing price of our ordinary shares on the Nasdaq Global Market during the 30 trading days, respectively, preceding the signing date of the Continuum Agreement. We were not required to pay any deposits in connection with the Continuum Agreement.

Beginning at the closing of Optibase Miami's acquisition of the Continuum Unit, the Seller leased the Continuum Unit from us for a term of 36 months. The rent for the entire period of the lease, or the Rent, was prepaid at a rate of $12,000 per month including sales tax (for a total rent of $432,000 including sales tax). The Rent was paid by the Seller at the closing date of the transaction in 66,977 ordinary shares of the Company, at a price of $6.45 per share (which were offset the number of Shares to be issued by us as detailed above).

The acquisitions pursuant to the Flamingo Agreements and the Continuum Agreement closed on December 31, 2013. Accordingly, at the closing of the transactions, and upon instructions provided to us by the sellers of the Units, we issued to Capri on December 31, 2013 a net sum of 1,300,580 of our ordinary shares as consideration for the purchase of the Units, represented, as of the closing date of the agreement, approximately 25.4% of our issued share capital on a fully diluted basis. The net fair value of the condominium units as recorded in our financial statement as of the closing date was approximately $7.2 million, representing the fair value of the ordinary shares issued as of the closing date.

Registration Rights Agreement

On October 22, 2014, our shareholders approved, following the approval by our audit committee and board of directors, the entrance by us into a registration rights agreement with Mr. Shlomo (Tom) Wyler and Capri, or the Holders, for the filing of a registration statement in order to register for resale all of our ordinary shares of held by them. The following is a short summary of the principal terms of the agreement:

Demand registration rights

At any time after nine months following the approval of the agreement by our shareholders, at the request of the holders of at least 5% of the ordinary shares outstanding on the effective date of the agreement, we must register any or all of the Holders' ordinary shares as follows: (i) in the event that we are not eligible under applicable securities laws to file a registration statement on Form F-3, we are required to effect up to two such registrations, but only if the minimum anticipated gross aggregate offering price of the shares to be registered exceeds $5,000,000, and (ii) in the event that we are eligible under applicable securities laws to file a registration statement on Form F-3, we are required to effect an unlimited number of registrations, but only (a) if the minimum gross anticipated aggregate offering price of the shares to be registered exceeds $5,000,000, and (b) up to two within a period of twelve months. Such registration must also include any additional registrable securities requested to be included in such registration by any other holders who are party to the agreement or entitled thereunder.

Our obligation to effect a registration is subject to certain qualifications and limitations, including our right to postpone a registration during the period that is 90 days before our good faith estimate of the date of filing of, and ending up to 180 days after the effective date of, a registration statement initiated by us and for which the piggyback rights described below will apply, our right to postpone a registration for a period of up to 60 days in the event of our furnishing a certificate signed by our Chief Executive Officer that states that in the good faith judgment of our board of directors, it would be materially detrimental to us or our shareholders for such registration statement to either become effective or remain effective, because such action would (i) materially interfere with a significant acquisition, corporate reorganization, or other similar transaction involving us or (ii) require premature disclosure of material information that we have a bona fide business purpose for preserving as confidential. However, we may not invoke this postponement right for more than an aggregate of 90 days in any 12 month period.

Piggyback registration rights

The Holders have the right to request that we include their registrable securities in any registration statement that we file (other than a registration statement on Form S-8, S-4 or other equivalent form). The right of a Holder to include shares in the registration related thereto is conditioned upon the shareholder accepting the terms of the underwriting, if any, as agreed between us and the underwriters and then only in such quantity as the underwriters in their sole discretion determine will not jeopardize the success of our offering. However, we have agreed not to grant any other shareholders priority to have their securities registered prior the securities of a Holder.

Expenses

All expenses incurred in effecting a registration provided for under the agreement, including, without limitation, all registration and filing fees, printing expenses, reasonable fees and disbursements of counsel for us and for one U.S. counsel and one Israeli counsel, underwriting expenses (other than share transfer taxes, selling Holder underwriting discounts or commissions), road show expenses, expenses of any audits incident to or required by any such registration, shall be paid by us.

Indemnification

The agreement further includes mutual indemnification obligations between the parties, according to which, subject to applicable law, each party to the agreement shall indemnify and hold harmless the other party, from and against any and all losses, claims, expenses, damages or liabilities, joint or several as the same are incurred to which they, or any of them, may become subject under the Securities Act, the Securities Exchange Act of 1934, as amended, other federal or state statutory law or regulation, at common law, or otherwise, insofar as such losses, claims, expenses, damages or liabilities (or action in respect thereof) arise out of or are based upon any of the events specified in the agreement.

Termination of Registration Rights

The Holders' right to request registration or to include registrable securities held by them in any registration pursuant to the agreement, shall terminate upon the earlier of (a) seven (7) years following the effective date of the agreement or (b) when all of their registrable securities can be sold without restriction pursuant to Rule 144 under the Securities Act and without the requirement for us to be in compliance with the current public information requirements under Rule 144 as confirmed by an unqualified opinion by counsel of us.

Commercial Office Building in Philadelphia

On October 12, 2012, following the approval of our audit committee and board of directors, and the approval of our shareholders during an annual general meeting of our shareholders held on August 16, 2012, our wholly-owned subsidiary, Optibase 2 Penn, LLC, became a limited partner of 2 Penn Philadelphia LP, a Pennsylvania limited partnership, or the Partnership, which acquired an approximately 20% beneficial interest in the owner of a Class A 20-story commercial office building in Philadelphia known as Two Penn Center Plaza, or the 2 Penn Property, and entered into the Limited Partnership Agreement of the Partnership, or the 2 Penn LPA. The general partner of the partnership and certain other limited partners of the Partnership, are persons or entities affiliated with Mr. Shlomo (Tom) Wyler, the Chief Executive Officer of our subsidiary, Optibase Inc, who was then our president and member of our board of directors and considered the controlling shareholder of the Company, as detailed herein. The 2 Penn LPA sets forth the terms and conditions of the investment in the Partnership. According to the 2 Penn LPA our subsidiary acquired approximately 26% of the limited partnership interests in the Partnership in consideration for $4,025,000.

The Partnership owns a beneficial interest in the owner of the 2 Penn Property by being issued a 85.76% partnership interest in Two Penn Investor LP, a Pennsylvania limited partnership, or the 2 Penn Investor, which acquired 88% of the limited partnership interests in Crown Two Penn Center Associates Limited Partnership, or the Property Owner, and Two Penn General LLC from Crown Penn Associates, L.P., or Crown Penn. Two Penn General LLC, a Delaware limited liability company controlled by Mr. Alex Schwartz acquired a 1% general partner interest in the Property Owner from Two Penn Center GP Corp., a Pennsylvania corporation, or the Existing General Partner, for the aggregate sum of approximately $12.8 million.

In connection with the closing of the sale agreement transaction, 2 Penn Investor provided a loan to Crown Penn in the original principal amount of $1,573,357, or the Purchaser Loan. The Purchaser Loan will bear interest at a rate of 12% per annum and will mature in slightly more than 3 years and will be secured by a pledge of Crown Penn's remaining 11% of the interests in the Partnership.

The 2 Penn Property has existing mortgage financing of approximately $51.7 million from UBS Real Estate Securities Inc., or UBS. The mortgage loan has a fixed interest rate of 5.61% and matures in May 2021, and requires monthly payments of principal and interest of approximately $300,000. The acquisition of the partnership interests in the Property Owner from Existing General Partner and Crown Penn and the performance of the transactions as a whole were conditioned on UBS consenting to the change in ownership of the Property Owner.

Below is a description of the main provisions of the 2 Penn LPA setting forth the terms and conditions of our subsidiary's investment in the Partnership:

Purpose of the Partnership

The stated purpose of the Partnership is solely to acquire, own, operate and ultimately sell beneficial interests in the 2 Penn Investor (which directly owns partnership interests in the Property Owner) and transact any lawful business that is necessary to accomplish this.

Capital Contributions

The partners will contribute initial capital contributions to the Partnership in the aggregate amount of approximately $15,500,000 (of which our subsidiary's share is $4,025,000). The Partnership will contribute the initial capital contribution to 2 Penn Investor which will use the funds to acquire the limited partnership interests in the Property Owner, to provide the Purchaser Loan, to pay closing costs for the transaction, and to establish reserves for improvements to the 2 Penn Property.

Additional capital contributions may be requested of limited partners at any time that Two Penn Philadelphia GP LLC (which is the general partner of the Partnership, controlled by Mr. Alex Schwartz, who is affiliated with Mr. Wyler as set forth below, or the General Partner) determines that the Partnership requires additional funds. The General Partner may request loans or capital contributions from the limited partners, provided that if the General Partner requests loans or capital calls exceeding $2,000,000 during any four-year period it must obtain the approval of partners owning at least 65% of the interests in the Partnership.

If a limited partner does not provide its capital contributions, the other limited partners will have the option to fund the failed contribution in proportion to their relative percentage interests. The portion of the deficiency funded shall be treated as a loan from the lending non-defaulting partners to the defaulting limited partner and shall bear a floating interest rate equal to the prime rate of PNC Bank plus 9% (which shall be compounded annually to the extent not paid). The loan shall be repaid directly on a first priority basis out of any subsequent distributions to the defaulting limited partner. A limited partner's liability for a default loan shall be limited to its share of future distributions from the Partnership.

Limited Partner Approval Rights

The General Partner has full management authority over the Partnership, subject to certain major decisions which require the approval of partners owning 65% of the interests in the Partnership. These decisions include: (a) sale or transfer of any asset of the Partnership or granting approval for the sale of the 2 Penn Property; (b) borrowing money from itself or third parties for Partnership purposes or to mortgage, pledge or assign any of the Partnerships assets; (c) requesting capital contributions or borrowing money from the partners in an amount exceeding $2,000,000 during any four year period; (d) admission of any new partners; (e) removal of the General Partner; (f) termination and dissolution of the Partnership; (g) amendment of the Partnership agreement; (h) merger or consolidation into or with another entity; (i) amendment of the Partnership certificate in a material manner; or (j) entering into a new line of business.

Fees Paid to the General Partner

The General Partner or its affiliates may receive an annual management fee of four percent (4%) of gross revenues from the Property from the Property Owner in connection with management of the 2 Penn Property and shall be entitled to be reimbursed for expenses incurred in the management of the Partnership business. The General Partner and its affiliates may not receive any other fees or payments from the Partnership, 2 Penn Investor or from the Property Owner without the consent of limited partners owning at least 65% of the interests in the Partnership.

Distributions

All revenue of the Partnership, less the operating expenses and any reserves established by the GP, or Net Cash Flow, will be distributed as follows:

(a) First, to repay partners who loaned sums to other limited partners who defaulted on their capital contributions;
(b) Second, to partners that have made voluntary loans to the Partnership;
(c) Third, to repay the partners their capital contributions; and
(d) Fourth, to the partners in accordance with their percentage interests in the Partnership.

The General Partner has undertaken to cause Two Penn Investor and Crown 2 Penn LLC to distribute all net cash flow received from the 2 Penn Property to their limited partners. Other than with the consent of partners holding at least 65% of the interests in the Partnership, Crown 2 Penn LLC may only withhold net cash flow in order to: (1) establish reserves not exceeding one million dollars ($1,000,000) for future expenses of the 2 Penn Property, (2) reserve funds to service debt or loan document obligations of the Property Owner, and (3) avoid the violation of applicable laws and avoid the imposition of transfer taxes.

Transfer Restrictions

General Partner Consent to Transfer of the Company's Percentage Interest: After a three year and one month so long as there has not been a change in the controlling shareholder of the Company, our subsidiary shall be permitted to transfer all or part of its interests in the Partnership without obtaining the General Partner's prior consent unless:

(1) the proposed transferee is subject to trade restrictions under US law,
(2) the transfer would violate federal or state securities laws, or
(3) the transfer would violate terms of debt obligations which the Property Owner has incurred.

LP Consent to GP Transfer: The General Partner must receive the consent of partners owning at least sixty five percent (65%) of the interests in the Partnership to transfer the General Partner interest. Any transfer of the General Partner must be to a person who or which agrees to serve as a replacement General Partner. So long as the Company is a limited partner, unless otherwise consented to by Partners owning at least 65% of the Partnership interests, the General Partner will ensure that, as long as it is controlled by Alex Schwartz (a) at least 20% of the percentage interests of the Partnership will at all times be held or controlled by Alex Schwartz and his family members and (b) the general partners of Two Penn Investor and the Property Owner shall be solely controlled by Alex Schwartz.

Right of First Offer: Transfers by partners of their interests in the Partnership are generally subject to a right of first offer in favor of the other partners. The selling party must first offer the portion of its percentage interest that it is looking to sell to the General Partner and other limited partners, before selling such portion to a third party. If the other partners do not send the selling party a notice of acceptance within the prescribed time or do not agree to purchase all of the percentage interest contained in the offer, the selling party shall have the right to sell such percentage interest to a third party.

Tag Along: If the General Partner or Alex Schwartz receive an offer to sell all or a portion of their percentage interests, after which Alex and his family members or entities under his control would collectively own less than 20% of the percentage interests, the other Partners shall have the right to sell to the offering third party the same portion of their percentage interests that such third party is willing to purchase from the General Partner and/or Alex Schwartz, on the same terms. If the third party refuses to purchase the other Partners' percentage interests, the General Partner and/or Alex Schwartz may not sell.

Bring Along: If the Partners receive a bona fide offer from a third party to acquire all of the percentage interests of the Partnership and the General Partner and partners holding at least 65% of the interests in the Partnership agree to accept the offer, then the other limited partners will be obligated to sell their percentage interests on the same terms as the other Partners.

Removal of the General Partner

For as long as Alex Schwartz is controlling the General Partner, a vote by partners holding 65% or more of the interests in the Partnership is necessary to remove the General Partner. If the General Partner is no longer controlled by Alex Schwartz, a vote of partners owning at least 51% of the interests in the Partnership is required to remove the General Partner. Appointment of a new General Partner requires the consent of 51% of the limited partners. If the General Partner is removed, the replacement General Partner must buy-out the General Partner's interest at fair market value.

Amendment of the LPA

Amendment of the LPA requires approval of limited partners owning at least 65% of the Partnership interests provided that any change affecting a Partner's rights must be approved by the affected Partner.

Undertaking Ensuring Limited Partner Rights

Together with the signing of the LPA, Alex Schwartz, the General Partner and the general partner of Two Penn Investor will sign an undertaking according to which they shall (1) not permit Two Penn Investor or the Property Owner to take any of the actions set forth in the Section entitled "Limited Partner Approval Rights" above without obtaining the prior written consent of 65% of the limited partners of the Partnership, and (2) not to permit Two Penn Investor or the Property Owner to withhold distributions other than as set forth in the Section entitled "Distributions" above without the consent of partners owning at least 65% of the interests in the Partnership, and (3) not to permit a change in the ownership of the general partner of the 2 Penn Investor or the Property Owner as long as Alex Schwartz controls the General Partner interest.

Indemnification

The Partnership will indemnify the General Partner and its members from any claim, judgment or liability and from any loss or expense which may be imposed on the General Partner as a result of (i) an act performed by the General Partner on behalf of the Partnership or (ii) the inaction of the General Partner or from (iii) any liabilities arising under federal and state securities laws so long as the General Partner acts in good faith in the best interest of the Partnership and the conduct of the General Partner does not constitute gross negligence or willful misconduct.

7.C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

See Item 18 “Financial Statements” for a list of financial statements filed as part of this annual report on Form 20-F.

Legal proceedings

Receipt of a Motion to Approve a Derivative Claim

On October 26, 2014, we received a letter on behalf of two purported shareholders of us, or the Shareholders, demanding us to file a derivative claim against our controlling shareholder and our directors and officers, according to procedures of the Companies Law and requesting discovery of our internal documents. The demand alleges, among other things, breach of fiduciary duties by our directors and officers with respect to the approval of the transaction to acquire luxury condominium units in Miami Beach, Florida, or the Transaction. The Shareholders are seeking damages which were not specified in the letter allegedly caused to us by its controlling shareholder and its directors and officers. In accordance with the Companies Law, we informed the Shareholders in December 2014 of the way in which we wish to proceed with respect to the demand. At the Shareholders’ request, we presented the Shareholders with certain materials in connection with the Transaction for their review.

On May 12, 2015 we have been served with a motion to approve the filing of a derivative claim (on behalf of the Company) against our controlling shareholder, directors and CEO and against certain former controlling shareholder and directors, or the Motion, and a copy of the derviative claim, or the Claim, which were submitted with the Centeral (Lod) District Court, by two purported shareholders of the Company, or the Applicants.

The Claim alleges, among other things, a breach of fiduciary duties by the our directors, officers and controlling shareholder, and an exploitation of a business opportunity by the our current and former controlling shareholder with respect to certain private placements of the Company's shares to our controlling shareholder conducted in June 2008, May 2011 and December 2013. The Claim further alleges, that such private placements constitute a prohibited distribution as the shares were issued for an unfair consideration. As a result of the above, the Applicants request the Court to allow them to continue with this derivative claim and ultimately to require all the defendants to pay the Company an aggregate amount of USD 41,857,778, as well as required our shareholder (current and former) to pay us USD 2,768,004 plus interest (for the exploitation of a business opportunity). The Applicants further require reimbursement of expenses, legal fees and award to the Applicants.

On July 14, 2015 the Applicants submitted an application to approve a service to Capri Family Foundation, or Capri, according to regulation 482 to the Civil Law Procedure Regulations of 1984 or alternatively, an application to allowing service outside of the court's jurisdiction, or Application No. 4. On July 29, 2015, the Applicants submitted an application to approve a service to Mr. Shlomo (Tom) Wyler, or Application No. 7, on the same basis as Application No. 4. On September 1, 2015 we have submitted our response to Application No. 7 regarding the service to Mr. Wyler and on September 24, 2015, we have submitted our response to Application No. 4 regarding the service to Capri. The Applicants submitted their answer on October 6, 2015.

On November 8, 2015, we have submitted our response to the Motion and Claim together with an expert opinion. We have raised several arguments against the Motion including, *inter alia*, preliminary claims to dismiss the Motion *in-limine*. On November 13, 2015, the directors, CEO and former directors submitted their response to the Motion.

On December 9, 2015, a court hearing was held during which the court suggested the parties to reach a mutual agreement based on the following outline: (i) service to Capri and Mr. Wyler will be to an address given by them; (ii) the parties would reach an agreement on an identity of a mediator; and (iii) Capri and Mr. Wyler would submit their response to the Motion within 90 days from February 1, 2016 and the Applicants would submit their answer to Capri and Mr. Wyler's response within 30 days from receiving Capri and Mr. Wyler 's response. We gave our consent to the proposed outline and the court ordered the parties to act accordingly.

On January 4, 2016, the Applicants submitted an application for discovery of documents. On January 25, 2016, we have submitted a motion to dismiss the discovery's application. On March 29, 2016 the Applicants submitted an application to attach an expert opinion

A Pre-trial hearing is scheduled for July 7, 2016.

At this preliminary stage we cannot provide an assessment as to the chances of the claim and the exposure to the Company.

Demand to Receive Certain Data in Connection with an Option Agreement

On May 19, 2015, we have received a letter on behalf of Swiss Pro Capital Limited, a company organized under the laws of Switzerland, demanding the Company to provide Swiss Pro with certain relevant data in connection with an option agreement dated March 1, 2010, or the Agreement (for further details on the Agreement see Item 10.C. "Material Contracts"). According to the Agreement, Swiss Pro was granted an option to purchase 20% of the shares of Optibase RE 1 s.a.r.l, the owner of the Rümlang property. We have sent a preliminary response letter on or about June 30, 2015 stating that a detailed response letter will be sent later on. On August 18, 2015 we have sent a detailed letter in which we rejected all allegations against us. On December 24, 2015 Swiss Pro sent another letter repeating its arguments and we have sent our response to the letter on or about December 31, 2015.

At this preliminary stage we cannot provide an assessment as to the chances of the arguments raised by Swiss Pro and the exposure to the Company.

Receipt of a Claim from Tenant in the CTN Complex

On April 16, 2015, our subsidiary Eldista GmbH, filed a claim to the court in Switzerland in an amount of CHF 961,301 (app. $$1 million) due to damages and unpaid amounts from a specific tenant. Shortly thereafter, the tenant filed a counterclaim against Eldista GmbH in an amount of CHF 157,047 (app. $171,200) for damages allegedly caused to it. The court suggested the parties to transfer to mediation proceedings which failed. At this time, testimonies hearings are taking place.

At this stage, we cannot assess whether the court will receive Elista's or the tenant's arguments.

Dividend Policy

We have not declared or paid any cash dividends on our ordinary shares in the past. We do not expect to pay cash dividends on our ordinary shares in the foreseeable future and intend to retain our future earnings, if any, to finance the development of our business.

A dividend policy, if adopted, will be determined by our board of directors and will depend, among other factors, upon our earnings, financial condition, capital requirements, the impact of the distribution of dividends on our financial condition and tax liabilities, and such other conditions as our board of directors may deem relevant. Under Israeli law, an Israeli company may pay dividends only out of its retained earnings as determined for statutory purposes. Under our articles of association the distribution of dividends will be made by a resolution of our board of directors. See "Description of Share Capital" and "Israeli Taxation and Investment Programs".

Cash dividends paid by an Israeli company are normally subject to a withholding tax, except for dividends paid to an Israeli company in which case no tax is withheld unless the dividend is in respect of earnings from an Approved Enterprise. In addition, because we have received certain benefits under Israeli laws relating to Approved Enterprises, the payment of dividends by us may be subject to certain Israeli taxes to which we would not otherwise be subject. The tax-exempt income attributable to the Approved Enterprise can be distributed to shareholders without subjecting us to taxes only upon our complete liquidation. If we decide to distribute cash dividends out of income that has been exempted from tax, the income out of which the dividend is distributed will be subject to corporate tax. See "Israeli Taxation and Investment Programs". In the event that cash dividends are declared in the future, such dividends will be paid in NIS or in foreign currency subject to any statutory limitations. Under current Israeli regulations, any dividends or other distributions paid in respect of ordinary shares will be freely repatriable in such non-Israeli currencies at the rate of exchange prevailing at the time of conversion, provided that Israeli income tax has been paid on, or withheld from, such payments. Because exchange rates between the NIS and the dollar fluctuate continuously, a U.S. shareholder will bear the risks of currency fluctuations during the period between the date such dividend is declared and paid by us in NIS and the date conversion is made by such shareholder into U.S. dollars.

ITEM 8.B. SIGNIFICANT CHANGES

Since the date of our financial statements for the year ended December 31, 2015, as part of the motion to approve the filing of a derivative claim, on January 4, 2016, the applicants submitted an application for discovery of documents. On January 25, 2016, we submitted a motion to dismiss the discovery's application and on March 29, 2016 the Applicants submitted an application to attach an expert opinion. A Pre-trial hearing is scheduled for July 7, 2016. For further details see Item 8. “Financial Information - Legal Proceedings”.

ITEM 9. THE OFFER AND LISTING

9.A. OFFER AND LISTING DETAILS

Our ordinary shares are traded on The NASDAQ Global Market under the symbol OBAS since our initial public offering on April 7, 1999. On April 29, 2015, our ordinary shares were registered for trading on the Tel Aviv Stock Exchange.

The following table sets forth, for the periods indicated, the high and low closing sale prices per share of our ordinary shares as reported by The NASDAQ Global Market and by the Tel Aviv Stock Exchange.

	Nasdaq		TASE	
Year	**High**	**Low**	**High**	**Low**
2011	$ 8.75	$ 4.95	-	-
2012	$ 6.45	$ 4.51	-	-
2013	$ 6.9	$ 4.51	-	-
2014	$ 8.21	$ 5.15	-	-
2015	$ 9.29	$ 6.03	NIS 3.68	NIS 2.72
2014				
First Quarter	$ 6.47	$ 5.25	-	-
Second Quarter	$ 6.5	$ 5.15	-	-
Third Quarter	$ 6.8	$ 5.95	-	-
Fourth Quarter	$ 8.21	$ 6.5	-	-
2015				
First Quarter	$ 7.21	$ 6.03	-	-
Second Quarter	$ 9.29	$ 6.25	NIS 3.68	NIS 2.89
Third Quarter	$ 8.75	$ 6.5	NIS 3.2	NIS 2.83
Fourth Quarter	$ 8	$ 6.37	NIS 3.2	NIS 2.72
2016				
First Quarter Until March 21, 2016)	$ 8.2	$ 6.79	NIS 3.053	NIS 2.7
Most Recent Six Months	**High**	**Low**	**High**	**Low**
October 2015	$ 7.49	$ 7.35	NIS 3.09	NIS 2.762
November 2015	$ 7.6	$ 7.49	NIS 3.199	NIS 2.78
December 2015	$ 8	$ 6.37	NIS 2.891	NIS 2.936
January 2016	$ 8.2	$ 6.9	NIS 3.054	NIS 2.705
February 2016	$ 7.04	$ 6.79	NIS 2.75	NIS 2.706
March 2016 (Until March 21, 2016)	$ 7.05	$ 6.75	NIS 2.7	NIS 2.7

On March 28, 2016, the reported closing sale price of our ordinary shares on The NASDAQ Global Market, was $6.8 per share and on the Tel Aviv Stock Exchange, was NIS 2.6 per share.

9.B. PLAN OF DISTRIBUTION

Not applicable.

9.C. MARKETS

Our ordinary shares have been listed on The NASDAQ Global Market since April 7, 1999, under the symbol “OBAS”. On April 2015 we have listed our ordinary shares for trading on the Tel Aviv Stock Exchange under the symbol “OBAS”**.**

9.D. SELLING SHAREHOLDERS

Not applicable.

9.E. DILUTION

Not applicable.

9.F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A. SHARE CAPITAL

Not applicable.

10.B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Purposes and Objects of the Company

We are a public company registered under the Companies Law as Optibase Ltd., registration number 52-003707-8.

Pursuant to our articles of association, our objectives are to engage in any lawful business and our purpose is to act pursuant to business considerations to make profits. A consideration to the Company's purpose and objectives can be found in Chapter 1 to the Company's articles of association.

Our articles of association also state that we may contribute a reasonable amount for an appropriate cause, even if the contribution is not within the framework of our business considerations.

The Powers of the Directors

The power of our directors to vote on a proposal, arrangement or contract in which the director is interested is limited by the relevant provisions of the Companies Law. In addition, the power of our directors to vote on compensation to themselves or any members of their body is limited in that such decision requires the approval of the compensation committee, the board of directors and the shareholders at a general meeting, see “Approval of Certain Transactions” below.

Under Israeli law each director must act with an independent and sole discretion. Director who does not act this way is in breach of his fiduciary duties.

The powers of our directors to borrow are not limited, except in the same manner as any other transaction by the Company.

Rights Attached to Shares

Our registered share capital is NIS 3,900,000 divided into a single class of 6,000,000 ordinary shares, par value NIS 0.65 per share, of which 5,133,630 ordinary shares were issued and outstanding as of March 21, 2016. All outstanding ordinary shares are validly issued, fully paid and non-assessable. The rights attached to the Ordinary Shares are as follows:

Dividend rights

Holders of Ordinary Shares are entitled to the full amount of any cash or share dividend subsequently declared. The board of directors may propose a dividend only out of profits, in accordance with the provisions of the Companies Law. Declaration of a dividend requires the approval of our board of directors. Please see Item 10.E. “Taxation” below.

One year after a dividend has been declared and is still unclaimed, the board of directors is entitled to invest or utilize the unclaimed amount of dividend in any manner to our benefit until it is claimed. We are not obligated to pay interest or linkage differentials on an unclaimed dividend.

Voting rights

Holders of ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of shareholders. Such voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future. Currently there are no shares of capital stock outstanding with special voting rights. The quorum required for an ordinary meeting of shareholders consists of at least two shareholders present in person or by proxy who hold or represent, in the aggregate, at least thirty three and one third percent (33.3%) of our voting rights. In the event that a quorum is not present within half an hour of the scheduled time, the shareholders' meeting will be adjourned to the same day of the following week, at the same time and place, or such time and place as the board of directors may determine by a notice to the shareholders. If at such adjourned meeting a quorum is not present at the time of opening of such meeting, two shareholders, at least, present in person or by proxy, shall constitute a quorum.

An ordinary resolution, such as a resolution for the election of directors, or the appointment of auditors, requires the approval by the holders of a majority of the voting rights represented at the meeting, in person, by proxy or through a voting instrument and voting thereon. Under our articles of association, if a resolution to amend the articles of association is recommended by our board of directors, such recommended resolution’s adoption in a general meeting of the shareholders requires an ordinary majority. In any other case, such a resolution requires approval of a special majority of more than three quarters of the votes of the shareholders entitled to vote themselves, by proxy or through a voting instrument.

The directors (who are not external directors) are appointed by decision of an ordinary majority at a general meeting. The directors have the right at any time, in a resolution approved by at least a majority of our directors, to appoint any person as a director, subject to the maximum number of directors specified in our articles of association, to fill in a place which has randomly been vacated, or as an addition to the board of directors. Any such director so appointed shall hold office until the next annual general meeting and may be reelected.

Under our articles of association our directors (who are not external directors) are elected by an ordinary majority of the shareholders at each duly convened annual meeting, and they serve until the next annual meeting, provided that external directors shall be elected in accordance with the Companies Law. In each annual meeting the directors that were elected at the previous annual meeting are deemed to have resigned from their office. A resigning director may be reelected.

Under the NASDAQ corporate governance rules, foreign private issuers are exempt from many of the requirements if they instead elect to be exempted from such requirements, provided they are not prohibited by home country practices and disclose where they have elected to do so.

Rights in the Company's profits

All of our ordinary shares have the rights to share in our profits distributed as a dividend and any other permitted distribution.

Rights in the event of liquidation

All of our ordinary shares confer equal rights among them with respect to amounts distributed to shareholders in the event of liquidation.

Changing Rights Attached to Shares

According to our articles of association, our share capital may be divided into different classes of shares or the rights of such shares may be altered by an ordinary majority resolution passed by the general meetings of the holders of each class of shares separately, or after obtaining the written consent of the holders of all of the classes of shares. As of the date hereof, we only have one class of shares.

Annual and Extraordinary Meetings

Our board of directors must convene an annual meeting of shareholders every year by no later than the end of fifteen months from the last annual meeting. Notice of at least twenty-one days prior to the date of the meeting is required. An extraordinary meeting may be convened by the board of directors, as it decides or upon a demand of any two directors or 25% of the directors, whichever is lower, or by one or more shareholders holding in the aggregate at least 5% of the voting rights in the Company. Where the board of directors is requisitioned to call a special meeting, it shall do so within twenty-one days, for a date that shall not be later than thirty-five days from the date on which the notice of the special meeting is published. Notice of a general meeting shall be given to all shareholders entitled to attend and vote at such meeting. No separate notice is to be given to registered shareholders of the Company. Notices may be provided by the Company in person, in mail, transmission by fax or in electronic form. A notice to a shareholder may alternatively be served, as general notice to all shareholders, in accordance with the rules and regulations of any applicable securities authority with jurisdiction over the Company or in accordance with the rules of any stock market upon which the Company's shares are traded.

Limitations on the Rights to Own Securities in the U.S.

Our memorandum and articles of association do not restrict in any way the ownership of our shares by non-residents of Israel, and neither the memorandum and articles of association nor Israeli law restricts the voting rights of non-residents of Israel, except that under Israeli law, any transfer or issue of shares of a company to a resident of an enemy state of Israel is prohibited and shall have no effect, unless authorized by the Israeli Minister of Finance.

Limitations on Change in Control and Disclosure Duties

Our memorandum and articles of association do not restrict the change of control nor do they impose any disclosure duties beyond the requirements set out in Israeli law. For restriction of change of control provision under Israeli law, see Item 3.D. "Risk Factors", under the heading "Risks Relating to Operations in Israel – Anti-takeover Provisions" above.

Changes in Our Capital

Changes in our capital are subject to the approval of the shareholders at a general meeting by an ordinary majority of shareholders participating and voting in the general meeting.

Fiduciary Duty and Duty of Care of Directors and Officers

The Companies Law codifies the duties directors and officers owe to a company. An "Officer" includes a company's general manager, general business manager, executive vice president, vice president, any other person assuming the responsibilities of any of the foregoing positions without regard to such person's title and other directors or managers directly subordinate to the general manager. The directors' and officers' principal duties to the company are a duty of care and a fiduciary duty to act in good faith for the company's benefit which include:

- the avoidance of any conflict of interest between the director's or officer's position with the company and any other position he or she fulfills or with his or her personal affairs;
- the avoidance of any act in competition with the company's business;
- the avoidance of exploiting any of the company's business opportunities in order to gain a personal advantage for himself or for others; and
- the disclosure to the company of any information and documentation relating to the company's affairs obtained by the director or officer due to his or her position with the company.

The Companies Law requires that directors, officers or a controlling shareholder of a public company disclose to the company any personal interest that he or she may have, including all related material facts or documents in connection with any existing or proposed transaction by the company. The disclosure must be made without delay and no later than the first board of directors meeting at which the transaction is first discussed.

Approval of Certain Transactions

Generally, under the Companies Law, engagement terms of directors, including the grant of an exemption from liability, purchase of directors' and officers' insurance, or grant of indemnification (whether prospective or retroactive) and engagement terms of such director with a company in other positions require the approval of the audit committee, the board of directors and the shareholders of the company. In addition, transactions between a public company and its director or officer, or a transaction between such company and other person in which such director or officer has a personal interest must be approved by such company's board of directors, and if such transaction is considered an extraordinary transaction (as defined below) it must receive the approval of such company's audit committee as well. The determination whether such transaction is considered extraordinary or not is required to be made by audit committee.

The Companies Law also requires that any extraordinary transaction between a public company and its controlling shareholder or an extraordinary transaction between such company and other person in which such company's controlling shareholder has a personal interest must be approved by the audit committee, the board of directors and the shareholders of the company by an ordinary majority, provided that (i) such majority vote at the shareholders meeting shall include a majority of the total votes of shareholders having no personal interest in the transaction, participating at the voting (excluding abstaining votes); or (ii) the total number of votes of shareholders mentioned in clause (i) above who voted against such transaction does not exceed two percent (2%) of the total voting rights in the company. An "extraordinary transaction" is defined in the Companies Law as any of the following: (i) a transaction not in the ordinary course of business; (ii) a transaction that is not on market terms; or (iii) a transaction that is likely to have a material impact on the company's profitability, assets or liability. Such an extraordinary transaction which shall last for a period exceeding three years shall be approved again by such company's audit committee, board of directors and general meeting of shareholders by the special majority described above once in every three years.

The Companies Law further provides that the engagement terms of a controlling shareholder or its relative (including by an entity controlled by such controlling shareholder or its relative) with the company, either as an officer or an employee, must also be approved by such company's audit committee, board of directors and general meeting by the special majority described above. Such an engagement which shall last for a period exceeding three years shall be approved again by such company's audit committee, board of directors and general meeting by the special majority described above once in every three years. However, an engagement described in the beginning of this paragraph only which may be approved for a period exceeding three years, provided that the audit committee approved the engagement term to be reasonable under the circumstances.

The Companies Law prohibits any person who has a personal interest in a matter to participate in the discussion and voting pertaining to such matter in the company's board of directors or audit committee except for in circumstances when the majority of the board of directors' (or the audit committee – as the case may be) has a personal interest in the matter. In case the majority has a personal interest in such matter then such matter must also be approved by the company's shareholders. An officer who has a personal interest may be present for the presentation of the transaction if the chairman of the audit committee or the chairman of the board of directors as the case may be, determined that such officer's presence is required for the presentation of the said transaction.

Compensation of Officers and Directors

Pursuant to the Companies Law, Israeli Public Companies are required to establish a compensation committee and adopt a compensation policy regarding the compensation and terms of employment of their directors and officers. For information on the composition, roles and objectives of the compensation committee pursuant to the Companies Law and our compensation committee charter, see Item 6.C. "Board Practices – Committees of the Board of Directors – The Compensation Committee".

The compensation policy must be approved by the company's board of directors after reviewing the recommendations of the compensation committee. The compensation policy also requires the approval of the general meeting of the shareholders, which approval must satisfy one of the following (which we refer to hereinafter as the Majority Requirement): (i) the majority should include at least a majority of the shares of the voting shareholders who are non-controlling shareholders or do not have a personal interest in the approval of the compensation policy (in counting the total votes of such shareholders, abstentions shall not be taken into account) or (ii) the total number of votes against the proposal among the shareholders mentioned in paragraph (i) does not exceed two percent of the aggregate voting power in the company. Under certain circumstances and subject to certain exceptions, the board of directors may approve the compensation policy despite the objection of the shareholders, provided that the compensation committee and the board of directors determines that it is for the benefit of the company, following an additional discussion and based on detailed arguments. The Companies Law provides that the compensation policy must be re-approved every three years, in the manner described above. Moreover, the board of directors is responsible for reviewing from time to time the compensation policy and deciding whether or not there are any circumstances that require an adjustment to the company's compensation policy.

Pursuant to the Companies Law any transaction with an executive office (except directors and the CEO of the company) with respect to such officer's compensation arrangements and terms of engagement, requires the approval of the compensation committee and the board of directors. Transactions between Israeli Public Companies and their chief executive officer, with respect to his or her compensation arrangement and terms of engagement, require the approval of the compensation committee, the board of directors and the shareholder's meeting, provided that the approval of the shareholders' meeting must satisfy the Majority Requirement. Notwithstanding the above, the compensation committee and the board of directors may, under special circumstances, approve such transaction with the CEO even if the shareholders' meeting objected to its approval. With respect to transactions relating to the compensation arrangement and terms of engagements of directors in public companies (including companies that have issued only debentures to the public), the Companies Law provides that such transaction shall be subject to the approval of the compensation committee, the board of directors and the shareholders' meeting.

Such transactions for the approval of compensation arrangements with officers and directors of Israeli Public Companies must be consistent with the provisions of the company's compensation policy, provided that the compensation committee and the board of directors may, under special circumstances, approve such transaction that is not in accordance with the company's compensation policy, if the conditions under the Companies Law are met and the company's shareholders approved the transaction in the Majority Requirement. Notwithstanding the above, with respect to the approval of compensation terms of an executive officer (except directors and the CEO of the company), the compensation committee and the board of directors may, under special circumstances, approve such transaction even if the shareholders' meeting objected to its approval, provided that (i) both the compensation committee and the board of directors re-discussed the transactions and decided to approve it despite the shareholder's objection, based on detailed arguments, and (ii) the company is not a Public Pyramid Held Company. Non material amendments of transactions relating to the compensation arrangement or terms of engagement of executive officer (including the CEO), require only the approval of the compensation committee.

On December 19, 2013, and following the approval by our compensation committee and our board of directors, our shareholders approved a compensation policy for our directors and officers, in accordance with the provisions of the Companies Law

On January 11, 2013, the SEC approved the amended NASDAQ listing standards on compensation committees and advisers. Among others, the amended NASDAQ listing standards include provisions relating to the establishment of a compensation committee, the compensation committee charter, compensation committee members' independence requirements, and arrangements relating to advisers retained by the compensation committee. Under the amended rules, the compensation committee adviser and compensation committee authority requirements become effective on July 1, 2013. However, NASDAQ listed companies will have, until their first annual meeting after January 15, 2014, or, if earlier, October 31, 2014, to comply with other standards, including the compensation committee member independence standards and the requirement to have a compensation committee and charter (including any charter amendment to reflect the compensation committee authority requirements). NASDAQ listed companies must certify compliance with the listing standards within 30 days after the applicable implementation deadline. In addition, under the amended rules, foreign private issuers are exempt from compliance with the amended listing standards if home country practice is followed and the listed company discloses with the SEC the reasons why it does not have an independent compensation committee. Our compensation committee charter was updated in accordance with said amendments.

Anti-Takeover Provisions; Mergers and Acquisitions

Special Tender Offer. The Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if, as a result of the acquisition, the purchaser would become a holder of at least 25% of the voting rights in the company. This rule does not apply if there is already another holder of at least 25% of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if, as a result of the acquisition, the purchaser would become a holder of more than 45% of the voting rights in the company and no other shareholder of the company holds more than 45% of the voting rights in the company. These requirements do not apply if the acquisition (i) occurs in the context of a private placement by the company that received shareholder approval, (ii) was from a shareholder holding at least 25% of the voting rights in the company and resulted in the acquirer becoming a holder of at least 25% of the voting rights in the company, or (iii) was from a holder of more than 45% of the voting rights in the company and resulted in the acquirer becoming a holder of more than 45% of the voting rights in the company. The special tender offer may be consummated only if (a) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (b) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

In the event that a special tender offer is made, a company's board of directors is required to express its opinion on the advisability of the offer or shall abstain from expressing any opinion if it is unable to do so, provided that it gives the reasons for its abstention. An executive officer in a target company who, in his or her capacity as an executive officer, performs an action the purpose of which is to cause the failure of an existing or foreseeable special tender offer or is to impair the chances of its acceptance, is liable to the potential purchaser and shareholders for damages, unless such executive officer acted in good faith and had reasonable grounds to believe he or she was acting for the benefit of the company. However, executive officer of the target company may negotiate with the potential purchaser in order to improve the terms of the special tender offer, and may further negotiate with third parties in order to obtain a competing offer.

A special tender offer may not be consummated unless a majority of the shareholders who announced their stand on such offer have accepted it (in counting the total votes of such shareholders, shares held by the controlling shareholder, shareholders who have personal interest in the offer, or shareholder who own 25% or more of the voting rights in the company, shall not be taken into account). If a special tender offer was accepted by a majority of the shareholders who announced their stand on such offer, then shareholders who did not announce their stand or who had objected to the offer may accept the offer within four days of the last day set for the acceptance of the offer.

In the event that a special tender offer is accepted, the purchaser or any person or entity controlling it at the time of the offer or under common control with the purchaser or such controlling person or entity shall refrain from making a subsequent tender offer for the purchase of shares of the target company and cannot execute a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Full Tender Offer. A person wishing to acquire shares or a class of shares of an Israeli public company and who would, as a result, hold over 90% of the target company's issued and outstanding share capital or that certain class of shares is required by the Companies Law to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company or class of shares. If either (i) the shareholders who do not accept the offer hold less than 5% of the issued and outstanding share capital of the company or of the applicable class, and more than half of the shareholders who do not have a personal interest in the offer accept the offer, or (ii) the shareholder who do not accept the offer hold less than 2% of the issued and outstanding share capital of the company or of the applicable class, then all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. However, a shareholder that had its shares so transferred, whether it accepted the tender offer or not, may, within six months from the date of acceptance of the tender offer, petition the court to determine that tender offer was for less than fair value and that the fair value should be paid as determined by the court. If the shareholders who did not accept the tender offer hold at least 5% of the issued and outstanding share capital of the company or of the applicable class of shares, the acquirer may not acquire shares of the company that will increase its holdings to more than 90% of the company's issued and outstanding share capital or of the applicable class from shareholders who accepted the tender offer.

Merger. The Companies Law permits merger transactions if approved by each party's board of directors and, unless certain requirements described under the Companies Law are met, a majority of each party's shares voted on the proposed merger at a shareholders' meeting called with at least 35 days' prior notice.

For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the shares represented at the shareholders meeting that are held by parties other than the other party to the merger, or by any person who holds 25% or more of the outstanding shares or the right to appoint 25% or more of the directors of the other party, vote against the merger. If the transaction would have been approved but for the separate approval of each class or the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the request of holders of at least 25% of the voting rights of a company if the court holds that the merger is fair and reasonable, taking into account the value of the parties to the merger and the consideration offered to the shareholders.

Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of any of the parties to the merger, and may further give instructions to secure the rights of creditors.

In addition, a merger may not be completed unless at least 50 days have passed from the date that a proposal for approval of the merger was filed by each party with the Israeli Registrar of Companies and 30 days have passed from the date the merger was approved by the shareholders of each of the merging companies.

Anti-Takeover Measures Under Israeli Law. The Companies Law allows us to create and issue shares having rights different from those attached to our ordinary shares, including shares providing certain preferred rights, distributions or other matters and shares having preemptive rights. As of the date of this annual report, we do not have any authorized or issued shares other than our ordinary shares. In the future, if we do create and issue a class of shares other than ordinary shares, such class of shares, depending on the specific rights that may be attached to them, may delay or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their ordinary shares. The authorization of a new class of shares will require an amendment to our articles of association which requires the prior approval of the holders of a majority of our ordinary shares at a general meeting.

Tax Law. Israeli tax law treats some acquisitions, such as a stock-for-stock swap between an Israeli company and a foreign company, less favorably than U.S. tax law. For example, Israeli tax law may subject a shareholder who exchanges his ordinary shares for shares in a foreign corporation to immediate taxation. Please see Item 10E. "Taxation".

The Centralization Law. The Israeli parliament (the Knesset) has recently approved the new Promotion of Competition and Reduction of Centralization Law, 5774-2013, or the Centralization Law, which, among others, imposes new constraints and stricter corporate governance rules on pyramid conglomerates, and forces separation between equity holdings in significant non-financial corporate businesses and equity holdings in significant financial businesses. The Centralization Law has entered into force on December 11, 2013.

10.C. MATERIAL CONTRACTS

Swiss Pro Capital Limited

On March 1, 2010, the Company's subsidiary in Luxembourg Optibase RE 1 SARL or Optibase RE 1 entered into an Option Agreement, or the Option Agreement, with a Cypriot company, Swiss Pro, with respect to a commercial building acquired by the Company in October, 2009 in Rümlang, Switzerland. Through its beneficial owner, Swiss Pro introduced Optibase to the Rümlang property and facilitated Optibase's acquisition and financing of the property. Under the Option Agreement, Optibase RE 1 granted Swiss Pro an option to purchase twenty percent (20%) of the share capital of Optibase RE 1. Swiss Pro undertook to pay a purchase price for the option of CHF 315,000 for the option. The exercise price under the Option Agreement is calculated based on twenty percent (20%) Optibase's acquisition costs for the Rümlang Property plus interest and an adjustment for proceeds that are distributed to the shareholders of Optibase RE 1. The shares that would be issued to Swiss Pro upon exercise of the option will not have voting rights and would be subject to transfer restrictions in favor of Optibase. The option granted under the Option Agreement will expire within eight years from the entrance into the agreement, *i.e.*: on February 28, 2018.

Shareholders Agreement with The Phoenix

In connection with the purchase of the office complex in Geneva, Switzerland, we and The Phoenix entered on February 8, 2011 into a Shareholders Agreement regarding our joint shareholdings in OPCTN. The Shareholders Agreement provides that Optibase will manage the day-to-day operations of OPCTN and Eldista but that certain actions of OPCTN and Eldista are subject to the joint approval of and The Phoenix. These actions include amendments to organizational documents, changes to business activity, financing arrangements, related party agreements, lease agreements exceeding twenty five percent of the leasable area of the Property, and requesting investments from shareholders in excess of CHF one million in a given year and CHF 2.5 million in aggregate.

The Shareholders Agreement also provides that Optibase and The Phoenix will fund operating expenses and necessary capital expenditures for the Property that are not adequately funded by operating income, up to an amount of CHF two million per event or CHF five million per event if the capital expenditures are recommended by a third-party building engineering company. If we or The Phoenix do not provide our respective share of these expenses, the Shareholders Agreement provides that the OPCTN shareholdings (and shareholders loans) of the non-funding shareholder ownership will be diluted.

The Shareholders Agreement prohibited us and The Phoenix from transferring shares in OPCTN until March 2012 and provides that any transfer of shares thereafter (other than to a related party) is subject to the reasonable approval of Optibase and The Phoenix. In addition, the Shareholders Agreement includes right of first offer, tag along and drag along rights in favor of both Optibase and The Phoenix. The agreement provides that Optibase will make day-to-day decisions and provides The Phoenix with customary protective rights.

German Commercial Properties Portfolio

On December 18, 2014, our wholly owned European subsidiary, Optibase Bavaria GmbH & Co. KG, or Optibase Bavaria, entered into a purchase agreement with Lincoln Dreizehnte Deutche Grundstucksgellschaft GmbH and Lincoln Land Passau GmbH, unrelated third parties, or the Sellers, to acquire a retail portfolio of twenty-six (26) separate commercial properties in Bavaria, Germany, and one (1) commercial property in Saxony, Germany, or the Transaction Portfolio. On June 2, 2015 Optibase Bavaria completed the acquisition of twenty-five (25) supermarkets from the Seller and on July 8, 2015 Optibase Bavaria completed the acquisition of two (2) supermarkets. The two acquisitions completes the purchase of twenty-seven (27) supermarkets.

Purchase Price

The total purchase price paid by us to the Sellers at the closings of the transaction, was EUR 28.75 million (approximately $31.5 million) (EUR 24 million for the twenty-five supermarkets and additional EUR 4,750,000 for the two supermarkets), or the Purchase Price. In addition to the Purchase Price, we incurred acquisition costs, including real estate transfer taxes, of approximately EUR 2.1 million (approximately $2.4 million).

We financed a portion of the Purchase Price with the proceeds of a EUR 20 million senior mortgage loan from DG HYP secured by the Transaction Portfolio (as detailed above), and the remaining part through a contribution of equity in part from working capital and in part by obtaining additional financing.

Properties

In general, the Transaction Portfolio, which represents a homogenous retail portfolio in established retail locations, has approximately 37,000 square meters of total rental space and currently generates annual net rental income of more than EUR 3 million (approximately $3.64 million). The properties have an average occupancy rate of more than 90% of the total rental area, and an average remaining lease term of approximately seven years.

Upon the acquisition of the Transaction Portfolio, Optibase Bavaria was assigned the Sellers' rights and obligations under the leases. The tenants currently operating on Transaction Portfolio include 26 supermarket, and one commercial building with mixed retail and office uses. The largest tenant in the Transaction Portfolio is EDEKA Handelsgesellschaft Südbayern mbH, or Edeka, one of the largest supermarket chain in the German market, currently leases 22 of the rental properties in the Transaction Portfolio. In addition to the hypermarkets and supermarkets, smaller shops (such as bakeries and post offices) operate on several locations as subtenants of Edeka.

Leases

Optibase Bavaria accepted the assignment of the Sellers' rights and obligations under the leasehold estate agreements in respect of the properties, as of the effective date of the purchase agreement, and the Sellers were released from all rights and claims of the tenants and future tenants relating to the period after the respective closing dates. Optibase Bavaria retained EUR 295,979 of the Purchase Price (*i.e.* one gross monthly payment from all the lease agreements acquired) to apply to any amounts which tenants erroneously pay to the Sellers. All rental deposits paid by the tenants up until the effective date were transferred by the Sellers to Optibase Bavaria.

Property-Related Agreements

Upon the closing of the Transaction Portfolio, Optibase Bavaria assumed the Sellers' rights and obligations under certain services and property management agreements.

Under the terms of a Property Management Agreement, McCafferty Asset Management GmbH, or the Manager, manages the Transaction Portfolio for Optibase Bavaria. The property management agreement provides for payment of a yearly property management fee equal to two and one half percent (2.5%) of the net rental income of the Transaction Portfolio. Under the terms of an Asset Management Agreement between Optibase Bavaria and the Manager, the Manager provides asset management services for the Transaction Portfolio and is paid two and one half percent (2.5%) of the net rental income of the Transaction Portfolio, payable monthly in arrears within 10 business days of receipt of the invoice of a statement showing a detailed calculation of the fee.

Insurance

Optibase Bavaria obtained its own insurance for the Transaction Portfolio from the closing dates of the Transaction Portfolio.

South Riverside Plaza Office Tower, Chicago

On December 29, 2015 our wholly owned Delaware subsidiary, Optibase Chicago 300 LLC, or Optibase Chicago, completed an investment of 30% interest in 300 River Holdings, LLC, or the Joint Venture Company, which beneficially owns the rights to a 23-story Class A office building, located at 300 South Riverside Plaza in Chicago, or the Property. The Property is under a 99 year ground lease expiring in 2114.

The remaining 70% of the Joint Venture Company is owned by 300 River Plaza One LLC.As part of this transaction, WKEM Riverside Member LLC, or the Outgoing Member, redeemed its 30% interest in the Joint Venture Company.

Investment Amount

We have invested $12.9 million, or the Invested Amount, in exchange for a thirty percent (30%) interest in the Joint Venture Company. In addition to the Investment Amount, we incurred acquisition costs of approximately $242,000

Property

In general, the Property is a 23-story, trophy Class A office building located in Chicago's premier West Loop submarket and encompasses more than 1.1 million square feet of total rental space, of which 98% is currently occupied. The Property currently generates annual net rental income of $17.4 million.

The largest tenant in the Property is JP Morgan, which currently leases 486,000 square feet or 46% of the Property. In addition, there are also smaller tenants and retail tenants. JP Morgan has exercised its option to terminate its entire office space at no penalty after September 2016

Management

The Joint Venture Partner serves as the Managing and generally has the authority to make decisions on behalf of the Company, subject to certain approval rights of Optibase Chicago set forth in the Operating Agreement of the Joint Venture Company.

Debt

As a part of the transaction, the Joint Venture Company executed a promissory notes in favor of the Joint Venture Partner in the amount of $42 million with no maturity date and in favor of the Outgoing Member in the amount of $18 million with a maturity date of 7 years. The interest rate for both notes compounds annually and is equal to four percent (4%) for the first three (3) years, five percent (5%) for the fourth (4th) year, six percent (6%) for the fifth (5th) year, and twelve percent (12%) from and following the sixth (6th) year. All payments to be made under the note will be made from and subject to net cash flow of the Joint Venture Company.

The Joint Venture Company will also seek to fund anticipated tenant improvements through the issuance of up to $40 million of promissory notes, or the Senior Notes, of which Optibase will have the right (but not the obligation) to fund up to 30%. Such promissory notes will rank ahead of the abovementioned promissory notes in favor of the Joint Venture Partner and the Outgoing Member. It is anticipate that the Senior Notes will have a term of six (6) years and an interest rate of twelve percent (12%) per annum, compounding annually.

Financing Agreements

For a summary of the principal terms of our material financing agreements, see Item 5.B "Operating and Financial Review and Prospects - Liquidity and Capital Resources".

10.D. EXCHANGE CONTROLS

Israeli law and regulations do not impose any material foreign exchange restrictions on non-Israeli holders of our ordinary shares. In May 1998, a new "general permit" was issued under the Israeli Currency Control Law, 1978, which removed most of the restrictions that previously existed under the law and enabled Israeli citizens to freely invest outside of Israel and freely convert Israeli currency into non-Israeli currencies.

Dividends, if any, paid to holders of our ordinary shares, and any amounts payable upon our dissolution, liquidation or winding up, as well as the proceeds of any sale in Israel of our ordinary shares to an Israeli resident, may be paid in non-Israeli currency or, if paid in Israeli currency, may be converted into freely repatriable dollars at the rate of exchange prevailing at the time of conversion.

Under Israeli law (and our memorandum and articles of association), persons who are neither residents nor nationals of Israel may freely hold, vote and transfer ordinary shares in the same manner as Israeli residents or nationals. Subject to anti-terror legislations, there are no limitations on the rights of non-resident or foreign owners to hold or vote ordinary shares imposed under Israeli law or under our articles of association.

10.E. TAXATION

The following is a discussion of tax consequences material to us and our Israeli and U.S. shareholders. To the extent the discussion is based on new tax legislation, which has not been subject to judicial or administrative interpretation, we cannot assure you that the tax authorities or the courts will accept the views expressed in this section. The discussion is not intended, and should not be construed, as legal or professional tax advice and does not exhaust all possible tax considerations. Holders of our ordinary shares should consult their own tax advisors as to the United States, Israeli or other tax consequences of the purchase, ownership and disposition of ordinary shares, including, in particular, the effect of any non-U.S., state or local taxes.

Israeli taxation

General Corporate Tax Structure in Israel

Taxable income of the Company is subject to the Israeli corporate tax at the following rates: 2013 - 25%, 2014 and 2015%. On 5 January 2016, the Israeli Parliament officially published the Law for the Amendment of the Israeli Tax Ordinance (Amendment 216), that reduces the standard corporate income tax rate from 26.5% to 25%.

A company in Israel is taxable on its real (non-inflationary) capital gains at the corporate tax rate of 26.5% in the year of sale.

Israeli Tax Consequences for Our Shareholders

The following description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of our ordinary shares. You should consult your own tax advisor concerning the tax consequences of your particular situation, as well as any tax consequences that may arise under the laws of any state, local, foreign or other taxing jurisdiction.

Certain Israeli Tax Consequences

This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of such investors include residents of Israel or traders in securities who are subject to special tax regimes not covered in this discussion. Because parts of this discussion are based on new tax legislation that has not yet been subject to judicial or administrative interpretation, we cannot assure you that the appropriate tax authorities or the courts will accept the views expressed in this discussion. The discussion below is subject to change, including due to amendments under Israeli law or changes to the applicable judicial or administrative interpretations of Israeli law, which change could affect the tax consequences described below.

Capital Gains Taxes Applicable to Non Israeli Resident Shareholders.

A non Israeli resident who derives capital gains from the sale of shares in an Israeli resident company that were purchased after the company was listed for trading on a stock exchange outside of Israel should be exempt from Israeli tax so long as the shares were not held through a permanent establishment that the non resident maintains in Israel. However, non Israeli corporations will not be entitled to the foregoing exemption if Israeli residents: (i) have a controlling interest of 25% or more in such non Israeli corporation or (ii) are the beneficiaries of, or are entitled to, 25% or more of the revenues or profits of such non Israeli corporation, whether directly or indirectly. Such exemption is not applicable to a person whose gains from selling or otherwise disposing of the shares are deemed to be a business income.

Additionally, a sale of shares by a non Israeli resident may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty. For example, under the United States Israel Tax Treaty, the disposition of shares by a shareholder who (i) is a U.S. resident (for purposes of the treaty), (ii) holds the shares as a capital asset, and (iii) is entitled to claim the benefits afforded to such person by the treaty, is generally exempt from Israeli capital gains tax. Such exemption will not apply if: (i) the capital gain arising from the disposition can be attributed to a permanent establishment in Israel; (ii) the shareholder holds, directly or indirectly, shares representing 10% or more of the voting capital during any part of the 12 month period preceding the disposition, subject to certain conditions; or (iii) such U.S. resident is an individual and was present in Israel for a period or periods aggregating to 183 days or more during the relevant taxable year. In such case, the sale, exchange or disposition of our ordinary shares would be subject to Israeli tax, to the extent applicable; however, under the United States Israel Tax Treaty, the taxpayer would be permitted to claim a credit for such taxes against the U.S. federal income tax imposed with respect to such sale, exchange or disposition, subject to the limitations under U.S. law applicable to foreign tax credits. The United States Israel Tax Treaty does not relate to U.S. state or local taxes.

In some instances where our shareholders may be liable for Israeli tax on the sale of their ordinary shares, the payment of the consideration may be subject to the withholding of Israeli tax at source. Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale. Specifically, in transactions involving a sale of all of the shares of an Israeli resident company, in the form of a merger or otherwise, the Israel Tax Authority may require from shareholders who are not liable for Israeli tax to sign declarations in forms specified by this authority or obtain a specific exemption from the Israel Tax Authority to confirm their status as non Israeli resident, and, in the absence of such declarations or exemptions, may require the purchaser of the shares to withhold taxes at source.

Taxation of Non Israeli Shareholders on Receipt of Dividends.

Non-Israeli residents are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25%, unless relief is provided in a treaty between Israel and the shareholder's country of residence. With respect to a person who is a "substantial shareholder" at the time of receiving the dividend or on any time during the preceding twelve months, the applicable tax rate is 30%. A "substantial shareholder" is generally a person who alone or together with such person's relative or another person who collaborates with such person on a permanent basis, holds, directly or indirectly, at least 10% of any of the "means of control" of the corporation. "Means of control" generally include the right to vote, receive profits, nominate a director or an executive officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, regardless of the source of such right. However, a distribution of dividends to non-Israeli residents is subject to withholding tax at source at a rate of 15% if the dividend is distributed from income attributed to an Approved Enterprise or a Benefited Enterprise or 20% if the dividend is distributed from income attributed to a Preferred Enterprise, unless a reduced tax rate is provided under an applicable tax treaty. Dividends paid on publicly traded shares, which are registered with and held by a nominee company, to non-Israeli residents are generally subject to Israeli withholding tax at a rate of 25%, unless a different rate is provided under an applicable tax treaty, provided that a certificate from the Israel Tax Authority allowing for a reduced withholding tax rate is obtained in advance. Under the United States-Israel Tax Treaty, the maximum rate of tax withheld at source in Israel on dividends paid to a holder of our ordinary shares who is a U.S. resident (for purposes of the United States-Israel Tax Treaty) is 25%.

U.S. residents who are subject to Israeli withholding tax on a dividend may be entitled to a credit or deduction for United States federal income tax purposes in the amount of the taxes withheld, subject to detailed rules contained in U.S. tax legislation.

Excess Tax.

Beginning on January 1, 2013, an additional tax liability at the rate of 2% was added to the applicable tax rate on the annual taxable income of individuals who are subject to tax in Israel (whether any such individual is an Israeli resident or non-Israeli resident) exceeding NIS 810,720 (in 2014) which amount is linked to the annual change in the Israeli consumer price index, including, but not limited to, dividends, interest and capital gain, subject to the provisions of an applicable tax treaty.

United States Federal Income Tax Consequences

The following is a summary of certain material U.S. federal income tax consequences that apply to U.S. Holders who hold ordinary shares as capital assets. This summary is based on the United States Internal Revenue Code of 1986 or the Code, as amended, Treasury regulations promulgated thereunder, judicial and administrative interpretations thereof, and the U.S.-Israel Tax Treaty, all as in effect on the date hereof and all of which are subject to change either prospectively or retroactively. This summary does not address all tax considerations that may be relevant with respect to an investment in ordinary shares. This summary does not account for the specific circumstances of any particular investor, such as:

- broker-dealers,
- financial institutions,
- certain insurance companies,
- investors liable for alternative minimum tax,
- tax-exempt organizations,
- non-resident aliens of the U.S. or taxpayers whose functional currency is not the U.S. dollar,
- persons who hold the ordinary shares through partnerships or other pass-through entities,
- investors that actually or constructively own 10 percent or more of our voting shares, and
- investors holding ordinary shares as part of a straddle or a hedging or conversion transaction.

This summary does not address the effect of any U.S. Federal taxation other than U.S. Federal income taxation. In addition, this summary does not include any discussion of state, local or foreign taxation. You are urged to consult your tax advisors regarding the non-U. S. and United States federal, state and local tax considerations of an investment in ordinary shares.

For purposes of this summary, a U.S. Holder is:

- an individual who is a citizen or, a resident of the United States for U.S. federal income tax purposes;
- a partnership, corporation or other entity created or organized in or under the laws of the United States or any political subdivision thereof;

- an estate whose income is subject to U.S. federal income tax regardless of its source;

- a trust if: (a) a court within the United States is able to exercise primary supervision over administration of the trust, and (b) one or more United States persons have the authority to control all substantial decisions of the trust; or

- a trust, if the trust were in existence and qualified as a "United States person," within the meaning of the Code, on August 20, 1996 under the law as then in effect and elected to continue to be so treated.

Additional Tax on Investment Income

In addition to the income taxes described above, U.S. holders that are individuals, estates or trusts and whose income exceeds certain thresholds will be subject to a 3.8% Medicare contribution tax on net investment income, which includes dividends and capital gains.

Taxation of Dividends

The gross amount of any distributions received with respect to ordinary shares, including the amount of any Israeli taxes withheld therefrom, will constitute dividends for U.S. Federal income tax purposes, to the extent of our current and accumulated earnings and profits as determined for U.S. federal income tax principles. You will be required to include this amount of dividends in gross income as ordinary income. Distributions in excess of our earnings and profits will be treated as a non-taxable return of capital to the extent of your tax basis in the ordinary shares and any amount in excess of your tax basis, will be treated as gain from the sale of ordinary shares. See Item 10.D. "Exchange Controls" under the heading "Disposition of Ordinary Shares" below for the discussion on the taxation of capital gains. Dividends will not qualify for the dividends-received deduction generally available to U.S. corporations under Section 243 of the Code.

Certain dividend income received by individual U.S. Holders, may be eligible for a reduced rate of taxation. Such dividend income will be taxed at the applicable long-term capital gains rate (currently, a maximum rate of 20%) if the dividend is received from a "qualified foreign corporation," and the shareholder of such foreign corporation holds such stock for at least 61 days during the 121-day period that begins on the date that is 60 days before the ex-dividend date for the stock. The holding period is tolled for any days on which the shareholder has reduced his risk of loss. A "qualified foreign corporation" is one that is eligible for the benefits of a comprehensive income tax treaty with the United States. A foreign corporation will be treated as qualified with respect to any dividend paid, if its stock is readily tradable on an established securities market in the United States. Dividend income will not qualify for the reduced rate of taxation if the corporation is a passive foreign investment company, or PFIC (*see* below), for the year in which the dividend is distributed or for the previous year.

Dividends that we pay in NIS, including the amount of any Israeli taxes withheld therefrom, will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day such dividends are received. A U.S. Holder who receives payment in NIS and converts NIS into U.S. dollars at an exchange rate other than the rate in effect on such day may have a foreign currency exchange gain or loss that would be treated as U.S. source ordinary income or loss. U.S. Holders should consult their own tax advisors concerning the U.S. tax consequences of acquiring, holding and disposing of NIS.

Any Israeli withholding tax imposed on such dividends will be a foreign income tax eligible for credit against a U.S. Holder's U.S. federal income tax liability, subject to certain limitations set out in the Code (or, alternatively, for deduction against income in determining such tax liability). The limitations set out in the Code include computational rules under which non-U.S. tax credits allowable with respect to specific classes of income cannot exceed the U.S. federal income taxes otherwise payable with respect to each such class of income. Dividends generally will be treated as foreign-source passive income for United States foreign tax credit purposes. Foreign income taxes exceeding the credit limitation for the year of payment or accrual may be carried back for the first preceding taxable years and forward for the first ten taxable years in order to reduce U.S. federal income taxes, subject to the credit limitation applicable in each of such years. A U.S. Holder will be denied a foreign tax credit with respect to Israeli income tax withheld from dividends received on the ordinary shares to the extent such U.S. Holder has not held the ordinary shares for at least 16 days of the 31-day period beginning on the date which is 15 days before the ex-dividend date or to the extent such U.S. Holder is under an obligation to make related payments with respect to substantially similar or related property. Any days during which a U.S. Holder has substantially diminished its risk of loss on the ordinary shares are not counted toward meeting the 16-day holding period required by the statute. The rules relating to the determination of the foreign tax credit are complex, and you should consult with your personal tax advisors to determine whether and to what extent you would be entitled to this credit.

Dispositions of Ordinary Shares

If you sell or otherwise dispose of ordinary shares, you will recognize gain or loss for U.S. Federal income tax purposes in an amount equal to the difference between the amount realized on the sale or other disposition and the adjusted tax basis in ordinary shares. Subject to the discussion below under the heading "Passive Foreign Investment Companies," such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if you have held the ordinary shares for more than one year at the time of the sale or other disposition. In general, any gain that you recognize on the sale or other disposition of ordinary shares will be U.S.-source for purposes of the foreign tax credit limitation; losses will generally be allocated against U.S. source income. Deduction of capital losses is subject to certain limitations under the Code.

In the case of a cash basis U.S. Holder who receives NIS in connection with the sale or disposition of ordinary shares, the amount realized will be based on the U.S. dollar value of the NIS received with respect to the ordinary shares as determined on the settlement date of such exchange. A U.S. Holder who receives payment in NIS and converts NIS into United States dollars at a conversion rate other than the rate in effect on the settlement date may have a foreign currency exchange gain or loss that would be treated as U.S. source ordinary income or loss.

Passive Foreign Investment Companies, or PFIC

There is a substantial risk that we are a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. Our treatment as a PFIC could result in a reduction in the after-tax return to the U.S. Holders of our ordinary shares and may cause a reduction in the value of such shares.

For U.S. federal income tax purposes, we will be classified as a PFIC for any taxable year in which either (i) 75% or more of our gross income is passive income, or (ii) the average percentage of the value of all of our assets for the taxable year which produce or are held for the production of passive income is at least 50%. For this purpose, cash and real estate properties are considered to be an asset which produces passive income. Passive income includes, among others, dividends, interest, certain types of royalties and rents, annuities, net foreign exchange gains and losses and the excess of gains over losses from the disposition of assets which produce passive income. As a result of our substantial cash position and the decline in the value of our stock, we may be a PFIC under a literal application of the asset test that looks solely to market value. If we are a PFIC for U.S. federal income tax purposes, U.S. Holders of our ordinary shares would be required, in certain circumstances, to pay an interest charge together with tax calculated at maximum rates on certain "excess distributions," including any gain on the sale of ordinary shares.

The consequences described above can be mitigated if the U.S. Holder makes an election to treat us as a qualified electing fund, or QEF. A shareholder making the QEF election is required for each taxable year to include in income a pro rata share of the ordinary earnings and net capital gain of the QEF, subject to a separate election to defer payment of taxes, which deferral is subject to an interest charge. We have agreed to supply U.S. Holders with the information needed to report income and gain pursuant to a QEF election. The QEF election is made on a shareholder-by-shareholder basis and can be revoked only with the consent of the Internal Revenue Service, or IRS.

As an alternative to making the QEF election, the U.S. Holder of PFIC stock which is publicly traded could mitigate the consequences of the PFIC rules by electing to mark the stock to market annually, recognizing as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year between the fair market value of the PFIC stock and the U.S. Holder's adjusted tax basis in the PFIC stock. Losses would be allowed only to the extent of net mark-to-market gain previously included by the U.S. Holder under the election for prior taxable years. All U.S. Holders are advised to consult their own tax advisers about the PFIC rules generally and about the advisability, procedures and timing of their making any of the available tax elections, including the QEF or mark-to-market elections.

Backup Withholding and Information Reporting

Payments in respect of ordinary shares may be subject to information reporting to the U.S. Internal Revenue Service and to a 28 percent U.S. backup withholding tax. Backup withholding will not apply, however, if you (i) are a corporation or come within certain exempt categories, and demonstrate the fact when so required, or (ii) furnish a correct taxpayer identification number and make any other required certification. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a U.S. Holder's U.S. tax liability, and a U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS. Any U.S. holder who holds 10% or more in vote or value of our ordinary shares may be subject to certain additional United States information reporting requirements.

U.S. Gift and Estate Tax

An individual U.S. Holder of ordinary shares will be subject to U.S. gift and estate taxes with respect to ordinary shares in the same manner and to the same extent as with respect to other types of personal property.

Other Income Tax

Taxable income of the Company's subsidiary in Luxemburg, Switzerland and the United States is subject to tax at the rate of approximately 29%, 24% and 34% respectively in 2015.

10.F. DIVIDEND AND PAYING AGENTS

Not applicable.

10.G. STATEMENT BY EXPERTS

Not applicable.

10.H. DOCUMENTS ON DISPLAY

Reports and other information of Optibase filed electronically with the SEC may be found at www.sec.gov. They can also be inspected without charge and copied at prescribed rates at the public reference facilities maintained by the SEC Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Copies of this material are also available by mail from the Public Reference Room at 100 F Street, NE, Washington, D.C. 20549, at prescribed rates.

10.I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Most of our revenues are generated in CHF but a portion of our expenses is incurred in NIS and in U.S. dollars. Therefore, our results of operations may be seriously harmed by inflation in Israel and currency fluctuations. In addition, following the closing of the Transaction Portfolio in Germany as detailed in Item 10.C. "Material Contracts" above, our results of operations will be exposed to fluctuations in the exchange rate of NIS against the U.S. dollar and against the EUR as well.

The inflation rate in Israel was approximately 1.8% in 2013, and a deflation of approximately (0.2)% in 2014 and (1)% in 2015. The changes of the NIS against the dollar was an appreciation of approximately 7% in 2013, and a devaluation of approximately (12)% in 2014 and (0.3)% in 2015. The change of the CHF against the dollar was an appreciation of approximately 2.8% in 2013, and a devaluation of approximately (10)% in 2014 and (0.2)% in 2015. The change of the Euro against the dollar was a devaluation of (10)% 2015.

Our operations could be adversely affected if we are unable to guard against currency fluctuations in the future. Accordingly, we may enter into currency hedging transactions to decrease the risk of financial exposure from fluctuations in the exchange rate of NIS against the U.S. dollar and against the CHF and against the EUR. These measures, however, may not adequately protect us from material adverse effects due to the impact of inflation in Israel.

Our functional currency is the U.S Dollar.

The functional currencies of our subsidiaries are CHF, Euro and U.S dollar. The Company has elected to use U.S dollar as its reporting currency for all years presented.

While the functional currency of our subsidiaries in the United States is the U.S dollars, the functional currency of our subsidiaries in Switzerland and Germany is their lead currency, *i.e.* CHF and Euro respectably. Since our functional and reporting currency is the U.S dollars, the financial statements of Optibase Real Estate SARL and OPCTN S.A whose functional currency has been determined to be CHF and Optibase Bavaria whose functional currency has been determined to be Euro have been translated into U.S. dollars. Assets and liabilities of this subsidiary are translated at the year-end exchange rates and their statement of operations items are translated using the actual exchange rates at the dates on which those items are recognized. Such translation adjustments are recorded as a separate component of accumulated other comprehensive income in shareholders' equity.

In February 2016, we entered into a hedging of cross currency interest rate swap transaction for the total amount of approximately NIS 34.2 million at fixed interest rate of 6.7% in exchange for approximately $8.7 million at fixed interest rate of 7.95% with semi-annually payments commencing on June2016 through December 2021, the termination date.

Interest Rate and Rating Risks

Our exposure to market risk for changes in interest rates in Switzerland relates primarily to our long term loan taken for the purchase of our real-estate property in Switzerland and denominated in Swiss Franks (CHF). Changes in Swiss interest rates, could affect our financial results.

Investments Risks

In the second quarter of 2003, we transferred approximately $39.3 million of our monies and investments to Optibase, Inc. to achieve better net profit from the investment. As of December 31, 2015, our available net cash was 24.5 million. As of December 31, 2015, our available cash was invested in interest bearing bank deposits and money market funds with various banks. Our available cash is subject to the credit risk of the banks with which the funds are deposited and as such we may suffer losses if those banks fail to repay those deposits.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable. (for a description of our Series A Bonds see “Item 5.B: Operating and Financial Review and Prospects - Liquidity and Capital Resources”).

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

(a) Our management, including our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2015. Based on such review, our chief executive officer and chief financial officer have concluded that we have in place effective controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure, and is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

(b) Our management, under the supervision of our chief executive officer and chief financial officer, is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended. The Company's internal control over financial reporting is defined as a process designed 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. Internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and asset dispositions;
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of our financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our internal control over financial reporting as of December 31, 2015 based on the framework for Internal Control-Integrated Framework (1992) set forth by The Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that the Company's internal controls over financial reporting were effective as of December 31, 2015.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting, because we are neither a "large accelerated filer" nor an "accelerated filer" as those terms are defined in the Securities Exchange Act.

(c) There were no changes in our internal controls over financial reporting identified with the evaluation thereof that occurred during the period covered by this annual report that have materially affected, or are reasonable likely to materially affect our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The board of directors has determined that Ms. Orli Garti-Seroussi is an "audit committee financial expert" and that she is independent under the applicable Securities and Exchange Commission and NASDAQ listing rules.

ITEM 16B. CODE OF ETHICS

We have adopted a Code of Business Conduct and Ethics for our employees, including our chief executive officer and senior financial officers. The Code of Business Conduct and Ethics is attached as Exhibit 11.1 to this annual report, and published on our website in the address: http://www.optibase-holdings.com.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Kost, Forer Gabbay & Kasierer, a member of Ernst & Young Global, or Ernst & Young has served as our independent public accountants for each of the fiscal years in the three-year period ended December 31, 2015, for which audited financial statements appear in this annual report on Form 20-F.

The following table presents the aggregate fees for professional services and other services rendered by Kost, Forer Gabbay & Kasierer in Israel and by Ernst & Young in Switzerland and in the United States, to Optibase in 2014 and 2015 (in thousands):

	2014	2015
Audit fees (1)	97	89
Audit-related fees (2)	4	26
Tax fees (3)	30	46
All other fees (4)	--	
Total	131	161

(1) Audit fees consist of fees billed for the annual audit services engagement and other audit services, which are those services that only the external auditor can reasonably provide, and include the group audit; statutory audits; comfort letters and consents; attest services; and assistance with and review of documents filed with the SEC.

(2) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements or that are traditionally performed by the external auditor, and include consultations concerning financial accounting and reporting standards; internal control reviews of new systems, programs and projects; review of security controls and operational effectiveness of systems; review of plans and control for shared service centers, due diligence related to acquisitions; accounting assistance and audits in connection with proposed or completed acquisitions; and employee benefit plan audits.

(3) Tax fees include fees billed for tax compliance services, including the preparation of original and amended tax returns and claims for refund; tax consultations, such as assistance and representation in connection with tax audits and appeals, tax advice related to mergers and acquisitions, transfer pricing, and requests for rulings or technical advice from taxing authority; tax planning services; and expatriate tax planning and services.

(4) All other fees include fees billed for training; forensic accounting; data security reviews; treasury control reviews and process improvement and advice; and environmental, sustainability and corporate social responsibility advisory services.

Audit Committee Pre-approval Policies and Procedures

Our audit committee's main role is to assist the board of directors in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and reporting practices of the Company. Our audit committee oversees the appointment, compensation, and oversight of the public accounting firm engaged to prepare or issue an audit report on the financial statements of the Company. Our audit committee's specific responsibilities in carrying out its oversight role include the approval of all audit and non-audit services to be provided by the external auditor and quarterly review the firm's non-audit services and related fees. These services may include audit services, audit-related services, tax services and other services, as described above. It is the policy of our audit committee to approve in advance the particular services or categories of services to be provided to the Company periodically. Additional services may be pre-approved by our audit committee on an individual basis during the year.

During 2014 and 2015, our audit committee approved all the audit-related fees, tax fees or other fees provided to us by Kost, Forer Gabbay & Kasierer in Israel or by Ernst & Young in Switzerland and in the United States.

ITEM 16D. EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEE

We have not and do not expect to apply for any exemptions from the NASDAQ listing standards for audit committees.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

We do not have a nomination committee as required by the Nasdaq Listing Rules. However, the actions ordinarily taken by such committee are resolved by the majority of our independent directors, in accordance with the Companies Law and the Nasdaq Global Market listing requirements.

Otherwise, there are no significant ways in which the Company's corporate governance practices differ from those followed by domestic companies listed on the Nasdaq Global Market.

ITEM 16H. MINE SAFETY DISCLOSURE

Not Applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not Applicable.

ITEM 18. FINANCIAL STATEMENTS

The following are our financial statements audited by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, together with the reports of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, for the fiscal year ended December 31, 2015, are filed as part of this annual report:

ITEM 19. EXHIBITS

See Exhibit Index.

OPTIBASE LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2015

U.S. DOLLARS IN THOUSANDS

INDEX

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

OPTIBASE LTD.

We have audited the accompanying consolidated balance sheets of Optibase Ltd. (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with United States generally accepted accounting principles.

Tel-Aviv, Israel
March 31, 2016

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	December 31,	
	2015	**2014**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 23,806	$ 22,902
Trade receivables (net of allowance for doubtful accounts of $118 and $154 at December 31, 2015 and 2014, respectively)	177	286
Other accounts receivable and prepaid expenses	318	1,396
Total current assets	24,301	24,584
LONG-TERM INVESTMENTS:		
Long-term deposits	2,670	54
Investments in companies and associates	20,663	7,553
Total long-term investments	23,333	7,607
PROPERTY AND OTHER ASSETS, NET		
Real estate property, net	214,840	185,204
Other assets, net	470	609
Total property, equipment and other assets	215,310	185,813
Total assets	$ 262,944	$ 218,004

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	December 31,	
	2015	**2014**
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long term loans and bonds	$ 8,535	$ 2,401
Other accounts payable and accrued expenses	3,297	4,991
Other short-term liabilities	-	539
Total liabilities attributed to discontinued operations	2,109	2,153
Total current liabilities	13,941	10,084
COMMITMENTS AND CONTINGENT LIABILITIES		
LONG-TERM LIABILITIES:		
Deferred tax liabilities	14,178	14,237
Land lease liability, net	6,412	6,528
Other Long-Term Liabilities	264	-
Long term loans, net of current maturities	140,082	110,080
Long term bonds, net of current maturities	12,483	-
Total long-term liabilities	173,419	130,845
SHAREHOLDERS' EQUITY:		
Share capital -		
Ordinary Shares of NIS 0.65 par value - Authorized: 6,000,000 shares at December 31, 2015 and 2014; Issued: 5,183,525 shares at December 31, 2015 and 2014; Outstanding: 5,133,631 and 5,127,631 shares at December 31, 2015 and 2014, respectively	988	988
Additional paid-in capital	137,961	137,898
Treasury shares: 49,895 and 55,895 shares at December 31, 2015 and 2014, respectively	(354)	(554)
Accumulated other comprehensive loss	(1,906)	(1,221)
Accumulated deficit	(80,905)	(79,672)
Total shareholders' equity of Optibase Ltd.	55,784	57,439
Non-controlling interests	19,800	19,636
Total shareholders' equity	75,584	77,075
Total liabilities and shareholders' equity	$ 262,944	$ 218,004

The accompanying notes are an integral part of the consolidated financial statements.

March 31, 2016		
Date of approval of the financial statements	Amir Philips Chief Executive Officer	Alex Hilman Executive Chairman of the Board

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands (except share and per share data)

	Year ended December 31,		
	2015	**2014**	**2013**
Fixed income from real estate rent	$ 15,273	$ 13,938	$ 13,711
Costs and expenses:			
Cost of real estate operations	2,958	2,777	2,199
Real estate depreciation and amortization	3,925	3,813	3,369
General and administrative	1,849	2,167	1,870
Other operating costs	2,352	-	-
Total costs and expenses	11,084	8,757	7,438
Gain on sale of operating properties	-	2,709	-
Operating income	4,189	7,890	6,273
Other income	429	394	384
Financial expenses, net	(1,807)	(1,151)	(1,343)
Income before taxes on income	2,811	7,133	5,314
Taxes on income	(1,609)	(1,502)	(1,518)
Equity share in losses of associates, net	(31)	(186)	(172)
Net income	1,171	5,445	3,624
Net income attributable to non-controlling interest	2,239	2,106	2,159
Net income (loss) attributable to Optibase Ltd.	$ (1,068)	$ 3,339	$ 1,465
Net earnings per share:			
Basic and diluted net earnings (loss) per share	$ (0.21)	$ 0.65	$ 0.38
Weighted average number of shares used in computing basic net earnings per share:	5,133,024	5,126,616	3,822,032
Weighted average number of shares used in computing diluted net earnings per share:	5,133,024	5,131,072	3,825,610

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

U.S. dollars in thousands

	Year ended December 31,		
	2015	**2014**	**2013**
Net income	$ 1,171	$ 5,445	$ 3,624
Foreign currency translation adjustments	(467)	(5,325)	1,477
Financial liability related to hedging	(264)	-	-
Other comprehensive income	440	120	5,101
Net earnings attributable to non-controlling interests	(2,239)	(2,106)	(2,159)
Other comprehensive income (loss) attributable to non-controlling interests	46	2,265	(624)
Comprehensive income (loss) attributable to Optibase Ltd.	$ (1,753)	$ 279	$ 2,318

The accompanying notes are an integral part of the consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands

	Ordinary shares	Additional paid-in capital	Treasury shares	Accumulated other comprehensive income (loss)	Accumulated deficit	Total shareholders' equity of Optibase Ltd.	Non-controlling interests	Total shareholders' equity
Balance as of January 1, 2013	$ 744	$ 130,824	$ (821)	$ 986	$ (84,259)	$ 47,474	$ 19,078	$ 66,552
Issuance of ordinary shares	244	6,909	-	-	-	7,153	-	7,153
Stock-based compensation related to options and unvested shares	-	118	-	-	-	118	-	118
Issuance of treasury shares upon vesting of shares	-	(26)	133	-	(107)	-	-	-
Other comprehensive income	-	-	-	853	-	853	624	1,477
Net income	-	-	-	-	1,465	1,465	2,159	3,624
Balance as of December 31, 2013	988	137,825	(688)	1,839	(82,901)	57,063	21,861	78,924
Stock-based compensation related to options and unvested shares	-	97	-	-	-	97	-	97
Issuance of treasury shares upon vesting of shares	-	(24)	134	-	(110)	-	-	-
Dividend distribution	-	-	-	-	-	-	(2,066)	(2,066)
Other comprehensive loss	-	-	-	(3,060)	-	(3,060)	(2,265)	(5,325)
Net income	-	-	-	-	3,339	3,339	2,106	5,445
Balance as of December 31, 2014	988	137,898	(554)	(1,221)	(79,672)	57,439	19,636	77,075
Stock-based compensation related to options and unvested shares	-	98	-	-	-	98	-	98
Issuance of treasury shares upon vesting of shares	-	(35)	200	-	(165)	-	-	-
Dividend distribution	-	-	-	-	-	-	(2,029)	(2,029)
Other comprehensive loss	-	-	-	(685)	-	(685)	(46)	(731)
Net income (loss)	-	-	-	-	(1,068)	(1,068)	2,239	1,171
Balance as of December 31, 2015	$ 988	$ 137,961	$ (354)	$ (1,906)	$ (80,905)	$ 55,784	$ 19,800	$ 75,584

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2015	**2014**	**2013**
Cash flows from operating activities:			
Net income	$ 1,171	$ 5,445	$ 3,624
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,925	3,813	3,369
Gain on sale of real estate	-	(2,709)	-
Stock-based compensation related to options and unvested shares	98	97	118
Decrease (Increase) in trade receivables	111	(61)	(134)
Equity share in losses of associates, net	31	186	172
Increase (decrease) in deferred tax liabilities	(48)	(1,577)	44
Decrease in other long-term liabilities	-	-	(1,254)
Decrease in other short-term liabilities	(538)	(944)	-
Decrease in land lease liabilities	(109)	(187)	(91)
Decrease (increase) in other accounts receivable and prepaid expenses	1,070	(1,174)	79
Increase (decrease) in accrued expenses and other accounts payable	(1,687)	1,737	1,615
Net cash provided by continuing operations	4,024	4,626	7,542
Net cash provided by (used in) discontinued operations	(44)	693	(123)
Net cash provided by operating activities	3,980	5,319	7,419
Cash flows from investing activities:			
Proceeds from (investment in) long-term lease deposits	-	7	(11)
Investment in real estate property	(2,215)	(1,093)	(5,795)
Sale of real estate property, net	-	6,169	-
Decrease (increase) in restricted cash	-	144	(10)
Proceeds from (investments in) associates	(13,142)	-	83
Increase in other long term deposits	(2,616)	-	-
Acquisition of Optibase Bavaria (c)	(31,473)	-	-
Net cash provided by (used in) investing activities	(49,446)	5,227	(5,733)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2015	**2014**	**2013**
Cash flows from financing activities:			
Repayment of long term bank loans	(2,811)	(2,599)	(2,580)
Proceeds from bank loan	36,969	-	-
Proceeds from issuance of Long term bonds	15,045	-	-
Dividend distribution	(2,029)	(2,066)	-
Net cash provided by (used in) financing activities	47,174	(4,665)	(2,580)
Exchange differences on balances of cash and cash equivalents	(804)	(1,790)	563
Increase (decrease) in cash and cash equivalents	904	4,091	(331)
Cash and cash equivalents at the beginning of the year	22,902	18,811	19,142
Cash and cash equivalents at the end of the year	$ 23,806	$ 22,902	$ 18,811
(a) Supplemental cash flow activities:			
Cash paid during the year for:			
Taxes	$ 3,971	$ 27	$ 875
Interest	$ 1,795	$ 2,109	$ 2,702
(b) Significant non-cash transactions:			
Sale of real estate property	$ -	$ 105	$ -
Purchase of investments in consideration of issue of shares	$ -	$ -	$ 7,153
(c) Acquisition of Optibase Bavaria:			
Real estate property	$ 31,399	$ -	$ -
Other assets, net	74	-	-
Cash paid by the Company	$ 31,473	$ -	$ -

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1:- GENERAL

a. Optibase Ltd. (the "Company") was incorporated and commenced operations in 1990.

During 2009 the Company entered into the fixed-income real estate sector after an acquisition of a commercial building in Switzerland.

Until the sale of its video solutions business to VITEC Multimedia ("Vitec") in July 2010 (see Note 1d below), the Company and its U.S subsidiary, Optibase Inc., provided equipment for a wide range of professional video applications in the Broadband IPTV, Broadcast, Government, Enterprise and Post-production markets. (collectively, the "Video Activity"). Following the sale of the Video Activity, the Company's only operation is the fixed-income real-estate.

As of December 31, 2015, the Company manages its activity through three active subsidiaries: Optibase Inc. in the United States which was incorporated in 1991 ("Optibase Inc."), Optibase Real Estate Europe SARL ("Optibase SARL") in Luxembourg which was incorporated in October 2009, and OPCTN SA, a Luxembourg company owned 51% by the Company which was incorporated in February 2011 ("Subsidiaries"), (collectively, the "Group").

b. Acquisitions and investments in associates:

1. Luxury suite condominium Miami, Florida:

On April 9, 2013 and on August 22, 2013, the Company through its subsidiary Optibase Inc. acquired two luxury penthouses located in the Marquis Residence in Miami and one penthouse located in the Ocean One condominium in Sunny Isles Beach in Miami Beach, Florida, respectively, in a cash consideration for a purchase price of approximately $ 4,800.

2. Condominium units in Miami Beach, Florida:

On December 31, 2013 following the approval of the Company's audit committee, board of directors and the Company's shareholders, the Company, through its subsidiary Optibase Inc., completed the purchase of 12 residential units in the Flamingo South Beach One Condominium and the Continuum on South Beach condominium, both located in Miami Beach, Florida from two private companies indirectly controlled by the Company's controlling shareholder (the "seller") for an aggregate net consideration of $ 7,153,net following the set off of rental income of one unit for a period of three years to the seller, representing the fair value of 1.31 million new ordinary shares of the Company issued to the seller.

3. Sell of condominium units in Miami Beach, Florida:

On September 17, 2014 the Company, through its subsidiary, Optibase Inc. sold 11 residential condominium units located in Florida. The total consideration was amounted to $ 6,411 and was paid at full on closing during October, 2014.

U.S. dollars in thousands (except share and per share data)

NOTE 1:- GENERAL (Cont.)

4. Retail portfolio in Bavaria, Germany:

On December 18, 2014 the Company through Optibase SARL subsidiary, Optibase Bavaria GmbH & Co. KG ("Optibase Bavaria"), entered into a Purchase Agreement with an unrelated third party to acquire a retail portfolio of twenty-seven Commercial properties in, Germany (the "Retail Portfolio in Germany").

The Retail Portfolio in Germany represents a homogenous retail portfolio in established retail locations, it has approximately 37,000 square meters of total rental space.

The largest tenant in the Retail Portfolio in Germany is EDEKA, which currently leases 22 of the rental properties in the portfolio. In addition to the hypermarkets and supermarkets, smaller shops (such as bakeries and post offices) operate on several locations as subtenants of EDEKA.

On June 2, 2015 the first stage of the transaction closing occurred and the Company acquired twenty-five (25) supermarkets in consideration of a purchase price of ˆ 24,000 (approximately $ 26,249 as of the purchase date). On July 8, 2015 the Company acquired the two (2) remaining supermarkets for an additional purchase price of ˆ 4,750 (approximately $ 5,224 as of the purchase date).

In addition to the purchase price, the Company incurred acquisition costs, including real estate transfer taxes of ˆ 2,075 (approximately $ 2,352 during 2015) and presented in the consolidated statements of operations as other operating costs.

The portfolio purchase price has been allocated to real estate properties and other assets, net, in accordance with the Company's accounting policies for business combinations.

The total purchase price was allocated as follows:

	USD
Real estate property	31,399
Other assets, net	74
Total purchase price	31,473

5. 300 South Riverside Plaza, Chicago:

On December 29, 2015, the company through its subsidiary, Optibase Inc, completed an investment in 300 River Holdings, LLC, (the "Joint Venture Company") which beneficially owns the rights to a 23-story Class A office building located at 300 South Riverside Plaza in Chicago under a 99 year ground lease expiring in 2114. The company invested $12,900 in exchange for a thirty percent (30%) interest in the Joint Venture Company. In addition to the Purchase Price, the Company incurred acquisition costs of approximately $242.

U.S. dollars in thousands (except share and per share data)

NOTE 1:- GENERAL (Cont.)

c. The Company two major tenants accounted for 18% and 18%, 23% and 12% and 23% and 10% of the Company revenues in the years ended December 31, 2015, 2014 and 2013 respectively. No other tenants accounted for more than 10% of the company revenues.

d. Sale of the Video Activity (discontinued operations):

Until the sale of its video solutions business to VITEC Multimedia ("Vitec") in July 2010, the Company and its U.S subsidiary, Optibase Inc., provided equipment for a wide range of professional video applications in the Broadband IPTV, Broadcast, Government, Enterprise and Post-production markets. (collectively, the "Video Activity").

On March 16, 2010, the Company and its subsidiary, Optibase Inc., entered into an asset purchase agreement (the "Agreement") with Optibase Technologies Ltd. and Stradis Inc., wholly owned subsidiaries of S.A. Vitec (also known as Vitec Multimedia) (S.A. Vitec, Optibase Technologies Ltd. and Stradis Inc., collectively, "Vitec"). According to the Agreement, the Company sold to Vitec all of the assets and liabilities related to the Company's Video Solutions Business (the "Video Activity") for an aggregate consideration of $ 8,000. The closing of the transaction occurred on July 1, 2010.

According to the Agreement, the Company and Vitec agreed on a price adjustment mechanism to the initial consideration, upon which, Vitec shall add or subtract to the consideration an amount equal to accounts receivable, net plus other receivables and prepaid expenses minus accounts payable and other payables, all as of the Closing date (the "Adjustment Amount"). The Adjustment Amount as calculated by the Company would be deposited by Vitec in escrow within five days from the closing date, to be released over a period of 12 months as Vitec collects amounts owed to the Company from customers. Vitec has refrained from depositing any amount in escrow which led to a dispute between the parties. See details in Note 11d(1).

The liabilities of the Video activity for the years ended December 31, 2014 and 2015, which relates to the discontinued operations and presented in the consolidated balance sheets, are summarized as follows:

	Year ended December 31,	
	2015	2014
Liabilities:		
Other accounts payable and accrued expenses	$ 2,109	$ 2,153
Total liabilities	$ 2,109	$ 2,153

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of the financial statements:

The preparation of financial statements in conformity with U.S generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

b. Functional currency, presentation currency and foreign currency:

The functional currency of the Company is the U.S Dollar.

The functional currencies of Optibase's subsidiaries are CHF, EUR and U.S dollar. The Company has elected to use U.S dollar as its reporting currency for all years presented.

While the functional currency of the Company's subsidiaries in the United States is the U.S dollars, the functional currency of the subsidiaries in Switzerland and Germany is their lead currency, i.e. CHF and EUR. Since the Company's functional and reporting currency is the USD, the financial statements of Optibase Real Estate SARL and OPCTN S.A. has been translated into U.S. dollars. Assets and liabilities of these subsidiaries are translated at the year-end exchange rates and their statement of operations items are translated using the actual exchange rates at the dates on which those items are recognized. Such translation adjustments are recorded as a separate component of accumulated other comprehensive income in shareholders' equity.

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany transactions and balances have been eliminated upon consolidation.

d. Non-controlling interests:

Non-controlling interests generally represent the portion of equity that the Company does not own in the consolidated entities. The Company accounts for and reports its non-controlling interests in accordance with the provisions required under the Consolidation Topic of the FASB ASC 810. Non-controlling interests are separately presented within the equity section of the consolidated balance sheets. The amounts of consolidated net earnings attributable to the Company and to the non-controlling interests are presented on the consolidated statement of operations.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Cash equivalents:

Cash equivalents include short-term, highly liquid investments that are readily convertible to cash, with original maturities of three months or less at the date acquired.

f. Property and equipment:

Real estate and equipment are stated at cost net of accumulated depreciation. Costs include those related to acquisition, including building improvements.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

	Years
Building	25 - 63
Buildings' improvements	5 - 20
Condominium units	30

g. Long-lived assets including intangible assets:

The Company and its subsidiarie's long-lived assets are reviewed for impairment in accordance with ASC 360, "Property, Plant and Equipment", whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed are reported at the lower of the carrying amount or fair value less costs to sell.

The Company reviews assets on a component-level basis, which is the lowest level of assets for which there are identifiable cash flows that can be distinguished operationally and for financial reporting purposes. The carrying amount of the asset group was compared with the related expected undiscounted future cash flows to be generated by those assets over the estimated remaining useful life of the primary asset. In cases where the expected future cash flows were less than the carrying amounts of the assets, those assets were considered impaired and written down to their fair values. Fair value was established based on discounted cash flows. As of December 31, 2015, 2014 and 2013 no impairment losses have been identified.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h. Investments in companies:

Investments in non-marketable equity securities of companies in which the Company does not have control or the ability to exercise significant influence over their operation and financial policies are recorded at cost.

The management evaluates investments in non-marketable equity securities as evidence of other-than temporary declines in value. When relevant factors indicate a decline in value that is other-than temporary the Company recognizes an impairment loss for the decline in value.

i. Investments in associates:

Associates are companies in which the Company has significant influence over the financial and operating policies without having control. The investment in associates is accounted for using the equity method of accounting. Under the equity method, the investment in associates is accounted for in the financial statements at cost plus changes in the Group's share of net assets, including other comprehensive income (loss) of the associates. The equity method is applied until the loss of significant influence or classification of the investment as non-current asset held-for-sale.

The accounting policy in the financial statements of the associates has been applied consistently and uniformly with the policy applied in the financial statements of the Group.

j. Intangibles assets:

Intangible assets consist of above-market value of in-place leases that were recorded in connection with the acquisition of the properties. Intangible assets are amortized and accreted using the straight-line method over the term of the related leases. When a lease is terminated early, any remaining unamortized balances under lease intangible assets or liabilities are charged to earnings.

k. Derivative instruments:

The Company accounts for derivatives and hedging based on ASC No. 815, "Derivatives and Hedging". ASC No. 815 requires the Company to recognize all derivatives at fair value. The accounting for changes in the fair value of a derivative instrument (i.e., gains or losses) depends on whether it has been designated and qualified as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualified as hedging instruments, the Company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation. If the derivatives meet the definition of a hedge and are so designated, depending on the nature of the hedge, changes in the fair value such derivatives will either be offset against the change in fair value of the hedged assets, liabilities, firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is recognized in earnings. As of December 31, 2015, the Company had outstanding hedging instruments in amount of $264. At times, the Company may use derivative instruments to manage exposure to variable interest rate risk. Occasionally, the Company enters into interest rate swaps to manage its exposure to variable interest rate risk and treasury locks to manage the risk of interest rates rising prior to the issuance of debt. The Company generally enters into derivative instruments that qualify as cash flow hedges and it does not enter into derivative instruments for speculative purposes.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Revenue recognition:

The Company generates revenues from fixed income real-estate derived from its buildings held through its subsidiaries in Switzerland (Rümlang and Geneva), Germany and Miami FL.

Rental income includes minimum rents which are recognized on an accrual basis over the terms of the related leases on a straight-line basis. Lease revenue recognition commences when the lessee is given possession of the leased space and there are no contingencies offsetting the lessee's obligation to pay rent.

Revenue of maintenance expenses recoveries from the tenants for mainly electricity, heating and water is reported net from the related expenses.

m. Contingencies:

The Company periodically estimates the impact of various conditions, situations and/or circumstances involving uncertain outcomes to its financial condition and operating results.

The Company accounts for contingent events as required by ASC 450 "Contingencies". ASC 450 defines a contingency as "an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an enterprise that will ultimately be resolved when one or more future events occur or fail to occur". Legal proceedings are a form of such contingencies.

In accordance with ASC 450, accruals for exposures or contingencies are being provided when the expected outcome is probable. However, it is possible that future results of operations for any particular quarter or annual period could be materially affected by changes in the Company's assumptions, the actual outcome of such proceedings or as a result of the effectiveness of the Company strategies related to these proceedings.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Income taxes:

The Company and its subsidiaries account for income taxes in accordance with ASC Topic 740, "Income Taxes" "ASC 740", prescribes the use of the liability method, whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company and its subsidiaries provide a valuation allowance, if necessary, to reduce deferred tax assets to amounts more likely than not to be realized.

ASC 740 clarifies the accounting for uncertainties in income taxes by establishing minimum standards for the recognition and measurement of tax positions taken or expected to be taken in a tax return. Under the requirements of ASC 740, the Company must review all of its tax positions and make a determination as to whether its position is more-likely-than-not to be sustained upon examination by regulatory authorities. If a tax position meets the more-likely–than-not standard, then the related tax benefit is measured based on a cumulative probability analysis of the amount that is more-likely-than-not to be realized upon ultimate settlement or disposition of the underlying issue. The Company policy is to accrue interest and penalties related to unrecognized tax benefits in its financial expenses.

The Company believes that its tax positions are all highly certain of being upheld upon examination. As such, as of December 31, 2015 and 2014 the Company has not recorded a liability for uncertain tax positions.

o. Concentrations of credit risk:

Financial instruments that potentially subject the Company and its subsidiaries to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivables and long-term lease deposits.

Cash and cash equivalents are invested in U.S. dollar deposits with major banks in Israel, the United States, Switzerland and Germany. Cash and cash equivalents in the United States may be in excess of insured limits and are not insured in other jurisdictions. The Company maintains cash and cash equivalents with diverse financial institutions and monitors the amount of credit exposure to each financial institution.

Accounts receivable includes amounts billed to tenants and accrued expense recoveries due from tenants. The Company makes estimates of un-collectability from its accounts receivable using the specific identification method related to base rents, straight-line rent balances, expense reimbursements and other revenues.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company also analyzes accounts receivable and historical bad debt levels, tenant credit-worthiness, payment history and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. Accounts receivable are written-off when they are deemed to be uncollectible and the Company is no longer actively pursuing collection. The Company's reported net income is directly affected by the management's estimate of the collectability of accounts receivable.

p. Earnings (loss) per share:

Basic net earnings (losses) per share are computed based on the weighted average number of Ordinary shares outstanding during each year. Diluted net earnings (losses) per share is computed based on the weighted average number of Ordinary shares outstanding during each year, plus dilutive potential Ordinary shares considered outstanding during the year, in accordance with ASC 260, "Earning Per Share".

Option and restricted shares that have been excluded from the calculations of diluted net income per share was 5,546 and 3,578 for the years ended December 31, 2014 and 2013, respectively.

q. Accounting for stock-based compensation:

ASC Topic 718 "Compensation - Stock Compensation" "ASC 718", requires companies to estimate the fair value of share-based awards on the date of grant using an option-pricing model.

The Company recognizes these compensation costs net of forfeiture rate and recognizes the compensation costs for only those shares expected to vest on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of four years. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Company estimates the fair value of stock options granted using the Black-Scholes- Merton option pricing model. The option-pricing model requires a number of assumptions, of which the most significant are the expected stock price volatility and the expected option term. Expected volatility is calculated based upon actual historical stock price movements. The expected term of options granted is based upon historical experience and represents the period of time that options granted are expected to be outstanding. The risk free interest rate is based on the yield from U.S. treasury bonds with an equivalent term. The Company has historically not paid dividends and has no foreseeable plans to pay dividends.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The fair value was estimated at the date of grant using the following weighted average assumptions for the Black-Scholes model for the year ended December 31, 2011. During 2015 and 2014 there were no new grants.

r. Treasury Shares:

During the past years, the Company repurchased certain Ordinary shares on the open market and holds such shares as treasury shares. The Company presents the cost to repurchase treasury shares as a reduction from the shareholders' equity. From time to time the Company reissues treasury shares under the stock purchase plan, upon exercise of option and upon vesting of restricted stock units.

When treasury stock is reissued, the Company accounts for the re-issuance in accordance with ASC No. 505-30, "Treasury Stock" and charges the excess of the purchase cost, including related stock-based compensation expenses, over the re-issuance price to retained earnings. The purchase cost is calculated based on the specific identification method. In case the purchase cost is lower than the re-issuance price, the Company credits the difference to additional paid-in capital.

s. Fair value of financial instruments:

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, other accounts receivable, trade payables, other accounts payable, and accrued liabilities, approximate fair value because of their generally short-term maturities.

ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

As a basis for considering such assumptions, ASC 820 establishes a three-level value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Swap instrument are measured at fair value under ASC 820 on a recurring basis as of December 31, 2015 and 2014.

t. Comprehensive income:

The Company accounts for comprehensive loss in accordance with ASC No. 220, "Comprehensive Income". Comprehensive income generally represents all changes in shareholders' equity during the period except those resulting from investments by, or distributions to, shareholders. The Company determined that its items of comprehensive loss relate to foreign currency translation adjustments.

u. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09) "Revenue from Contracts with Customers." ASU 2014-09 supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605)”, and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. As currently issued and amended, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, though early adoption is permitted for annual reporting periods beginning after December 15, 2016. The Company is currently in the process of evaluating the impact of the adoption of ASU 2014-09 on the Company's consolidated financial statements, implementing accounting system changes related to the adoption, and considering additional disclosure requirements. The Company still evaluating the effect that the updated standard will have on the Company's consolidated financial statements and related disclosures.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In November 2015, the FASB issued Accounting Standards Update No. 2015-17 (ASU 2015-17) "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes". ASU 2015-17 simplifies the presentation of deferred income taxes by eliminating the separate classification of deferred income tax liabilities and assets into current and noncurrent amounts in the consolidated balance sheet statement of financial position. The amendments in the update require that all deferred tax liabilities and assets be classified as noncurrent in the consolidated balance sheet. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods therein and may be applied either prospectively or retrospectively to all periods presented. Early adoption is permitted. The Company early adopted this standard in the fourth quarter of 2015 on a retrospective basis. Prior periods have been retrospectively adjusted.

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-period Adjustments." This new guidance requires an acquirer in a business combination to recognize adjustments to the provisional amounts that are identified during the measurement period to be reported in the period in which the adjustment amounts are determined. In addition, the effect on earnings of changes in depreciation, amortization and other items as a result of the change to the provisional amounts, calculated as if the accounting had been complete as of the acquisition date, must be recorded in the reporting period in which the adjustment amounts are determined. ASU 2015-16 is effective for fiscal periods beginning after December 15, 2015 and must be applied prospectively. Early adoption is permitted. The Company has not yet adopted ASU 2015-16 and do not expect the adoption of this guidance to have a material impact on the Company's consolidated financial position or results of operations.

In April 2015, the FASB issued ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, as part of its initiative to reduce complexity in accounting standards. To simplify presentation of debt issuance costs, the amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU 2015-15, Interest-Imputation of Interest (Subtopic 835-30), Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (SEC Update), which allows an entity to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The updated standards are effective for financial statements issued for annual and interim periods beginning after December 15, 2015. The updated standards are not expected to materially impact the Company's financial position or disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU is expected to impact the Company's consolidated financial statements as the Company has certain operating and land lease arrangements for which the Company are the lessee. ASU 2016-02 supersedes the previous leases standard, Leases (Topic 840). The standard is effective on January 1, 2019, with early adoption permitted. The Company is currently in the process of evaluating the impact the adoption of ASU 2016-02 will have on the Company financial position or results of operations.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In January 2016, the FASB issued ASC 2016-01, Financial Instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities. The ASU makes the following targeted changes for financial assets and liabilities: i) requiring equity investments with readily determinable fair values to be measured at fair value with changes recognized in net income; ii) simplifying the impairment assessment of equity securities without readily determinable fair values using a qualitative approach; iii) eliminating disclosure of the method and significant assumptions used to fair value instruments measured at amortized cost on the balance sheet; iv) requiring use of the exit price notion when measuring the fair value of instruments for disclosure purposes; v) for financial liabilities where the fair value option has been elected, requiring the portion of the fair value change related to instrument-specific credit risk (which includes a Company's own credit risk) to be separately reported in other comprehensive income; vi) requiring the separate presentation of financial assets and liabilities by measurement category and form of financial asset (liability) on the balance sheet or accompanying notes; and vii) clarifying that the evaluation of a valuation allowance on a deferred tax asset related to available-for-sale securities should be performed in combination with the entity's other deferred tax assets. The ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those years Early adoption of item (v) above is permitted for financial statements (both annual and interim periods) that have not yet been issued. The Company have not determined when the Company will adopt item (v) above of this ASU. The Company will adopt the remaining provisions of the ASU on January 1, 2018. The Company are evaluating the impact of this ASU on Ambac's financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidation: Amendments to the Consolidation Analysis (Topic 810), requiring entities to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. The revised consolidation model: (1) modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, (2) eliminates the presumption that a general partner should consolidate a limited partnership, (3) affects the consolidation analysis of reporting entities that are involved with VIEs, and (4) provides a scope exception from consolidation guidance for reporting entities with interests in certain legal entities. The updated standard is effective for financial statements issued for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The updated standard may be applied retrospectively or 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 this guidance is not expected to have an impact on the Company's financial statements and related disclosures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 3:- REAL ESTATE PROPERTY, NET

	Land	Building	Condominium units	Currency translation adjustment	Total
Cost:					
At January 1, 2014	$ 26,486	$ 158,849	$ 22,309	$ 10,595	$ 218,239
Additions	-	544	549	(19,202)	(18,109)
Disposals	-	-	(3,643)	-	(3,643)
At December 31, 2014	26,486	159,393	19,215	(8,607)	196,487
Additions	7,388	25,467	759	(359)	33,255
At December 31, 2015	33,874	184,860	19,974	(8,966)	229,742
Accumulated depreciation:					
At January 1, 2014	-	7,676	538	264	8,478
Depreciation charge for the year	-	2,888	472	(477)	2,883
Disposals	-	-	(78)	-	(78)
At December 31, 2014	-	10,564	932	(213)	11,283
Depreciation charge for the year	-	3,314	394	(89)	3,619
At December 31, 2015	-	13,878	1,326	(302)	14,902
Real estate property, net:					
At December 31, 2015	33,874	170,982	18,648	(8,664)	214,840
At December 31, 2014	$ 26,486	$ 148,829	$ 18,283	$ (8,394)	$ 185,204

Estimated depreciation expenses by years are as follows:

Year	Estimated depreciation expenses
2016	$ 3,587
2017	3,587
2018	3,587
2019	3,587
2020 and thereafter	166,618
	$ 180,966

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 4:- OTHER ASSETS, NET

	Above, below market value of in-place leases	Currency translation adjustment	Total
Cost:			
At January 1, 2014	$ 1,784	$ 146	$ 1,930
Additions	-	(193)	(193)
Disposals	(334)	-	(334)
At December 31, 2014	1,450	(47)	1,403
Additions	74	(3)	71
At December 31, 2015	1,524	(50)	1,474
Accumulated depreciation:			
At January 1, 2014	752	37	789
Depreciation charge for the year	453	(114)	339
Disposals	(334)	-	(334)
At December 31, 2014	871	(77)	794
Depreciation charge for the year	217	(7)	210
At December 31, 2015	1,088	(84)	1,004
Other assets, net:			
At December 31, 2015	$ 436	$ 34	$ 470
At December 31, 2014	$ 579	$ 30	$ 609

Intangible assets consist of lease contracts with tenants deriving from the purchase of a building complex in Geneva in 2011 and purchase of retail portfolio in Germany. See Note 1b (4).

Estimated amortization expenses by years are as follows:

Year	Estimated amortization expenses
2016	$ 217
2017	183
2018	27
2019	11
2020 and thereafter	32
	$ 470

U.S. dollars in thousands (except share and per share data)

NOTE 5:- OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31,	
	2015	2014
Escrow (1)	-	$ 1,271
Prepaid expenses	131	49
Income receivable	109	7
Deposit	6	39
Others	72	30
	$ 318	$ 1,396

(1) Deposit paid into an escrow account as part of the purchase agreement in connection with Retail Portfolio in Germany transaction. See Note 1b(4).

NOTE 6:- LONG TERM DEPOSIT

	December 31,	
	2015	2014
Bonds deposit (1)	$ 1,685	$ -
Restricted account (2)	931	-
Other	54	54
	$ 2,670	$ 54

(1) Bonds deposit of one payment of principal and interest reserves. See Note 10.

(2) Restricted account of 931 funded relates to an interest reserve for Miami Loan. See Note 9d.

NOTE 7:- INVESTMENTS IN COMPANIES AND ASSOCIATES

a. On August 16, 2012, the Company acquired through its subsidiary beneficial interests in Two Penn Center Plaza in Philadelphia, Pennsylvania. This investment is accounted for using the equity method of accounting as the Company's indirect beneficial interest in Two Penn Center Plaza is 19.66% and therefore is considered to be more than minor (more than 3 to 5 percent), the equity method was applied.

	December 31,	
	2015	2014
Invested in equity	$ 4,025	$ 4,025
Accumulated net loss	(504)	(472)
Total investment	$ 3,521	$ 3,553

U.S. dollars in thousands (except share and per share data)

NOTE 7:- INVESTMENTS IN COMPANIES AND ASSOCIATES (Cont.)

b. On December 31, 2012 the Company acquired through its subsidiary Optibase Inc. approximately 4% indirect beneficial interest in a portfolio of shopping centers located in Texas, USA in consideration for $ 4,000 which accounted for the cost method of accounting. The Company believes that its beneficial interests in Texas portfolio are considered to be so minor that they create virtually no influence over the operating and financial policies of the Real Estate Asset and therefore this investment accounted for cost method of accounting.

c. On December 29, 2015, the company through its subsidiary, Optibase Inc, completed an investment in 300 River Holdings, LLC, (the "Joint Venture Company") which beneficially owns the rights to a 23-story Class A office building located at 300 South Riverside Plaza in Chicago under a 99 year ground lease expiring in 2114. The company invested $12,900 in exchange for a thirty percent (30%) interest in the Joint Venture Company. In addition to the Purchase Price, the Company capitalized acquisition costs of approximately $242. See Note 1b(5).

d. Investments in associates accounted for using the equity method of accounting:

Summarized data of the financial statements of associates, unadjusted to the Company's percentage of holdings (*)

	December 31,	
	2015	2014
Assets	$ 278,402	$ 65,408
Liabilities	337,599	56,595
Fixed income from real estate rent	11,215	10,393
Net income (loss)	97	(859)

(*) The information presented does not include excess cost and goodwill.

NOTE 8:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	December 31,	
	2015	2014
Employees and payroll accruals	$ 225	$ 195
Accrued expenses	671	748
Government (mainly tax provision)	1,311	3,580
Advance tenants payments	848	313
Tenant security deposits	119	98
Other	123	57
Total	$ 3,297	$ 4,991

NOTE 9:- LONG TERM LOANS

a. On October 29, 2009, Optibase SARL received a mortgage loan (the "Loan") from a financial institution in Switzerland, in the amount of CHF 18,800 for the purpose of purchasing the real estate property located in Rümlang, Switzerland (the "Property"). The loan bears a variable interest rate based on current money and capital markets in Switzerland plus the bank's customary margins 0.8%. The financial institution may increase the margin at any time if creditworthiness of the borrower or quality of the property is impaired. Principal and interest of the loan are payable quarterly. The loans are repaid at a rate of CHF 376 per year. The mortgage loan may be repaid at any time with a three months prior written notice by the Company. The mortgage loan is governed by the laws of Switzerland and bears other terms and conditions customary for that type of mortgage loans**.** The Company pledged to the bank the property and all accounts and assets of the Company's subsidiary which are deposited with the bank against the loan received. The Company is required to meet certain covenants under this mortgage loan. As of December 31, 2015, the Company met the required covenants.

U.S. dollars in thousands (except share and per share data)

NOTE 9:- LONG TERM LOANS (Cont.)

Maturities of the loan by years are as follows:

Year ended December 31,	
2016 (current maturity)	$ 379
Long-term portion:	
2017	379
2018	379
2019	379
2020	379
Thereafter	14,797
Total	$ 16,313

b. On October 2011, OPCTN and Eldista entered into a CHF 100,000 bank loan refinancing with Credit Suisse for the above mentioned loan. Under the new financing agreement, Credit Suisse provided a new loan to OPCTN and Eldista which replaced the mortgage loan that Credit Suisse provided to Eldista. The loan bears a variable interest rate based on current money and capital markets in Switzerland plus the bank's customary margins, the combined interest margins rate is 0.83%. The loans are repaid at a rate of CHF 2,000 per year and are secured by a first mortgage over the property and by a pledge of Eldista's shares.

Maturities of the loan by years are as follows:

Year ended December 31,	
2016 (current maturity)	$ 2,018
Long-term portion:	
2017	2,018
2018	2,018
2019	2,018
2020	2,018
Thereafter	83,109
Total	$ 91,181

The Company is required to meet certain covenants under this mortgage loan. As of December 31, 2015, the Company met these covenants.

U.S. dollars in thousands (except share and per share data)

NOTE 9:- LONG TERM LOANS (Cont.)

c. Optibase Bavaria negotiated a loan agreement with a Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft ("DG HYP"), for the provision of a senior mortgage loan in the amount of up to Euro 21,000 of which the Company utilized Euro 20,000. The effective interest rate was closed at 2.15%. The loan is repaid in quarterly installments of EUR 105 each, up until April 30, 2020. The terms of the loan includes certain covenants, a debt service cover ratio requirement of between 130% and 110%, and a loan to value requirement of 70% in the first three years and 65% in the fourth and fifth years. As of December 31, 2015, the Company met these covenants.

Maturities of the loan by years are as follows:

Year ended December 31,	
2016 (current maturity)	$ 459
Long-term portion:	
2017	459
2018	459
2019	459
2020	19,671
Total	$ 21,048

d. On July 8, 2015, the Company subsidiary, Optibase Inc, entered into a loan agreement with City National Bank of Florida for a gross amount of $15,000 for the financing of certain condominium units the Company owns in Miami and Miami Beach, Florida. The loan was taken for a term of three (3) years, with an interest rate of Libor 30-day-rate plus 2.65%. Interest is paid monthly commencing August 1, 2015, and the principal is reduced in six-month intervals beginning July 2016. Loan issuance costs of $ 429 reported in the balance sheet as a direct deduction from the gross amount of the loan. The securities for the Loan include a restricted cash deposit of approximately $1,000 and mortgage spread over the assets the Company owns in Florida as mentioned above. The Company is required to meet certain covenants under this mortgage loan. As of December 31, 2015, the Company met these covenants.

Year ended December 31,	
2016 (current maturity)	$ 3,117
Long-term portion:	
2017	4,987
2018	6,553
Total	$ 11,540

U.S. dollars in thousands (except share and per share data)

NOTE 10:- LONG TERM BONDS

In August 2015, the Company issued gross amount of NIS 60,000 (approximately $15,700 as of the issued date) in aggregate principal amount of Series A Bonds bearing annual fixed interest of 6.7% payable in in semi-annual installments on June 30 and on December 31 of each of the years 2015 through 2021, commencing on December 31, 2015 and ending on December 31, 2021. The principal will be repaid in semi-annual installments on June 30 and on December 31 of each of the years of 2016 through 2021, commencing on June 30, 2016 and ending on December 31, 2021. The bonds (principal and interest) are not linked to any currency or index.

Debt issuance costs of $ 384 reported in the balance sheet as a direct deduction from the gross amount of the bonds according to Accounting Standards Update, or ASU, 2015-03 issued by the Financial Accounting Standards Board In April 2015. The Company elected to adopt this standard early, effective August 10, 2015. The debt issuance costs are amortized in accordance with the bonds payments. The Company is required to meet certain covenants under this bonds. As of December 31, 2015, the Company met these covenants.

Maturities of the bonds by years are as follows:

Year ended December 31,	
2016 (current maturity)	$ 2,562
Long-term portion:	
2017	2,562
2018	2,562
2019	2,562
2020	2,562
Thereafter	2,235
Total	$ 12,483

NOTE 11:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Lease commitments:

The Company and its subsidiaries facilities leased and motor vehicles leased under several operating lease agreements for different periods ending in 2026.

Future minimum lease commitments under non-cancelable operating leases are as follows:

Year ended December 31,	
2016	$ 116
2017	117
2018	110
2019	108
2020 and thereafter	732
Total	$ 1,183

NOTE 11:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

b. Assets pledged as collateral:

As collateral for the Company's loan mortgages, a fixed pledge has been placed on the Company's subsidiaries in Luxemburg shareholders' equity. See Note 9a.

c. Office of the Chief Scientist commitments:

Until the sale of the Video Activity the Company participated in programs sponsored by the Israeli Government and by the European Commission for the support of research and development activities.

The Company was obligated to pay royalties to the Office of the Chief Scientist ("OCS"), in the amount of 3%-3.5% of the sales recorded from products and other related revenues generated from such projects, up to 100% of the grants received, linked to the U.S. dollar and for grants received after January 1, 1999 also bearing interest at the rate of LIBOR. The obligation to pay these royalties is contingent on actual sales of the products and in the absence of such sales, no payment is required. The Company is currently undergoing an audit by the OCS for royalties paid before the sale of the Company's Video business. As of December 31, 2015, the Company believes it has sufficient provisions to cover the outcome of such review process. The provision for the above commitments was recorded under liabilities attributed to discontinued operations as the Company has no further obligation to pay royalties on revenues generated by the Video Activity subsequent to its sale.

d. Legal claim and contingent liabilities:

1. In connection with the sale of Video Activity (as further described in Note 1e) and as part of a dispute arose between Vitec and the Company, since October 2010 Vitec and the Company have filed several separate motions with the Tel-Aviv District Court, seeking, inter alia, fixed and temporary injunctions. The motions filed by both parties have been dismissed by the court and were transferred to arbitration proceedings, which were undergoing during the past three years and until February 27, 2014.

   On July 30, 2013, the final decision of the arbitrator regarding the arbitration proceedings against Vitec (the "Arbitration Award") was submitted to the parties. The arbitrator accepted the majority of the Company's claims whilst most of Vitec's claims were rejected. The Arbitration Award mentions that the Company acted in the ordinary course of business and Vitec's claims regarding injury to reputation, loss of profits and loss of business opportunities were dismissed out of hand.

   The arbitrator did award Vitec a total sum of $ 442. Regarding the costs of the arbitration and lawyers' fees, the Arbitrator awarded Vitec a total sum of $ 69 considering the fact that only a small portion of the claimed sum was granted to Vitec.

NOTE 11:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

After the Arbitration Award was given, the Company made efforts to execute the Arbitration Award with no further delay, in order to comply with the Arbitrator's decision and to avoid paying unnecessary interests. The Company didn't come to any understating with Vitec. Hence, on September 1, 2013, the Company submitted with the Tel-Aviv District Court a motion requesting the confirmation and validation of the Arbitration Award.

On September 17, 2013, Vitec responded to the Company's motion by submitting a motion of its own, asking the Court to nullify some parts of the Arbitration Award, or alternatively ask the arbitrator to do so, mainly regarding sums received by the Company after the closing of the transaction. Vitec claimed that the Arbitration Award did not include final rulings regarding such sums. Vitec also claimed that the arbitrator made a calculating mistake in favor of the Company, in the amount of $ 400 which should be paid to Vitec.

On February 27, 2014, the Court gave its final ruling. The Court rejected all of Vitec's claims, dismissed its motion to nullify the Arbitration Award and confirmed and validated the Arbitration Award in it's entirely. The Court also ruled that Vitec will bear the legal expenses of this proceeding including the costs of the translation of the Arbitration Award.

Following the Court's ruling, the Company and Vitec instructed the court's treasury and ADAD Trust company Ltd. to release $ 200 and $ 1,000, respectively, deposited as Escrow Funds. On March 20, 2014, the funds were released and a net sum of $ 715 was transferred to the Company.

2. Personal Claim against Adv. Doron Afik:

As part of the Agreement the Company, Vitec and Adv. Afik as trustee (the "Trustee") entered into the Consortium Escrow Agreement of March 16, 2010 (the "Consortium Agreement"). Under the Consortium Agreement, $ 300 of the consideration were held in escrow $ 100 per each EC Consortium Agreement to be transferred from the Company to Vitec under the Agreement.

Due to the Trustee's refusal to transfer the escrow funds to the Company, the Company filed in June 2011, a statement of claim for damages of approximately $ 268 against the Trustee.

On July 30, 2013, along with the Arbitration Award regarding the arbitration with Vitec, the Arbitrator gave his decision regarding the personal claim against Adv. Afik and Afik Counter Claim. The arbitrator chose to accept most of the Company's claims and rejected most of Adv. Afik's claims. The Arbitrator awarded Adv. Afik the sum of $ 36 only for damages caused by the lien imposed on Adv. Afik's bank accounts and $ 10 for legal expenses. Adv. Afik claims regarding libel were utterly rejected. The Company paid these amounts.

NOTE 11:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

Following the Court's ruling regarding the validation of the Arbitration Award, as mentioned above, the parties filed a motion to Court, with consent, to return the securities deposited by the Company during the imposition of the lien. On March 6, 2014 the court rendered its decision and ordered to return these escrow funds to the Company.

3. On October 26, 2014, the Company received a letter on behalf of two purported shareholders (the "Shareholders") demanding the Company to file a derivative claim against its controlling shareholder and directors and officers, according to procedures of the Companies Law and requesting discovery of internal documents. The demand alleges, among other things, breach of fiduciary duties by directors and officers with respect to the approval of the transaction to acquire condominium units in Miami Beach, Florida, (the "Transaction"). The Shareholders are seeking damages which were not specified in the letter allegedly caused to the Company by its controlling shareholder and its directors and officers. In accordance with the Companies Law. The Company presented the Shareholders, at their request, with certain materials in connection with the Transaction for their review.

   On May 12, 2015 the Company has been served with a motion to approve the filing of a derivative claim against its controlling shareholder, directors and CEO and against certain former controlling shareholder and directors, (the "Motion").

   The Claim alleges, among other things, a breach of fiduciary duties by the Company directors, officers and controlling shareholder, and an exploitation of a business opportunity by the Company current and former controlling shareholder with respect to certain private placements of the Company's shares to its controlling shareholder.

   The Claim further alleges, that such private placements constitute a prohibited distribution as the shares were issued for an unfair consideration. As a result of the above, the Applicants request the Court to allow them to continue with this derivative claim and ultimately to require all the defendants to pay the Company an aggregate amount of approximately $41,900, as well as required the Companies shareholder (current and former) to pay to the Company approximately $2,800 plus interest (for the exploitation of a business opportunity). The Applicants further require reimbursement of expenses, legal fees and award to the Applicants.

   On November 8, 2015, The Company has submitted its response to the Motion and Claim together with an expert opinion. The Company has raised several arguments against the Motion including, *inter alia*, preliminary claims to dismiss the Motion *in-limine*. On November 13, 2015, the directors, CEO and former directors submitted their response to the Motion.

   On December 9, 2015, a court hearing was held during which the court suggested the parties to reach a mutual agreement. The Company gave its consent to the proposed outline and the court ordered the parties to act accordingly.

NOTE 11:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

On January 4, 2016, the Applicants submitted an application for discovery of documents. On January 25, 2016, The Company has submitted a motion to dismiss the discovery's application. On March 29, 2016 the Applicants submitted an application to attach an expert opinion. A Pre-trial hearing is scheduled for July 7, 2016.

At this preliminary stage the Company cannot provide an assessment as to the chances of the claim and the exposure to the Company.

4. On March 1, 2010, the Company's subsidiary in Luxembourg entered into an Option Agreement, (the "Option Agreement"), with Swiss Pro who introduced the Company the Rümlang property and facilitated the acquisition and financing of the commercial building acquired by the Company in October, 2009 in Rümlang, Switzerland. According to the Option Agreement, the Company's subsidiary granted Swiss Pro an option to purchase twenty percent (20%) of its share capital in consideration of CHF 315 for the option. The exercise price under the Option Agreement is calculated based on twenty percent (20%) of acquisition costs for the Rümlang Property plus interest and an adjustment for proceeds that are distributed to the shareholders. The shares that would be issued to Swiss Pro upon exercise of the option will not have voting rights and would be subject to transfer restrictions in favor of the Company. The option granted under the Option Agreement will expire within eight years from the entrance into the agreement, i.e.: on February 28, 2018.

   On May 19, 2015, The Company received a letter on behalf of Swiss Pro, demanding the Company to provide Swiss Pro with certain relevant data in connection with the option agreement. The Company sent a response letter on August 18, 2015 in which the Company rejected all allegations. On December 24, 2015 Swiss Pro sent another letter repeating its arguments and the Company sent its response to the letter on December 31, 2015.

   At this preliminary stage the Company cannot provide an assessment as to the chances of the arguments raised by Swiss Pro and the exposure to the Company

5. Eldista had a dispute with Swiss Pro Capital ("Swiss Pro"), a company organized under the Switzerland laws, arising from the consultancy agreement entered between the parties and dated May 19, 2011 (the "Consultancy Agreement"). The Consultancy Agreement stated that Swiss Pro would provide services to Eldista in exchange for the payment of a certain consultancy fee (the "Services"). Pursuant to the Consultancy Agreement, Eldista undertook to pay Swiss Pro a bonus in the manner calculated in the Consultancy Agreement.

   Pursuant to the Consultancy Agreement, Eldista had a right at any time following the second anniversary of the Consultancy Agreement, to elect to prepay to Swiss Pro the bonus in full by delivering written notice to Swiss Pro (the "Prepayment Notice") and by paying Swiss Pro the prepayment amount as calculated pursuant to the Consultancy Agreement. On July 14, 2013, Eldista delivered to Swiss Pro a prepayment notice calculating the prepayment amount based on the property appraisal concluding that no prepayment amount was due to Swiss Pro. On July 18, 2013 Swiss Pro delivered a notice to Eldista disputing such determination of the prepayment amount.

   On August 21, 2014 Eldista and Swiss Pro entered into a settlement agreement, according to which Eldista will pay Swiss Pro an agreed prepayment amount of CHF 400 as consulting fees in full settlement of all dispute between the parties and their affiliates regarding the Consultancy Agreement. On August 29, 2014 Eldista paid the agreed payment.

6. On April 16, 2015, the Company's subsidiary Eldista GmbH, filed a claim to the court in Switzerland in an amount of CHF 961 (approximately $1,000) due to damages and unpaid amounts from a specific tenant. Shortly thereafter, the tenant filed a counterclaim against Eldista GmbH in an amount of CHF 157 (approximately $171) for damages allegedly caused to it. The court suggested the parties to transfer to mediation proceedings which failed. At this time, testimonies hearings are taking place. At this stage, the Company cannot assess whether the court will receive Elista's or the tenant's arguments.

NOTE 12:- FAIR VALUE MEASUREMENTS

a. Recurring fair value measurements:

As of December 31, 2015 and 2014, the Company had an interest rate swap agreements for loan amounts of $ 21,632 and $ 74,019, respectively that are measured at fair value on a recurring basis. As of December 31, 2015 and 2014, the fair value of the interest rate swaps consisted of a liability of $ 264 and $ 539, respectively. The balance as of December 31, 2015 is included in long term liabilities in the Company consolidated balance sheet. The net unrealized income on the Company interest rate swaps was $ 264 for the year ended December 31, 2015 and is included in accumulated other comprehensive loss in the Company consolidated statements of operation. The fair value of the interest rate swaps is based on the estimated amount the Company would receive or pay to terminate the contract at the reporting date and is determined using interest rate pricing models and observable inputs. The balance as of December 31, 2014 is included in short term liabilities in the Company consolidated balance sheet. The net unrealized income on the Company interest rate swaps was $ 508 for the year ended December 31, 2014 and is included in financial expenses, net in the Company consolidated statements of operation. The fair value of the interest rate swaps is based on the estimated amount the Company would receive or pay to terminate the contract at the reporting date and is determined using interest rate pricing models and observable inputs.

b. Valuation methods:

In accordance with ASC 820, the Company measures its interest rate swap derivative instruments at fair value using the market approach valuation technique. The fair value of interest rate swap derivative instruments is classified within Level 2 value hierarchy, as the valuation inputs are based on quoted prices.

NOTE 13:- TAXES ON INCOME

a. Corporate tax rates:

The Israeli corporate tax rate was 26.5% in 2015 and 2014 and 25% in 2013. A company in Israel is taxable on its real (non-inflationary) capital gains at the corporate tax rate of 26.5% in the year of sale.

U.S. dollars in thousands (except share and per share data)

NOTE 13:- TAXES ON INCOME (Cont.)

Taxable income of the Company's subsidiary in Luxemburg, Switzerland and the United States is subject to the following tax rates:

	Year ended December 31,		
	2015	2014	2013
Luxemburg	29%	29%	29%
Switzerland	24%	24%	24%
United States	34%	34%	34%
Germany	16%	-	-

b. Tax assessments:

The Company has final tax assessments through the tax year 2011.

c. Deferred tax assets and liabilities:

Deferred tax assets and liabilities mainly derive from the acquisitions of commercial buildings in Switzerland. The deferred taxes are computed at the average tax rate of 24%, based on the corporate income tax in Switzerland, which is the tax rate that will be in effect when the differences are expected to reverse.

	December 31,	
	2015	2014
Deferred tax assets:		
NOLs	$ 28,417	$ 29,809
Lease provision	1,539	1,567
Swap instrument	-	129
Mortgage loan	210	216
Reserves and allowances	-	92
Deferred tax assets	30,166	31,813
Dferred tax liabilities:		
Land	(5,327)	(5,336)
Building	(10,504)	(10,667)
Other assets, net	(96)	(146)
Reserves and allowances	(163)	-
Deferred tax liabilities	(16,090)	(16,149)
Valuation allowance	(28,254)	(29,901)
Deferred tax liabilities, net	$ (14,178)	$ (14,237)

U.S. dollars in thousands (except share and per share data)

NOTE 13:- TAXES ON INCOME (Cont.)

d. Net operating losses carry-forward:

Through December 31, 2015, Optibase Ltd. had net operating losses carry-forward for tax purposes in Israel of approximately $ 61 million which may be carried forward and offset against taxable income in the future, for an indefinite period.

As of December 31, 2015, Optibase Inc. had U.S. federal net operating loss carry-forward of approximately $ 32 million that can be carried forward and offset against taxable income for 20 years, no later than 2033. Utilization of U.S. net operating losses may be subject to the substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986, and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization. Based upon the weight of available evidence, which includes the Company's historical operating performance and the recorded cumulative net losses in all prior fiscal periods, the Company has provided a full valuation allowance against it Israeli and U.S deferred tax assets.

e. Reconciliation of the theoretical tax expenses to the actual tax expenses:

A reconciliation between the theoretical tax expense, assuming all income is taxed at the statutory tax rate applicable to the income of the Company and the actual tax expense as reported in the statements of operations is as follows:

	Year ended December 31,		
	2015	2014	2013
Income before taxes as reported	$ 2,811	$ 7,133	$ 5,314
Theoretical tax benefit computed at the statutory rate (26.5% and 25% for the years 2015, 2014 and 2013, respectively)	$ 745	$ 1,890	$ 1,329
Differences in tax rates on income deriving from foreign subsidiaries	5	14	(170)
Tax adjustments in respect of currency translation	42	121	(203)
Deferred taxes on losses and other temporary differences for which valuation allowance was provided	463	-	223
Realization of carry forward losses	-	(769)	-
Taxes for previous years	45	-	-
Other non-deductible expenses	309	246	339
Income tax expense	$ 1,609	$ 1,502	$ 1,518

U.S. dollars in thousands (except share and per share data)

NOTE 13:- TAXES ON INCOME (Cont.)

f. Income (loss) before taxes on income consists of the following:

	Year ended December 31,		
	2015	2014	2013
Domestic	$ 1,218	$ (1,000)	$ 328
Foreign	1,593	8,133	4,986
	$ 2,811	$ 7,133	$ 5,314

g. Income tax expenses are comprised as follows:

	Year ended December 31,		
	2015	2014	2013
Current	$ 1,648	$ 1,489	$ 1,397
Deferred	(39)	13	121
	$ 1,609	$ 1,502	$ 1,518
Domestic	$ -	$ -	$ -
Foreign	1,609	1,502	1,518
	$ 1,609	$ 1,502	$ 1,518

h. As of December 31, 2015 and 2014 the Company has no liability for unrecognized income tax benefits, and there was no change in its liability for unrecognized income tax benefits during all years presented.

NOTE 14:- SHAREHOLDERS' EQUITY

a. General:

1. The Ordinary shares of the Company are traded on the NASDAQ Global Market since April 1999 and on the Tel Aviv Stock Exchange Ltd. Since April 2015.

   Ordinary shares confer on their holders the right to receive notice to participate and vote in general meetings of the Company, the right to a share in excess assets upon liquidation of the Company and the right to receive dividends, if declared.

2. On December 31, 2013 following the approval of the Company board of directors and the approval of the Company shareholders, the Company issued a net sum of 1,300,580 ordinary shares in consideration for the purchase of twelve luxury condominium units in Miami Beach, Florida from a private companies indirectly controlled by Capri, The Company's controlling shareholder. See Note 1b(2).

U.S. dollars in thousands (except share and per share data)

NOTE 14:- SHAREHOLDERS' EQUITY (Cont.)

b. Stock options:

In 1999, the Company adopted an Israeli Option Plan ("1999 Israeli option plan"), and a U.S. Option Plan ("1999 U.S. option plan") (collectively, the "1999 plans"). Under the terms of the above option plans, options may be granted to employees, officers, directors and consultants. The options generally become exercisable monthly over a four-year period, commencing one year after date of the grant, subject to the continued employment of the employee. The options generally expire no later than seven years from the date of the grant.

In May 2003 the Company amended its 1999 Plan to provide for the grant of options to Israeli optionees under Section 102 of the Israeli Tax Ordinance.

The exercise price of the options granted under the above mentioned plans may not be less than the nominal value of the shares into which such options are exercised. Any options, which are forfeited or cancelled before expiration, become available for future grants.

The total number of options available for future grants as of December 31, 2015 was 482,722**.**

A summary of the Company's stock option activity, and related information, is as follows:

	Year ended December 31, 2015		
	Amount	Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at the beginning of the year	112,000	$ 8.65	3.01
Granted	-		
Forfeited	-		
Outstanding at the end of the year	112,000	$ 8.65	2.01
Exercisable options at the end of the year	112,000	$ 8.65	2.01
Options vested and expected to vest at end of year	112,000	$ 8.65	2.01

U.S. dollars in thousands (except share and per share data)

NOTE 14:- SHAREHOLDERS' EQUITY (Cont.)

The aggregate intrinsic value represents the total intrinsic value (the difference between the Company's closing stock value as of December 31, 2015 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2015. This amount may change based on the fair market value of the Company's stock. As of December 31, 2015 and 2014, the total intrinsic value of outstanding options was $ 0.

As of December 31, 2015, the compensation cost related to options granted under the Company's stock option plans were fully recognized.

c. Non-vested shares:

In May 2006, the Board of Directors approved the adoption of the 2006 Israeli Incentive Compensation Plan (the "2006 Plan"). The 2006 Plan provides for the grant of options, restricted shares and restricted share units in accordance with various Israeli tax tracks.

The Company currently uses the 2006 Plan for the grant of restricted shares only. The restricted shares are granted at no consideration and with a vesting schedule of two years (50% each year). The restricted shares are granted in accordance with the Israeli capital gains tax track. In November 2013 and in August 2014, the Company's board of directors approved the increase of 50,000 shares and 150,000 shares under the 2006 Plan.

As of December 31, 2015 the pool consists of 260,000 Shares, where an aggregate sum of 183,690 ordinary shares has been reserved for issuance under the 2006 Plan, respectively.

A summary of the status of the entity's non-vested shares as of December 31, 2015, and changes during the year ended December 31, 2015, is presented below:

Non-vested shares	Shares	Weighted average grant date fair value
Non-vested at January 1, 2015	10,000	$ 5.76
Granted	8,000	$ 7.32
Exercised	(6,000)	$ 5.76
Non-vested at December 31, 2015	12,000	$ 6.8

As of December 31, 2015, there was $ 15 of total unrecognized compensation cost related to unvested share-based compensation arrangements granted to employees under the Plan. That cost is expected to be recognized over a period of up to two years.

U.S. dollars in thousands (except share and per share data)

NOTE 14:- SHAREHOLDERS' EQUITY (Cont.)

d. The total equity-based compensation expense related to all of the Company's equity-based awards, recognized for the years ended December 31, 2015, 2014 and 2013, was comprised as follows:

	Year ended December 31,		
	2015	2014	2013
General and administrative	$ 98	$ 97	$ 118

NOTE 15:- SELECTED STATEMENT OF OPERATIONS DATA

Financial income (expenses):

	Year ended December 31,		
	2015	2014	2013
Financial income:			
Interest	$ 18	$ 3	$ 7
Remeasurement of derivatives	578	1,025	1,223
Foreign currency translation adjustments	255	-	-
	851	1,028	1,230
Financial expenses:			
Interest	(2,658)	(2,109)	(2,486)
Foreign currency translation adjustments	-	(70)	(87)
	(2,658)	(2,179)	(2,573)
	$ (1,807)	$ (1,151)	$ (1,343)

NOTE 16:- GEOGRAPHIC INFORMATION

Summary information about geographic areas:

The Company manages its business on a basis of one reportable segment (see Note 1 for a brief description of the Company activity). The data is presented in accordance with ASC 280, "Segment Reporting". Revenues in the table below are attributed to geographical areas based on the location of the end customers.

The following presents total revenues for the years ended December 31, 2015, 2014 and 2013 and real estate property as of December, 31, 2015, 2014 and 2013:

	2015		2014		2013	
	Total revenues	Real estate property, net	Total revenues	Real estate property, net	Total revenues	Real estate property, net
Switzerland	$ 12,503	$ 165,371	$ 12,830	$ 166,921	$ 12,973	$ 187,990
Germany	1,914	30,820	-	-	-	-
United States	856	18,649	1,108	18,283	738	21,771
	$ 15,273	$ 214,840	$ 13,938	$ 185,204	$ 13,711	$ 209,761

NOTE 17:- MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

a. Controlling shareholders:

To the Company's knowledge there are no arrangements, the operation of which may at a subsequent date result in a change in control of the Company. To the best of The Company's knowledge, the Company's controlling shareholder, the Capri Family Foundation, holds approximately 74% of the Company's ordinary shares.

b. Related party transactions:

1. On July 2013, following the Company audit committee and board of directors approved, in accordance with the Israeli Companies Regulations (Relieves for Transactions with Interested Parties) of 2000, the receipt of guarantees, (the "Guarantees"), from the Company's controlling shareholder or any affiliate thereof, or collectively, (the "Controlling Shareholder"), to financing institutions in connection with the Company subsidiaries' or affiliated companies' real estate and real estate related activities. The purpose of the receipt of the Guarantees is to increase the Company financial resources in order to expand the Company Real Estate Activities. The Guarantees will be provided by the Controlling Shareholder to financing institutions in for a credit or loan to be provided in the event the Company is unable to provide sufficient equity in connection with the Real Estate Activities. The Guarantees will be provided for credit or loan amounts that will not exceed $ 20,000 per year, effective as of July 18, 2013, and up to $ 60,000 for a three-year period. The Guarantees will be in effect for the entire duration of the credit agreement or loan facility. The Company will not bear any costs or expenses in connection with the provision of the Guarantees and will not indemnify the Controlling Shareholder in case such Guarantees are exercised. On May 26, 2015 the Company utilized the guaranty given by its controlling shareholder and drew a total of Euro 5,000 that was used to partially finance the closing of the Retail Portfolio in Germany transaction. The funds were drawn in a form of a monthly credit facility bearing a yearly rate of approximately 76 basis points (0.76%). On July 24, 2015 the Company covered the monthly credit facility in full.

2. On December 19, 2013, and following the approval of the Company's audit committee, compensation committee, board of directors, and the Company's shareholders the Company approved the compensation terms of Mr. Shlomo (Tom) Wyler, for his service as Chief Executive Officer of the Company's subsidiary Optibase Inc. The yearly gross base salary will be $ 170 as well as reimbursement of health insurance expenses of up to $ 24 per year, and including reimbursement of reasonable work-related expenses incurred up to $ 50 per year.

NOTE 17:- MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS (Cont.)

3. On December 19, 2013, and following the approval Of the Company's audit committee, board of directors, and the Company's shareholders approved the a service agreement between the Company and Mr. Reuwen Schwarz, currently serves also as a member of the Company's board of directors, who is a relative of the beneficiaries of Capri, the Company's controlling shareholder, for the provision of real estate related consulting services in consideration for a monthly fee of ˆ 4 plus applicable value added tax (if applicable) and reimbursement for expenses incurred up to ˆ 12 per year.

4. On December 31, 2013 following the approval of the Company's audit committee, board of directors and the Company's shareholders, the Company, through its subsidiary Optibase Inc., completed the purchase of twelve (12) residential units in Flamingo South Beach One Condominium and the Continuum on South Beach Condominium, both located in Miami Beach, Florida from a private companies indirectly controlled by the Company's controlling shareholder (the "seller") for an aggregate net consideration of $ 7,153 following the set off of rental income of one unit for a period of three years to the seller, representing the fair value of 1.31 million new ordinary shares of the Company issued to the seller.

5. On October 22, 2014, following the approval by the Company audit committee and board of directors the Company shareholders approved the entrance into a registration rights agreement with Mr. Shlomo (Tom) Wyler and Capri, for the filing of a registration statement in order to register for resale all of the Company's Ordinary shares of held by them. As of December 31, 2015 registration has not been implemented yet.

6. On September 17, 2014, following the approval of the Company audit committee and board of directors, the company entered into a transaction to sell the eleven (11) Flamingo Units, to an unrelated third party, in consideration for an aggregate price of approximately $ 6.4 million. The transaction was conditioned on the purchaser's execution of a purchase and sale agreement to acquire an additional nineteen (19) condominium units located in the Flamingo Condominium from a company affiliated with the Company's controlling shareholder. Therefore, in the interest of caution, the Company treated the transaction as a transaction between a public company and another party, in which the company's controlling shareholder has personal interest.

NOTE 18:- SUBSEQUENT EVENTS

On January 4, 2016, as part of the motion to approve the filing of a derivative claim the applicants submitted an application for discovery of documents. On January 25, 2016, The Company has submitted a motion to dismiss the discovery's application. On March 29, 2016 the Applicants submitted an application to attach an expert opinion. A Pre-trial hearing is scheduled for July 7, 2016. See Note 11d(3).

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: March 31, 2016

OPTIBASE LTD.

By: /s/ *[Amir Philips]*
Name: Amir Philips
Title: Chief Executive Officer

EXHIBIT INDEX

Exhibit Number	Description of Document
1.1	Amended and Restated Memorandum of Association of Optibase Ltd. (incorporated by reference to Exhibit 3.1 to the Registrant's Report on Form 6-K dated February 15, 2002).
1.2	Amended and Restated Articles of Association of Optibase Ltd. (incorporated by reference to Exhibit 1.2 to the Registrant's Annual Report on Form 20-F dated April 30, 2014).
4.1	Form of Letter of Indemnification between Optibase, Inc. and its directors and officers (incorporated by reference to Exhibit 4.9 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2002).
4.2	1999 Israel Share Option Plan, as amended (incorporated by reference to exhibits filed with the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 1999).
4.3	102 Plan (incorporated by reference to exhibits filed with the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 1999).
4.4	2003 Amendment to the 1999 Israel Share Option Plan (incorporated by reference to Exhibit 4.(c).9 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2003).
4.5	2006 Israeli Incentive Compensation Plan (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-8 (File no. 333-137644)).
4.6	Agreement between Optibase RE 1 SARL and Basler Kantonalbank dated October 28, 2009 (incorporated by reference to Exhibit 4.5 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2009)
4.7	Framework Agreement between Eldista GmbH and CREDIT SUISSE AG dated October 6, 2011 (incorporated by reference to Exhibit 4.7 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2011).
4.8	Security Agreement between Eldista GmbH and CREDIT SUISSE AG dated October 6, 2011 (incorporated by reference to Exhibit 4.8 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2011).
4.9	Framework Agreement between OPCTN S.A. and CREDIT SUISSE AG dated October 6, 2011 (incorporated by reference to Exhibit 4.9 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2011).
4.10	Deed of Pledge Agreement between OPCTN S.A. and CREDIT SUISSE AG dated October 6, 2011 (incorporated by reference to Exhibit 4.10 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2011)
4.11	Purchase and Transfer Agreement between Optibase Bavaria GmbH & Co. KG, Lincoln Dreizehnte Deutche Grundstucksgellschaft mbH and Lincoln Land Passau GmbH, dated December 18, 2014 (unofficial English translation) (incorporated by reference to Exhibit 4.14 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2014).
4.12	Purchase and Sale Agreement between Optibase FMC, LLC and Flamingo South Acquisitions, LLC, dated September 16, 2014 (incorporated by reference to Exhibit 4.15 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2014).
4.13 *	Shareholders Agreement between The Phoenix Pension and Provident Fund Ltd., The Phoenix Insurance Company Ltd., and Optibase Ltd. Dated February 28, 2011.
4.14 *	Loan Agreement between Optibase Bavaria GmbH & Co KG, and Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft, dated May 4, 2015 (unofficial English translation).
4.15 *	First Amendment to the Loan Agreement between Optibase Bavaria GmbH & Co KG, and Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft (dated May 4, 2015), dated November 10, 2015 (unofficial English translation).
4.16 *	Contribution Agreement between Optibase Chicago 300 LLC, 300 River Holdings LLC, 300 River Plaza One LLC and WKEM Riverside Member LLC, dated December 28, 2015.
4.17 *	Amended and Restated Limited Liability Company Agreement of 300 River Holdings LLC between Optibase Chicago, LLC and 300 River Plaza One LLC, dated December 28, 2015.
4.18 *	Loan Agreement between Optibase Real Estate Miami, LLC and City National Bank of Florida, dated July 1, 2015.
4.19 *	Deed of Trust for Series A Bonds between Optibase Ltd. and Hermetic Trust (1975) Ltd., dated August 2, 2015 (unofficial English translation).
4.20	Optibase Ltd. Compensation Policy for Executive Officers and Directors (incorporated by reference to Annex D to the Registrant's Report on Form 6-K dated November 13, 2013).
4.21	Service Agreement Between Optibase Ltd. and Mr. Reuwen Schwarz, dated November 1, 2013 (incorporated by reference to Exhibit 4.12 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2014).
4.22	Registration Rights Agreement between Optibase Ltd., The Capri Family Foundation and Mr. Shlomo (Tom) Wyler, dated September 4, 2014 (incorporated by reference to Exhibit 4.13 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2014).
8.1*	List of the subsidiaries of Optibase Ltd.
11.1	Code of Business Conduct and Ethics (incorporated by reference to Exhibit 11.1 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2010).
12.1*	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2*	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1*	Certification by Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2*	Certification by Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1*	Consent of Kost, Forer Gabbay & Kasierer, a member of Ernst & Young Global.
101*	The following financial information from Optibase Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2015 and 2014; (ii) Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013; (iv) Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2015, 2014 and 2013; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013; and (vi) Notes to Consolidated Financial Statements.

* Filed herewith

Exhibit 4.13

SHAREHOLDERS AGREEMENT

Made and entered into on the 28th day of February, 2011

By and between

1. **THE PHOENIX PENSION AND PROVIDENT FUND LTD.**
ON BEHALF OF AND IN THE NAME OF THE PHOENIX COMPREHENSIVE PENSION
a company organized under the laws of the State of Israel
C.N. 51- 1751513
("**Phoenix Pension**"); and

2. **THE PHOENIX INSURANCE COMPANY LTD.,**
a company organized under the laws of the State of Israel, C.N. 52-0023185
("**Phoenix Insurance**")

(Phoenix Pension and Phoenix Insurance, collectively "**The Phoenix**")

of the first part;

and

3. **OPTIBASE LTD.,**
a company organized under the laws of the State of Israel,
C.N. 52-0037078 ("**Optibase**")

of the second part;

Each of Phoenix Pension, Phoenix Insurance and Optibase shall be referred to hereinafter as an "**Initial Shareholder**". The Initial Shareholders and any person or entity who becomes a shareholder of OPCTN S.A., a private limited liability company registered Great Duchy of Luxembourg (the "**Company**") in the future is referred to herein as a "**Shareholder**".

The Initial Shareholders or the Shareholders, as applicable are together referred to as the "**Parties**".

WHEREAS the Initial Shareholders, as of the date hereof, are the record holders of the entire issued and outstanding share capital of the Company in accordance with the proportions specified in Section 2.2 below; and

WHEREAS the Company wishes to acquire the entire issued and paid up share capital of Eldista GmbH, a private limited liability company registered in Switzerland (the "**Subsidiary**"), which is the sole owner of a real estate asset known as Centres des Technologies Nouvelles (CTN) situated at Plan-les-Ouates, Geneva (the "**Real Estate**"); and

WHEREAS the Initial Shareholders wish to set forth the relations between themselves;

NOW, THEREFORE, the Parties hereby declare, covenant and agree as follows:

1. **General**

1.1. Preamble. The Preamble to this Agreement forms an integral part hereof.

1.2. Recitals. The recitals to this Agreement are an integral part hereof.

1.3. Section headings. The section headings are for convenience and in no way alter, modify, amend, limit, or restrict any contractual obligations hereunder.

2. **Company Share Capital**

2.1. Registered Capital

The registered share capital of the Company, as of the date hereof, is CHF 50,000 divided into 50,000 Shares with par nominal value of CHF 1 each ("**Shares**").

2.2. Issued and Paid Up Capital

As of the date hereof, the issued and paid up share capital of the Company is held as follows:

Optibase – fifty one (51%) percent of the issued and paid up share capital of Company consisting of 25,500 Shares.

The Phoenix – forty nine (49%) percent of the issued and paid up share capital of Company equal to 24,500 Shares as follows:

Phoenix Pension - fourteen percent (14%) of the issued and paid up share capital of Company consisting of 7,000 Shares.

Phoenix Insurance - thirty five percent (35%) of the issued and paid up share capital of Company consisting of 17,500 Shares.

2.3. The ownership or entitlement to ownership of Shares by the Shareholders is referred to herein as the "**Shareholdings**".

3. **Shareholders Meetings**

3.1. Meetings. Subject to applicable law, the Shareholders of the Company shall have a meeting (a "**Shareholders Meeting**") at least once a year.

3.2. Special Meetings. Special Shareholders Meetings shall be convened upon:

(a) a majority vote of the Board requesting such meeting; or

(b) a request by Shareholders holding at least ten percent (10%) of the outstanding Shares; or

(c) a request by a person or persons empowered by law to convene a Shareholders Meeting.

Each of the parties referred to in this Section 3.2 above shall include in their request to convene the Shareholders Meeting a detailed list of matters they wish to be discussed and the votes to be taken – at the Shareholders Meeting.

3.3. Quorum. Subject to notice requirements set out below, the requisite quorum for convening a Shareholders Meeting (in this section 3.3 "**Quorum**") shall be the presence, in person or by proxy, of more than fifty percent (50%) of the outstanding Shares. Without derogating from the foregoing, the presence, in person or by proxy of either of Optibase and Phoenix Insurance shall also be required to constitute a Quorum if, as applicable, either of The Phoenix and Optibase holds at least twenty percent (20%) of the outstanding Shares and together Optibase and The Phoenix hold at least fifty percent (50%) of the outstanding Shares. If either Optibase or The Phoenix holds fewer than twenty percent (20%) of the outstanding Shares but together Optibase and The Phoenix hold at least fifty percent (50%) of the outstanding Shares, then only the presence of that party holding at least twenty percent (20%) of the outstanding Shares shall be required.

If a Quorum is not present at the originally scheduled meeting, then the Shareholders Meeting shall be reconvened seven (7) days following the originally scheduled date at the same address and venue. Unless otherwise expressly confirmed by Phoenix Insurance, upon convening of the Shareholders Meeting, Phoenix Pension's holdings shall not be counted towards the minimum shareholdings required to constitute a Quorum or to attain the minimum 50% holdings together with Optibase as stipulated above.

3.4. Venue. The venue of the shareholding meetings shall be 6, rue Jean Bertholet, L-1233 Luxembourg, Luxembourg, or any other location in Europe as decided by the Board.

3.5. Notice. Shareholders Meeting notices shall be sent by the Board forthwith following the request of any of the parties listed in Section 3.2 above, to all registered shareholders at least twenty-one (21) days prior to the date of the Shareholders Meeting by mail, facsimile or e-mail. A Shareholders Meeting notice shall include the date, time and place of the Shareholders Meeting as well as an outline of the matters to be discussed and the resolutions to be decided.

3.6. Voting Rights. Subject to Section 5 below, all decisions at the Shareholders Meetings shall be decided by a simple majority of the issued and paid up Shares present (whether in person or by proxy) at the Shareholders Meeting, without taking into account the votes of abstainees. Each Share shall have one (1) vote. Notwithstanding the foregoing, regardless of the number of shares that The Phoenix may own, Phoenix Insurance shall not be permitted to vote more than forty nine percent (49%) of the outstanding Shares at a Shareholders Meeting (the "**Phoenix Control Limitation**"). The Phoenix Control Limitation shall remain in effect until such time that the Phoenix delivers written notice to the Company that the Phoenix Control Limitation is terminated.

3.7. Minutes. Minutes of the Shareholders Meeting shall be recorded in the English language, and any other language required by law and copies of such minutes shall be maintained at the offices of the Company.

3.8. Meetings. The Shareholders may participate in Shareholder Meetings in person or by telephone or video conference, provided that each Shareholder participating in such meeting can hear all of the other Shareholders participating in such meeting.

3.9. Resolutions by Unanimous Written Consent. To the extent permitted by applicable law, the Shareholders shall be permitted to pass resolutions by the unanimous written consent of all Shareholders without necessity of convening a Shareholders Meeting. For as long as the Initial Shareholders and their Permitted Transferees (herein defined) hold more than fifty percent (50%) of the Shares, any other Shareholder holding less than ten percent (10%) of the Shares shall be obligated to sign any written resolution proposed by the Initial Shareholders or his signature shall not be required if permitted by law.

4. **Board of Directors of the Company**

4.1. Powers. Subject to matters expressly reserved to the Shareholders Meetings under applicable law and/or hereunder, the business and affairs of the Company (including the nomination and compensation of the Company's general manager and the approval of the budget) shall be managed by the board of directors of the Company (the "**Board**").

4.2. Composition of the Board.

4.2.1. A Shareholder shall be entitled to appoint one (1) director to the Board for each twenty percent (20%) of the Shares held by such Shareholder.

4.2.2. Notwithstanding Section 4.2.1, for as long as The Phoenix at its Permitted Transferees together own less than fifty percent (50%) of the Shareholdings, The Phoenix Insurance shall not be entitled to appoint more than one (1) director and one (1) observer to the Board. In the event that The Phoenix owns fifty percent (50%) or more of the Shareholdings, then The Phoenix shall only be permitted to appoint more than one (1) director and one (1) observer to the Board if the Phoenix Control Limitation has been terminated.

4.2.3. Any Shareholder which has the right to appoint a director shall also have the right at any time to notify the Company by written notice if it wishes to remove and replace the director appointed.

4.2.4. The initial Board shall be composed of three (3) directors, two (2) of whom shall be appointed by Optibase and one (1) of whom shall be appointed by Phoenix Insurance. Phoenix Insurance shall also be entitled at any time to appoint one (1) observer to the Board.

4.3. Quorum. A quorum for a meeting of the Board (in this section 4.3 "**Quorum")** shall require the presence of directors representing more than fifty percent (50%) of the outstanding Shares of the Company. Without derogating from the foregoing, the presence of at least one director appointed by Optibase and one director appointed by Phoenix Insurance shall also be required to constitute a Quorum so long as the respective party holds at least twenty percent (20%) of the outstanding Shares and together Optibase and The Phoenix hold at least fifty percent (50%) of the outstanding Shares. If either Optibase or The Phoenix holds fewer than twenty percent (20%) of the outstanding Shares but Optibase and The Phoenix together hold at least fifty percent (50%) of the outstanding Shares, then only the presence of the director appointed by the party holding at least twenty percent (20%) of the outstanding Shares shall be required.

4.4. Voting Rights. Subject to Section 4.5 (Special Votes) and 5 Major Decisions) below, all decisions at the Board shall be decided by a simple majority of directors present (whether in person or by proxy) at the Board, without taking into account the votes of abstainees. Each director shall have one (1) vote and an observer shall not be permitted to vote at a Board meeting.

4.5. Special Votes of the Board. The following decisions shall require the affirmative consent of the directors appointed by Optibase and Phoenix Insurance: (i) opening of bank accounts and (ii) engaging special advisors to the Company (including, accounting firm, lawyers) ("**Special Votes**").

4.6. Meetings. The Board shall meet at least once every calendar quarter. The directors may participate in Board meetings in person or by telephone or video conference, provided that each director participating in such meeting can hear all of the other directors participating in such meeting. Decisions of the Board may also be resolved by written consent provided all of the directors then serving shall have signed such written consent.

4.7. Venue. The venue of the Board meetings shall be in Luxemburg, or any other location in Europe as shall be decided upon by the Board.

4.8. Minutes. Minutes of the Board meetings shall be recorded in the English language, and in any other language required by law and copies of such minutes shall be maintained at the offices of the Company.

5. **Major Decisions**

5.1. Notwithstanding anything to the contrary in this Agreement, the decisions listed in Section 5.3 below (the "**Major Decisions**") whether made by the Company with respect to itself or made by the Company in its capacity as a shareholder of the Subsidiary, shall require:

5.1.1. First, the approval of the Board (with the presence of a Quorum as required in Section 4 above); and if approved by the Board.

5.1.2. Second, the approval of the Shareholders Meeting (with the presence of a Quorum as required by Section 3 above) provided that the affirmative vote or written consents of both Optibase and The Phoenix shall be required if each party holds at least twenty percent (20%) of the outstanding Shares and Optibase and The Phoenix together hold at least fifty percent (50%) of the outstanding Shares. If either Optibase or The Phoenix holds fewer than twenty percent (20%) of the outstanding Shares but Optibase and The Phoenix together hold at least fifty percent (50%) of the outstanding Shares, then only the vote of that party holding at least twenty percent (20%) of the outstanding Shares shall be required

5.2. Major Decisions:

5.2.1. amending the Company's or the Subsidiary's Articles of Association or other governing or charter documents;

5.2.2. extending, transferring and/or otherwise changing the Company's business activities and/or the Subsidiary's business activities in a manner that materially effects the financial status of the Company and/or the Subsidiary's, including by means of transfer of a material part of their assets;

5.2.3. refinancing of the Subsidiary's loans with a third party or obtaining financing from a third party for the Company or the Subsidiary;

5.2.4. entering into agreements and/or introducing amendments into agreements between the Company or the Subsidiary and any Related Party relating to the management of the Real Estate, or relating to any other purpose. For the purposes of this Section 5.3, "**Related Party**" shall mean: any entity which (i) is an entity (i.e. including "person") which controls, or is controlled by or under common control with one of the Parties and "control" shall mean holding at least ten percent (10%) of all issued share capital and voting rights and rights to nominate ten percent 10%) of the directors; or (ii) has business dealings with one of the Initial Shareholders or any of their Related Parties;

5.2.5. causing the Subsidiary to renew, extend, or enter into a lease agreement (i) which relates to twenty-five percent (25%) or more of the leasable area of the Real Estate or (ii) which accounts for twenty-five percent (25%) or more of the lease fees generated from the Real Estate;

5.2.6. investing funds exceeding the annual budget by CHF 1,000,000 in any given year or CHF 2,500,000 in the aggregate.

5.3. Termination of Consultancy Agreement and Transactions with Related Parties.

5.3.1 If The Phoenix holds at least twenty percent (20%) of the Shares, The Phoenix Insurance may elect to have the Company or the Subsidiary terminate any agreement with a Related Party of Optibase (including, without limitation, the Consultancy Agreement between the Subsidiary and Swiss Pro Capital - for as long as Swiss Pro Capital is a Related Party) (an "**Optibase Related Party Agreement**") by delivering notice to the other Initial Shareholder and to the Company. Upon receipt of such notice, the Company shall terminate or shall cause the Subsidiary to terminate (as may be the case) such agreement.

5.3.2. If Optibase holds at least twenty percent (20%) of the Shares, Optibase may elect to have the Company or the Subsidiary terminate any agreement with a Related Party of The Phoenix (a "**Phoenix Related Party Agreement**") by delivering notice to The Phoenix and to the Company. Upon receipt of such notice, the other Initial Shareholder, the Company shall terminate or shall cause the Subsidiary to terminate (as may be the case) such agreement.

5.3.3. The other Initial Shareholder in sections 5.3.1 and 5.3.2 above shall be referred to in section 5.3.4 below as the "Interested Party".

5.3.4. For the avoidance of doubt and notwithstanding any provisions to the contrary hereunder, the Parties confirm that if Phoenix Insurance requests to terminate an Optibase Related Party Agreement pursuant to Section 5.3.1 above or Optibase requests to terminate a Phoenix Related Party Agreement pursuant to Section 5.3.2 above, such termination shall not require the approval of the Board of the Company or the Board of the Subsidiary, or the resolution of the Shareholder's Meeting. However if applicable law provides that the termination of such agreements requires the approval of the Board or the Shareholders Meeting, the Parties agree that the directors nominated by the Interested Party shall not participate in such Board resolutions and further, that the Interested Party shall not participate in the Shareholders' Meeting with regard to the termination of the respective Related Party agreement, and accordingly the directors nominated by the Interested Party and the Interested Party shall not be counted for attaining the Quorums set out in sections 3 and section 4 above.

5.4. In the event that the Company's approval is required to approve an action of the Subsidiary, the provisions of this Section 5 above shall apply *mutatis mutandis* to the Company's decision regarding the Subsidiary as long as the Company Controls the Subsidiary, i.e. both the Board and Shareholders' Meeting approvals as stipulated in this Section 5 shall be required.

6. **Funding of the Company's Activities**

6.1. Funding of Critical Expenses

6.1.1. The Parties confirm and agree that if at any time the Subsidiary's and the Company's resources are insufficient to fund Critical Expenses (as defined hereinafter) and the Company or the Subsidiary is unable to obtain adequate third party financing, the Shareholders shall provide the funding required to finance the Critical Expenses in the manner described in this Section 6.1 in proportion to their Shareholdings (the "**Critical Funding**").

"**Critical Expenses**" shall mean (i) ordinary operating expenses of the Subsidiary and the Property that are not adequately funded by ongoing income from the Property; and/or (ii) capital expenditures for the Property that the management company for the Property ("**MC**") deems in its professional written opinion to be urgent and necessary to maintain the quality or physical structure of the Property ("**MC Recommended Expenditure**") up to CHF 2 million per event; and/or (iii) any MC Recommended Expenditure(s) which amounts to sums between CHF 2 million and CHF 5 million (inclusive), per event provided such capital expenditure is also recommended by a reputable third-party building engineering company.

The Company undertakes that within fourteen (14) days of being notified of a MC Recommended Expenditure under sub section (iii) above, it shall request the professional opinion of a reputable third-party building engineering company.

6.1.2. The Company shall, forthwith upon the occurrence of any of the events set out in sub section 6.1.1 above, provide written notice to the Shareholders requesting that they provide the Critical Funding (the "**Critical Funding Notice**"). The Critical Funding Notice shall specify: (i) the total amount of the requested contribution (the "**Critical Funding**"); (ii) the portion of the Critical Funding requested from each Shareholder which shall be proportional to the Shareholdings); (iii) the proposed use of the requested funds; and (iv) the dates on which the Critical Funding is required which shall not be sooner than thirty (30) days from the date of the Critical Funding Notice.

6.1.3. The Shareholders undertake to cause the Company to deliver the Critical Funding Notice in order to fund Critical Expenses within seven (7) days of the date that the Company becomes aware of the need for Critical Funding (the "**Notice Date**"). If a Shareholder prevents the Company from delivering a Critical Funding Notice, the Company will nonetheless be deemed to have issued the Critical Funding Notice as of the Notice Date in the amount of the Critical Expenses and the Shareholders shall be obligated to provide the Critical Funding as set forth below.

6.1.4. The Shareholders undertake to provide the Critical Funding in the amounts and on the dates set out in the Critical Funding Notice.

6.1.5. Critical Funding shall be provided as a "Shareholder loan" unless if a Shareholders' Meetings is convened and the Shareholders Meeting determines, that it will be paid to the Company in a different manner, i.e. as equity, convertible loan, guarantees and/or other means of securities or payments. The Shareholders will be entitled to the simultaneous repayment of the "shareholders loans" pro rata to their Shareholdings as shall be applicable at the time of repayment of such "shareholders loans", unless otherwise provided hereunder.

6.2. Other Funding

6.2.1. In the event that first the Board and thereafter the Shareholders Meeting resolve that the Company requires additional funds to finance its or the Subsidiary's activities which are not "Critical Expenses" as referred to in sub-section 6.1 above, and the Company is unable to obtain adequate financing from its own resources or from third party lending institutions ("**Other Funding**"), then each Party shall be obliged to contribute such Other Funding or to provide guarantees or similar undertaking to secure such Other Funding pro rata to its Shareholding.

6.2.2. Other Funding shall be provided to the Company in the same manner as prescribed for Critical Funding in Section 6.1.2, 6.1.4, and Section 6.1.5 shall apply *mutatis mutandis*.

7. **Dilution**

7.1. Default Notice. If any Shareholder shall fail to contribute all or any portion of its share of Critical Funding or Other Funding (together, "**Additional Funding**") within the applicable period of time (a "**Defaulting Shareholder**"), then the Board shall send a second notice (a "**Default Notice**") to all Shareholders inviting the Shareholders who contributed their portion of the Additional Funding (the "**Contributing Shareholder**") to provide the Defaulting Shareholder's share in the Additional Funding.

7.2. Default Loan. The Contributing Shareholders shall be entitled, but not required, to provide a shareholders loan to the Company up to the amount of the Defaulting Shareholders' unpaid portion of the Additional Funding (the "**Unpaid Contribution**"). Any loan funded by a Contributing Shareholder in lieu of a Defaulting Shareholder (a "**Default Loan**") shall bear interest at a rate equal to the CHF SWAP rate plus 8%, but in any event not less than ten percent (10%) per annum. Interest shall accrue on any Default Loans from the date the funds are actually received by the Company until the date that the Default Loans are repaid in full. Outstanding Default Loans shall be repaid by the Company prior to repayment of shareholder loans or distribution of dividends by the Company.

7.3. Right to Cure. Within six (6) months of receiving a Default Notice (the "**Default Cure Period**"), the Defaulting Shareholder shall have the right to pay to the Company the Defaulting Shareholders Unpaid Contribution together with any interest incurred by the Company under Default Loans that were made as a result of the Unpaid Contribution (the "Accrued Interest" and collectively the "**Repayment Amount**"). The Company will promptly repay the related Default Loans with the Accrued Interest to the Contributing Shareholder and will credit the Repayment Amount (less the Accrued Interest) against the Defaulting Shareholder's Unpaid Contribution.

7.4. Dilution Notice. If there remains Unpaid Contribution and/or outstanding Default Loan with Accrued Interest at the expiration of the Default Cure Period, then the Contributing Shareholders may provide written notice to the Company (a "**Dilution Notice**") instructing the Company to: (a) convert (i) Defaulting Loans together with outstanding Accrued Interest; and/or (ii) at Contributing Shareholder's sole discretion its share in the Additional Funding (together with accrued and unpaid interest), or any part thereof, into capital contributions of the Shareholders providing such funding; and (b) to dilute the shareholdings of the Defaulting Shareholder.

7.5. Dilution. Pursuant to a the Dilution Notice the dilution of the Defaulting Shareholder's shareholdings in the Company shall be first based upon the Capital Dilution described below in Section 7.5.1 and followed, if so requested by the Contributing Shareholder under the Dilution Notice by the Market dilution described in Section 7.5.2.

Capital Dilution. Within thirty (30) days of Dilution Notice, the Company shall issue an amount of Shares to the Contributing Shareholders that will increase the percentage Shareholdings of the Contributing Shareholders to the Adjusted Shareholding Percentage.

"**Adjusted Shareholding Percentage**" means the percentage of Shares reflected in the equation below.

$$\frac{\text{Excess Funding + Capital Funding}}{\text{TCF}}$$

In the above formula:

"Excess Funding" means the sum of: (i) one hundred and fifty percent (150%) of the amount of the Default Loans (together with Accrued Interest) that was converted to a capital contribution; *plus*, if applicable pursuant to 7.4 above, (ii) the amount paid by the Contributing Shareholder for its share of the Additional Funding that was converted to a capital contribution.

"**Capital Funding**" means the aggregate amount of capital contributions to the Company made by the Contributing Shareholder until the date of the Dilution Notice (whether as equity or outstanding shareholders loans or funds secured by guaranties or securities), as adjusted for dividends.

"**TCF**" means the total cumulative funding provided by all Shareholders to the Company (whether as equity or shareholders loans or funds secured by guaranties or securities) including the Default Loans and Additional Funding that are being converted to a capital contribution.

By way of example, if (i) Shareholder A (40% of Shares) and Shareholder B (60% of Shares) previously made cumulative contributions of CHF 40 and CHF 60 respectively and (ii) the Company requested Critical Funding in the amount of CHF 20, and (iii) Shareholder B provided CHF 20 of such Critical Funding and Shareholder A did not contribute, then:

Excess Funding of Shareholder B: (i) 150% X CHF 8 (Default Loan) *plus* (ii) CHF 12 (the Contributing Shareholders portion) = CHF 24.

Capital Funding of Shareholder B: CHF 60

TCF: CHF 120.

Shareholder B Adjusted Shareholding Percentage: (60+24)/120 = 70% of total Shareholdings

Market Dilution. If the Contributing Shareholder has requested in the Dilution Notice that the dilution percentage be increased to reflect Market Value Dilution the Company shall issue an amount of Shares that will increase the percentage Shareholdings of the Contributing Shareholders to the MV Adjusted Shareholding Percentage.

"**MV Adjusted Shareholding**" means the percentage of Shares reflected in the equation below:

$$\frac{\text{Excess Funding + Capital Funding}}{\text{MV X 0.9}}$$

In the above formula:

"Excess Funding" means the sum of: (i) the amount of the Contributing Shareholder's Default Loans (including accrued interest) that was converted to a capital contribution *and* if applicable pursuant to section 7.4 above (ii) the amount paid by the Contributing Shareholder for its share of the Additional Funding that was converted to a capital contribution.

"**Capital Funding**" means the aggregate amount of capital contributions to the Company made by the Contributing Shareholder until the date of the Dilution Notice (whether as equity or outstanding shareholders loans or funds secured by guaranties or securities), as adjusted for dividends.

"MV" means the fair market value of the Company, as of the Default Notice as determined by one of the "big four" accounting firms selected by the Contributing Shareholder.

In any event, the percentage of Share issued by the Company shall not be less than the Capital Dilution Percentage.

7.6. Dilution of Shareholder Loans. The amount of any outstanding shareholder loans owed by the Company to a Defaulting Shareholder shall be assigned to the Contributing Shareholders in a manner that is proportionate to the dilution of the Defaulting Shareholder's Shareholdings and the increase in the Contributing Shareholders Shareholdings. The foregoing arrangement regarding assignment of shareholder loans shall be deemed to be included in the terms of every shareholder loan provided by Shareholders to the Company.

Upon assignment of the shareholders loan pursuant to the foregoing, the repayment rights will be adjusted to reflect the proportionate ownership of the Shareholders Loans (i.e. which reflect the new Shareholdings following the dilutions.

7.7. Notwithstanding any of the provisions contained in this Agreement, the Defaulting Shareholder undertakes to vote in favor of all Shareholders Meeting resolutions and/or any other resolutions necessary to carry out the provisions of this Section 7, and to sign or issue all requisite documents and/or statements necessary for the implementation thereof. In the event the Defaulting Shareholder shall abstain, for whatever reason, from voting in favor of all shareholders resolutions necessary to carry out the above, the Defaulting Shareholder shall be deemed to have voted in favor of any decision pertaining to the above.

7.8. In the event that dilution of the Defaulting Shareholder cannot be implemented due to restrictions of applicable law, the Parties shall act as if their Shareholdings have been adjusted according to this Section 7 and accordingly:

7.8.1 the shareholder loans shall be assigned and the rights of repayment of shareholder's loans shall be adjusted in accordance with Section 7.6 above; and

7.8.2 any other rights and obligations conferred upon the holder of Shares (including the rights to dividends and the right to participate in distribution of surplus capital) shall allocated among the Shareholders in accordance with the adjusted Shareholdings as calculated pursuant to this Section 7.

7.9. Costs. Any cost incurred in the process of issuing and allotting additional Shares and assigning shareholder loans pursuant to this Section 7 shall be borne by the Defaulting Shareholder and, if not promptly paid by the Defaulting Shareholder, shall be included in the calculation of Excess Funding above.

7.10. Losses. Any losses and/or obligations the Company has accumulated, by the date of allotment of additional shares to the Contributing Shareholder as the case may be, shall be allocated to the Shareholders pro rata to their Shareholdings prior to the date of allotment of the additional shares.

7.11. For the purposes of this Section 7, Phoenix Insurance and Phoenix Pension shall be deemed one shareholder and, unless the Company is otherwise notified in writing by Phoenix Insurance, any dilution or increase of The Phoenix's Shareholdings shall be made in accordance with Phoenix Insurance's and Phoenix Pension's proportionate shareholdings.

8. **Share Transfer – General**

8.1. Forbidden Transfers.

8.1.1 No Shareholder shall sell, transfer, donate, assign or otherwise dispose of its respective Shares or other securities of the Company, whether by agreement or operation of law (a "**Transfer**") other than pursuant to Sections 8, 9, 10 and 11. Other than with respect to the Initial Shareholders, a Transfer shall include a change in the beneficial interests of or control in the Shareholder.

8.1.2 No Transfer shall become effective unless the transferee has provided the Company and the other Shareholders with a confirmation in writing that it is bound by all terms and conditions of this Agreement.

8.1.3 None of the Shareholders shall be entitled to Transfer their Shares in the Company prior to the expiry of one (1) year as of becoming a Shareholder in the Company.

8.1.4 The Parties agree that only the rights and obligations set forth in this Agreement shall limit the Parties abilities to Transfer Shares. The Parties and the Company hereby waive any right of first refusal, pre-emption right, or other transfer limitations that may be imposed by Applicable Law on the Transfer of the Shares.

8.2. Identity of Third Party Transferee

8.2.1. Notification. A Shareholder desiring to sell its all or part of its Shares (a "**Selling Shareholder**") shall notify the Company and those Shareholders holding more than twenty five percent (25%) of the outstanding Shares (the "**Significant Shareholders**") at least twenty-one (21) days prior to entering into a binding agreement for the sale of such Shares (a "**Transfer Notice**"). The Transfer Notice shall specify, among others:

(a) The number of Shares the Selling Shareholder desires to sell (the "**Offered Shares**");

(b) The consideration per share the Selling Shareholder desires to receive; and

(c) All other material terms and conditions of the desired transaction.

8.2.2. Consent to Share Transfers. Subject to the restrictions set forth below, the consent of Optibase and/or The Phoenix shall be required for any transfer of Shares to a third party if Optibase and/or The Phoenix holds at least twenty percent (20%) of the outstanding Shares and Optibase and The Phoenix together hold at least fifty percent (50%) of the outstanding Shares. If either Optibase or The Phoenix holds fewer than twenty percent (20%) of the outstanding Shares but together Optibase and The Phoenix hold at least fifty percent (50%) of the outstanding Shares, then only the consent of that party holding at least twenty percent (20%) of the outstanding Shares shall be required. Optibase and The Phoenix shall not withhold their consent unless: (a) the transferee lacks good financial standing; (b) the transferee does not comply with all applicable anti-corruption and anti-money laundering laws and regulations; or (c) the transferee is a competitor of the party whose consent is required.

8.3. Lien on Shares. In the event that a Shareholder shall create a lien on its Shares, such Shareholder shall be obligated to inform the lien holder of the obligations under this Agreement. The exercise of the lien shall be deemed a Transfer which is subject to the provisions of Sections, 8, 9, 10, and 11 hereunder.

8.4. In any Transfer of Shares the Transferor shall assign to the Transferee its rights under shareholder loans in proportion to the transferred Shares.

9. **Permitted Transfers**

9.1. Sections 8.2, 10 and 11 shall not apply to the transfer of Shares to a Permitted Transferee.

9.2. For the purposes of this Agreement, a "**Permitted Transferee**" means, an entity or person, as the case may be: (i) in which a Selling Shareholder holds, directly or indirectly, more than fifty percent (50%) of the equity rights and the rights to appoint the directors and/or management thereof, or (ii) which holds, directly or indirectly, more than fifty percent (50%) of the equity rights and the rights to appoint the directors and/or management of the Selling Shareholder, or (iii) in which an entity mentioned in (ii) above holds, directly or indirectly, more than fifty percent (50%) of the equity rights and/or the rights to appoint the directors or management thereof, or (iv) an entity which is controlled, directly or indirectly, by the Selling Shareholder or an entity mentioned in (i), (ii) and (iii) above. A company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs pursuant to a management contract and/or to control the composition of its board of directors or equivalent body, as well as the original Party in the event of a re- transfer.

9.3. If a Shareholder transfers shares to a Permitted Transferee (and the transferor does not voluntarily subject itself to the rights set forth in Sections 8, 9, 10 and 11) and the transferee ceases to be a Permitted Transferee within twelve (12) months of the transfer, then the transferee shall be obligated to re-transfer the Shares to the transferring shareholder within thirty (30) days, on the same terms and conditions as when originally transferred. Following this twelve-month period, any change in the ownership or control of a Permitted Transfer shall be subject to the limitations set forth in Sections 8, 9, 10 and 11 of this Agreement.

10. **Right of First Offer**

10.1. The Significant Shareholders shall have an option, exercisable for a period of twenty one (21) days from the date of delivery of the Transfer Notice (the "**Option Period**"), to purchase not less than all of the Offered Shares for the same consideration per share and on the same terms and conditions set forth in the Transfer Notice. Such option may be exercised by delivering written notice to the Selling Shareholder (the "**Acceptance Notice**").

10.2. In the event that the Significant Shareholders do not exercise the option to purchase all of the Offered Shares during the Option Period, the option to purchase the Offered Shares shall terminate, and the Selling Shareholder shall, subject to Section11 below and Section 8 above be entitled to sell the Offered Shares to a third party within ninety (90) days of the expiration of the Option Period (the "**Sale Period**") upon terms and conditions that are not significantly more favorable to the Selling Shareholder than the terms specified in the Transfer Notice.

10.3. If the Selling Shareholder does not complete the sale of the Offered Shares during the Sale Period, then the Selling Shareholder shall again be obligated to deliver a Transfer Notice and a subsequent sale shall be subject to this Section 10 anew. Notwithstanding the foregoing, if the Selling Shareholder entered in to a binding sale agreement during the Sale Period and the completion of the sale of the Offered Shares is delayed due to a required statutory approval, then the Selling Shareholder shall be entitled to complete the sale according to the terms of the sale agreement even if the completion date occurs after the Sale Period.

11. **Tag Along**

11.1. During the Option Period, a Significant Shareholder may inform the Selling Shareholder in writing that it desires to join in the sale of the Offered Shares (a "**Participation Notice**" and a "**Participating Shareholder**").

11.2. If the Participating Shareholder delivers a Participation Notice, then the Seller shall not enter into a binding sale agreement unless the purchaser of the Shares (the "**Purchaser**") agrees to purchase, on the same terms and conditions, a number of Shares held by the Participating Shareholder that is proportionate to the relative Shareholdings of the Selling Shareholder and the Participating Shareholder.

11.3. If a Significant Shareholder does not deliver a Participation Notice during the Option Period, then the Significant Shareholder will not have a right to participate in the sale of Shares and the Selling Shareholder shall have the right to sell the Shares during the Sale Period.

11.4. If the Selling Shareholder does not complete the sale of the Offered Shares during the Sale Period, then the Selling Shareholder shall again deliver a sale notice which will be subject to the Tag Along rights set forth in this Section 11. Notwithstanding the foregoing, if the Selling Shareholder entered in to a binding sale agreement during the Sale Period and the completion of the sale of the Offered Shares is delayed due to a required statutory approval, then the Selling Shareholder shall be entitled to complete the sale according to the terms of the sale agreement even if the completion date occurs after the Sale Period.

12. **Drag Along**

12.1. If, following the fourth (4th) year anniversary of this Agreement, (i) an offer is made by an Unrelated Third Party (as defined below) (an "**Acquiring Party**") to purchase one hundred percent (100%) of the Shares and a Shareholder holding at least forty percent (40%) of the outstanding Shares agrees in writing to sell its Shares to such Acquiring Party, the remaining shareholder/s shall be obligated, subject to Section 12.2 below, to sell all their Shares to the Acquiring Party on the same terms and conditions proposed by the Acquiring Party**.** For the purposes of this Section 12, the shareholdings of Phoenix Insurance and Phoenix Pension shall be aggregated to determine whether such parties meet the above forty percent (40%) threshold.

12.2. Notwithstanding the foregoing, an Initial Shareholder and a Significant Shareholder will not be obligated to sell its Shares to the Acquiring Party unless the proceeds from such sale, operation costs and transaction costs reflect an Internal Rate of Return (IRR) of at least twenty percent (20%).

12.3. An "**Unrelated Third Party**" shall mean any entity which does not control or which is not controlled by a Significant Shareholder. For the purpose of this section, "control" shall mean holding at least ten percent (10%) of all issued share capital and voting rights and rights to nominate ten percent (10%) of the directors.

13. **Information and Reporting**

13.1. The Company shall prepare and approve quarterly reviewed financial reports and yearly audited financial reports in the form, content and deadlines as required under SEC rules and the Israeli Securities Legislation, and shall provide these reports to its Shareholders, which may incorporate or refer to them in their own financial reports. The Company shall obtain all necessary consents from the Company's accountants in order to effect the foregoing. In any case, both the quarterly and yearly financial reports shall also be prepared in accordance with US GAAP and IFRS. Quarterly financial reports and yearly financial reports, as specified in this Section 13.1, shall be prepared by the Company no later than the 30 days after the last day of the quarter and 60 days after the last day of the year for which such reports are referring to, respectively. Tax reports for the Company shall be submitted by the Company in accordance with applicable law, and not later than March 1st of each calendar year.

13.2. The Real Estate shall be appraised at the end of each calendar year by an experienced appraiser. The identity of the appraiser will be determined by the Parties by mutual consent. The appraiser will provide the Company with a draft report, regarding its reevaluation of the Real estate, no later than the 15th of December, and a signed copy of such report no later than the 31st of December of each calendar year.

13.3. The outstanding loan at the date hereof, granted to the Subsidiary by Credit Suisse, or any other loan granted to the Subsidiary as of the date hereof which shall either replace the outstanding loan or be in addition thereto (collectively the "**Loans**"), shall be appraised at the end of each calendar year, by an experienced assessor, the identity of whom will be determined by the Parties by mutual consent. Such reevaluations of the Loans shall be submitted by the assessor no later than the 15th of December, and a signed copy of such reevaluations report no later than the 31st of December of each calendar year.

13.4. The Company shall provide the Shareholders, on a monthly basis, reports about the ongoing activity of the Company, in a format to be agreed between the Parties.

13.5. The Company will provide the Shareholders with a yearly budgetary report, in accordance with the specifications, determinations and requirements of the Shareholders, no later than the first day of December, for each calendar year.

13.6. Without derogating from the foregoing, upon a written request thereto by any of the Shareholders, the Company shall provide the Parties with the requested information on the Company's activities.

13.7. Immediately upon receipt of a notice from the relevant authorities or any third party that a suit, action, claim, charge, cause of action or procedure has been commenced, the Company shall inform that Shareholders thereof.

14. **Dividend Distribution**

14.1. The Parties agree that the Company will not distribute dividends to the Shareholders until the Company has first repaid all outstanding Default Loans including any unpaid Accrued Interest thereon.

14.2. Subject to the limitations set forth herein, the Company shall distribute to its Shareholders all funds that are available for distribution as dividends (and shall cause the Subsidiary to act in the same manner). Notwithstanding the foregoing, the Company shall at all times maintain funds in the Subsidiary that are necessary for the operation of the Property for a period of at least six (6) months.

15. **Representations and Warranties**

15.1. As of the date hereof, each Party represents and warrants to the other Party that:

15.2. It is duly organized, validly existing and in good standing under the applicable laws of the state of its incorporation.

15.3. The execution and delivery by it of this Agreement has been duly authorized by all requisite corporate action and this Agreement and the obligations and resulting transactions contemplated hereby, constitute valid and legally binding obligations with respect thereto, enforceable against it in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, debtor relief or similar laws affecting the rights of creditors generally and by general principles of equity.

15.4. It is not subject to any restriction, obligation, agreement, law or order which prohibits or would be violated by the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated herein or pursuant to which the consent of any person or authority is required.

15.5. It is not subject or party to any civil, criminal, administrative, or investigative proceeding which may adversely affect or challenges the legality, validity or enforceability of the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby.

15.6. No administrator, examiner, receiver, liquidator, trustee or similar officer has been appointed with respect to it or any of its assets and no action by any third party or governmental authority for its winding-up, liquidation or dissolution is pending or threatened.

15.7. It has no contract, understanding, agreement or arrangement with any person to transfer or grant a participation or right to any person, with respect to any interests in the Company.

16. **Non-Disclosure**

No Party shall, without the express prior written consent of the other Party, directly or indirectly, disclose or divulge to any other person or entity any proprietary, confidential, sensitive or trade secret information of or concerning the Company or its past, present or future business activities, operations, condition or affairs ("**Confidential Information**") nor shall any Party, directly or indirectly, make use of any Confidential Information which is for its own benefit or the benefit of a third party. Confidential Information does not include information that: (a) is or becomes publicly available other than as a result of a breach of this Agreement or other obligations of confidentiality imposed on such Party; (b) is already known or rightfully received by the Party free of restriction and without breach of this or any other obligation. Nothing herein shall be construed to prohibit disclosure of Confidential Information to legal or regulatory authorities under compulsion of legal process, provided, however, that the Party promptly notifies the other Party and cooperates with the Company so that all action legally permissible shall be taken by the Party compelled to produce or disclose Confidential Information to limit the nature and extent of the disclosure of Confidential Information, solely to the persons and for the purposes required by said law or regulation. Nothing in this section shall prohibit the Parties from including the results from operations of the Company in the appropriate financial statements of such Party as required by applicable accounting rules.

17. **Termination**

17.1. This Agreement shall terminate on the earlier of the dates on which: (i) all the Shares are held by one and the same shareholder or a third party; (ii) an IPO of the Company is consummated; (iii) the consolidation or merger of the Company with or into a third party, resulting in the Company not being the surviving entity immediately after the consummation of such transaction is consummated; (iv) the Parties mutually agree in writing this Agreement is terminated; or (v) with respect to a Party, upon a liquidator, trustee in bankruptcy, receiver or other similar officer being appointed to or over such Party or otherwise seizing control over all or a substantial part of the assets of such Party, provided that a notice of termination has been given by the other Parties.

17.2. Upon termination of this Agreement, all further obligations of the Parties under this Agreement shall terminate, provided however that no Party shall be relieved of any obligation that accrued prior to such termination or of any liability arising from any prior breach by such Party of any provision of this Agreement.

18. **Articles of Association**

The provisions of this Agreement, regulating the legal relationship between Phoenix Pension, Phoenix Insurance and Optibase as shareholders and between themselves and the Company shall be included in the Company's Articles of Association. In the event of conflicts arising between this Agreement and the Articles of Association of the Company, the provisions of this Agreement shall prevail and regulate the rights and obligations of the Parties between themselves.

The Parties agree to cause the Subsidiary to adopt Articles of Association that reflect the terms of this Agreement which pertain to the Subsidiary, including without limitation, with respect to the provisions of Section 5 hereunder.

19. **Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of Israel except for matters which pertain strictly to corporate issues which are required by the laws of the Great Duchy of Luxemburg to be governed by and construed in accordance with the laws of the Great Duchy of Luxemburg (respectively, the "**Applicable Law**").

20. **Settlement of Disputes; Arbitration.**

20.1. The Parties shall endeavor to settle amicably any dispute, controversy or claim (collectively "**Dispute**") arising out of or in connection with this Agreement, its interpretation and implementation. If the Parties cannot settle such Dispute within fourteen (14) days they shall refer the dispute to the CEO's of the Parties. If the CEO's will not reach an agreement within fourteen (14) days as of the Dispute being referred to them, such Dispute may be referred to arbitration by any of the Parties and the provisions of Section 20.2 shall apply.

20.2. The Parties hereby agree and acknowledge that any disputes or disagreements and/or differences of opinion whatsoever, about any matter related to or in connection with this Agreement, including, without limitation, regarding the interpretation, performance or violation thereof (and including in connection with the jurisdiction of the Arbitrator pursuant to this clause), not resolved pursuant to the provisions of sub-section 20.1 above shall be considered and determined by arbitration proceedings before an arbitrator to be selected by the Parties.

20.3. In the event that the Parties are unable to agree on an arbitrator, then each Party shall designate a representative which is an experienced arbitrator in Israel. The Parties' representatives shall meet and agree upon the identity of a third party who shall serve as the arbitrator for the Parties' dispute.

20.4. The arbitration shall take place in Tel-Aviv, Israel. The language to be used in arbitration shall be Hebrew provided however that if the Company is a Party to the dispute the language to be used in the arbitration procedures shall be English. An arbitral award made hereunder shall be final and the Parties agree to carry out such award without delay. Any arbitral award made hereunder may be entered into the court of competent jurisdiction for executing thereof.

20.5. This arbitration clause under this Section 20 shall be treated as an arbitration contract between the Parties for all intents and purposes and the provisions of the Israeli Arbitration Law of 1968 (the "**Arbitration Law**") shall be applied to the arbitration proceedings and the Arbitrator, unless the Parties expressly agree to the contrary.

20.6. Prior to the beginning of the arbitration proceedings, the Arbitrator shall disclose to the Parties any and all information concerning his/her direct and/or indirect relationships with any of the Parties, their stockholders and/or their affiliates, whatever they may be, and after hearing each side's objections concerning any such relationships, and his/her ability to arbitrate objectively, the Arbitrator shall determine whether or not he/she is capable to continue in his/her capacity as the Arbitrator.

20.7. In any arbitration or legal dispute arising hereunder, the prevailing party shall be entitled to recovery of its legal costs and fees, and an award of these fees shall be included in the Arbitrator's findings.

20.8. The Arbitrator shall record its decision in writing stating the basis and grounds thereof, and shall take its decisions entirely on the basis of the substantive law of the State of Israel and shall be subject to any evidence rules and/or regulations and the procedures rules and regulations. The Arbitrator shall not have the power to perform any provisions of this Agreement or to impose any obligation on any of the Parties, or take any other action, which could not be imposed or taken by a court in the State of Israel. The decision of the Arbitrator shall be final to the fullest extent permitted by law and a judgment by any court of competent jurisdiction may be entered thereon. The Parties shall keep the proceedings and any decision made by the arbitrator in confidence, except to the extent necessary to enforce a decision of the Arbitrator by judicial proceedings.

20.9. Any of the Parties shall be entitled to request to appeal any arbitration ruling given by the Arbitrator before a duly authorized court, if that Party believes that the Arbitrator has made a basic error in the application of the law that could result in a miscarriage of justice. The appeal process and procedures shall be governed by Section 29B of the Arbitration Law.

20.10. The Arbitrator or the Parties shall be entitled to nominate an expert to rule on certain issues in connection with the arbitration proceedings, whose decision shall be final and binding upon the Parties, and shall not be subject to any arbitration proceedings.

20.11. The Arbitrator's fees shall be paid by the Parties, shared equally between them, unless the Arbitrator rules otherwise.

21. **Jurisdiction.**

Subject to Section 20, the competent courts of Tel-Aviv, Israel shall have exclusive jurisdiction concerning any matter arising out of this Agreement or which, under the laws of Israel the competent court has auxiliary authority to that of the arbitrator.

22. **Miscellaneous**

22.1. Entire Agreement. This Agreement and all agreements and instruments to be delivered by the Parties pursuant hereto, represent the entire understanding and agreement between the Parties hereto with respect to the subject matter hereof and supersede all prior oral and written and all contemporaneous oral negotiations, representations, commitments and understandings between such Parties not contained in this Agreement.

22.2. Amendments, Waivers and Modifications. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Parties.

22.3. Negotiations. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

22.4. Delays or Omissions; Waiver. No delay or omission to exercise any right, power, or remedy accruing to any of the Parties upon any breach or default by the other Party under this Agreement shall impair any such right or remedy nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein or in any similar breach or default thereafter occurring.

22.5. Severability. Any provision of this Agreement which is invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions hereof in such jurisdiction or rendering any other provision of this Agreement invalid, illegal or unenforceable in any other jurisdiction, provided that such invalidity does not undermine the purpose and intent of this Agreement.

22.6. Notices. Any notice, consent, authorization, designation and request and other communication required or permitted to be given under this Agreement shall be:

i. in writing;

ii. addressed to the Party to be notified at the following address and numbers, unless otherwise notified by the Party to be notified:

if to Optibase to:
Optibase Ltd.
7 Shenkar Street
Herzliya 46725, Israel

With a copy to:
Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co.
One Azrieli Center, Round Building, 39th Floor
Tel-Aviv 67021, Israel
Attention: Lawrence Sternthal, Adv.

if to The Phoenix to:
The Phoenix Israel Insurance Company Ltd.
53 Derech Hasalom
Givatayim 53454, Israel

If delivered personally, shall be deemed to have been delivered upon delivery;

If sent by mail, shall be deemed to have been delivered 72 hours after the delivery thereof to the post office; and

If sent by facsimile or any other electronic mean, shall be deemed to have been delivered upon the receipt of any proof of receipt of such facsimile or electronic means by the recipient.

22.7. No Third Party Beneficiary. None of the provisions of this Agreement shall be construed as existing for the benefit of any creditor of the Company or the Shareholders or for the benefit of any other person, and no provision shall be enforceable by a party not a signatory to this Agreement.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, this Agreement has been duly executed by the Parties hereto as of and on the date first above written.

OPTIBASE LTD.

By: */s/ Tom Wyler*
Name: Tom Wyler
Title: President and CEO

By: */s/ Alex Hilman*
Name: Alex Hillman
Title: Chairman of the Board of Directors

By: */s/ Amir Philips*
Name: Amir Philips
Title: Chief Financial Officer

THE PHOENIX PENSION AND PROVIDENT FUND LTD. ON BEHALF OF AND IN THE NAME OF THE PHOENIX COMPREHENSIVE PENSION

By: */s/ Eyal Lapidot*
Name: Eyal Lapidot
Title: CEO

By: */s/ Gady Greenstein*
Name: Gady Greenstein
Title: CIO

THE PHOENIX INSURANCE COMPANY LTD.

By: */s/ Eyal Lapidot*
Name: Eyal Lapidot
Title: CEO

By: */s/ Gady Greenstein*
Name: Gady Greenstein
Title: CIO

The Company hereby acknowledges and agrees to the terms of this Shareholders Agreement and undertakes to perform all the obligations of the Company under this Agreement including, without limitation, in order to give effect to the Parties' undertakings hereunder.

OPCTN S.A.

By: */s/ Alex Hilman*
Name: Alex Hillman
Title: Member of the Board of Managers

By: */s/ Yves Mertz*
Name: Yves Mertz
Title: Member of the Board of Managers

By: */s/ Detlef Xhonneux*
Name: Detlef Xhonneux
Title: Member of the Board of Managers

Exhibit 4.14

Agreement no.: 3301854000

LOAN AGREEMENT

between

Optibase Bavaria GmbH & Co KG,
c/o McCafferty, Maximilianstraße 47, 80538 Munich, Germany

(hereinafter referred to as the "Borrower")

and

Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft
Postal address: Rosenstraße 2, 20095 Hamburg

Sales tax ID no.: DE811141281

(hereinafter referred to as the "Bank")

1. Loan amount

The Bank shall grant the Borrower a loan in the amount of

€ 21,000,000.00

(in words: twenty-one million euros)

2. Net loan amount

The loan shall be awarded at a payout price of 100%.

The one-off, immediately owed, not term-related processing fee totals 0.55% of the loan amount of € 21,000,000.00, i.e. € 115,500.00 (see Clause 5.2).

Please also see Clause 5.2 for the costs that must be paid to the Bank, and Clause 5.3 for the other costs.

3. Purpose

3.1 The loan shall partially serve as collateral for the purchase price for a portfolio consisting of 27 commercial properties (food markets operated by EDEKA Südbayern GmbH (22) and Buchbauer GmbH (5)) in Bavaria (26) and Saxony (1) with the following addresses (see **Appendix 1** for details), whereby the loan shall not include one property (Salzweg), since it will no longer be operated:

1	93176	Beratzhausen	Staufferstraße 7
2	93413	Cham	Darsteiner Str. 10
3	93167	Falkenstein, S-A	Regensburger Str. 12
4	84140	Gangkofen	Frontenhausener Str. 2c
5	85049	Ingolstadt	Krumenauer Str. 58
6	87437	Kempten-Lenzfried	Wettermannsberger Weg 1
7	86438	Kissing	Bahnhofstr. 40c
8	93462	Lam	Arberstr. 76
9	83661	Lenggries	Bergbahnstraße 5
10	92431	Neunburg v. Wald	Ambergerstr. 14
11	09465	Neudorf (Sehmatal)	Crottendorfer Straße 3
12	93081	Obertraubling	Edekastr. 5
13	87772	Pfaffenhausen	Industriestr. 4
14	85298	Scheyern	Fernhager Str. 1-3
15	94508	Schöllnach	Leutzing 2
16	94518	Spiegelau	Konrad Willsdorf-Str. 1a
17	94234	Viechtach	Mönchshofstr. 60
18	94161	Ruderting	Passauer Straße 26 a
19	94107	Untergriesbach	Kreuzwiesenweg 1
20	94538	Fürstenstein	Vilshofener Str. 13
21	94110	Wegscheid	Passauer Straße 78
22	93192	Rossbach (Wald)	Bahnhofstraße 1
23	94269	Rinchnach	Herrenmühle 2
24	93466	Chamerau	In der Grube 2
25	94060	Pocking	Marktplatz 5b
26	94575	Windorf (Hidring)	Turmstraße 2a

(hereinafter referred to as the "**Mortgage Property**" or "**Mortgage Properties**")

wherein the total financing is calculated as follows (in accordance with the Borrower's calculation of 28 November 2014):

Purchase price financed properties	€	29,550,000.00
Purchase price Salzweg	€	200,000.00
Ancillary acquisition costs	€	2,200,000.00
Extension Lenggries	€	600,000.00
Total cost	€	32,550,000.00
less equity	€	11,550,000.00
Total financing	€	21,000,000.00

Deviations from the financing structure described here are only possible with the prior written approval of the Bank.

4. Term and repayment

4.1
The loan has a term of 5 years.

Irrespective of the other provisions in this Agreement, the loan for € 21,000,000.00 shall fall due for repayment no later than on 31 May 2020 for the amount of the remaining capital valued at that time.

4.2
The loan must be repaid in quarterly instalments after payout, i.e., in the amount of € 105,000.00 on 31 March, 30 June, 30 September, and 31 December of each year.
If a payment falls due on a day that is not a bank workday, the payment date shall be shifted to the following bank workday in the same calendar month, or to the immediate preceding bank workday in the event that the next bank workday falls in the following month ("modified following").

The month is calculated with the exact days and the year is calculated with 360 days (act/360). Applicable holiday calendar is the TARGET calendar.

4.3 Allocated Loan Amounts (ALA) and Release Amounts in the case of a sale of individual Mortgage Properties

The Mortgage Properties individually listed in Clause 3.1 are Allocated Loan Amounts (ALA) of the loan amount stated in Clause 1 ("Initial ALA"). The following table provides the corresponding amounts.

Mortgage property	Initial ALA	Minimum
	in €	Release amounts in €
1. Beratzhausen	550,545	660,700
2. Cham	1,664,589	1,997,500
3. Falkenstein, S-A	900,303	1,080,400
4. Gangkofen	997,458	1,197,000
5. Ingolstadt	647,700	777,200
6. Kempten-Lenzfried	1,424,940	1,709,900
7. Kissing	1,198,245	1,437,900
8. Lam	654,177	785,000
9. Lenggries	2,169,795	2,603,800
10. Neunburg v. Wald	492,252	590,700
11. Neudorf (Sehmatal)	602,361	722,800
12. Obertraubling	615,315	738,400
13. Pfaffenhausen	777,240	932,700
14. Scheyern	770,763	924,900
15. Schöllnach	744,855	893,800
16. Spiegelau	848,487	1,018,200
17. Viechtach	459,867	551,800
18. Ruderting	1,418,463	1,702,200
19. Untergriesbach	667,131	800,600
20. Fürstenstein	417,767	501,300
21. Wegscheid	764,286	917,100
22. Rossbach (Wald)	825,818	991,000
23. Rinchnach	408,051	489,700
24. Chamerau	474,116	568,900
25. Pocking	194,310	233,200
26. Windorf (Hidring)	310,896	373,100

In the case of a divestiture of individual Mortgage Properties prior to the final maturity date, a Release Amount must be paid for the release of the property-specific collateral. The Release Amount is determined by the higher of the following alternatives:

a) the minimum Release Amount listed in the table, and
b) 75% of the generated net sales proceeds for the corresponding Mortgage Property after the deduction of the standard costs and taxes in connection with the sale. The Bank reserves the right to request proof of the costs and taxes.

The respective Release Amount may not be more than the total from the loan amounts still outstanding on the respective release date plus owed interest, fees, other costs from this Agreement and the exit fee in accordance with Clause 5.5 and the refinancing damage in accordance with Clause 5.6 of this Agreement.

After the respective Release Amount plus allocated interest, fees, other costs from this Agreement and the exit fee in accordance with Clause 5.5, and the refinancing loss in accordance with Clause 5.6 of this Agreement have been received in the loan account, the Bank shall release the respective property-specific collateral (if need be, through a trustee by concluding an appropriate trustee agreement prior to the receipt of the Release Amount).

The provisions in this Clause 4.3 shall not apply if the sale of one or more Mortgage Properties and a corresponding partial repayment of the loan means that the DSCR ratio in accordance with Clause 9.1 and/or the LTV ratio in accordance with Clause 9.2 cannot be observed. In this case, the Bank reserves the right to refuse approval for the sale of these Mortgage Properties.

The provisions in this Clause 4.3 shall not apply if the Bank terminated the loan, irrespective of the reasons for termination.

5. Conditions

5.1.1 The loan shall bear interest from the closing date/partial closing date; if the payout takes place through a trustee, it shall bear interest from the date of the transfer to the trustee.

The loan shall bear interest at an amount of 1.75% p.a. above the 3 month EURIBOR from the closing date. The Bank shall set the interest rate for each interest period on the basis of the 3 month EURIBOR published by Reuters two bank workdays before the first payout or the expiration of the current interest period at approx. 11:00 am MEZ and notify the Borrower immediately thereof. In deviation from this, the interest periods shall end in each case on the repayment days or on the final maturity date as specified in accordance with Clause 4. If interest periods of less than 3 months result, the EURIBOR for this time period shall form the basis of the interest calculation.

If the interest rate is calculated on the basis of the EURIBOR and no EURIBOR interest rate exists at the agreed point in time, the interest rate for the selected interest period shall be 1.75% p.a. above the Bank's interbank bid rate for term loans with a corresponding term.

If the reference interest rate falls below zero, it is considered to be set at zero.

The Borrower shall be obligated to limit the interest burden (including margin) for the loan to a maximum of 2.50% p.a. (2.5% per year) by concluding a suitable interest rate hedge before the first payout of the loan.

(a) A suitable interest rate hedge is an interest rate hedge derivative (e.g., swap, cap or other financial derivatives) on the basis of the German Framework Agreement for Financial Forward Transactions (Deutschen Rahmenvertrages für Finanz-termingeschäfte // DRV).

(b) The *suitable interest rate hedge* must be guaranteed and maintained until the *last day of repayment*.

(c) The *suitable interest rate hedge* should be agreed, preferably, with DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main. The Borrower may also conclude the derivative with another bank if this other bank is a bank with at least an A+ rating (for current, non-subordinated, uncollateralized liabilities) from a recognized rating agency. Any (incl. subordinate) hedging by another bank with respect to the collateral pledged for the loan by the Bank is prohibited.

(d) If a (partial) repayment – besides the *regular repayments* – of a hedged amount takes place prior to the expiration of the term for the *suitable interest rate hedge*, the *suitable interest rate hedge* shall be closed for the amount repaid prematurely. The *suitable interest rate hedge* must also be closed if the loan is not accepted in part or in full.

(e) For the conclusion of the interest rate hedge with DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, the Borrower shall place an order with the Bank, in accordance with the appendix 2, for the assumption of the guarantees listed in more detail there prior to the conclusion of the interest rate hedge.

(f) The Bank is released from bank secrecy with respect to DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, in the case of an interest rate hedge.

(g) All the collateral that is assigned for this loan also serves to secure the claims of the Bank from the suitable interest rate hedge as well as the claims of the Bank against the Borrower due to the assumed guarantees in accordance with letter (e).

(h) The rights and claims on account of the *suitable interest rate hedge* are to be assigned or pledged to the Bank (in each case in accordance with the Bank's form).

The conclusion of an interest rate hedge is a requirement for payout in accordance with Section 10.

5.1.2 The requirements stipulated in Clauses 8.2, 8.3 and 10.2 (requirements for mortgage loans, e.g. proof of insurance, appraisal with mortgage valuation, ranked, real collateral pursuant to Sections 12-16 of the German Covered Bond Act (PfandbG) must be met by 30 June 2015. If this deadline is not complied with, the Bank shall calculate additional interest of 0.14% p.a. on the share of the loan amount (weighted by mortgage value less recognised prior encumbrances) until the fulfilment of the requirements specified in Clause 10.2. This shall be calculated on the remaining capital at the end of the quarter. If the requirements are met in the course of the quarter, a proportionate calculation shall be made. With regard to the documents/proof, costs may be incurred under certain circumstances that are described in more detail in Clause 10.2.

5.1.3 The interest shall fall due at the end of each quarter for the previous quarter on 31 March, 30 June, 30 September and 31 December of each year.
If a payment falls due on a day that is not a bank workday, the payment date shall be shifted to the following bank workday in the same calendar month, or to the immediate preceding bank workday in the event that the next bank workday falls in the following month ("modified following").
The month is calculated with the exact days and the year is calculated with 360 days (act/360).

5.2 Costs to be paid to the Bank:

Commitment fee:

0.30% p.a. on the loan amount for which a contractual commitment has been made, but the conditions of which have not been finalised, beginning on 1 June 2015.

The commitment fee is calculated proportionately and quarterly for the preceding quarter.

Processing fee:
In addition, a one-off, individually negotiated processing fee in the amount of € 115,500.00 must be paid (see Clause 2).

Appraisal costs:
Furthermore, the Borrower shall incur appraisal costs in the amount of € 70,000.00.

5.3 Other costs

The Borrower shall also bear the costs – not known to the Bank upon conclusion of the Agreement – for fire, drinking water and storm damage insurance, for notary insurance and for other insurance concluded in connection with this Loan Agreement, all the costs incurred in connection with collateralising the loan with mortgages, particularly the notary and land register costs in accordance with the statutory provisions, and the costs to be paid to guarantors in the case of a guaranteeing of the loan, brokerage commissions for the brokers used by the Borrower.

5.4 Non-acceptance damage

If the Borrower does not accept the loan in full or in part contrary to its contractual obligations, the Borrower must compensate the Bank for the contractually agreed, incurred arrangement fees, commitment fees and the processing fees as well as the damage arising from the failure to accept.

5.5 Exit fee

Upon provision of the loan, the Bank assumes a total term for the loan of up to the final maturity date. For premature, partial or full repayment, the Borrower shall pay the Bank an exit fee in addition to the damage incurred from the premature repayment (in accordance with Clause 5.6).

The amount of this exit fee is 0.30% per remaining year of the term, calculated from the beginning of the interest commitment period following the premature repayment and on the basis of the respective Release Amount.

5.6 Compensation / Fee for premature payment

If the loan falls due in full or in part prior to the end of the interest commitment period, the Borrower shall compensate the Bank for possible damage incurred due to premature repayment.

5.7 The services here involve financial services not subject to the value-added tax.

6. Payout

The payout of the loan and the billing shall take place in accordance with the special payment instructions that must be presented at least 4 bank workdays before payout by the Bank. Two payouts are possible.

7. Collateral

To secure all the current and future claims of the Bank from this Loan Agreement, along with interest and all other ancillary claims, the Bank is assigned the following collateral:

7.1 Mortgages

1. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a (registered) senior mortgage in the amount of € 660,700.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Beratzhausen Land Register at the Regensburg Local Court, Volume 59, Page 2073, Section III, with utilisation of the reservation of rank senior to Section II No. 5 and 6, with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 5 - Right to operate a business
Section II, No. 6 - Pre-emptive right
Section II, No. 7 - Waste water pipeline right
Section II, No. 8 - Right of passage and way
Section II, No. 9 - Right of passage and way
Section II, No. 10 - Prohibition to develop clearance space
Section II, No. 11 - Prohibition to develop clearance space
Section III: -None-

2. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 1,997,500.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Cham Land Register at the Cham Local Court, Volume 132, Page 4731, Section III, and in the Cham Land Register at the Cham Local Court Volume 143, Page 5148, Section III with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Page 4731:
Section II, No. 3 - Waste water pipeline right
Section II, No. 4 - Water pipeline right
Section II, No. 6 - Right to use the property for commercial purposes
Section II, No. 7 - Conditional pre-emptive right for all cases of sale

Page 5148
Section II, No. 3 - Waste water pipeline right
Section II, No. 4 - Water pipeline right
Section II, No. 5 - Electricity and street lighting cable right
Section II, No. 7 - Right to use the property for commercial purposes
Section II, No. 8 - Conditional pre-emptive right for all cases of sale

In each case: Section III: -None-

3. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 1,080,400.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Falkenstein Land Register at the Cham Local Court, Page 1849, Section III, with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (See Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 1 - Right of way
Section II, No. 2 - Right of passage and way
Section II, No. 3 - Waste water plant operation right
Section II, No. 4 - Right to use the property for commercial purposes
Section II, No. 5 - Conditional pre-emptive right for all cases of sale

Section III: -None-

4. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 1,197,000, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Gangkofen Land Register at the Eggenfelden Local Court, Page 2715, Section III, with subjection to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 1 - Commercial operation limitation
Section II, No. 2 - Commercial operation right
Section II, No. 3 - Conditional pre-emptive right for all cases of sale

Section III: -None-

5. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (certified) mortgage in the amount of € 777,200.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Ingolstadt Partial Ownership Land Register at the Ingolstadt Local Court, Volume 812, Page 34277, Section III, with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 2 - Substation as well as high voltage and low voltage power lines
Section II, No. 4 - Commercial operation right
Section II, No. 5 - Conditional pre-emptive right for all cases of sale

Section III: -None-

6. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 1,709,900.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the St. Mang Land Register at the Kempten Local Court (Allgäu), Volume 188, Page 6315, Section III, with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 1 - Electricity plant operation right
Section II, No. 4 - Right to operate a commercial business
Section II, No. 5 - Conditional pre-emptive right for all cases of sale
Section III: -None-

7. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 1,437,900.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Kissing Land Register at the Aichach Local Court, Volume 206, Page 7591, Section III, with subjugation to immediate enforcement for the encumbered properties and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 2 - Vehicle parking right
Section II, No. 4 - Commercial right of use
Section II, No. 5 - Conditional pre-emptive right for all cases of sale
Section III: -None-

8. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 785,000.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Lam Land Register at the Cham Local Court, Kötzting Branch, Volume 55, Page 2261, Section III, with subjugation to immediate enforcement for the encumbered properties and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 1 - Right of passage and way
Section II, No. 2 - Utility line connection rights
Section II, No. 3 - Construction limitation
Section II, No. 5 - Commercial right of use
Section II, No. 6 - Conditional pre-emptive right for all cases of sale
Section III: -None-

9. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 2,603,800.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Lenggries Land Register at the Wolfratshausen Local Court, Page 6383, Section III, with subjugation to immediate enforcement for the encumbered properties and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 2 - Flood waste water diversion canal right
Section II, No. 3 - Right of passage and way
Section II, No. 4 - Pipeline right
Section II, No. 5 - Right of passage and way
Section II, No. 7 - Product sales right
Section II, No. 8 - Conditional pre-emptive right for all cases of sale
Section II, No. 9 - Right of passage and way
Section II, No. 10 - Substation right
Section III: -None-

10. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 590,700.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Neunburg v. W. Land Register at the Schwandorf Local Court, Volume 82, Page 3349, Section III, with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 1 - Right of passage and way
Section II, No. 3 - Right to use the property for commercial purposes
Section II, No. 4 - Conditional pre-emptive right for all cases of sale
Section III: -None-

11. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 722,800.00, along with 15% p.a. interest and 10% one-off ancillary payment, is entered in the Neudorf Land Register at the Marienberg Local Court, Annaberg.-B Branch, Page 888, Section III, with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 1 - Water pipeline right
Section II, No. 2 - Right of passage and way
Section II, No. 4 - Business operation right
Section II, No. 5 - Conditional pre-emptive right for all cases of sale
Section III: -None-

12. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 738,400.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Obertraubling Land Register at the Regensburg Local Court, Page 2944, Section III, with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 1 - Substation construction and high voltage power line right
Section II, No. 2 - Commercial business operation right
Section II, No. 3 - Conditional pre-emptive right for all cases of sale
Section III: -None-

13. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior mortgage in the amount of € 932,700.00, along with 15% p.a. interest and 10% one-off ancillary payment, is entered in the Pfaffenhausen Land Register at the Memmingen Local Court, Volume 29, Page 1075, Section III, with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be higher than the mortgage in rank.

Section II, No. 4 - Right to operate a commercial business
Section II, No. 5 - Conditional pre-emptive right for all cases of sale
Section III: -None-

14. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 924,900.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Scheyern Land Register at the Pfaffenhausen Local Court, Volume 45, Page 1580, Section III, with subjugation to immediate enforcement for the encumbered properties and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be higher than the mortgage in rank.

Section II, No. 2 - Commercial right of use
Section II, No. 3 - Conditional pre-emptive right for all cases of sale
Section III: -None-

15. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 893,800.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Schnöllnach Land Register at the Deggendorf Local Court, Page 2341, Section III, and Page 6737 in Section III with subjugation to immediate enforcement for the encumbered properties and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be higher than the mortgage in rank.

Section II, No. 2 - Commercial right of use
Section II, No. 3 - Conditional pre-emptive right for all cases of sale
Section III: -None-

16. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 1,018,200.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Klingenbrunn Land Register at the Freyung Local Court, Volume 58, Page 1982, Section III, with subjugation to immediate enforcement for the encumbered properties and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be higher than the mortgage in rank.

Section II, No. 1 - Renovation notation (no rank)
Section II, No. 3 - Commercial right of use
Section II, No. 4 - Conditional pre-emptive right for all cases of sale
Section III: -None-

17. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 551,800.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Viechtach Land Register at the Viechtach Local Court, Volume 84, Page 3109, Section III, with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 1 - Right of passage and way
Section II, No. 10 - Commercial right of use
Section II, No. 11 - Conditional pre-emptive right for all cases of sale
Section III: -None-

18. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 1,702,200.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Ruderting Land Register at the Passau Local Court, Volume 57, Page 2131, Section III, with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 1 - High voltage power line right
Section II, No. 2 - Electricity and telephone line right
Section II, No. 3 - Rainwater and waste water diversion right
Section II, No. 4 - Right of way
Section II, No. 5 - Right of passage and way
Section II, No. 6 - High voltage power line right
Section II, No. 7 - Waste water pipeline right
Section II, No. 8 - Right of passage and way
Section II, No. 10 – Commercial right of space utilization
Section II, No. 14 - Notice of conveyance for municipality partial surface 130 sqm
Section II, No. 15 - Right of passage and way
Section II, No. 17 - Right of passage and way
Section III: -None-

19. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 800,600.00 along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Untergriesbach Land Register at the Passau Local Court, Volume 46, Page 1725, Section III, with subjection to immediate enforcement for the encumbered property and under acceptance of the personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 1 - High voltage power line right
Section III: -None-

20. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 501,300.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Fürstenstein Land Register at the Passau Local Court, Volume 80, Page 3199, Section III, with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

No entry in Section II or Section III of the Land Register may precede the mortgage.

21. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 917,100.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Eidenberg Land Register at the Passau Local Court, Volume 17, Page 696, Section III, with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 1 - Water pipeline right
Section III: -None-

22. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 991,000.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Wald Land Register at the Cham Local Court, Page 1662, Section III, with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

No entry in Section II or Section III of the Land Register may precede the mortgage.

23. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 489,700.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Kasberg Land Register at the Viechtach Local Court, Volume 24, Page 714, Section III, with subjugation to immediate enforcement for the encumbered properties and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

No entry in Section II or Section III of the Land Register may precede the mortgage.

24. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 568,900.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Chamerau Leasehold Estate Land Register at the Cham Local Court, Volume 38, Page 1507, Section III, with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 1 - Leasehold estate rent
Section II, No. 2 - Pre-emptive right for all owners
Section III: -None-

25. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 233,200.00, along with 15% p.a. interest and a 10% one-off ancillary payment, is entered in the Hartkirchen Land Register at the Passau Local Court, Volume 41, Page 1640, Section III, with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 1 - Cable line right
Section II, No. 2 - Right of passage and way and parking space co-use right
Section III: -None-

26. It shall be necessary to ensure, within three months after the conclusion of the Agreement, that a senior (registered) mortgage in the amount of € 373,100.00, along with 15% p.a. interest and 10% one-off ancillary payment, is entered in the Otterskirchen Land Register at the Passau Local Court, Vilshofen Branch, Volume 50, Page 1627, Section III, with subjugation to immediate enforcement for the encumbered property and under acceptance of personal liability by the Borrower and with subjugation to immediate enforcement with respect to all the assets of the Borrower (see Clause 7.2).

Only the following entries may be senior to the mortgage in rank:

Section II, No. 1 - Waste water pipeline right
Section II, No. 2 - Right of passage and way
Section III: -None-

The Borrower shall be obligated, upon request by the Bank, to approve a conversion of the registered mortgages to certified mortgages.

The claims to restitution of the mortgages serving as collateral for the loan may only be transferred with the approval of the Bank.

7.2 Executable abstract promise of payment

The Borrower must assume personal liability for the payment of a monetary sum in the amount of € 21,000,000.00 and is subject to immediate enforcement with respect to all its assets in this regard. This can also be met in that the Borrower assumes personal liability for the sum of the mortgage amount in the respective mortgage assignment deed and is consequently subject to immediate personal enforcement proceedings with respect to all its assets.

The Bank may enforce the personal liability independently of the entry and continuation of the mortgages as well as without previous enforcement with respect to the Mortgage Property.

7.3 Furthermore, the following collateral is assigned:

- Assignment of rights and claims from the suitable **interest rate hedge** concluded with DZ BANK AG in accordance with Clause 5.1.1.

- Assignment of **rent claims** from all lease agreements concluded or to be concluded with regard to the Mortgage Properties. In deviation from the provisions of the concluded or still-to-be-concluded rent assignment agreements, the Bank is in agreement, until further notice, that the rents are to be paid into certain accounts to be determined by the Borrower/Pledger and incoming payments in accounts at other banks shall not be transferred to an account of the Bank. With respect to incoming payments on accounts at other banks, all bank statement copies of the rental accounts are to be submitted to the Bank upon request. The Bank is authorised at any time to enforce its rights and claims from the rent assignment agreement and to specify an account where the rental payments shall be deposited.
The Borrowers/Pledgers are obligated to obtain the consent of the Bank before reaching an agreement on rental prepayments, postponements and offsetting.

- Pledging the credit balance on the **accounts** set up/to be set up **for the incoming rental payments** to the Bank (in accordance with the Bank's form). The pledge must be reported to the bank where the account is held and confirmed by it.

- Assignment of rights and claims from the **building insurance** (in accordance with the Bank's form) for the risks of fire, drinking water, sprinkler leakage, storm, hail, flood water and other elementary risks and explosion damage at the original value, and loss of rent for at least 24 months of rent.

The proper insurance is to be proven before payout of the loan and done so continuously and annually. The copy of the insurance policy is to be provided to the Bank upon request.

- Assignment of the claims against the buyer(s) from all **purchase agreements** already concluded or to be concluded in future with respect to the Mortgage Properties.

- **Declarations of subordination and loan retention / subordination and standstill agreement** for existing shareholder loans (in accordance with the Bank's form).

7.4 If the Bank uses the claims secured by the mortgage in full or in part as coverage for covered bonds in terms of the German Covered Bond Act (Pfandbriefgesetz), the mortgage shall be senior to the claim used for coverage independently of any other - even future - provision on the purpose of the pledge (Sicherungszweckregelung) agreed between the pledger and the Bank. Accordingly, income from the realisation of the mortgage is senior to any claim serving as coverage for a covered bond.

8. Other agreements

8.1. The Borrower is obligated to accept the loan in full within six months after the signing of the Loan Agreement by the Bank. The Bank is authorised to terminate its loan commitment in the amount of the total not yet used.

The Bank is also authorised to terminate its loan commitment if the Borrower does not meet all the conditions, payout pre-requisites and requirements within three months after the conclusion of the loan agreement, particularly if the planned collateral has not been assigned.

Irrespective of deviating - also future - provisions, all payments shall be credited to the personal claim and not to the collateral or the promise of payment.

The Bank may also terminate the loan for good cause if one or more Mortgage Properties are encumbered with another mortgage without the approval of the Bank.

The parties are in agreement that in the case of legal changes which have an impact on the design of conditions, particularly in the case of an increase in the equity and/or liquidity requirements for the Bank, upon written request by one party, they will promptly take up negotiations with the goal of making an adjustment to the Agreement that meets the interests of both parties.

8.2 Commercial business easement

In the land registers of Mortgage Properties 1 - 18 (pursuant to Clause 3.1), a senior, fixed-term, limited personal easement (commercial business easement) has been entered in Section II for the benefit of EDEKA Handelsgesellschaft Südbayern mbH or Fischer GmbH & Co. KG. For these rights, if their subordination to the financing mortgages is not possible to negotiate, the agreement of a maximum amount as value replacement in accordance with Section 882 of the German Civil Code (BGB) and the termination reasons as condition subsequent (in accordance with the sample appended in Appendix 3) and the entry of the agreement in the land registers shall take place after the approvals have been presented.

If the entries or the presentation of notary confirmation, in accordance with the Bank's requirements, does not take place by 31 July 2015, the additional interest shall be calculated on the amounts assigned in accordance with Clause 4.3 on the basis of Clause 5.1.2 until the entry is made for the mortgage properties.

8.3. Pre-emptive rights

In the land registers of Mortgage Properties:

1 - 17 (pursuant to Clause 3.1),

the pre-emptive rights are to be entered in Section II. For these rights, if it is not possible to negotiate subordination to the financing mortgages, it shall be necessary to obtain a standstill declaration in accordance with the sample appended in Appendix 4 in which the parties entitled to pre-emptive rights shall waive a possibly existing cancellation claim and value replacement.

If the statement of subordination or the standstill declaration has not been issued or presented by 31 July 2015, the additional interest on the amounts assigned in accordance with Clause 4.3 shall be calculated on the basis of Clause 5.1.2 until entry of the subordination or the presentation of the standstill declaration has taken place.

8.4 Expansion at Mortgage Property Lenggries

The Bank awarded the credit under the assumption that the Mortgage Property Lenggries would be expanded in accordance with the documents presented to the Bank. The Borrower must verify the following by 30 September 2016:

- Completion of the extension for the Lenggries property
- Acceptance of the space by the tenant and
- Commencement of the payment of rent in the amount of at least € 239,000.00 p.a.
- Presentation of final market and mortgage appraisal by VR Wert, which must show a market value of at least € 3,350,000.00 and a mortgage value of at least € 2,750,000.00.

If the Borrower does not provide proof hereof by the deadline, it shall be obligated to repay an amount of € 600,000.00 by no later than 31 December 2016. All costs in this connection are borne by the Borrower. This includes the exit fee (Clause 5.5) and the compensation/fee for premature repayment (Clause 5.6).

8.5 Leasehold estate for Mortgage Property Chamerau

The Bank awarded the loan under the assumption that the leasehold estate agreement for the Mortgage Property Chamerau would be renewed for at least 10 years through 14 July 2038. The Borrower must prove this by 30 June 2016 by presenting an addendum to the leasehold estate agreement and a corresponding entry in the land register.

In addition, a notary-certified “Declaration on the leasehold estate and pre-emptive rights” of the owner of the property in Chamerau (in accordance with the template provided in Appendix 5) must be presented before 30 June 2016.

If the Borrower does not provide this proof by this deadline, it is obligated to repay an amount of € 474,116.00 by no later than 31 December 2016. All costs in this connection are to be borne by the Borrower. This includes the exit fee (Clause 5.5) and the compensation/fee for premature repayment (Clause 5.6).

9. Covenants

The Borrower shall ensure that the following covenants will be observed at all times during the term of the loan:

9.1. DSCR – Debt service cover ratio

The rental income from the Mortgage Properties must have a DSCR (debt service cover ratio) of at least 130% (soft default) or 110% (hard default).

The DSCR indicates, on the effective date, the percentage of the calculated debt service for the calculation period that is covered by the expected net rental income in the calculation period.

Compliance with the key performance indicator must be proven to the Bank every six months on 30 June and 31 December of each year, for the first time on 31 December 2015. The Bank calculates the DSCR on this effective date by dividing the net rental income expected over the following 12 months ("Calculation Period") by the calculated debt service.

The "calculated debt service" is the product of the outstanding loan amount and 7%.

"Net rental income" is the total of all the net rental income from the Mortgage Property expected in the Calculation Period on the basis of the contractual status applicable on the respective effective date less the operating costs, maintenance/investment expenses (not: modernisation) and other expenses not covered by the tenants for the Mortgage Property for which the greater of a) a lump sum of 15% of the net rental income or b) the actual costs are applied.
Only lease agreements that were properly serviced in the preceding quarter and only rental income that falls due prior to the first legally possible termination of the rental agreement shall be taken into account.

The Bank must be notified immediately in the case of a breach or in the event of matters and circumstances that would endanger compliance.

The Borrower and the Bank are in agreement that an elevated risk analysis of the claims against the Borrower is justified in the case of a breach of the aforesaid agreed requirements. In this case, the Bank is authorised to pursue the legal consequences described in Clause 9.3.

9.2. LTV – Loan to value

LTV is the ratio of the total debit balance of the loan to the current market value of the Mortgage Property, as determined by an independent appraiser on behalf of the Bank (certified by VR Wert or Hyp-Zert).

The LTV (loan to value) may not exceed 70% in the first three years of the term, from the date of payout; and in the 4th and 5th year it may not exceed 65%.

The Bank shall calculate or check the LTV upon presentation of a new appraisal or an update of an appraisal by dividing the entire debit balance of the loan by the current market value of the Mortgage Properties at the time of the calculation.

The entire debit balance includes the loan amount (remaining debt) outstanding at the time of the calculation in accordance with this Agreement, and, if need be, not yet paid-out partial amounts, the owed interest and all other owed amounts that are owed to the Bank at the time of the calculation less the amounts available in the locked reserve account in accordance with Clause 9.3, Paragraph 2.

The authoritative market value as of 3 December 2014 is a total of € 32,422,000.00. It consists of the market values of the Mortgage Properties.

The Bank can have the current market and collateral value of the Mortgage Properties

- calculated at intervals of two years, for the first time on 30 September 2016, at the cost of the Borrower and also
- at any time at its own cost,

by an independent appraiser hired by the Bank, e.g. VR Wert Gesellschaft für Immobilienbewertung mbH. The calculation of the market value is based on the respectively valid German Valuation Regulation (BelWertV) or the German Valuation Guidelines (WertR).

The Bank must be notified immediately in the case of a breach or in the event of matters and circumstances that would endanger compliance.

The Borrower and the Bank are in agreement that an elevated risk analysis of the claims against the Borrower is justified in the case of a breach of the aforesaid agreed requirements. In this case, the Bank is authorised to pursue the legal consequences described in Clause 9.3.

9.3 Legal consequences of a breach of covenants

Breach of DSCR covenant (hard default) and/or LTV covenant
If the DSCR falls below 110% or the LTV exceeds 70% or 65% as of 1 March 2018, the Borrower is obligated to make a special repayment immediately, but no later than 4 (four) weeks after discovery if the breach has not been corrected by this time. The special repayment shall be made on the loan in an amount such that the loan and the attributable calculated capital servicing is reduced so that a DSCR of 130% is not exceeded or an LTV of 70% to 65% is not exceeded.

Breach of DSCR covenant (soft default)
If a DSCR of 130% is breached, the Borrower must immediately ensure that the surpluses from the income generated with the Mortgage Properties – after paying the current operating costs/administrative costs and the due payments owed to the Bank in accordance with this Loan Agreement – shall be transferred on the 30th of a month to a reserve account pledged to the Bank and locked with respect to the disposal of the Borrower.

It shall be necessary to provide the Bank with all the bank statements of the rental payment account as of the 30th of the month and a list of the income and expenses (operating costs/administrative costs) in the respective month and possibly additional information within 10 bank workdays in order to prove these surpluses.

The saved amounts shall be used to repay the loan on the next possible interest payment date as soon as the DSCR covenant has not been observed on two successive test dates or released within 5 bank workdays if the DSCR covenant is observed on two successive interest payment dates. Upon request by the Borrower, the pledged amounts may also be used for the repayment on the interest payment deadline.

Any form of distribution or payment to the shareholders is not permitted during the length of a breach of financial covenants.

General information

The other rules in Sections 13 to 19 of the General Terms and Conditions (AGB) and Section 4 of the General Loan Terms and Conditions remain unaffected hereby.

The Borrower shall assume all the damage, including the incurred prepayment penalty (Clause 5.5 and 5.6), which arises for the Bank in this connection.

10. Payout requirements and conditions

The loan can only be used after the Bank has provided the collateral described under Clause 7 and has met the following requirements:

Contract and legitimation

- Legally binding, signed Loan Agreement

- Legally binding, signed signature test page with proof of the legitimation of the Borrower and the authorised undersigner

- Presentation of a copy of the Articles of Association and the by-laws of the Borrower and its personally liable shareholder in the version last submitted to the trade register

- Presentation of a current (not older than 14 days) excerpt from the trade register of the Borrower and its personally liable shareholder

- Presentation of a signed organisational chart with information about the shareholdings

- Presentation of the respective payment order (in accordance with the sample from the Bank)

- Presentation of the legally binding, signed direct debit authorisation
(in accordance with sample provided by the Bank)

- Payment notification by Notary with respect to the purchase price

- Payment of the processing fee and the appraisal fee

- Presentation of proof of advanced contribution of equity in the amount of EUR 11,550,000.00 in a form considered suitable by the Bank

- Compliance with the money laundering requirements

- Completion of an adequate interest rate hedge in accordance with Clause 5.1.1

- Guarantee mandate for the conclusion of the interest rate hedge with DZ Bank AG (according to the Bank's template)

Mortgages

- Enforceable copies of the 26 mortgage assignment deeds with respect to the mortgages for a total of EUR 25,199,800.00 and presentation of the abstract acknowledgement of debt in the amount of EUR 21,000,000.00

- Simple copies of the 26 mortgage assignment deeds with respect to the mortgages for a total of EUR 25,199,800.00

- Legally binding, signed declaration of purchase for the mortgage (Grundschuldzweckerklärung) with respect to the assigned mortgages

- Certified land register excerpts to prove the correct ranking of the mortgage entries, alternatively a notary confirmation initially approved by the Bank

Rental property/securities

- The lease agreements along with all the addenda and, if need be, existing lease guarantees with the corresponding proof of representation of the tenant/landlord, which will be or was concluded with the tenants (Edeka Handelsgesellschaft Südbayern mbH und Buchbauer GmbH), must be submitted to the Bank or sent to it for inspection.

- Legally binding, signed assignment of the rental claim from all the lease agreements concluded or still to be concluded with respect to the Mortgage Property

- Legally binding, signed pledge declaration with respect to the rental account

- Presentation of building insurance proof, which is sufficient according to the Bank's interpretation, along with real right confirmation (the real right confirmation is not a requirement for the payout) of the respective insurer (required scope of coverage: fire, drinking water, sprinkler leakage, storm, hail and other risks from the elements, and explosion damage, as well as rental defaults for at least 24 months and sufficient liability insurance)

- Confirmation of the payment of the insurance premium for the current year.

- Annual financial statements of the tenants for financial year 2013 (if possible)

Other collateral

- Legally binding signed statement of subordination for the planned shareholder loans (according to the Bank’s template) and presentation of the loan agreements for the shareholder loans. The maturity of the shareholder loan must be after the date of the final maturity of the financing loan.

- Presentation of a legal opinion (expanded capacity opinion), issued to the Bank and satisfactory for the Bank, of a local and practicing law firm in the applicable legal field, engaged by the Borrower, at the cost of the Borrower, and coordinated with the Bank, for the statement of subordination and the loan maintenance agreement (including confirmation that the declaration of subordination and loan maintenance declaration and compliance with the planned obligations do not breach mandatory law (the “ordre public”) and are covered by company documents and any required resolutions adopted by shareholders and/or managing directors).

- Legally binding, signed declaration of assignment with respect to the claims against the buyer/s from all already concluded or future **purchase agreements** related to the Mortgage Properties

- Legally binding, signed declaration of assignment with respect to rights and claims from the **interest hedge** concluded with DZ BANK AG in accordance with Clause 5.1.1.

- Legally binding, signed declaration of assignment for the rights and claims from the **building insurance** (according to the template provided by the Bank) for the risks related to fire, drinking water, sprinkler leakage, storm, hail, flooding and other hazards from the elements, as well as explosion damage at the reinstatement value, and for a loss of rent for at least 24 months.

Contractual basis of property

- Presentation of the notary-certified property purchase agreement, including all the appendices and the purchase deed that form the basis of the Mortgage Properties

- Final market value and collateral appraisals by VR Wert, except for the Lenggries and Chamerau properties

- A complete tenant list, together with information about the rent collateral, rent arrears and lease terminations as well as proof that the current rental income totals at least EUR 2,986,438.00 p.a.

- Complete property documents (construction permits, specifications, construction plans, surface calculations)

- Presentation of the official hallway maps and layout plans

- Copy of the leasehold estate agreement with all addenda for the Chamerau property and presentation of the approval of 8 June 2000, Deed no. 116-L; the Bank reserves the right to check and make additional requirements

- Presentation of a copy of the notary-certified declaration of division with the related appendices and division plan as well as the certificate of completion from the building authorities for the property in Ingolstadt

- Legal due diligence that shows no loan-preventing discoveries

Credit rating

- Opening balance sheet of GmbH & Co. KG and the general partner

10.2 Conditions for the granting of mortgage loan conditions

The additional interest stipulated in Clause 5.1.2 shall not apply to the respective loan amount if the collateral for the respective Mortgage Property described in Section 7 has been provided to the Bank and the conditions in accordance with Clause 8.2 and 8.3 and the following requirements are met:

- Correct entry of rank for the mortgages in accordance with Section 7 and proof of the conveyance of ownership for the Borrower
- Presentation of the final appraisals by VR WERT GmbH for the Mortgage Properties
- Presentation of sufficient building insurance proof for the Mortgage Properties and confirmation of the in rem registration (Realrechtsanmeldung) and proof of the premium payment

In order to keep the Bank’s expenditure of time reasonable, the proof of compliance with the aforementioned requirements shall take place in blocks. More than three submissions of proof in blocks are not planned. For each additional case of proof, a fee of € 500.00 shall be charged and will first fall due at the end of the respectively valid interest period.

10.3 Disclosure and notification duty

The Borrower shall be obligated to disclose its economic situation to the Bank.

The Borrower shall provide the following documents for this annually, but no later than by a deadline of 9 (nine) months after the reporting deadline:

- Its audited financial statements along with the notes to the financial statements and a possible management report

- The annual financial statements or supplementary documents from equity investment companies or other companies that may have a significant impact on the economic situation of the Borrower (including the situation of the general partner), according to the Bank's opinion

- Annual financial statements of the tenants (if possible)

Annually, no later than on 15 September:

- A uncertified, current trade register excerpt and a current list of shareholders at limited liability companies

- Presentation of the equity investment structure of the Borrower based on a list of shareholders or partners or a current organisational chart

- Addenda to the existing lease agreements and new lease agreements with respect to the Mortgage Properties

- Building insurance proof from the respective insurance companies, including proof of the payment of insurance premiums (required scope of coverage: fire, drinking water, sprinkler leakage, storm, hail and other hazards from the elements, and explosion damage, as well as rental defaults for at least 24 months and sufficient liability insurance)

- Legitimation documentation of companies that hold an equity investment above 25% (above 10% in the case of a US company with an equity investment), to the satisfaction of the Bank

Semi-annually, no later than 21 days after the deadlines of 30 June and 31 December

A signed tenant list for the Mortgage Properties in Excel format (incl. disclosure of the names of the tenants, space, rent/lease payments and term; change in operating and administrative costs, particularly the recoverable and non-recoverable administrative costs, possibly existing payment arrears, including the reasons for this if they are known; outstanding enforced or announced offsetting against the rent/lease payments or enforced or announced rent/lease payment reductions, including the reasons for this, if known; other events or circumstances in regard to the Mortgage Property, which could significantly and disadvantageously influence the value of the Mortgage Property; possibly forthcoming repair/maintenance work). The Bank also has the right to inspect the originals at any time.

- Signed "DSCR-compliance" certificate (including calculation of the DSCR covenants in accordance with the provisions in Clause 9.1 and the presentation of corresponding calculation proof)

The Borrower must confirm that all the information is correct and complete.

The Borrower shall provide the Bank with additional information immediately if a reasonable request is made in writing or ensure that additional information is provided to the Bank immediately.

The Bank and its hired representatives are authorised to inspect at any time the property during normal business hours after reasonable notification of 3 workdays in advance. The Bank must give consideration to the legitimate interests of the tenants in an inspection.

Furthermore, the Borrower shall provide the Bank with the following documents
upon request:
- excerpts from the Registry of Public Land Charges
- excerpts from the Registry of Contaminated Sites
- current excerpts from the Land Register

10.4 Change of control

The Bank assumes the shareholder structure outlined in **Appendix 6** to this Loan Agreement.

The economic reputation of the Borrower and the shareholders behind him as well as the confidence in the qualification of its management are significant factors for a positive risk assessment of the entire financing project and thus significant conditions for the awarding of credit from the Bank's point of view. Since a change in one of the previously-described factors will result in a significant deterioration of risk with respect to the loan, justify a (partial) risk of default or have bank regulatory consequences, the following is stipulated:

In the event of an intended change in the ownership structure of the Borrower, the Bank must be notified immediately and before such a change.

> "Control" means that a person or a group of people that act jointly, hold directly or indirectly 50% or more of the shares (does not include business shares that come with no voting rights or do not provide any right to the distribution of profits/capital beyond a certain amount) and/or voting rights, or has the ability to determine the majority of the members of Management. Furthermore, a company shall be viewed as directly or indirectly controlled by a person if the company is included in the consolidated financial statements of this person in accordance with the recognised rules of accounting under the applicable law. Joint action takes place when natural or legal persons coordinate their behaviour on the basis of an agreement or another basis.

In such a case, it is necessary to seek an agreement on the continuation of the loan with the possibly amended conditions, e.g. with regard to interest, collateral or other agreements, prior to such circumstances. Negotiations must be started within a week of notification. If an agreement cannot be reached after another 4 weeks and prior to implementation of the intended changes in the articles of association, and the change is then completed nonetheless, the Bank is authorised to give notice of extraordinary termination of the Loan Agreement, unless the change does not entail any alteration in the financing risk position for the Bank, according to the Bank's interpretation.

The other provisions in Sections 13 to 19 of the General Terms and Conditions (AGB) and Section 4 of the General Loan Terms and Conditions remain unaffected hereby.

10.5 Shareholder loan

The Borrower’s acceptance of shareholder loans is only permitted upon prior consent in writing by the Bank and under the condition that a statement of subordination and a stillstand agreement are concluded with the Bank in a form that is satisfactory to the Bank.

11. Syndication clause

The Bank is authorised to syndicate or transfer parts or the entire financing with or to other banks at its own cost.

12. Accuracy and completeness of the information

All the documents provided directly and indirectly by the Borrower to the Bank and the notifications issued (also if this comes from a due diligence audit) must be based on current information that is judged to be correct and complete after a careful review. The transferred documents and issued information must take into account all the circumstances that are of major significance for the decision to award credit on the basis of trust and faith in a commercial assessment of risk. This applies in particular to all documents in regard to the existing rental and lease agreements.

13. Paying agent clause

All payments on the basis of this loan agreement must be made by the Borrower cost-free, on time and free of any offsetting, right of retention or deposit of security, to the business premises of the Bank or to a place designated by it.

14. Supplementary contractual conditions

The other loan conditions result from the **General Loan Terms and Conditions** of the Bank in the version dated June 2014 and appended as a significant part of this Agreement.

The General Terms and Conditions of the Bank, which are contained in the appendix and are valid for the conclusion of this Loan Agreement, shall also apply to the loan.

By undersigning this Agreement, the Borrower confirms that it has received a copy of the General Loan Terms and Conditions and the General Terms and Conditions.

The conditions of this Loan Agreement shall take precedence over the General Loan Terms and Conditions and the General Terms and Conditions of the Bank, if there are contradictory provisions in an individual case.

If it does not involve damage compensation claims, the Bank's claims arising from this Loan Agreement shall expire after 5 years. The deadline shall begin at the end of the year in which the claim fell due.

15. Data protection

The personal data required in connection with the processing of the loan may be saved, processed and shared between the banks involved in the financing in compliance with the German Data Protection Act (Bundesdatenschutzgesetz).

16. Cooperation duties of the customer in accordance with the German Money Laundering Act

The Borrower has been identified in accordance with the German Money Laundering Act. The information on the economic beneficiary has been provided. The Borrower recognises the obligation to provide the required information and documents for identification and clarification of the economic beneficiary and to report changes.

17. Email clause and written form

The Borrower and the Bank agree that communication is permitted for purely informational purposes between each other and with third parties that were or will be engaged by them and are or will be involved in the financing, for example, as part of consortium, by email or comparable internet-based communication forms without special encryption and without electronic signature, irrespective of the information in question. The Borrower and the Bank are aware that the security of the data transfer by email or comparable internet-based communication forms cannot be ensured.

If one of the parties does not wish for the aforesaid communications form in total or with regard to individual information for security reasons, it shall notify the other party thereof in due time so that either communication can take place in encrypted form, if this is technically possible and practicable, or the communication will be sent by another means (fax, phone, post).

Amendments and supplements to this Agreement are only effective in writing. The same applies to the waiving of this requirement. Ancillary agreements were not made. Declarations in electronic form or text form do not meet the written form requirement.

18. Severability clause

If one of the aforementioned provisions is invalid or cannot be enforced in full or in part, this agreement shall not be otherwise affected thereby. The parties shall replace the partially or fully invalid or unenforceable provisions with a valid or enforceable provision that comes closest economically to the invalid or unenforceable provision. This applies accordingly if it is subsequently discovered that this agreement contains loopholes.

19. Agreement on place of jurisdiction

Place of jurisdiction is Hamburg, if permitted by law. Law in the Federal Republic of Germany shall apply to this Agreement.

20. Validity

Sending one signed copy of the Loan Agreement until the 15.05.2015 by fax shall be in compliance with the deadline if it is sent immediately by post thereafter. This Loan Agreement shall take effect when a copy of the Agreement has been signed by all the Borrowers and returned to the Bank. If we receive the contract offer with a delay or changed conditions, we are able to decline the contract.

Munich,11.05.2015

/s/ Amir Philips
/s/ Alex Hilman

Optibase Bavaria GmbH & Co KG

Hamburg, 19.05.2015

/s/ Mike van Wanrooy
/s/ Petra Brumshagen

Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft

Exhibit 4.15

Contract number: 3226027500

LOAN AGREEMENT OF 4 MAY 2015 OVER EUR 21,000,000.00 – FIRST AMENDMENT

between
Optibase Bavaria GmbH & Co KG
c/o McCafferty, Maximilianstraße 47, 80538 Munich, Germany
(hereinafter referred to as the "Borrower")

and

Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft
Sales tax ID no.: DE811141281

Postal address: Rosenstraße 2, 20095 Hamburg
(hereinafter referred to as the "Bank")

Preamble

The bank, in a loan agreement of 4 May 2015, has granted the Borrower a credit in the amount of EUR 21,000,000.00 in order to obtain a portfolio of 27 retail properties, of which EUR 20,000,000.00 have been disbursed. Point **3 Purpose** designates a total expenditure of EUR 32,555,000.00. This amount has been reduced by EUR 1,000,000.00 due to a lower purchase price.

1. **Disbursement of remaining credit of EUR 1,000,000.00**

1.1. It was agreed in **8.4 Expansion at Mortgage Property Lenggries** that a partial credit in the amount of EUR 600,000.00 must be repaid prematurely by 30 December 2016, if the stipulations regarding the extension are not fulfilled by 30 September 2016.

It is agreed instead that EUR 525,884.00 will be disbursed as part of the loan amount not yet valued if the stipulations are fulfilled by 31 December 2017. If the stipulations are not fulfilled by 31 December 2017, the loan is reduced by EUR 525,884.00, this partial amount will not be disbursed and a further partial amount of EUR 74,116.00 must be repaid prematurely by 31 December 2017.

1.2. It was agreed under **8.5 Leasehold estate for Mortgage Property Chamerau** that a partial credit in the amount of EUR 474,116.00 must be repaid prematurely, if an extension of the leasehold and a declaration of the leasehold owner has not occurred or been proved by 30 June 2016.

It is agreed instead that a partial amount of EUR 474,116.00 of the loan not yet valued will be disbursed if the stipulations according to **8.5** are fulfilled by 30 June 2016. If the stipulations are not fulfilled by 30 June 2016, this partial amount is cancelled and will no longer be disbursed.

All other terms of the loan agreement of 04 May 2015 remain unchanged. This amendment is subject to German law. All disputes from this amendment are subject to the jurisdiction of the courts of Hamburg. The Bank reserves the right to sue the Borrower at his registered office. This amendment becomes effective if a copy signed by all Borrowers is presented to the Bank by 1 December 2015.

/s/ Amir Philips
/s/ Alex Hilman

Optibase Bavaria GmbH & Co KG

/s/ Joachim Gielens
/s/ Petra Brumshagen

Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft

Exhibit 4.16

CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT (this "**Agreement**") is made and entered into as of the 28 day of December, 2015 (the "**Effective Date**"), by and among **300 RIVER HOLDINGS LLC**, a Delaware limited liability company (the "**Company**"), **300 RIVER PLAZA ONE LLC**, a Delaware limited liability company (the "**Mizrachi Member**"), but solely with respect to Sections 1.3, 1.5, 3, 4.6, 7.1(ii), 7.1(iv), 7.1(ix), 7.1(x), 8.1(i), 8.1(ii), 8.1(iv), 8.2, 12.2-12.7, 13.1, 14, 16.2(vii), 19 and 23, **WKEM RIVERSIDE MEMBER LLC**, a Delaware limited liability company (the "**Werner Member**" and together with the Mizrachi Member, each sometimes individually referred to herein as a "**Member**" and collectively, the "**Members**"), but solely with respect to Sections 1.2, 3, 4.6, 7.1(i), 7.1(iii), 7.1(iv), 8.1(i), 8.1(iv), 8.2, 12.2-12.7, 13.1, 14, 16.2(vii), 19 and 23, and **OPTIBASE CHICAGO 300 LLC**, a Delaware limited liability company (the "**Investor**").

RECITALS:

A. The Company is the sole member of South Riverside Building LLC, a Delaware limited liability company (the "**Leasehold Owner**").

B. The Leasehold Owner is the ground lessee under that certain Amended and Restated Ground Lease, dated as of February 10, 2015, by and between Lionshead 110 Riverside LLC and Lionshead 53 Riverside LLC (collectively, the "**Fee Owner**"), each a Delaware limited liability company, as Lessor, and the Leasehold Owner, as Lessee (the "**Ground Lease**") for a leasehold interest (the "**Property**") in the that certain fee above a plane located at 300 South Riverside Plaza, Chicago, Illinois, and more particularly described on **Exhibit A** attached hereto.

C. Pursuant to the terms of this Agreement, the Company desires to admit the Investor as a member of the Company pursuant to the terms hereof and in accordance with the terms of an Amended and Restated Limited Liability Company Agreement of the Company (the "**LLC Agreement**").

NOW THEREFORE, in consideration of the covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which the parties hereby acknowledge, the Company and Investor hereby agree as follows:

SECTION 1. INVESTMENT IN COMPANY

1.1 On the Closing Date (as defined in Section 6), the Investor shall (a) make a capital contribution to the Company in an amount equal to Twelve Million Nine Hundred Thousand Dollars ($12,900,000.00), (the "**Investor Capital Contribution**"), and (b) be admitted to the Company, following which the Investor shall hold 30% of the membership interests in the Company (the "**Investor Interests**"). The Capital Contribution shall be paid in cash at Closing (as defined in Section 6) by release of the Deposit (as defined in Section 2.1) from escrow, and the balance by wire transfer of immediately available funds, in each case, to an account of the Company, as designated by the Company.

1.2 Concurrently with the Closing, the Werner Member shall contribute and assign to the Company 100% of its outstanding membership interests in the Company (collectively, the "**Werner Interest**") in consideration for: (i) payment by the Company to Werner Member of Nine Million Dollars ($9,000,000.00) (the "**Werner Payment**"); and (ii) issuance of a Promissory Note (the "**Werner Note**") to the Werner Member in the original principal amount of Eighteen Million Dollars ($18,000,000.00), which Werner Note shall be in the form attached hereto as **Exhibit C**.

1.3 At Closing, the Mizrachi Member, which as of the date hereof, is the holder of seventy percent (70%) membership interest in and to the Company (the "**Mizrachi Interest**"), shall be credited with a capital contribution to the Company in the amount of Thirty Million One Hundred Thousand Dollars ($30,100,000.00) consisting of a deemed capital contribution of Twenty-Eight Million Dollars ($28,000,000.00) and a cash capital contribution of Two Million One Hundred Thousand Dollars ($2,100,000.00) (the "**Mizrachi Capital Contribution**"). Additionally, at Closing, the Company shall issue a promissory note (the "**Mizrachi Note**") to the Mizrachi Member in the amount of $42,000,000.00, which Mizrachi Note shall be in the form attached hereto as **Exhibit D**.

1.4 Reserved.

1.5 At Closing, the Mizrachi Member and Investor shall enter into the LLC Agreement attached hereto as **Exhibit B**.

1.6 The transactions contemplated by this Section 1 are hereinafter referred to as the "**Closing Transactions**").

1.7 The parties hereto agree that, for income tax purposes, the Werner Note and the Mizrachi Note will be treated as preferred equity in the Company (and not as indebtedness to the Company) and, accordingly, notwithstanding anything herein or in the LLC Agreement to the contrary, (i) the issuance of the Werner Note and the Mizrachi Note will not be treated as a distribution for income tax purposes and (ii) the Werner Member will continue to be a member of the Company for income tax purposes. The parties hereto further agree that the steps described in Section 1 of this Agreement shall be characterized as follows for income tax purposes:

(i) the Mizrachi Interest is bifurcated into (A) a preferred equity interest (represented by the Mizrachi Note) and (B) a common equity interest equal to its percentage interest in the Company immediately prior to the Closing Transactions;

(ii) the Werner Interest is bifurcated into (A) a preferred equity interest (represented by the Werner Note) and (B) a common equity interest equal to its percentage interest in the Company immediately prior to the Closing Transactions;

(iii) the Investor purchases a 30% common equity interest in the Company from the Werner Member in exchange for the Werner Payment;

(iv) Reserved;

(v) the Mizrachi Member contributes to the Company the Mizrachi Capital Contribution, as a contribution under Section 721 of the Code; and

(vi) the Investor contributes to the Company the excess of (A) the Investor Capital Contribution over (B) the amount of the Werner Payment (excluding any Additional Werner Payment), as a contribution under Section 721 of the Code.

1.8 The parties hereto agree that the forgoing steps will not cause the Company to adjust the capital accounts of its members to reflect a revaluation of partnership property on the Company's books under Treasury Regulation Section 1.704-1(b)(2)(iv)(f).

SECTION 2. DEPOSIT

2.1 On the Effective Date, the Investor shall deliver to Madison Title Agency, LLC (the "**Escrow Agent**"), in escrow, cash in the amount of $5,000,000.00 by wire transfer of immediately available funds pursuant to Escrow Agent's wire instructions set forth on **Exhibit 2.1** annexed hereto and made a part hereof (such amount, with any interest accrued thereon, shall be referred to and constitute the "**Deposit**" for all purposes of this Agreement).

2.2 The Deposit shall be held by the Escrow Agent in a separate, interest-bearing account with a federally insured commercial bank or other financial institution with a branch in New York City mutually acceptable to the Investor and Company, as security for the Investor's performance of its obligations under the provisions of this Agreement. Subject to the provisions of Section 10, the portion of the Deposit constituting the Non-Refundable Deposit (hereinafter defined) shall be non-refundable to the Investor except as expressly provided in this Agreement.

2.3 At Closing, the Deposit shall be paid to Company and shall be credited as partial payment of the Investor Capital Contribution.

SECTION 3. DILIGENCE MATERIALS

3.1 In the event this Agreement is terminated pursuant to the provisions of this Agreement, the Investor shall deliver to Company all records and documents provided by the Company to Investor. The provisions of this Section 3.1 shall survive any termination of this Agreement.

3.2 The Company and the Members make no representations or warranties as to the truth, accuracy or completeness of any materials, data or other information supplied to the Investor in connection with Investor's review of the Property's records and inspection of the Property (e.g., that such materials are complete, accurate or the final version thereof, or that all such materials are in the Company's or Members' possession) except for the representations set forth in Section 12. It is the parties' express understanding and agreement that such materials are provided for the Investor's convenience in making its own examination and determination concerning the Property and its investment in the Company, in doing so, the Investor has relied and will rely exclusively on its own independent investigation and evaluation of every aspect of the Property and not on any materials supplied by the Company or the Members or their respective affiliates except as set forth in Section 12. The Investor expressly disclaims any intent to rely on any such materials provided to it by the Company, the Members or their respective affiliates in connection with its inspection and agrees that it shall rely solely on its own independently developed or verified information except as set forth in Section 12.

SECTION 4. CONDITION OF TITLE.

4.1 At Closing, the Leasehold Owner shall hold title to the Property subject only to the following matters (collectively, the "**Permitted Exceptions**"):

(i) the matters set forth in Schedule B of that certain Commitment for Title Insurance issued by Stewart Title Guaranty Company (the "**Title Insurer**") on December 22, 2015 under Title No. MTAIL-107553 (the "**Title Commitment**");

(ii) any and all violations of law, rules, regulations, ordinances, orders or requirements noted in or issued by any Federal, state, county, municipal or other department or governmental agency (each a "**Governmental Authority**" and collectively "**Governmental Authorities**") having jurisdiction against or affecting the Property whenever noted or issued (collectively, "**Violations**") and any conditions which could give rise to any Violations;

(iii) all present and future zoning, building, environmental and other laws, ordinances, codes, restrictions and regulations of all Governmental Authorities having jurisdiction with respect to the Property, including, without limitation, landmark designations and all zoning variances and special exceptions, if any;

(iv) all presently existing and future liens for unpaid real estate taxes and water and sewer charges not due and payable as of the date of the Closing, subject to adjustment as calculated in accordance with Section 14.4 hereof;

(v) all covenants, restrictions and rights and all easements and agreements for the erection and/or maintenance of water, gas, steam, electric, telephone, sewer or other utility pipelines, poles, wires, conduits or other like facilities, and appurtenances thereto, over, across and under the Property which are either (a) presently existing or (b) granted to a public utility in the ordinary course, provided that, solely with respect to this clause (b), the same shall not have a material adverse effect on the use of the Property for its current use;

(vi) state of facts shown on or by survey entitled "South Riverside Project, B&C Project No. 201403259-001" (the "**Survey**"), and any additional facts which would be shown on or by an accurate current survey of the Property (collectively, "**Facts**"), provided that, solely with respect to such additional Facts, the same shall not have a material adverse effect on the use of the Property for its current use;

(vii) encroachments and/or projections of stoop areas, roof cornices, window trims, vent pipes, cellar doors, steps, columns and column bases, flue pipes, signs, piers, lintels, window sills, fire escapes, satellite dishes, protective netting, sidewalk sheds, ledges, fences, coping walls (including retaining walls and yard walls), air conditioners and the like, if any, on, under or above any street or highway, the improvements, or any adjoining property, provided that the same are shown on the Survey and shall not have a material adverse effect on the use of the Property for its current use;

(viii) consents by any former owner of the Property for the erection of any structure or structures on, under or above any street or streets on which the Property may abut, if any;

(ix) variations between tax lot lines and lines or record title;

(x) standard exclusions from coverage contained in the form of title policy or "marked-up" title commitment employed by the Title Insurer;

(xi) any financing statements, chattel mortgages, encumbrances or mechanics' or other liens entered into by, or arising from, any financing statements filed on a day more than five (5) years prior to the Closing and any financing statements, chattel mortgages, encumbrances or mechanics' or other liens filed against property no longer contained in the Property;

(xii) the Ground Lease;

(xiii) any lien or encumbrance arising out of the acts or omissions of the Investor; and

(xiv) any other matter which, pursuant to the terms of this Agreement, is expressly deemed a Permitted Exception.

4.2 The Investor acknowledges receipt of the Title Commitment. Except as otherwise expressly provided in this Agreement, the Company shall have no obligation to remove any exception to title. Investor unconditionally waives any right to object to any matters set forth in the Title Commitment, and all such exceptions and other matters disclosed therein shall be deemed Permitted Exceptions. If exceptions to title (each, an "**Update Exception**") appear on any update or continuation of the Commitment (each a "**Continuation**") which are not Permitted Exceptions, Investor shall notify the Company of any objection it has to any of the Update Exceptions (the "**Title Objections**") within the earlier of five (5) business days after Investor receives such Continuation and the last business day prior to the Closing Date, time being of the essence (the "**Update Objection Period**"). If the Investor fails to deliver such objection notice within such Update Objection Period, Investor shall be deemed to have waived its right to object to any Update Exceptions (and the same shall not constitute Title Objections, but shall instead be deemed Permitted Exceptions). If the Investor shall deliver such objection notice within the Update Objection Period, any Update Exceptions which are not objected to in such notice shall not constitute Title Objections, but shall be Permitted Exceptions. If the Company is unable, or elects not to attempt, in its sole discretion, to eliminate any Title Objections, or if the Investor elects to attempt to eliminate any Title Objections but is unable to do so or thereafter decides not to eliminate the same, Company shall so notify the Investor and, within five (5) business days after receipt of such notice from Company, the Investor shall elect either (i) to terminate this Agreement by notice given to Company (time being of the essence with respect to Investor's notice), in which event the provisions of Section 11 of this Agreement shall apply, or (ii) to acquire an interest in the Company subject to any such Title Objections, without any abatement of the Investor Capital Contribution, and such Title Objections shall be deemed Permitted Exceptions. If the Investor shall fail to notify the Company of such election within such five (5) business day period, time being of the essence, the Investor shall be deemed to have elected clause (ii) above with the same force and effect as if the Investor had elected clause (ii) within such five (5) business day period.

4.3 Notwithstanding anything to the contrary in this Section 4, the Company shall be required to remove any Title Objections (i) which were created, consented to or affirmatively permitted by the Company, Leasehold Owner or their respective affiliates in writing after the Effective Date (other than with the approval of the Investor, which approval shall not be unreasonably withheld, conditioned or delayed) and (ii) which are not covered by sub-clause (i) above and can be satisfied and discharged of record by the payment of a liquidated sum not in excess of Three Hundred Thousand and 00/100 Dollars ($300,000.00) in the aggregate for all Title Objections; provided, however, the obligations set forth in sub-clauses (i) and (ii) above shall not be deemed to apply to any Title Objections caused by the acts or omissions of the Fee Owner or any Title Objections, the removal of which, are Fee Owner's obligation under the Ground Lease. Notwithstanding the foregoing, the Company, at its option in lieu of satisfying any Title Objections, may deposit with Title Insurer such amount of money and provide such documentation, affidavits and indemnities as may be reasonably determined by Title Insurer as being sufficient to induce it to insure the Investor against collection of such liens and/or encumbrances, including interest and penalties, out of or against the Property, in which event such Title Objections shall be deemed Permitted Exceptions.

4.4 Deleted.

4.5 Deleted.

4.6 The Investor and the Members shall each pay fifty percent (50%) of the costs of examination of title and of a "bring down" of title insurance to be issued insuring Leasehold Owner's title to the Property to the date of Closing, as well as all other title charges, bring-to-date fees, endorsements (including the cost of a non-imputation endorsement), survey fees, recording charges (other than to remove of record or satisfy exceptions to title which are not Permitted Exceptions) and any and all other title and survey costs or expenses incurred by or on behalf of the Investor incident to the Closing or in connection therewith.

4.7 The Company shall have no obligation to cure or remove any Violations.

SECTION 5. RESERVED.

SECTION 6. CLOSING

6.1 The "**Closing**" shall mean the consummation of each of the actions set forth in Section 7 of this Agreement, or the waiver of such action by the party in whose favor such action is intended, and the satisfaction of each condition precedent to the Closing set forth in Section 8 and elsewhere in this Agreement, or the waiver of such condition precedent by the party intended to be benefited thereby. The Closing shall take place commencing at 10:00 a.m., with the Investor Capital Contribution and Mizrachi Capital Contribution received no later than 5:00 p.m. (New York time), (i) at the offices of Company's counsel, Roberts & Holland LLP, Worldwide Plaza, 825 Eighth Avenue, 37th Floor, New York, New York 10019, or (ii) at the Investor's request, through escrow arrangements with the Escrow Agent reasonably satisfactory to the Company, or (iii) at such other place which the parties shall mutually agree, on a date no later than December [__], 2015 (the "**Outside Closing Date**") TIME BEING OF THE ESSENCE with respect to the Investor's obligation to consummate the transactions contemplated by this Agreement. The actual date of the Closing is hereinafter referred to as the "**Closing Date**".

SECTION 7. CLOSING DELIVERIES

7.1 At Closing, the Company, Werner Member and Mizrachi Member shall deliver the following, executed and acknowledged as applicable:

(i) A Contribution and Assignment of Membership Interest in the form attached hereto as **Exhibit 7.1(i)** assigning 100% of the Werner Member's membership interests in and to the Company to the Company;

(ii) The LLC Agreement, executed by the Mizrachi Member;

(iii) A certification of nonforeign status, in form required by Internal Revenue Code Section 1445 and the regulations issued thereunder, executed by the Werner Member;

(iv) Evidence of authority, good standing (if applicable) and due authorization of the Company and the Members, as applicable, to enter into the within transaction and to perform all of their respective obligations hereunder, including, without limitation, the execution and delivery of all of the closing documents required by this Agreement and setting forth such additional facts, if any, as may be needed to show that the transaction is duly authorized and is in conformity with their respective organizational documents and applicable laws;

(v) Certificates of good standing in respect of the Leasehold Owner, Company, Werner Member and Mizrachi Member, dated not more than thirty (30) days prior to the Closing Date;

(vi) A true, correct and complete copy of the certificates of formation of the Leasehold Owner, Company, Werner Member and Mizrachi Member;

(vii) A true, correct and complete copy of the Operating Agreement of the Leasehold Owner providing that the Company is the Leasehold Owner's sole member and manager. ;

(viii A title affidavit in substantially the form attached hereto as **Exhibit 7.1(vii)** and made a part hereof and any other document reasonably or customarily required by the title insurance company in order to update the existing insurance policy for the Leasehold Interest and to issue a non-imputation endorsement in favor of the Investor;

(ix) A closing statement (the "**Closing Statement**") in respect of the transactions contemplated hereby, including the prorations, credits and other adjustments set out in Section 14 hereof;

(x) The Mizrachi Capital Contribution;

(xi) Reserved;

(xii) The Werner Note, executed by the Company;

(xiii) The Mizrachi Note, executed by the Company;

(xiv) An estoppel certificate signed by the ground lessor under the Ground Lease in the form set forth in the Ground Lease;

(xv) Such other documents and materials as are reasonably necessary to consummate the transactions contemplated hereby, but with no substantial additional cost, liability or obligation to the Company or Members.

7.2 At the Closing, Investor shall deliver the following to the Company, executed and acknowledged, as applicable:

(i) The balance of the Investor Capital Contribution and all other amounts payable by Investor to the Company at the Closing pursuant to this Agreement and the LLC Agreement;

(ii) The LLC Agreement, executed by Investor;

(iii) Evidence of authority, good standing (if applicable) and due authorization of Investor to enter into the within transaction and to perform all of its obligations hereunder, including, without limitation, the execution and delivery of all of the closing documents required by this Agreement, and setting forth such additional facts, if any, as may be needed to show that the transaction is duly authorized and is in conformity with Investor's organizational documents and applicable laws;

(iv) Certificate of good standing in respect of Investor, dated not more than thirty (30) days prior to the Closing Date;

(v) A true, correct and complete copy of the certificate of formation of Investor; and

(vi) The Closing Statement.

SECTION 8. CONDITIONS PRECEDENT TO CLOSING

8.1 Investor's obligations under this Agreement are subject to the satisfaction of the following conditions precedent which may be waived in whole or in part by Investor (the "**Investor Closing Conditions**"):

(i) The Company and Members shall have delivered, on or before the Closing Date, all of the documents and items required to be delivered by the Company and Members pursuant to Section 7 hereof and the Company and Members shall have performed in all material respects all of their respective obligations hereunder to be performed on or before the Closing Date, and otherwise be ready, willing and able to close on or by the Closing Date;

(ii) The Mizrachi Member shall have contributed the Mizrachi Capital Contribution;

(iii) No action, suit or proceeding shall be pending or have been instituted or threatened before any court or quasi-judicial or administrative agency of any federal, state, provincial, local or foreign jurisdiction or before any arbitrator wherein an unfavorable judgment, decree, injunction, order or ruling would reasonably be expected to prevent or materially impair the performance of this Agreement or any of the transactions contemplated hereby, declare unlawful the transactions contemplated by this Agreement, or cause such transactions to be rescinded;

(iv) Subject to the other provisions of this Agreement, all of the Company's and Members' representations and warranties made in this Agreement shall be true and correct in all material respects as of the date made and as of the Closing Date as if then made, other than those representations or warranties made as of a specific date, or with reference to previously dated materials, in which event such representations and warranties shall be true and correct in all material respects as of the date thereof or as of the date of such materials, as applicable; and

(v) The Title Insurer is ready, willing and able to issue to the Investor an update to the existing Title Policy (including non-imputation endorsements), subject only to the Permitted Exceptions, and as required pursuant to the terms and conditions of this Agreement; and

(vi) The Mizrachi Member shall have secured the Additional Loan Instrument on the terms set forth in Section 17.2 and on other terms satisfactory to the Mizrachi Member in its sole and absolute discretion.

If any of the conditions to Investor's obligations to close under this Agreement are not satisfied on and as of the Closing Date and such failure is not otherwise a result of any default by the Company or Members under this Agreement (the Investor being afforded the rights under Section 19 hereof in the event of any such default), then the Investor may elect to either: (a) waive such failure and proceed to Closing or (b) subject to the Company's right to adjourn the then scheduled Closing Date, terminate this Agreement by written notice to Company, and if this Agreement is so terminated, Escrow Agent shall deliver the Deposit to Investor and thereafter no party hereto shall have any further rights or obligations to the other under this Agreement, except rights and obligations hereunder that expressly survive the termination of this Agreement (collectively, the "**Surviving Obligations**").

8.2 Conditions to Company's and Members' Obligations. The Company's and Members' obligations under this Agreement are subject to satisfaction of the following conditions precedent which may be waived in whole or in part by the Company, as applicable (the "**Company Closing Conditions**"):

(i) The Investor shall have made the Investor Capital Contribution, as the same may be adjusted pursuant to the terms of Section 14 hereof;

(ii) The Investor shall have delivered, on or before the Closing Date, all of the documents and items required to be delivered by the Investor pursuant to this Agreement and the Investor shall have performed in all material respects all of its obligations hereunder to be performed on or before the Closing Date;

(iii) The Mizrachi Member shall have secured the Additional Loan Instrument upon terms satisfactory to the Mizrachi Member in its sole and absolute discretion;

(iv) All of Investor's representations and warranties made in this Agreement shall be true and correct in all material respects as of the date made and true and correct in all material respects as of the Closing Date as if then made; and

(v) No action, suit or proceeding shall be pending or have been instituted or threatened before any court or quasi-judicial or administrative agency of any federal, state, provincial, local or foreign jurisdiction or before any arbitrator wherein an unfavorable judgment, decree, injunction, order or ruling would reasonably be expected to prevent or materially impair the performance of this Agreement or any of the transactions contemplated hereby, declare unlawful the transactions contemplated by this Agreement, or cause such transactions to be rescinded.

If any of the conditions to the Company's and Members' obligations to close under this Agreement are not satisfied on and as of Closing Date and such failure is not otherwise a result of any default by Investor under this Agreement (the Company being afforded the rights under Section 11 hereof in the event of any such Investor default), then the Company may elect to either: (a) waive such failure and proceed to Closing or (b) terminate this Agreement by written notice to Investor, and if this Agreement is so terminated, Escrow Agent shall deliver the Deposit to Investor and thereafter no party hereto shall have any further rights or obligations to the other under this Agreement, except the Surviving Obligations.

SECTION 9. RIGHT OF INSPECTION

9.1 The Investor, from time to time prior to the Closing and during regular business hours, upon at least one (1) Business Days prior written notice to Company, may inspect the Property, provided that (i) Investor shall not communicate with any employees of the Leasehold Owner or Leasehold Owner's managers or contractors without, in each instance, the prior written consent of the Company, which consent shall not be unreasonably delayed or withheld, (ii) The Investor shall not communicate with any occupants of the Property without, in each instance, the prior written consent of the Company, which consent shall not be unreasonably withheld, (iii) the Investor shall not perform any tests with respect to the Property without the prior written consent of the Company in each instance, which consent may be withheld in the Company's sole discretion, and (iv) the Investor shall have no additional rights or remedies under this Agreement as a result of such inspection(s) or any findings in connection therewith. Without limiting the foregoing, the Investor agrees that its shall not have any so-called "due diligence period" and that it shall have no right to terminate this Agreement or obtain a reduction of its Investor Capital Contribution obligation as a result of such inspection(s) or any findings in connection therewith (including, without limitation, relating to the physical condition of the Property, the operation of the Property or otherwise). Any entry upon the Property shall be performed in a manner that is not disruptive to occupants of the Property, or the normal operation of the Property and shall be subject to the rights of the occupants of the Property. The Investor shall (i) exercise reasonable care at all times that the Investor shall be present upon the Property, (ii) at the Investor's expense, observe and comply with all applicable laws and any conditions imposed by any insurance policy then in effect with respect to the Property to the extent the Investor has previously been informed in writing of such conditions, and (iii) not engage in any activities which would violate the provisions of any permit or license pertaining to the Property to the extent a copy of such permit or license has previously been provided to, or made available to, the Investor. The Company shall have the right to have a representative accompany the Investor during any such communication or entry upon the Property.

9.2 Investor hereby agrees to indemnify, defend and hold the Company and its officers, shareholders, partners, members, directors, employees, attorneys and agents harmless from and against any and all liability, loss, cost, judgment, claim, damage or expense (including, without limitation, reasonable attorneys' fees and expenses), resulting from or arising out of the entry upon the Property prior to the Closing by the Investor and its employees, agents, consultants, contractors and advisors. The foregoing indemnification shall survive the Closing or the termination of this Agreement.

9.3 Deleted.

9.4 Notwithstanding any provision in this Agreement to the contrary, neither the Investor nor any representative or agent of the Investor shall contact any Governmental Authority regarding the Property without the Company's prior written consent thereto, which may be withheld in the Company's sole and absolute discretion; provided, however, that the foregoing shall not prohibit the Investor from accessing publicly accessible governmental records and databases from time to time.

SECTION 10. RETURN OF DEPOSIT

10.1 If the Investor Closing Conditions are not satisfied prior to the Outside Closing Date, or if, in accordance with the terms of this Agreement, the Investor is entitled to and elects to terminate this Agreement, subject to Section 19 of this Agreement, then this Agreement shall terminate and no party to this Agreement shall have any further rights or obligations hereunder, except that Escrow Agent shall deliver the Deposit to the Investor and thereafter neither party to this Agreement shall thereafter have any further right or obligation hereunder, except for the Surviving Obligations.

10.2 If the Company Closing Conditions are not satisfied prior to the Outside Closing Date, or if, in accordance with the terms of this Agreement, the Company is entitled to and elects to terminate this Agreement, subject to Section 11 of this Agreement, then this Agreement shall terminate and no party to this Agreement shall have any further rights or obligations hereunder, except that Escrow Agent shall deliver the Deposit to the Investor and thereafter neither party to this Agreement shall thereafter have any further right or obligation hereunder, except for the Surviving Obligations.

SECTION 11. INVESTOR DEFAULT

11.1 If (i) the Investor shall default in its obligation to pay the balance of the Investor Capital Contribution or shall default in the performance of any of its other material obligations to be performed on the Closing Date, or (ii) Investor shall default in the performance of any of its other material obligations to be performed prior to the Closing Date and, with respect to any default under clause (ii) only, such default shall continue for five (5) Business Days after written notice to the Investor, the parties hereto agree that the Company's sole remedy shall be to terminate this Agreement, in which event Escrow Agent shall deliver the One Million Two Hundred Ninety Thousand Dollars ($1,290,000) of the Deposit (the "**Non-Refundable Deposit**") to Company as liquidated damages, it being expressly understood and agreed that in the event of Investor's default, the Company's damages would be impossible to ascertain and that the Deposit constitutes a fair and reasonable amount of compensation in such event, and shall deliver the remaining balance of the Deposit to the Investor. Upon such termination, neither party to this Agreement shall have any further rights or obligations hereunder except that: (a) the Investor shall return to the Company all written material relating to the Property or the transaction contemplated herein delivered by or on behalf of the Company or Members; (b) Escrow Agent shall deliver the Non-Refundable Deposit to the Company as liquidated damages, it being expressly understood and agreed that in the event of the Investor's default, the Company's damages would be impossible to ascertain and that the Deposit constitutes a fair and reasonable amount of compensation in such event, except with respect to any breaches of Surviving Obligations (as hereinafter defined);(c) the Surviving Obligations shall survive and continue to bind Investor and the Company and (d) the Company shall deliver the remaining balance of the Deposit to the Investor.

SECTION 12. WARRANTIES AND REPRESENTATIONS

12.1 Company hereby represents and warrants to Investor as follows as of the date hereof:

(i) The Leasehold Owner is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware;

(ii) The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware;

(iii) The Company owns 100% of the membership interests and control of the Leasehold Owner;

(iv) The Leasehold Owner has full limited liability company power and authority to own, lease, and operate under the Ground Lease and to conduct business as presently conducted;

(v) The execution and delivery of this Agreement by the Company and the performance by the Company of the Company's obligations under this Agreement will not violate any judgment, order, injunction, decree, regulation or ruling of any court or any Governmental Authority or conflict with, result in a breach of, or constitute a default under the organizational documents of the Company or the Leasehold Owner, any note or other evidence of indebtedness, any mortgage, deed of trust or indenture, or any lease or other agreement or instrument to which the Company or the Leasehold Owner is a party or by which it is bound;

(vi) The Company has taken all action required (including obtaining any consent, waiver, approval or authorization required) to execute, deliver and perform this Agreement and to make all of the provisions of this Agreement the valid and enforceable obligations they purport to be and has caused this Agreement to be executed by a duly authorized person on behalf of each of them, as applicable;

(vii) A true, correct and complete copy of the Amended and Restated Limited Liability Company Agreement of Leasehold Owner, effective as of December 23, 2015 (the "**Leasehold Owner LLC Agreement**"), is attached to the Agreement as Exhibit 12.1(vii);

(viii) Except for the documents pertaining to the Additional Loan Instrument and the Senior Note and the Junior Notes (as defined in the LLC Agreement), there are no agreements or commitments for future loans, credit or financing to which Company and/or the Leasehold Owner is a party;

(ix) There is no mortgage, encumbrance, pledge or other security interest with respect to the Company's ownership of the membership interests in the Leasehold Owner, and with respect to the Ground Lease, other than Permitted Exceptions;

(x) The Leasehold Owner, as Ground Lessee under the Ground Lease, has not sent to the Fee Owner or received from the Fee Owner any written notice specifically alleging an event of default under the Ground Lease which has not been cured nor, to the Company's knowledge, do their exist a state of facts that would allow the Fee Owner to lawfully deliver a notice of default under the Ground Lease;

(xi) There are no rights of first offer, purchase options or rights of first refusal affecting the Ground Lease, the Leasehold Owner or the Company, and no such rights are exercisable in connection with the transaction contemplated hereby;

(xii) There are no other Agreements other than this Agreement and the Leasehold Owner LLC Agreement, relating to the issuance delivery, sale, repurchase or redemption of all or any portion of the interests in the Leasehold Owner or the Company;

(xiii) To the Company's knowledge, attached as Exhibit 12.1(xiii) are true and correct copies of the financial statements listed on the cover page of Exhibit 12.1 (xiii) (collectively, the "**Financial Statements**");

(xiv) To the Company's knowledge, the leases described on Exhibit 12.1(xiv) attached hereto (the "**Leases**") are the sole occupancy agreements in effect as of the date hereof with respect to the Property. To the Company's knowledge, the copies of the Leases in the Data Room prior to the date of this Agreement are true, correct and complete copies of such Leases. To the Company's knowledge: (A) except as previously disclosed by the Company, no tenant or occupant under any Lease (a "**Tenant**") is more than thirty (30) days in arrears in the payment of rents under its Lease; (B) no Tenant has paid rent more than thirty (30) days in advance. During the twelve (12) months prior to the date of this Agreement, the Leasehold Owner has not given to, nor has it received from, any Tenant, any written notice of a default that has not been cured.

(xv) As of the Closing, neither the Company nor the Leasehold Owner shall have any indebtedness other than as shown on the Financial Statements provided to Investor and those incurred in the ordinary course since the date of such Financial Statements. The Financial Statements accurately reflect in all material respects the financial condition and the results of operations of the Company and the Leasehold Owner at the end of and for the periods presented;

(xvi) Company and its subsidiaries have complied with all applicable laws with respect to withholding of taxes;

(xvii) To the Company's knowledge, all tax returns of Company and the Leasehold Owner have been or will be timely filed and none of such entities are the subject of a pending tax audit or settlement negotiation with applicable taxing authorities and there are no liens for unpaid taxes affecting any assets of Company or any of its subsidiaries;

(xviii) There currently exist no tax appeals with respect to the Property, the Ground Lease or the Leasehold Owner. All taxes payable with respect to the Ground Lease and the Leasehold Owner have been timely paid or will be timely paid when due. There are no claims, audits or investigations or, to the knowledge of the Company, threatened claims, audits or investigations, against or with respect to the Leasehold Owner with respect to taxes, and the Company has no knowledge of or notice concerning any existing or proposed special assessments or similar taxes, charges or assessments against the Property or the Ground Lease or any utility service moratoriums or other moratoriums affecting the Property and/or the Ground Lease;

(xix) The Company has been treated as a partnership and not as a corporation or association for federal income tax purposes since the date of its formation;

(xx) The Company has no knowledge, nor has it received any formal notice, of any threatened or pending condemnation proceeding, legal actions, suits or other litigation adversely affecting Leasehold Owner, the Property, the Ground Lease, or any permit or license pertaining to the Property and/or the Ground Lease.

(xxi) To the knowledge of the Company, Neither the Company nor the Leasehold Owner has received any written notice from any governmental agency of any uncured material violation of any federal, state, county or municipal law, ordinance, order, regulation or requirement (including any Permitted Exception) affecting the Property

(xxii) A list of all insurance policies maintained by or on behalf of the Leasehold Owner with respect to the Property and/or the Ground Lease are attached as Exhibit 12.1(xxii). Such insurance policies are in full force and effect on the date of this Agreement and all premiums due on such insurance policies have been paid.

(xxiii) The Company has no employees; and

(xxiv) Neither the Company nor the Leasehold Owner is a debtor in any state or federal insolvency bankruptcy, or receiving proceeding.

(xxv) None of the Company or the Leasehold Owner has filed any petition seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any law relating to bankruptcy or insolvency, nor has any such petition been filed against the Company or the Leasehold Owner; No general assignment of the Company or the Leasehold Owner's property has been made for the benefit of creditors, and no receiver, master, liquidator or trustee has been appointed for Investor or any of its property; None of the Company or the Leasehold Owner is insolvent and the consummation of the transactions contemplated by this Agreement shall not render any of the Company or the Leasehold Owner insolvent;

(xxvi) None of (A) the Company (B) Leasehold Owner, (C) any Person, directly or indirectly, controlling or controlled by any of them, (D) if any of the Company or the Leasehold Owner is a privately-held entity, any Person having a beneficial interest in the Company or the Leasehold Owner, as applicable, or (E) any Person for whom the Company or the Leasehold Owner are acting as agent or nominee in connection with the transaction contemplated by this Agreement, is a country, territory, individual or entity named on any OFAC List or a Person prohibited under the OFAC Programs. "**OFAC**" means the U.S. Treasury Department's Office of Foreign Assets Control. "**OFAC List**" means any list maintained, from time to time, by OFAC, which lists countries, territories, Persons and other entities, the engagement of transactions with whom is prohibited by OFAC and/or by Executive Order 13224 (Sept. 24, 2001) "Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism", which lists can be found on the OFAC website at <http://www.ustreas.gov/ofac>. "**OFAC Programs**" means the programs administered by OFAC, which prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on any OFAC List. "**Person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, trustee, estate, limited liability company, unincorporated organization, real estate investment trust, government or any agency or political subdivision thereof, or any other form of entity;

(xxvii) None of the Company or the Leasehold Owner is a "party in interest" as defined in ERISA and no portion of the Property nor interest in the Company is treated as the asset of an employee benefit or as "plan assets" as defined in ERISA.

(xxviii) The Mizrachi Member and Werner Member collectively own 100% of the membership interests in and to the Company and none of such membership interests or any portion thereof has been transferred or pledged or is subject to any agreement regarding a transfer or pledge thereof;

(xxix) There are no judgments, orders or decrees of any kind against Leasehold Owner or the Company unpaid or unsatisfied of record and no legal action, suit or other legal or administrative proceeding against Leasehold Owner the Company, in any case pending or threatened in writing, which is reasonably likely to have a material adverse effect on the Company's ability to perform its obligations hereunder, and, to the Company's knowledge, no fact or circumstance has occurred which has, or is reasonably likely to have, any material adverse effect on the ability of the Company, as applicable, to perform its obligations under this Agreement;

(xxx) The Leasehold Owner's Federal taxpayer identification number is 27-4182569. Company's Federal taxpayer identification number is 27-4269595.

(xxxi) This Agreement is, and all documents which are to be delivered by the Company at the Closing are or at the time of Closing will be, duly authorized, executed and delivered by the Company, as applicable, the legal, valid and binding obligations of the Company, as applicable, enforceable in accordance with their terms, subject to general principles of equity and to bankruptcy, insolvency, reorganization, moratorium or other similar laws presently or hereafter in effect affecting the rights of creditors or debtors generally and do not conflict with any provision of any law or regulation to which the Company are subject, or violate any provision of any judicial order to which the Company is a party, as applicable, or to which the Company or Leasehold Owner are subject, as applicable.

12.2 The Mizrachi Member solely with respect to itself and the Company and Werner Member with respect to the Werner Member, hereby represent and warrant to Investor as follows as of the date hereof:

(i) None of the Members or any of their respective subsidiaries has filed any petition seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any law relating to bankruptcy or insolvency, nor has any such petition been filed against the Members or any of their respective subsidiaries; No general assignment of the Members' or any of their respective subsidiaries' property has been made for the benefit of creditors, and no receiver, master, liquidator or trustee has been appointed for Investor or any of its property; None of the Members or any of their respective subsidiaries is insolvent and the consummation of the transactions contemplated by this Agreement shall not render any of the Members or any of their respective subsidiaries insolvent;

(ii) None of (A) the Members (B) any Person, directly or indirectly, controlling or controlled by any of them, (C) if any of the Members is a privately-held entity, any Person having a beneficial interest in the Members, as applicable, or (D) any Person for whom the Members are acting as agent or nominee in connection with the transaction contemplated by this Agreement, is a country, territory, individual or entity named on any OFAC List or a Person prohibited under the OFAC Programs (as such terms are defined in Section 12.1(xxvi));

(iii) No authorization or consents shall be needed to allow for the execution of this Agreement and the consummation of the Closing Transactions and such execution and consummation shall not violate any agreement to which the Members or their subsidiaries is a party, as applicable;

(iv) None of the Members nor any of their respective subsidiaries is a "party in interest" as defined in ERISA;

(v) The Members are the sole owners of their respective interests in Company and neither has transferred or pledged or entered an agreement to the same with regard to, all or any portion of such interests;

(vi) There are no judgments, orders or decrees of any kind against the Members unpaid or unsatisfied of record and no legal action, suit or other legal or administrative proceeding against the Members, in any case pending or threatened in writing, which is reasonably likely to have a material adverse effect on the Members' ability to perform its obligations hereunder, and, to the Members' knowledge, no fact or circumstance has occurred which has, or is reasonably likely to have, any material adverse effect on the ability of the Members, as applicable, to perform its obligations under this Agreement;

(vii) Each Member is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware;

(viii) The Members have, each on behalf of itself, taken all action required (including obtaining any consent, waiver, approval or authorization required) to execute, deliver and perform this Agreement and to make all of the provisions of this Agreement the valid and enforceable obligations they purport to be and has caused this Agreement to be executed by a duly authorized person on behalf of each of them, as applicable;

(ix) This Agreement is, and all documents which are to be delivered by the Members at the Closing are or at the time of Closing will be, duly authorized, executed and delivered by the Members, the legal, valid and binding obligations of the Members, as applicable, enforceable in accordance with their terms, subject to general principles of equity and to bankruptcy, insolvency, reorganization, moratorium or other similar laws presently or hereafter in effect affecting the rights of creditors or debtors generally and do not conflict with any provision of any law or regulation to which the Members are subject, or violate any provision of any judicial order to which the Members are a party, as applicable, or to which the Members are subject, as applicable; and

(x) The Werner Member is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code.

12.3 The Investor represents and warrants to the Company and the Members that, as of the date hereof:

(i) The Investor is a limited liability company, duly organized, validly existing and in good standing under the laws of the State of Delaware; Investor has taken all action required to execute, deliver and perform this Agreement and to make all of the provisions of this Agreement the valid and enforceable obligations they purport to be and has caused this Agreement to be executed by a duly authorized person;

(ii) This Agreement is, and all documents which are to be delivered to the Company or the Members by Investor at the Closing are or at the time of Closing will be, duly authorized, executed and delivered by Investor; are, or (with respect to any of the documents to be delivered at Closing) at the time of Closing will be, legal, valid and binding obligations of the Investor enforceable in accordance with their terms, subject to general principles of equity and to bankruptcy, insolvency, reorganization, moratorium or other similar laws presently or hereafter in effect affecting the rights of creditors or debtors generally; and do not conflict with any provision of any law or regulation to which the Investor is subject, violate any provision of any judicial order to which Investor is a party or to which Investor is subject;

(iii) There are no judgments, orders or decrees of any kind against Investor unpaid or unsatisfied of record and no legal action, suit or other legal or administrative proceeding against the Investor, in any case pending or threatened, which is reasonably likely to have a material adverse effect on Investor's ability to perform its obligations hereunder, and, to the Investor's knowledge, no fact or circumstance has occurred which has, or is reasonably likely to have, any material adverse effect on (a) the business or assets or the condition, financial or otherwise, of the Investor or (b) the ability of the Investor to perform its obligations under this Agreement;

(iv) The Investor has not filed any petition seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any law relating to bankruptcy or insolvency, nor has any such petition been filed against Investor; No general assignment of the Investor's property has been made for the benefit of creditors, and no receiver, master, liquidator or trustee has been appointed for the Investor or any of its property; the Investor is not insolvent and the consummation of the transactions contemplated by this Agreement shall not render the Investor insolvent; the Investor has now and will have as of the Closing Date sufficient capital or net worth to meet its current obligations; and the Investor certifies that any financial statements and any financial statements of the Investor and/or any affiliate of the Investor submitted to the Company are true, correct and complete;

(v) The amounts payable by the Investor to the Company hereunder are not and were not, directly or indirectly, derived from activities in contravention of federal, state or international laws and regulations (including, without limitation, anti-money laundering laws and regulations). None of (A) the Investor, (B) any Person, directly or indirectly, controlling or controlled by the Investor, (C) if the Investor is a privately-held entity, any Person having a beneficial interest in Investor, or (D) any Person for whom the Investor is acting as agent or nominee in connection with the transaction contemplated by this Agreement, is a country, territory, individual or entity named on any OFAC List or a Person prohibited under the OFAC Programs (as such terms are defined in Section 12.1(xxvi)); and

(vi) The Investor is either a domestic corporation or a domestic partnership for U.S. Federal, state, and local income tax purposes. Investor is directly or indirectly wholly-owned and controlled by Optibase Ltd.

12.4 Subject to the limitations set forth below and otherwise in this Agreement, the Investor shall have the right to seek indemnification from the Company for actual damages suffered as a result of the breach of the Surviving Representations. The representations of the Company and the Members set forth in this Agreement (collectively, the "**Surviving Representation(s)**") shall survive the Closing under this Agreement for a period of one (1) year after the Closing Date (the "**Survival Period**"). Each Surviving Representation shall automatically be null and void and of no further force and effect after the Survival Period unless, prior to the end of the Survival Period, the Investor shall have asserted in writing a specific claim with respect to the particular Surviving Representation and commenced a legal proceeding within sixty (60) days thereafter against the Company or the Members alleging that one or more of the Company or the Members is in breach of such Surviving Representation and that the Investor has suffered or will suffer actual damages as a result thereof (a "**Proceeding**"). In no event shall Investor be entitled to assert any consequential, special or punitive damages, nor shall it be entitled to any award or payment based on such damages. If the Investor timely commences a Proceeding, and a court of competent jurisdiction, pursuant to a final, non-appealable order in connection with such Proceeding, determines that (1) the applicable Surviving Representation was breached as of the date of this Agreement or the Closing Date and (2) the Investor suffered actual damages (the "**Damages**") by reason of such breach and (3) the Investor did not have knowledge of such breach prior to the Closing, then the Investor shall be entitled to receive an amount equal to the Damages, but in no event in an amount greater than the Ceiling (as hereinafter defined); provided, however, Investor shall not be entitled to pursue any claim against the Company or the Members for damage to Investor that is less than the Floor (as hereinafter defined). If the Investor has claim(s) against the Company or the Members in excess of the Floor, then the Investor shall be entitled to pursue the actual loss suffered by the Investor, whether directly or through its ownership of the Company, in connection with such claim(s) against the Company or the Members, but in no event shall the Company's and the Members' aggregate liability for any and all claims exceed the Ceiling. For purposes of this Section 12.4, the Investor shall be deemed to have knowledge if any Investor Knowledge Party (as hereinafter defined) had actual knowledge of the fact in issue prior to Closing, or any other information with respect to the Company or Property. As used herein, "**Floor**" shall mean with respect to any claim or claims against the Company or the Members for breach of any Surviving Representation, One Hundred Thousand and 00/100 Dollars ($100,000.00), and "**Ceiling**" shall mean Five Hundred Thousand and 00/100 Dollars ($500,000.00) except that with respect to claims in respect of a breach of Section 12.1(iii), (vi) and (xxxi) and Section 12.2 (v), (viii) and (ix), with respect to which the Ceiling shall be the amount of the Investor Capital Contribution. The provisions of this Section 12.4 shall constitute the sole and exclusive remedy after closing for breaches of the Company's or the Members' representations.

12.5 Until Closing, the Company and the Members, as applicable shall endeavor to update any their respective representations or warranties in this Agreement to (i) correct any material and adverse mistake of which they have actual knowledge and/or (ii) reflect any material and adverse matter which arises subsequent to the date of this Agreement of which they have actual knowledge. Each of the Company and the Members hereby agree that it will not intentionally cause any of their respective representations or warranties of to be breached. For the purposes of Section 4, Section 12 and Section 19, "material" shall mean any state of facts, taken alone or together with all other material untruths or inaccuracies and all such covenants with which the Company or the Members have not materially complied, the restoration of which to the condition represented or warranted by the Company or the Members, as applicable, under this Agreement, or the cost of compliance with which, would cost in excess of Fifty Thousand and 00/100 Dollars ($50,000.00).

12.6 Indemnification For Third Party Claims and Taxes.

(i) Subject to items (a) and (b) below, if, during the Survival Period a claim is asserted against the Company or the Leasehold Owner by a third party with respect to a cause of action that occurred prior to the Closing, then the Company shall indemnify the Investor for any damages suffered by the Investor (whether directly or through its ownership of the Company and the Leasehold Owner) as a result of such claim provided, however, that (a) the amount recoverable by the Investor under this Section 12.6 shall be subject to the Floor set forth in Section 12.4 and limited to the unexhausted portion of the Ceiling and (b) shall be counted toward the amount of the Ceiling for purposes of Section 12.4.

(ii) The Company shall indemnify the Investor from and against any the full amount of any claim, cost, penalty, losses or liability suffered by the Investor, whether directly or through the Investor's ownership of the Company and the Leasehold Owner, that is caused by: (a) any tax liability (including, without limitation, any withholding tax liability) owed and payable by the Company or the Leasehold Owner to any governmental authority with respect to the period prior and/or as of the Closing or with respect to a transaction undertaken prior to and/or as of the Closing ("**Existing Tax Liability**") and (b) any transfer tax, conveyance tax, or similar liability, whether incurred at the city, county, state or federal level ("**Transfer Tax Liability**"), imposed or which may be imposed on the Leasehold Owner, the Company or the Investor in connection with any transaction or conveyance of a direct or indirect interest in the Company, the Leaseholder Owner or the Property (including any direct or indirect transfer of ownership of the Werner Member or the Mizrahi Member) occurring at any time prior to the Closing Date or occurring during the period of twenty-four (24) months following the Closing Date, but excluding any Transfer Tax Liability arising out of any direct or indirect transfer of all or substantially all of the Property. The indemnification obligation for Existing Tax Liability and for Transfer Tax Liability shall not be subject to the limitations set forth in Section 12.4 and shall survive the Closing Date.

(iii) If the Company makes any payment to the Investor for indemnification under this Agreement (including under Sections 12.4, 12.6(i) (ii) and Section 13.1 of this Agreement) (an "**Indemnification Payment**"), the Company shall add an additional amount to such payment (such additional amount being the "**Gross-Up Payment**") equal to (x) the Indemnification Payment divided by (y) the difference between 100% and the Investor's Percentage Interest in the Company at the time of the Indemnification Payment. The amount of the Gross-Up Payment shall not be taken into consideration for the purposes of calculating Floor and Ceiling in Section 12.4. By way of example, if the Investor owns thirty percent (30%) of the Company and the Company owes the Investor an Indemnification Payment of $100,000 under Section 12.6(i) above, then the Company shall add a Gross-Up Payment of $42,857.14 for a total payment of $142,857.14 to the Investor, and the Ceiling shall be reduced by $100,000.

12.7 The terms “actual knowledge,” and phrases of similar import shall mean the actual present knowledge (and not constructive knowledge) of David Werner with respect to the Werner Member and Joseph Mizrachi and Adam Mizrahi with respect to the Mizrachi Member and Company, without independent inquiry or investigation, and shall not mean that any of the Company or the Members or such individual is charged with knowledge of the acts, omissions and/or knowledge of the Company’s or Members’ agents or employees, as applicable.

12.8 The terms "to Investor's actual knowledge," "to the best of Investor's actual knowledge," "Investor Knowledge Party" and phrases of similar import shall mean the actual present knowledge (and not constructive knowledge) of [Amir Phillips], without independent inquiry or investigation, and shall not mean that Investor or such individual is charged with knowledge of the acts, omissions and/or knowledge of Investor's agents or employees.

SECTION 13. BROKER

13.1 The Company hereby indemnifies and holds Investor harmless from and against any and all claims for any commission, fee or other compensation by any person or entity, including, without limitation, Mr. Shaul Braun, who shall claim to have dealt with the Company or Members in connection with the Closing Transactions and for any and all costs incurred by Investor in connection with any such claims including, without limitation, reasonable attorneys' fees and disbursements.

13.2 Investor represents to the Company that it has not dealt with any broker, finder or like agent in connection with this transaction. Investor hereby indemnifies and holds the Company and the Members harmless from and against any and all claims for any commission, fee or other compensation by any person or entity who shall claim to have dealt with Investor in connection with the sale of the Property and for any and all costs incurred by the Company or the Members in connection with any such claims including, without limitation, reasonable attorneys' fees and disbursements.

13.3 The provisions of this Section 13 shall survive the Closing or any early termination of this Agreement.

SECTION 14. CLOSING COSTS & PRORATIONS

14.1 The Members shall be responsible for the costs of legal counsel, advisors and other professionals employed by the Company in connection with the Closing Transactions.

14.2 Investor shall be responsible for (i) the costs and expenses associated with its due diligence and (ii) the costs and expenses of its legal counsel, advisors and other professionals employed by it in connection with the Closing Transactions

14.3 Each of the Investor and the Members shall bear fifty percent (50%) of (i) the premiums and fees for title examination and an updated title insurance policy and endorsements obtained (including a non-imputation endorsement) and all related charges and survey costs in connection therewith and (ii) all escrow and/or closing fees of Escrow Agent.

14.4 Prorations, Credits and Other Adjustments. At Closing, the Investor and the Members shall prorate all items of income and expense which are customarily prorated in a fee transaction in which real property comparable to the Property is transferred in the State of Illinois, including, without limitation, the adjustments referred to in Sections 14.1 and 14.2 above and the pro-rations and other adjustments provided before below. The amount of the Investor Capital Contributions to be funded by the Investor to the Company on the Closing Date shall be adjusted accordingly to reflect such prorations (provided that the same shall not adjust the Investor Capital Contribution under the LLC Agreement). As a general matter, the Members are responsible for one hundred percent (100%) of the expenses, and are entitled to receive one hundred percent (100%) of the income, for any period prior to the 23:59 on the day prior to the Closing Date (the "**Apportionment Date**"), and the Company is responsible for one hundred percent (100%) of the expenses, and is entitled to receive one hundred percent (100%) of the income, for any period after the Apportionment Date. The Members and the Investor shall cooperate with each other to prepare both the Preliminary Statement and the Final Statement of these pro-rations, credits and other adjustments as contemplated in Section 14.4(vii) hereof (as such terms are defined in Section 14.4(viii) hereof).

(i) The following shall be apportioned between the Members and the Company as set forth above as of the Apportionment Date on the basis of the actual number of days of the month which shall have elapsed as of the Apportionment Date and based upon the actual number of days in the month and a 365 day year:

(a) Subject to Section 14.4(ii), the Base Rents and the Additional Rents (as defined in Section 14.4(ii) hereof) payable pursuant to the Leases (including, without limitation, operating expense escalation payments and real estate tax escalation payments, if any, payable under the Leases), and storage charges (collectively, "**Rents**").

(b) Subject to Section 14.4(iii), real estate taxes, sewer rents and taxes, water rates and charges (to the extent not accounted for pursuant to clause (a) above), vault charges and taxes, business improvement district taxes and assessments and any other governmental taxes, charges or assessments levied or assessed against the Property (collectively, "**Property Taxes**"), on the basis of the respective periods for which each is assessed or imposed.

(c) Administrative charges, if any, permitted under the Leases or applicable law, on security deposits held pursuant to the Leases.

(d) Subject to Sections 14.4(iv), fuel, if any, at the Property and all other Utility (as defined in Section 14.4(iv) hereof) charges with respect to the Property (excluding any deposits held by the providers of Utilities, which shall be credited to Members).

(e) Prepaid fees for licenses and other permits as of the Apportionment Date.

(f) Any amounts prepaid or payable by the Leasehold Owner under the Ground Lease or the Leasehold Owner LLC Agreement.

(g) Fees, other compensation and reimbursable expenses payable (the "**Manager Costs**") to 300 River Property Manager LLC (the "**Property Manager**"), a Delaware limited liability company under the Property Management Agreement, made effective as of December 29, 2010 by and between the Leasehold Owner and the Property Manager (the "**Management Agreement**").

(h) Pre-paid premiums on the insurance policies obtained by the Leasehold Owner or the Manager for the Property.

(i) All other operating expenses with respect to the Property.

(j) Current debt service on any loans.

(k) Such other items as are customarily apportioned in accordance with real estate closings of commercial properties in the State of Illinois.

(ii) Rents shall be apportioned as follows:

(a) Monthly base or fixed rents (collectively, "**Base Rents**") under the Leases shall be adjusted and prorated on an "if, as and when collected" basis. Base Rents collected by the Leasehold Owner after the Closing Date from tenants or occupants under any Leases ("**Tenants**") who owe Base Rents for periods prior to the Closing Date, shall be applied in the order of maturity (oldest to newest). Each such amount, less reasonable collection costs and any management fee payable on such amounts in accordance with the terms and conditions of the Management Agreement, shall be adjusted and prorated as provided above, and the Company shall cause the Leasehold Owner, within fifteen (15) business days after receipt of such amount, to pay to the Members any amounts allocable to periods before the Apportionment Date to which it is so entitled.

(b) Reserved.

(c) With respect to any Lease that provides for the payment by Tenants of additional rent (or escalation rent, if applicable) for real estate taxes, operating expenses, labor costs, cost of living indices or porter's wages or other items of Rent which are not Base Rents, such as charges for electricity, steam, water, cleaning, overtime services, sundry charges, common area maintenance charges, taxes, insurance or other charges of a similar nature (collectively with the Manager Costs, "**Additional Rent**"), such Additional Rent shall be adjusted and prorated between Members and the Company upon payment by Tenants of such Additional Rent in the ordinary course. Additional Rent paid by Tenants for the accounting period in which the Closing Date occurs shall be apportioned between Members and the Company as set forth above based upon the ratio that the portion of such accounting period prior to the Closing Date bears to the entire such accounting period. If, prior to the Closing Date, the Company or Leasehold Owner receives any installments of Additional Rent attributable to Additional Rent for periods from and after the Closing Date, then such sums shall be credited to the Company.

(d) Reserved.

(e) To the extent any portion of Additional Rent is required to be paid monthly by Tenants on account of estimated amounts for the current period, and at the end of each calendar year (or, if applicable, at the end of each lease year or tax year or any other applicable accounting period), such estimated amounts are to be recalculated based upon the actual expenses, taxes and other relevant factors for that calendar (lease or tax) year, with the appropriate adjustments being made with such Tenants, then such portion of the Additional Rent which has been received by the Members as of Closing shall be prorated between the Members and the Company as set forth above on the Closing Date based on such estimated payments (i.e., with (x) the Members entitled to receive all monthly installments of such amounts with respect to periods prior to the calendar month in which the Closing Date occurs, to the extent such amounts are as of the Closing Date estimated to equal the amounts ultimately due to the Members for such periods, (y) the Company entitled to receive all monthly installments of such amounts with respect to periods following the calendar month in which the Closing Date occurs as set forth above, and (z) the Members and the Company apportioning all monthly installments of such amounts with respect to the calendar month in which the Closing Date occurs). From and after Closing, if Additional Rent is paid by a Tenant which relates to the period prior to the Closing Date or the calendar month in which the Closing Date occurs, then such Additional Rent shall be pro-rated, at the time that such Additional Rent is received, in accordance with the immediately preceding sentence. At the time(s) of final calculation and collection from (or refund to) Tenants of the amounts in reconciliation of actual Additional Rent for a period for which estimated amounts have been prorated, there shall be a re-proration between the Members and the Company as set forth above, with the net credit resulting from such re-proration, after accounting for amounts required to be refunded to Tenants, being payable to the appropriate party as set forth above.

(f) To the extent that any Tenant, pursuant to a right contained in an existing Lease, conducts an audit respecting any Additional Rent calculation (a "**Rent Audit**") for an accounting period that expired prior to the Closing Date, or otherwise becomes entitled to a refund of Additional Rent with respect to a period prior to the Closing Date, the Members shall be liable for any refunds due to such Tenant or be the recipient of any additional payments due by such tenant as the result of such Rent Audit. The results of any Rent Audit for any other accounting period shall be apportioned in the same manner as Additional Rent. Rent Audits for accounting periods that expire prior to the Closing Date shall be settled by the Members in accordance with the applicable existing Lease, subject to the Investor's approval as provided in the LLC Agreement. Rent Audits for accounting periods commencing prior to the Closing Date but extending after the Closing Date shall be settled by the Leasehold Owner in accordance with the applicable existing Lease, but the Members shall receive notice of all negotiations or proceedings in connection therewith, shall have the right to intervene therein and must approve all matters to be approved by the Leasehold Owner under the applicable existing Lease in connection therewith, which approval shall not be unreasonably withheld, delayed or conditioned.

(g) To the extent that any amounts are paid or payable by a Tenant under a Lease to the Leasehold Owner in advance of the period to which such expense applies, whether as a one-time payment or in installments (e.g. for Property Tax escalations), such amounts shall be apportioned as provided above but based upon the period for which such payments were or are being made.

(h) Any Rents received directly or indirectly by the Members or by the Company (or by the Leasehold Owner) following the Closing Date, which are the property of the other, shall be paid to the other within fifteen (15) days following the date in which such Rents are received.

(iii) Property Taxes for the Property shall be apportioned on the basis of the fiscal period for which assessed, such that the Members shall be responsible for all Property Taxes prior to the Closing Date and the Company shall be responsible for all Property Taxes from and after the Closing Date. If not paid prior to Closing, the Members shall pay to the Company (or to the Leasehold Owner) its portion of such Property Taxes as and when such Property Taxes are due and payable with respect to the Property, upon written notice from the Company (or the Leasehold Owner) of such payment to be made by the Members of the Property Taxes and the applicable payment date. If and to the extent that Property Taxes for any Property are reimbursed by Tenants at the Property, then the Members shall be entitled to receive one hundred percent (100%) of all such reimbursements for Property Taxes relating to the period prior to the Closing Date, and the Company shall be entitled to receive one hundred percent (100%) of all such reimbursements for Property Taxes relating to the period from and after the Closing Date.

(iv) The unfixed water rates and charges and sewer rents and taxes covered by any water meters at the Property, if any, and any charges for all electricity, steam, gas and other utility services (collectively, the "**Utilities**") shall, to the extent not covered by Additional Rent, be apportioned with respect to the Property such that the Members shall be responsible for all Utilities for such Property prior to the Closing Date and the Company shall be responsible for all Utilities for such Property from and after the Closing Date. If not paid prior to Closing, the Members shall pay to the Company (or to the Leasehold Owner) its portion of such Utilities as and when such Utilities are due and payable, upon written notice from the Company (or the Leasehold Owner) of such payment to be made by the Members of the Utilities and the applicable payment date. The Members will receive a credit for the full amount of any cash security deposits held by any Utility providers for the account of the Leasehold Owner on the Closing Date. In connection with the apportionment of the Utilities, the parties hereto shall apportion Utilities based upon a reasonable estimate of Utilities for the billing period in which the Closing occurs utilizing the most recent utility bill for the Property.

(v) Any rental insurance proceeds with respect to the Property received by the Leasehold Owner, the Members or any other person shall be pro-rated and apportioned in the same manner as Base Rents, as set forth above.

(vi) All capital expenses relating to the Property (other than capital expenses which are the obligation of the Members pursuant to Section 14.4(vii) hereof) shall be pro-rated and apportioned as of December 1, 2015 between the Members and the Company. If and to the extent that, prior to Closing, the Members incur the cost of, and pay for, any capital expenses for the Property, which relate to the period from and after December 1, 2015 and prior to the Closing Date, then the Company shall reimburse the Members for all such amounts at Closing. **Exhibit 14.4(vi)** attached hereto sets forth any existing capital expenditures as of the Effective Date.

(vii) All Tenant Inducement Costs, construction management fees relating to tenant improvements and leasing commissions shall be pro-rated and apportioned as of December 1, 2015 between the Members and the Company, and any Tenant Inducement Costs or leasing commissions which become payable under or with respect to (A) any renewals, modifications, amendments or expansions of existing Leases or other supplementary agreements relating thereto exercised or entered into after December 1, 2015 and (B) any new Leases entered into after December 1, 2015 shall be a Company expense. If and to the extent that, prior to Closing, the Members incur the cost of, and pays for, any Tenant Inducement Costs, management fees and leasing commissions which relate to the period from and after December 1, 2015 and prior to the Closing Date, then the Company shall reimburse the Members for all such amounts at Closing. For purposes hereof, the term "Tenant Inducement Costs" shall mean any out-of-pocket payments required under a Lease to be paid by the landlord thereunder to or for the benefit of the Tenant thereunder which is in the nature of a tenant inducement or concession, including, without limitation, tenant improvement costs, construction management fees relating to tenant improvements, design, refurbishment and other work allowances, lease buyout costs, and moving allowances; provided that "Tenant Inducement Costs" shall not include loss of income resulting from any free rental period (it being agreed that the Members shall bear such loss resulting from any free rental period with respect to the period prior to the Closing Date and that the Company shall bear such loss with respect to the period from and after the Closing Date as set forth above).

(viii) At or prior to the Closing, the Members and the Investor and/or their respective agents or designees will jointly prepare a preliminary closing statement (the "**Preliminary Statement**") which will show the net amount due either to the Members or to the Company as set forth above as the result of the adjustments and pro-rations provided for herein, and such net due amount will be added to or subtracted from the cash balance of the Investor Capital Contribution, the Werner Payment and the Mizrachi Capital Contribution pursuant to Section 1, as applicable. Within ninety (90) days following the Closing Date, the Members and the Investor will jointly prepare a final closing statement reasonably satisfactory to Members and the Investor in form and substance (the "**Final Statement**") setting forth the final determination of the adjustments and pro-rations provided for herein and setting forth any items which are not capable of being determined at such time (and the manner in which such items shall be determined and paid). The net amount due to the Members or the Company as set forth above, if any, by reason of adjustments to the Preliminary Statement as shown in the Final Statement, shall be paid in cash by the party obligated therefor within five (5) business days following that party's receipt of the approved Final Statement. The adjustments, prorations and determinations agreed to by the Members and the Investor in the Final Statement shall be conclusive and binding on the parties hereto except for any items which are not capable of being determined at the time the Final Statement as agreed to by the Members and the Investors, which items shall be determined and paid in the manner set forth in the Final Statement and except for other amounts payable hereunder pursuant to provisions which survive the Closing. Prior to and following the Closing Date, each party shall provide the other with such information as the other shall reasonably request (including, without limitation, access to the books, records, files, ledgers, information and data with respect to the Property in accordance with Section 9) in order to make the preliminary and final adjustments and prorations provided for herein.

(ix) If any payment to be made after Closing under this Section 14.4 shall not be paid when due hereunder and the party expecting to receive such payment has delivered written notification to the other party that such payment has not been received, then the same shall bear interest (which shall be paid together with the applicable payment hereunder) from the date due until so paid at a rate per annum equal to the prime rate (as such rate may vary from time to time) as reported in the Wall Street Journal plus eight percent (8%). To the extent a payment provision in this Section 14.4 does not specify a period for payment, then for purposes hereof such payment shall be due within fifteen (15) business days of the date such payment obligation is triggered.

(x) At the Closing, the Members shall credit the Company for any security deposits with respect to the Leases then held by the Members and not applied to defaults or returned to Tenants.

(xi) Reserved

(xii) The provisions of this Section 14.4 shall survive the Closing for a period ninety (90) days or sooner in the event both parties agree, in writing, by executing the Final Statement, that all obligations of the parties hereunder have been satisfied and fully complied.

14.5 Subject to Section 14.4(xii), the provisions of this Section 14 shall survive the Closing.

SECTION 15. CASUALTY AND CONDEMNATION

15.1 Casualty.

(i) If, prior to the Closing Date, all or any portion of the Property is damaged by fire or other casualty, whether or not such damage affects a material part of the Property, then the Company shall notify the Investor in writing of such fact and whether or not such damage affects a material part of the Property, and:

(a) if less than ten percent (10%) of the Property is damaged, then neither party shall have the right to terminate this Agreement and the parties shall nonetheless consummate this transaction in accordance with this Agreement, without any adjustment of the Investor Capital Contribution, the Werner Payment and/or the Mizrachi Capital Contribution or any liability or obligation on the part of the Members by reason of said destruction or damage; and

(b) if such damage or casualty affects ten percent (10%) or more of the Property, then the Investor shall have the sole option, exercisable within ten (10) business days after receipt of notice of the occurrence of such fire or other casualty (but in no event later than the Closing Date), TIME BEING OF THE ESSENCE, to terminate this Agreement by delivering written notice thereof to the Members, whereupon (A) the Deposit shall be returned to the Investor, (B) this Agreement shall be deemed canceled and of no further force or effect and (C) neither party shall have any further rights or liabilities against or to the other except for such provisions which are expressly provided in this Agreement to survive the termination hereof, and if the Investor shall not have timely elected to terminate this Agreement, then the parties shall consummate this transaction in accordance with this Agreement, without any adjustment of capital contributions or any liability or obligation on the part of the Members by reason of said destruction or damage.

15.2 Condemnation.

(i) If, prior to the Closing Date, any part of the Property is taken or rendered unusable for its current purpose or reasonably inaccessible by eminent domain (or is the subject of a pending or contemplated taking which has not been consummated) (a "**Taking**"), then the Company shall notify the Investor in writing of such fact and:

(a) if such Taking involves less than ten percent (10%) of the rentable area of the Property, as determined by an independent appraiser chosen by the Members (subject to the Investor's review and reasonable approval), then neither party shall have the right to terminate this Agreement and the parties shall nonetheless consummate this transaction in accordance with this Agreement, without any adjustment of the Investor Capital Contribution, the Werner Payment and/or the Mizrachi Capital Contribution or any liability or obligation on the part of the Members by reason of said Taking; and

(b) if such Taking involves ten percent (10%) or more of the rentable area of the Property, as determined by an independent appraiser chosen by the Members (subject to the Investor's review and reasonable approval), then the Investor shall have the option, exercisable within ten (10) days after receipt of notice of such Taking, TIME BEING OF THE ESSENCE, to terminate this Agreement by delivering written notice thereof to the Members, whereupon (A) the Deposit shall be returned to the Investor, (B) this Agreement shall be deemed canceled and of no further force or effect and (C) neither party shall have any further rights or liabilities against or to the other except pursuant to the provisions of this Agreement, which are expressly provided to survive the termination hereof, and if the Investor shall not have elected to terminate this Agreement, then the parties shall consummate this transaction in accordance with this Agreement, without any adjustment of the capital contributions or any liability or obligation on the part of the Members by reason of such Taking.

15.3 The provisions of this Section 15 shall survive Closing.

SECTION 16. ESCROW

16.1 The Deposit shall be held in escrow by Escrow Agent, upon the following terms and conditions:

(i) Escrow Agent shall deposit the Deposit, in an interest-bearing account.

(ii) Subject to Section 16.1(iii), Escrow Agent shall deliver to Company the Deposit at and upon the Closing, and any interest earned on such Deposit shall be credited to the Investor Capital Contribution; and

(iii) If this Agreement is terminated in accordance with the terms hereof, Escrow Agent shall pay the Deposit to Company or Investor, as the case may be, in accordance with the provisions of this Agreement.

16.2 It is agreed that:

(i) The duties of Escrow Agent are only as herein specifically provided, and, except for the provisions of Section 16.3 hereof, are purely ministerial in nature, and Escrow Agent shall incur no liability whatever except for its own willful misconduct or gross negligence;

(ii) Escrow Agent shall not be liable or responsible for the collection of the proceeds of any checks used to pay the Deposit;

(iii) In the performance of its duties hereunder, Escrow Agent shall be entitled to rely upon any document, instrument or signature believed by it in good faith to be genuine and signed by either of the other parties hereto or their successors;

(iv) Escrow Agent may assume, so long as it is acting in good faith, that any person purporting to give any notice of instructions in accordance with the provisions hereof has been duly authorized to do so;

(v) Escrow Agent shall not be bound by any modification, cancellation or rescission of this Agreement unless in writing and signed by Escrow Agent, Company and Investor;

(vi) Except as otherwise provided in Section 16.3 hereof, the Company and the Investor shall jointly and severally reimburse and indemnify Escrow Agent for, and hold it harmless against, any and all loss, liability, costs or expenses in connection herewith, including attorneys' fees and disbursements, incurred without willful misconduct or gross negligence on the part of Escrow Agent arising out of or in connection with its acceptance of, or the performance of its duties and obligations under, this Agreement, as well as the costs and expenses of defending against any claim or liability arising out of or relating to this Agreement;

(vii) Each of the Company, the Members and Investor hereby releases Escrow Agent from any act done or omitted to be done by Escrow Agent in good faith in the performance of its duties hereunder; and

(viii) Escrow Agent may resign upon ten (10) days written notice to the Company and Investor. If a successor Escrow Agent is not appointed by the Company and Investor within such ten (10) day period, Escrow Agent may petition a court of competent jurisdiction to name a successor

16.3 Escrow Agent is acting as a stakeholder only with respect to the Deposit. Escrow Agent, except in the event of the Closing and as set forth in Section 16.1(ii) above, shall not deliver the Deposit except on seven (7) days' prior written notice to the parties and only if neither party shall object within such seven (7) day period. If there is any dispute as to whether Escrow Agent is obligated to deliver all or any portion of the Deposit or as to whom the Deposit is to be delivered, Escrow Agent shall not be required to make any delivery, but in such event Escrow Agent may hold the same until receipt by Escrow Agent of an authorization in writing, signed by all of the parties having any interest in such dispute, directing the disposition of the Deposit or in the absence of such authorization Escrow Agent may hold the Deposit until the final determination of the rights of the parties in an appropriate proceeding. If such written authorization is not given or proceedings for such determination are not begun within thirty (30) days after the date Escrow Agent shall have received written notice of such dispute, and thereafter diligently continued, Escrow Agent may, but is not required to, bring an appropriate action or proceeding for leave to deposit the Deposit in court pending such determination. Escrow Agent shall be reimbursed for all costs and expenses of such action or proceeding including, without limitation, reasonable attorneys' fees and disbursements, by the party determined not to be entitled to the Deposit or if the Deposit is split between the parties hereto, such costs of Escrow Agent shall be split, pro rata, between Company and Investor, in inverse proportion to the amount of the Deposit received by each. Upon making delivery of the Deposit in the manner provided in this Agreement, Escrow Agent shall have no further obligation or liability hereunder

16.4 Escrow Agent has executed this Agreement solely to confirm that Escrow Agent has received the Deposit (if the Deposit is made by check, subject to collection) and will hold the Deposit in escrow, pursuant to the provisions of this Agreement.

SECTION 17. COVENANTS

17.1 Each of the Company and the Members agree that, prior to Closing, it shall:

(i) Keep and perform in all material respects all of the obligations to be performed by it under the Ground Lease and any other Lease,

(ii) Not sell, assign or create or incur any mortgage, deed of trust, lien, pledge or other encumbrance in any way affecting any portion of the Leasehold Interest or their membership interests in the Company other than a Permitted Exception;

(iii) Use commercially reasonable efforts to preserve intact the Company and the Leasehold Owner;

(iv) Maintain in full force and effect the insurance policies currently in effect with respect to the Property, or policies providing similar coverage subject to customary exceptions at the time of renewal or issuance;

(v) Not permit the Company or the Leasehold Owner without the Investor's consent, which shall not be unreasonably withheld or delayed, (i) to undertake action which would require the Investor's consent under the LLC Agreement (had the LLC Agreement been in full force and effect) any business activity other than the ownership, leasing, operation and management of the Properties in the ordinary course of business, or (ii) to enter into any contracts or agreements or assume to incur any additional obligation or indebtedness other than in the ordinary course of business; and

(vi) take any action set forth in Section 7.01(b)(i), (iii), (iv), (v), (vii), (viii) or (ix) of the LLC Agreement; or

(vii) agree or commit to do any of the foregoing.

17.2 From and after the Effective Date and before the Closing Date, the Mizrachi Member shall make commercially reasonable efforts to secure a line of credit or similar instrument (the "**Additional Loan Instrument**") to fund thirty percent (30%) of the anticipated tenant improvement obligations in respect of the lease-up of the Property. The Additional Loan Instrument shall satisfy the following criteria: (i) available credit of $12,000,000.00 (or less at the discretion of the Mizrachi Member); (ii) interest only payments of not greater than 12%; (iii) a maturity of six (6) years; (iv) payable out of Net Cash Flow (as defined in the LLC Agreement) of the Company, pari passu with $28,000,000.00 of additional credit provided or otherwise secured by members of the Mizrachi Member upon substantially similar terms as provided in the Senior Note.

SECTION 18. NON-LIABILITY

18.1 Investor agrees that it shall look solely to the assets of the Company and proceeds thereof, and not to the members, managers, directors, officers, employees, shareholders, partners or agents of the Company or any other person, partnership, corporation or trust, as principal of the Company or otherwise, and whether disclosed or undisclosed, to enforce its rights hereunder, and that none of the members, managers, directors, officers, employees, shareholders, partners or agents of the Company or any other person, partnership, corporation or trust, as principal of the Company or otherwise, and whether disclosed or undisclosed, shall have any personal obligation or liability hereunder, and Investor shall not seek to assert any claim or enforce any of its rights hereunder against such party. The provisions of this Section 18 shall survive the Closing.

SECTION 19. COMPANY OR MEMBER INABILITY TO PERFORM; COMPANY OR MEMBER DEFAULT

19.1 If the Company or the Members shall be unable to perform their respective obligation to convey the Investor Interest to Investor in accordance with the terms of this Agreement (other than by reason of a Willful Default (as hereinafter defined)), then the Investor, at its sole option and as its sole and exclusive remedy, may terminate this Agreement, in which event Escrow Agent shall deliver the Deposit to the Investor and thereafter neither party shall thereafter have any further right or obligation hereunder, other than with respect to any Surviving Obligations. "**Willful Default**" shall mean any of the Company's or Members' willful material misrepresentation or refusal to perform its obligations in accordance with terms of this Agreement, provided: (1) the reasons for such refusal do not include conditions beyond the Company's or Members' reasonable control or the unmarketability of title, as applicable; and (2) the Investor has satisfied all conditions required to be satisfied by it under this Agreement (other than (i) payment of the Investor Capital Contribution, and (ii) any other conditions which, by the nature of the Company's or Members' willful material misrepresentation or refusal to perform its obligations in accordance with the terms of this Agreement, the Investor is unable to satisfy), is not otherwise in default under this Agreement and is ready, willing and able to perform all of its obligations under this Agreement and to make the Investor Capital Contribution under this Agreement. In the event of a Willful Default, then the Investor, at its sole option and as its sole and exclusive remedy may either (a) terminate this Agreement, in which event Escrow Agent shall deliver the Deposit to the Investor, the Company shall reimburse the Investor for any actual out-of-pocket costs incurred to third parties in connection with its entering into this Agreement and the LLC Agreement (including any due diligence, legal and accounting expenses), up to $100,000 in the aggregate, and thereafter neither party shall thereafter have any further right or obligation hereunder, other than the Surviving Obligations; or (b) within sixty (60) days after the Investor obtains knowledge that any rights of the Investor arise due to a Willful Default bring an action in equity against the Company and the Members for specific performance. In no event may Investor bring an action against Company or the Members for damages or seek any remedy (whether or not in an action at law or in equity) against the Company or Members that could require the Company or Members to pay any monies to the Investor whether characterized as damages or otherwise (except for an action to compel Escrow Agent to return the Deposit to the Investor if the Investor is, in fact, entitled to the return thereof in accordance with this Agreement). The untruth or inaccuracy of any representation or warranty of the Company or the Members shall not be deemed a Willful Default, provided the Company or Members, as applicable, have complied with its obligations under Section 12.5 with respect thereto.

19.2 The provisions of this Section 19 shall survive the termination of this Agreement

SECTION 20. CONDITION OF PROPERTY

20.1 At Closing, Leasehold Owner shall continue to own the Property in its "as is" condition as of the date hereof, reasonable wear and tear excepted, and subject to the provisions of Section 15 hereof in the event of a casualty or condemnation and subject to Company's compliance with the covenants contained in Section 17 hereof. The Company shall not be liable for any latent or patent defects in the Property or bound in any manner whatsoever by any guarantees, promises, projections, operating expenses, set ups or other information pertaining to the Property made, furnished or claimed to have been made or furnished, whether orally or in writing, by the Company or any other person or entity, or any partner, employee, agent, attorney or other person representing or purporting to represent the Company, except to the extent expressly set forth herein or in any document or instrument expressly required in this Agreement to be delivered at Closing (collectively, the "**Closing Documents**"). The Investor acknowledges that neither the Company, its affiliates or subsidiaries, nor any of the employees, agents or attorneys of any of them have made or do make any oral or written representations or warranties whatsoever to the Investor, whether express or implied, except as expressly set forth in this Agreement or in any Closing Document, and, in particular, that no such representations and warranties have been made with respect to the physical, environmental condition or operation of the Property, the presence, introduction or effect of Hazardous Materials (as defined in Section 20.3) at or affecting the Property, the actual or projected revenue and expenses of the Property, the zoning and other laws, regulations and rules or Relevant Environmental Laws (as defined in Section 20.3) applicable to the Property or the compliance of the Property therewith, the current or future real estate tax liability, assessment or valuation of the Property, the availability of any financing for the alteration, rehabilitation or operation of the Property from any source, including, without limitation, any state, city or Federal government or any institutional lender, the current or future use of the Property, including, without limitation, the Property use for residential (including hotel, cooperative or condominium use) or commercial purposes, the present and future condition and operating state of any and all machinery or equipment on the Property and the present or future structural and physical condition of any building or its suitability for rehabilitation or renovation, the ownership or state of title of any personal property comprising a portion of the Property, the quantity, quality or condition of any personal property or fixtures at the Property, the use or occupancy of the Property or any part thereof, or any other matter or thing affecting or relating to the Property or the transactions contemplated hereby, except as specifically set forth in this Agreement or in any Closing Document. The Investor has not relied and is not relying upon any representations or warranties or upon any statements made in any informational materials with respect to the Property provided by the Company or any other person or entity, or any shareholder, employee, agent, attorney or other person representing or purporting to represent the Company, other than the representations and warranties expressly set forth in this Agreement or in any Closing Document.

20.2 Without limiting the generality of Section 20.1, Investor acknowledges that it has had an opportunity to conduct its own investigation of the Property with regard to Hazardous Materials and compliance of the Property with Relevant Environmental Laws. The Investor is aware (or has had sufficient opportunity to become aware) of the environmental, biological and pathogenic conditions of, affecting or related to the Property and Investor agrees to take an interest in the Property subject to such conditions. Investor hereby releases the Company, its principals and affiliates, and their respective officers, directors, members, managers, partners, agents, employees, successors and assigns, from and against any and all claims, counterclaims and causes of action which the Investor may now or in the future have against any of the foregoing parties arising out of the existence of Hazardous Materials affecting the Property.

20.3 As used in this Section 20, the following terms shall have the meanings ascribed to such terms as set forth below:

(i) "**Hazardous Materials**" shall mean any solid wastes, toxic or hazardous substances, wastes or contaminants, polychlorinated biphenyls, paint or other materials containing lead, urea formaldehyde foam insulation, radon, asbestos, and asbestos containing material, petroleum product and any fraction thereof as any of these terms is defined in or for the purposes of any Relevant Environmental Laws (as hereinafter defined), and any Pathogen (as hereinafter defined).

(ii) "**Pathogen**" shall mean any pathogen, toxin or other biological agent or condition, including but not limited to, any fungus, mold, mycotoxin or microbial volatile organic compound.

(iii) "**Relevant Environmental Laws**" shall mean any and all laws, rules, regulations, orders and directives, whether federal, state or local, applicable to the Property or any part thereof with respect to the environmental condition of the Property and any adjacent property, and any activities conducted on or at the Property, including by way of example and not limitation: (i) Hazardous Materials; (ii) air emissions, water discharges, noise emissions and any other environmental, health or safety matter; (iii) the existence of any underground storage tanks that contained or contain Hazardous Materials; and (vi) the existence of pcb contained electrical equipment.

20.4 The provisions of this Section 20 shall survive Closing.

SECTION 21. NOTICES

21.1 Unless otherwise provided herein, all notices, requests, demands, claims and other communications provided for under the terms of this Agreement shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be sent by (i) personal delivery (including receipted courier service) or overnight delivery service, with confirmation of receipt, (ii) facsimile during normal business hour with confirmation of receipt, to the number indicated and by electronic email transmission (pdf), (iii) reputable commercial overnight delivery service courier, with confirmation of receipt, or (iv) registered or certified mail, return receipt requested, postage prepaid and addressed to the intended recipient as set forth below:

If to the Company	c/o Third MG LLC 7700 Congress Avenue, Suite 3106 Boca Raton, Florida 33487 Attention: Joseph Mizrachi Fax No.: (212) 826-9315 Email: Joseph@3rdmg.com Adam@3rdmg.com
with a copy to:	c/o Braun and Goldberg LLP 110 E 59th Street, RM 3201 New York, NY 10022 Attention: Seymour Braun Fax No.: (212) 826-9315 Email: Sbraun@braunandgoldberg.com
With a copy to:	Neuberger, Quinn, Gielen, Rubin & Gibber, P.A One South Street, 27th Floor Baltimore, Maryland 21202 Attention: Isaac M. Neuberger, Esq. Fax No.: (410) 332-8511 Email: imn@nqgrg.com
And a copy to:	Roberts & Holland LLP Worldwide Plaza 825 Eighth Avenue, 37th Floor New York, NY 10019-7498 Attention: Ezra Dyckman, Esquire Fax No. 212-974-3059 Email: edyckman@rhtax.com
If to Mizrachi Member:	c/o The Mizrachi Group, LLC 7700 Congress Avenue, Suite 3106 Boca Raton, Florida 33487 Attention: Joseph Mizrachi Fax No.: (561) 627-4473 Email: Joseph@3rdmg.com Adam@3rdmg.com

With a copy to:	Neuberger, Quinn, Gielen, Rubin & Gibber, P.A One South Street, 27th Floor Baltimore, Maryland 21202 Attention: Isaac M. Neuberger, Esq. Fax No.: (410) 332-8511 Email: imn@nqgrg.com
And a copy to:	Roberts & Holland LLP Worldwide Plaza 825 Eighth Avenue, 37th Floor New York, NY 10019-7498 Attention: Ezra Dyckman, Esquire Fax No. 212-974-3059 Email: edyckman@rhtax.com
And a copy to:	Maryanne I. Small, Esq. 3 Redwood Path Glencove, NY 11542 Fax No.: (516) 627-4473 Email: maryanne.i.small@gmail.com
If to the Werner Member	c/o David Werner Real Estate Investments 780 Third Avenue, 25th Floor New York, New York 10017 Attn: David Werner Fax No. 212-448-8109 Email: ckowalsky@dwrei.com
With a copy to:	Frenkel, Hershkowitz & Shafran LLP 49 West 37th Street New York, New York 10018 Attn: Joseph M. Hershkowitz, Esq. Fax No. 646-304-7251 Email: jmh@fhsllp.com
If to Investor:	Optibase Chicago 300 LLC c/o Optibase Ltd. P.O. Box 2170 Herzliya, Israel 46120 Attention: Amir Philips Email: amirp@optibase-holdings.com Attention: Yakir Ben-Naim Email: yakirb@optibase-holdings.com
With a copy to:	Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co. One Azrieli Center, Round Building Tel Aviv 67021, Israel Attn: Lawrence Sternthal, Esquire Fax No. +972-3-607-4566 Email: Lawrence@gkh-law.com

All such notices, requests, consents and other communications shall be deemed to have been given when received. Either party may change its email address facsimile number or its address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other parties hereto notice in the manner then set forth.

SECTION 22. CONFIDENTIALITY

22.1 Except as may be required by law or in connection with any court or administrative proceeding, neither Investor nor the Company nor the Members nor their respective agents or designees shall issue or cause the publication of any press release or other public announcement, or cause, permit or suffer any other disclosure which sets forth the terms of the transactions contemplated hereby (other than to the Investor's and Company's and Members', as applicable, consultants, advisors, attorneys, accountants, lenders and investors or potential lenders or investors, who, in turn, shall be informed of this Section 22), without first obtaining the written consent of the other party. Notwithstanding the foregoing, nothing in this Agreement shall prohibit the Investor from publishing all or a portion of this Agreement or from delivering press releases regarding his Agreement if it is required to do so in connection with notices or filings required under applicable law or regulations (including the regulations of any stock exchange).

SECTION 23. GENERAL

23.1 Entire Agreement This Agreement, together with the other documents and agreements which are being executed and delivered by the Company, the Members and the Investor on the date hereof, and all exhibits attached hereto and thereto, contain all of the terms agreed upon between the parties with respect to the subject matter hereof, and all other agreements heretofore had or made between the parties hereto are merged in this Agreement which alone fully and completely expresses the agreement of said parties.

23.2 Amendments. This Agreement may not be changed, modified or terminated, nor may any provision hereunder be waived, except by an instrument executed by the parties hereto.

23.3 No Waiver. No waiver by either party of any failure or refusal to comply with its obligations under this Agreement shall be deemed a waiver of any other or subsequent failure or refusal to so comply.

23.4 Successors and Assigns. This Agreement shall inure to the benefit of, and shall bind the parties hereto and the heirs, executors, administrators, successors and permitted assigns of the respective parties.

23.5 Partial Invalidity. any term or provision of this Agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law

23.6 Werner Member. The acceptance of the Closing Deliveries set forth in Section 7.1 by Investor shall be deemed to be an acknowledgment by Investor that the Werner Member has fully performed, discharged and complied with all of its obligations, representation, warranties, covenants and agreements hereunder, that it is discharged therefrom, and that it shall have no further liability with respect thereto, other than any Transfer Tax Liability.

23.7 Section Headings; Incorporation of Exhibits. The headings of the various Sections of this Agreement have been inserted only for convenience, and are not part of this Agreement and shall not be deemed in any manner to modify, explain or restrict any of the provisions of this Agreement. Unless otherwise provided in this Agreement, any reference in this Agreement to an Exhibit is understood to be a reference to the Exhibits annexed to this Agreement. All Exhibits annexed to this Agreement shall be incorporated into this Agreement as if fully set forth herein.

23.8 Inconsistency. Prior to Closing, if required, the parties agree to make any changes to the LLC Agreement necessary to make such agreement consistent with the terms of this Agreement.

23.9 Applicable Law. This Agreement shall be governed by, interpreted under and construed and enforced in accordance with, the laws of the State of Delaware, without reference to conflicts of laws principles.

23.10 Assignment. Investor may not assign its rights or obligations under this Agreement or transfer any direct or indirect ownership or other interest in Investor without the prior written consent of the Company in its sole discretion, and any such assignment made without the Company's consent shall be void ab initio.

23.11 Recordation. The Investor and the Company agree that neither party shall have the right to record this Agreement or a memorandum thereof in the land records of Cook County.

23.12 Severability. No determination by any court, governmental or administrative entity or otherwise that any provision of this Agreement or any amendment hereof is invalid or unenforceable in any instance shall affect the validity or enforceability of (a) any other such provision, or (b) such provision in any circumstance not controlled by such determination. Each such provision shall be valid and enforceable to the fullest extent allowed by, and shall be construed wherever possible as being consistent with, applicable law.

23.13 Attorneys' Fees. Should any party hereto employ an attorney for the purpose of enforcing or construing this Agreement, or any judgment based on this Agreement, in any legal proceeding whatsoever, including insolvency, bankruptcy, arbitration, declaratory relief or other litigation, the prevailing party shall be entitled to receive from the other party or parties thereto reimbursement for all reasonable attorneys' fees and all costs, including but not limited to service of process, filing fees, court and court reporter costs, investigative costs, expert witness fees and the cost of any bonds, whether taxable or not, and such reimbursement shall be included in any judgment, decree or final order issued in that proceeding. The "prevailing party" means the party in whose favor a judgment, decree, or final order is rendered. This Section shall survive the Closing or any termination of this Agreement.

23.14 Binding Effect. This Agreement shall be binding upon and inure to the benefit of Owner and Investor and their respective heirs, personal representatives, successors and permitted assigns. This Agreement shall not be binding until (i) the Company, the Members, Investor, and Escrow Agent have executed and delivered this Agreement and (ii) Escrow Agent has received the Deposit on the Effective Date.

23.15 Interpretation. Both parties to this Agreement have been represented by counsel and all provisions of this Agreement have been fully negotiated. No provision of this Agreement shall be interpreted against either party merely because such provision was drafted by such party or such party's counsel.

23.16 Performance Dates. If any date for the performance of any obligation shall fall on a day other than a Business Day, then the date for the performance of such obligation shall be extended to the Business Day.

23.17 Business Day. Any day other than a Saturday, Sunday, a legal banking holiday in New York, New York, or any of the following Jewish Holidays: Rosh HaShana (2 days), Yom Kippur (1 day), Sukkot (first 2 days), Shemini Atzeret (2 days), Passover (first 2 days and last 2 days) and Shavuot (2 days).

23.18 Counterparts. This Agreement may be executed in any number of counterparts each of which when so executed and delivered shall be deemed to be an original, but all such counterparts shall constitute one and the same agreement. Facsimile and portable document format (PDF) signature pages shall have the same force and effect as original signature pages.

23.19 No Third Party Beneficiaries. The provisions of this Agreement are not intended to benefit any third parties.

23.20 Arbitration.

(i) Any and all claims, demands or disputes arising out of or relating to this Agreement shall be resolved and determined exclusively under the provisions of this Section 23.20,which shall be the sole and exclusive procedure for the resolution of any such disputes.

(ii) The parties to such dispute shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by good faith negotiation between the parties who have authority to settle the controversy. Any party may give the other party written notice of any dispute not resolved in the normal course of business. Within ten (10) days after delivery of the disputing party's notice, the parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary to attempt to resolve the dispute. All reasonable requests for information made by one party to the other will be honored. All negotiations pursuant to this Section 23.20(ii) are confidential.

(iii) If the parties are unable to reach a satisfactory solution to any dispute within twenty (20) days after the delivery of the notice described in Section 23.20(ii), then either party (the "Claimant") shall have the right to provide written notice to the other party (the "Respondent") that the Claimant desires to submit the dispute to arbitration to be fully, finally and exclusively resolved by binding arbitration in accordance with the following procedures:

(iv) Except as modified or supplemented herein or by written agreement of the parties, the arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") or its successor. The place of arbitration shall be New York, New York. Either Member may commence arbitration by serving a notice of arbitration.

(v) The arbitration shall be conducted by a sole arbitrator appointed by AAA and AAA shall endeavor to make the appointment within ten (10) days following request; provided, however, that its failure to meet that deadline shall in no way impair the effectiveness of the appointment. AAA shall only appoint as arbitrator an impartial person with at least ten (10) years experience in adjudicating over matters involving properties similar to the Building in Chicago Illinois or New York, New York.

(vi) The arbitration and this clause shall be governed by Title 9 (Arbitration) of the United States Code, the decision of the arbitration shall be final and unappealable and judgment on the award may be entered by any court of competent jurisdiction. The parties herewith consent to jurisdiction in the federal and state courts located in the county of New York, New York for the purpose of enforcing the decision.

(vii) All fees and expenses of the arbitrator and all other expenses of the arbitration (other than attorneys' fees incurred by the Members in connection therewith) shall be borne initially by the Members equally (i.e., 50% for each Member), but ultimately shall be home by the non prevailing party in the arbitration.

(viii) EACH OF THE MEMBERS HEREBY WAIVES TRIAL BY JURY IN ANY ACTION ARISING OUT OF MATIERS RELATED TO THIS AGREEMENT AND COVENANTS NOT TO INSTITUTE ANY ACTION OR LITIGATION IN ANY COURT, OR COMMENCE ANY OTHER PROCEEDING, WITH RESPECT TO ANY DISPUTE HEREUNDER.

(ix) Nothing in this Section 23.20 or any other provision of this Agreement shall prevent any Party from applying to any applicable State or Federal court for temporary restraining orders or injunctive relief, to prevent any violation of the covenants, conditions or provisions contained in this Agreement.

23.21 Exhibits. The following exhibits shall be deemed incorporated into this Agreement in their entirety:

Exhibit A	Description of Property
Exhibit B	Form Amended and Restated Limited Liability Company Agreement of the Company
Exhibit C	Werner Note
Exhibit D	Mizrachi Note
Exhibit 2.1	Escrow Agent Wiring Instructions
Exhibit 7.1(i)	Contribution and Assignment of Membership Interests in the Company from the Werner Member to the Company
Exhibit 7.1(vii)	Title Affidavit (Non-Imputation Affidavit)
Exhibit 12.1 (vii)	Leasehold Owner LLC Agreement
Exhibit 12.1(xiii)	Financial Statements
Exhibit 12.1(xiv)	Leases
Exhibit 12.1(xxii)	Insurance
Exhibit 14.4(vi)	Existing Capital Expenditures

[SIGNATURE PAGES FOLLOW]

I**N WITNESS WHEREOF** the parties have caused these presents to be executed and ensealed intending to be legally bound by the provisions herein contained.

COMPANY:

300 RIVER HOLDINGS LLC

By: */s/ Joseph Mizrachi*
Name: Joseph Mizrachi
Title: Authorized Person

MIZRACHI MEMBER:

300 RIVER PLAZA ONE LLC

By: */s/ Joseph Mizrachi*
Name: Joseph Mizrachi
Title: Authorized Person

WERNER MEMBER:

WKEM RIVERSIDE MEMBER LLC

By: */s/ David Werner*
Name: David Werner
Title: Authorized Person

INVESTOR:

OPTIBASE CHICAGO 300 LLC

By: */s/ Amir Philips*
Name: Amir Philips
Title: Authorized Signatory

By: */s/ Tom Wyler*
Name: Tom Wyler
Title: Authorized Signatory

Exhibit 4.17

AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

OF

300 RIVER HOLDINGS LLC

a Delaware limited liability company

Dated as of December 28, 2015

TABLE OF CONTENTS

SCHEDULES AND EXHIBITS

AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT
OF
300 RIVER HOLDINGS LLC

THIS AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (this "Agreement") of **300 RIVER HOLDINGS LLC**, a Delaware limited liability company (the "Company"), dated as of December 28, 2015, by and between **300 RIVER PLAZA ONE LLC**, a Delaware limited liability company (together with its permitted successors and assigns, the "Mizrachi Member"), and **OPTIBASE CHICAGO 300 LLC**, a Delaware limited liability company (together with its permitted successors and assigns, the "Optibase Member").

R E C I T A L S:

WHEREAS, the Company was formed on September 21, 2010 as a limited liability company pursuant to the provisions of the Delaware Limited Liability Company Act (6 Del. C §18-101, et seq.) (as amended from time to time; the "Act") by the filing of the Certificate of Formation of the Company (the "Certificate of Formation") in the office of the Secretary of State of the State of Delaware;

WHEREAS, the Company is governed by a Limited Liability Company Agreement, entered into as of September 21, 2010, as amended by a First Amendment to the Limited Liability Company Agreement of the Company, entered into as of 2011;

WHEREAS, pursuant to the terms of that Contribution Agreement dated as of December 24, 2015 by and among the Company, WKEM Riverside Member LLC ("Werner"), a Delaware limited liability company that, immediately prior to the effectiveness hereof, contributed and assigned its membership interests in the Company to the Company, the Mizrahi Member and the Optibase Member, the Optibase Member has been admitted as a Member to the Company;

WHEREAS, the parties hereto, being all of the Members of the Company, desire to enter into this Amended and Restated Limited Liability Company Agreement of the Company as of the date hereof, and this Agreement shall apply to and govern the management and operation of the Company from the date hereof and shall bind each and every present and future Member of the Company.

NOW, **THEREFORE**, in consideration of the mutual covenants herein contained, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

I. DEFINED TERMS

1.01. Defined Terms. As used in this Agreement, the following terms have the meanings set forth below:

"Act" has the meaning set forth in the Recitals.

"Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member s Capital Account as of the end of the relevant Fiscal Year, or portion thereof, after giving effect to the following adjustments:

(i) Credit to such Capital Account any amounts which such Member is ·deemed to be obligated to restore pursuant to the penultimate sentences in Sections 1.704-2(g)(l) and 1.704-2(i)(5) of the Regulations; and

(ii) Debit to such Capital Account the items described in Sections 1.704- l(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-l(b)(2)(ii)(d)(6) of the Regulations.

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Regulations and shall be interpreted consistently therewith.

"Additional Capital Call" has the meaning set forth in Section 4.04(b).

"Additional Capital Contribution" has the meaning set forth in Section 4.03.

"Affiliate" means, with respect to any Person, any Person directly or indirectly Controlling, Controlled by, or under common Control with such Person.

"Affiliated Person" has the meaning set forth in Section 10.01(b).

"Aggregate Annual Budget" means, with respect to any period, the Approved Annual Budget for that period less the payment of any fixed sum of rent under the Net Lease.

"Agreement" means this Limited Liability Company Agreement, including any Exhibits or Schedules attached hereto, as the same may be further amended or restated from time to time pursuant to the terms of this Agreement

"Annual Budget" means, collectively, (i) an operating budget setting forth the estimated revenues and expenses of Building LLC for the ensuing fiscal year, (ii) a capital budget, which shall include the proposed capital expenditures relating to the Building and sources of funds in connection therewith, including the projected time for, and amount of, any required Capital Contributions by the Members during the period covered by such budget (if the necessary funds cannot be obtained from third- party financing) and (iii) a leasing budget, goals and plan.

"Approved Annual Budget" means, from time to time, the Annual Budget most recently approved by the Members in accordance with this Agreement, provided that if an Annual Budget submitted for approval by the Managing Member has not been approved (or deemed approved) pursuant to the terms hereof, then the most recently approved Annual Budget, plus actual increases for fixed-cost items (e.g. taxes, utilities and insurance) shall be deemed the Approved Annual Budget.

"Approved Property Manager" means a nationally recognized third-party property management company acceptable to each Member in its reasonable judgment.

"Bankruptcy Event" shall mean, the occurrence of any of the following events with respect to any Person: (a) the filing by it of a voluntary petition in bankruptcy; (b) an adjudication that it is bankrupt or insolvent unless such adjudication is stayed or dismissed within 90 days, or the entry against it of an order for relief in any bankruptcy or insolvency proceeding unless such order is stayed or dismissed within 90 days; (c) the filing by it of a petition or an answer seeking for itself any reorganization, arrangement, composition, readjustment or similar relief under any statute, law or regulation; (d) the filing by it of an answer or other pleading admitting or failing to contest the material allegations of the petition filed against it in any proceeding of the nature described in the preceding clause (c); or (e) its consenting to or acquiescing in the appointment of a trustee or receiver of it or of all or any substantial part of its properties.

"Book Value" means with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(i) The initial Book Value of any asset contributed (or deemed contributed) to the Company shall be the gross fair market value of such asset at the time of such contribution;

(ii) The Book Values of all of the Company's assets shall be adjusted to equal their respective gross fair market values (taking Code Section 770l(g) into account), as of the following times: (A) the acquisition of an additional Interest in the Company by any new or existing Member in exchange for more than a de minimis capital contribution; (B) the distribution by the Company to a Member of more than a de minimis amount of Company property as consideration for an Interest in the Company; (C) the liquidation of the Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); (D) the grant of an interest in the Company (other than a de minimis interest) as consideration for the provision of services to or for the benefit of the Company by an existing Member acting in a partner capacity, or by a new Member acting in a partner capacity or in anticipation of becoming a Member; and (E) at such other times as reasonably determined by the Tax Matters Partner; provided, however, that the adjustments pursuant to clauses (B), (C) and (D) above shall be made only if the Tax Matters Partner determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;

(iii) The Book Value of any item of Company assets distributed (or deemed distributed) by the Company to any Member shall be adjusted immediately prior to such distribution to equal the gross fair market value (taking Code Section 7701(g) into account) of such asset as of the date of distribution; and

(iv) The Book Values of Company assets shall take into account any adjustments to the adjusted basis of any asset of the Company pursuant to Section 734 or Section 743 of the Code in determining such asset's Book Value in a manner consistent with Regulations Section 1.704-l(b)(2)(iv)(m).

If the Book Value of an asset has been determined or adjusted pursuant to clause (i), (ii) or (iv) above such Book Value shall thereafter be adjusted in the same manner as would the asset's adjusted basis for federal income tax purposes, except that Depreciation shall be computed based on the asset's Book Value as so determined, rather than on its adjusted tax basis.

"Building" means that certain building known as 300 South Riverside Plaza, Chicago, Illinois.

"Building LLC" means South Riverside Building LLC, a Delaware limited liability company.

"Business Day" means any day that is not a Saturday, Sunday, a day on which banks are required or permitted to be closed in the State of New York or the two days of Rosh Hashana, Yom Kippur, the first two days of Sukkot, Shemini Atzteret, Simchat Torah, the first two and last two days of Passover and the two days of Shavuot.

"Buy-Sell Notice" has the meaning set forth in Section 7.08(a).

"Cancel Option" has the meaning set forth in Section 4.04(b)(i).

"Cancelled Additional Capital Contribution" has the meaning set forth in Section 4.04(b)(i).

"Capital Account" means the separate account maintained for each Member under Section 5.01.

"Capital Contribution" means, with respect to any Member, any actual or deemed contribution to the capital of the Company made by such Member pursuant to this Agreement, including, without limitation, Initial Capital Contributions and Additional Capital Contributions.

"Capital Event" means (i) a sale of assets of the Company or any Subsidiary (including the sale of any of the membership interests in the Subsidiary), exclusive of sales or other dispositions of tangible personal property in the ordinary course of business; (ii) funding of any loan to the Company or any Subsidiary, excluding Priority Member Loans and short term borrowing in the ordinary course of business; (iii) condemnation of all or any part of or an interest in any real property that is owned by the Company or any Subsidiary through the exercise of the power of eminent domain; (iv) any loss of all or a portion of any real property that is owned by the Company or any Subsidiary or an interest therein by casualty) failure of title or otherwise; and (v) the release of any amounts reserved in connection with any Capital Event.

"Capital Event Costs" means, with respect to a sale or refinance of the Tenant's Lease Interest or any interest therein, the cost of any diligence, title, brokerage and legal costs incurred in connection with such sale or refinance of the Tenant's Lease Interest (or interest therein).

"Capital Event Fee" means a fee equal to 3% of the gross proceeds of any direct or indirect sale or refinance of all or substantially all of the Property by the Company or its subsidiaries, provided that to the extent a Capital Event Fee has been paid in connection with a Capital Event, a Capital Event Fee shall only be payable on the positive difference between the gross proceeds from the second Capital Event and the gross proceeds for the Capital Event for which the Capital Event Fee was previously paid.

"Capital Event Proceeds" means the cash proceeds received by the Company from any Capital Event, less (i) transaction costs payable in connection with such Capital event, other than Capital Event Costs, (ii) amounts required to pay the debt of the Company (other than Leasing Expense Loans, Capital Loans, the Senior Notes and Junior Notes) or any of its Subsidiary then due and owing to any Person, that has made any loan or financing available to the Company or such Subsidiary, (iii) operating expenses, capital expenditures and other cash expenditures of the Company then due and owing, and (iv) the Capital Event Fee.

"Capital Loan" has the meaning set forth in Section 4.04(c)(1)(i).

"Certificate of Formation" has the meaning set forth in the Recitals.

"Closing Costs" means costs payable by the Company and/or each Subsidiary in order to effectuate the Closing.

"Code" means the Internal Revenue Code of 1986, as amended. "Company" has the meaning set forth in the Preamble.

"Company Accountant" has the meaning set forth in Section 8.04.

"Consenting Member" means each of the Mizrachi Member and the Optibase Member.

"Contributing Member" has the meaning set forth in Section 4.04(b).

"Control" means, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person through the ownership of voting securities or similar ownership interests; provided, that a Person may still have Control of a specified Person notwithstanding that one or more third parties may have rights to participate in major decisions of the specified Person.

"Conversion Election" has the meaning set forth in Section 4.04(b)(iii).

"Converted Amount" has the meaning set forth in Section 4.04(b)(iii).

"Demand for Valuation" has the meaning set forth in Section 7.08(d).

"Depreciation" means, for each Fiscal Year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable for federal income tax purposes with respect to an asset for such Fiscal Year, except that (i) with respect to any asset the Book Value of which differs from its adjusted tax basis for federal income tax purposes at the beginning of such Fiscal Year and which difference is being eliminated by use of the "remedial method" as defined by Section 1.704-3(d) of the Regulations, Depreciation for such Fiscal Year shall be the amount of Book Value recovered for such Fiscal Year under the rules prescribed by Section 1.704-3(d)(2) of the Regulations, and (ii) with respect to any other ass the Book Value. of which differs from its adjusted tax basis for federal income tax purposes at the beginning of such Fiscal Year, Depreciation shall be an amount which bears the same ratio to such beginning Book Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year bears to such beginning adjusted tax basis; provided, that in the case of clause (ii) above, if the adjusted tax basis for federal income tax purposes of an asset at the beginning of such Fiscal Year is zero, Depreciation shall be determined with reference to such beginning Book Value using any method selected by the Tax Matters Partner.

"Distribution Amount" has the meaning set forth in Section 7.08(b).

"Election Deadline" has the meaning set forth in Section 7.08(c).

"Election Notice" has the meaning set forth in Section 7.08(c).

"Emergency" means a situation impairing or imminently likely to impair structural support of any portion of the Building or causing or imminently likely to cause bodily injury to persons or material physical damage to property.

"Family Member" means a spouse, sibling, or any legal descendant or any trust for the benefit of any of them.

"Fee Interest" means that certain fee above a plane located at 300 South Riverside, Chicago, Illinois, and more particularly described on Exhibit A hereto.

"Fiscal Year" has the meaning set forth in Section 8.02.

"Indemnified Person" has the meaning set forth in Section 10.01(a).

"Initial Capital Contributions" has the meaning set forth in Section 4.01.

"Initiating Member" has the meaning set forth in Section 7.08(a).

"Initiating Member Distribution Amount" has the meaning set forth in Section 7.08(c).

"Interest" means, with respect to any Member at any time, the interest of such Member in the Company at such time, including the right of such Member to any and all of the benefits to which such Member may be entitled as provided in this Agreement, together with the obligations of such Member to comply with all of the terms and provisions of this Agreement

"IRR" means as of any date of a cash distribution to a Member, a specified internal rate of return that, when used as a discount rate, causes the net present value of the cumulative distributions made to such Member to equal the net present value of the Capital Contributions funded by such Member. For purposes of this definition (i) net present value shall be determined using quarterly compounding periods and (ii) each Capital Contribution funded by a Member shall be deemed made and each distribution of cash (including any return of a Capital Con1ribution) received by such Member on account of Capital Contributions shall be deemed to have been received, as of the date actually made or received.

"IRR Condition" means an IRR with respect to the Capital Contributions of the Members of not less than 18 percent (18%), provided that in connection with any sale of the Tenant's Lease Interest prior to the second anniversary of this Agreement, the IRR Condition shall mean a return with respect to the Capital Contributions of the Member that would allow for an IRR with respect to the Capital Contributions of not less than 18% for two (2) years.

"Junior Notes" means, collectively, the promissory notes to the Junior Note Holders in the aggregate original principal balance of $60,000,000.00.

"Junior Note Holders" means collectively, Werner, the Mizrachi Member.

"Leasing Expenses" has the meaning set forth in Section 4.03 below.

"Leasing Expense Loan" has the meaning set forth in Section 7.01(b)(iii). A Leasing Expense Loan may be superior to or pari passu with the loans evidenced by the Senior Notes, as determined by the Managing Member in its sole discretion.

"Loan" means any financing obtained or assumed by the Company or one or more Subsidiaries but specifically excluding the loans evidenced by the Senior Notes and the Junior Notes and any Priority Member Loan or Capital Loan.

"Major Decision" has ·the meaning set forth in Section 7.01(a).

"Major Lease" means (i) a lease demising a full floor or more of the Building; (ii) a lease demising 50,000 square feet or more of the Building; or (iii) a lease of space in the Building, when aggregated with other leases to the same tenant or such tenant's Affiliates, demise a full floor or more of the Building in the aggregate or 50,000 square feet or more of the Building. For purposes hereof, the parties agree that the pending lease with Cars.com or its affiliates on the terms described in the Term Sheet dated as of for approximately 165,000 square feet of space at the Building is approved.

"Managing Member" has the meaning set forth in Section 7.02.

"Member" or "Members" means one or more (as the case may be) of the Mizrachi Member, the Optibase Member and any other Person who, from time to time, is admitted as a member of the Company in accordance with this Agreement and applicable law, so long as such Person continues as a member of the Company.

"Mizrachi Member" has the meaning set forth in the Preamble.

"Net Cash Flow" means, with respect to any period, (i) (A) the gross cash proceeds derived by the Company during such period from any source (other than Capital Event Proceeds) plus any amounts released for distribution from previously established reserves, less (B) the portion thereof used to pay or establish reserves for all Company operating expenses, debt service payments (including, without limitation, debt service payments with respect to Permitted Financing, but excluding debt service payments with respect to the Leasing Expense Loans, Senior Notes and the Junior Notes), capital improvements and other cash expenditures of the Company, all as determined by the Managing Member in its reasonable discretion (but subject to Section 7.01(a)(xxv) below); plus (ii) any Capital Event Proceeds.

"Net Lease" means that certain Amended and Restated Ground Lease made as of February 10, 2015 by and between Lionshead 110 Riverside LLC and Lionshead 53 Riverside LLC, as Lessor, and Building LLC, as Lessee.

"Net Profits" and "Net Losses" means for any period the taxable income or loss, respectively, of the Company for such period, in each case as determined for federal income tax purposes, but computed with the following adjustments:

(v) items of income, gain, loss and deduction (including, without limitation, gain or loss on the disposition of any Company asset and Depreciation) shall be computed based upon the Book Value of the Company's assets rather than upon such assets' adjusted bases for federal income tax purposes;

(vi) any tax-exempt income received by the Company shall be deemed for these purposes only to be an item of gross income;

(vii) any expenditure of the Company described in Section 705(a)(2)(B) of the Code (or treated as described therein pursuant to Regulations under Section 704(b) of the Code) shall be treated as a deductible. expense; ·

(viii) there shall be taken into account any separately stated items under Section 702(a) of the Code;

(ix) if the Book Value of any Company asset is adjusted pursuant to clauses (ii) or (iv) of the definition thereof, the amount of such adjustment shall be taken into account in the period of adjustment as gain or loss from the disposition or deemed disposition of such asset for purposes of computing Net Profits and Net Losses; and

(x) items of income, gain, loss, or deduction or credit allocated pursuant to Section 6.02 shall not be taken into account.

"Non-Contributing Member" has the meaning set forth in Section 4.04(b).

"Offer Price" has the meaning set forth in Section 7.08(b).

"Optibase Parent Company" means Optibase Ltd., an Israeli company.

"Percentage Interest" means, the percentage of Interests in the Company that are owned by the Members as set forth on Exhibit A, as such percentages may be increased or decreased pursuant to Section 4.04(b)(iii) or as otherwise provided in this Agreement.

"Permitted Financing" has the meaning set forth in Section 7.01(b)(iii).

"Permitted Successor Control Party" means David Werner, Adam Mizrachi or any reputable Person possessing substantial experience in owning and/or operating properties similar to the Building and otherwise satisfying the requirements, if any, of the documents evidencing or securing any then-existing Loan, and otherwise reasonably acceptable to the Optibase Member.

"Person" means any individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, association, joint stock company, unincorporated organization, or other organization, whether or not a legal entity, and any governmental authority.

"Permitted Financing" has the meaning set forth in Section 7.01(b).

"Permitted Optibase Transferee" means any publicly traded company, financial institution, insurance company, pension fund, or other company with experience in owning or investing in real estate and which is not a Prohibited Person or controlled by a Prohibited Person and reasonably acceptable to the Mizrachi Member.

"Post-Transfer Liabilities" has the meaning set forth in Section 7.08(f).

"Preferred Return" means a cumulative return, calculated in the same manner as interest, compounded monthly, at a rate of twenty percent (20%) per annum or such lesser amount as represents the maximum rate permitted by law from time to time.

"Priority Member Loan" means, with respect to any Contributing Member, any advance made by such Contributing Member on behalf of a Non-Contributing Member and designated or characterized by the Contributing Member as a Priority Member Loan pursuant to Section 4.04(b).

"Prohibited Person" means any Person identified on the OFAC List or any other Person with whom a U.S. Person may not conduct business or transactions by prohibition of Federal law or Executive Order of the President of the United States of America.

"Property Sale Notice" has the meaning set forth in Section 7.08(b).

"Property Sale Procedures" has the meaning set forth in Section 7.08(a).

"Qualified Appraiser" has the meaning set forth in Section 7.08(b).

"Recipient Member" has the meaning set forth in Section 7.08(b).

"Recipient Sale Option" has the meaning set forth in Section 7.08(c).

"Recourse Obligation" has the meaning set forth in Section 10.02(a).

"Recourse Obligation Capital Call" has the meaning set forth in Section 10.02(a).

"Regulations" means the income tax regulations promulgated under the Code.

"Removal Event" has the meaning set forth in Section 7.09(a).

"Regulatory Allocations" has the meaning assigned to it in Section 6.02(e).

"Securities Act" has the meaning set forth in Section 12.01(a)(vi).

"Securities Laws" has the meaning set forth in Section 12.01(a)(vi).

"Senior Notes" means, collectively, those certain promissory notes, credit agreements or other funding agreements entered into by the Company to evidence and secure up to $40,000,000 of available credit.

"Senior Note Holders" means collectively, the holders of the Senior Notes, who may be Affiliates of Members of the Company or the Members, together with their respective successors and assigns.

"Subsidiary" means each of Building LLC and any other entity Controlled or owned, directly or indirectly, by the Company, through which the Company shall hold an interest, whether directly or indirectly (including, without limitation, general and/or limited partnership interests in a limited partnership or limited liability company membership interests in a limited liability company) in any asset.

"Tax Matters Partner" has the meaning set forth in Section 6.05(a).

"Taxing Authority" has the meaning set forth in Section 6.04.

"Tenant's Lease Interest" means the interest of Building LLC as Lessee in the Net Lease.

"Termination Election" has the meaning set forth in Section 7.10.

"Third Party" means a bona fide third party in which no Member or its Affiliates has any direct or indirect ownership interest and which is not otherwise an Affiliate of a Member.

"Third Party Sale Option" has the meaning set forth in Section 7.08(c).

"Transfer" has the meaning set forth in Section 9.01.

"U.S. Government Restricted Lists" means, (a) the two (2) lists maintained by the United States Department of Commerce (Denied Persons and Entities; the Denied Persons), (b) the list maintained by the United States Department of Treasury (Specially Designated Nationals and Blocked Persons), and (c) the list maintained by the United States Department of State (Terrorist Organizations and Debarred Parties).

"Werner" has the meaning set forth in the Recitals.

"Optibase Member" has the meaning set forth in the Preamble.

1.02. Construction. Words used herein, regardless of the number or any gender used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires, and, as used herein, unless the context clearly requires otherwise, the words "hereof," "herein," and "hereunder" and words of similar import shall refer to this Agreement as a whole and not to any particular provisions hereof. References herein to any Article, Section, Schedule or Exhibit shall be to an Article, a Section, a Schedule or an Exhibit, as the case may be, hereof unless otherwise specifically provided. The word "or" is not exclusive. The use herein of the word "include" or "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter.

II. ORGANIZATION

2.01. Formation and Continuation. The Company was formed as a limited liability company under the laws of the State of Delaware by the filing of the Certificate of Formation on September 21, 2010 pursuant to the Act. The Managing Member shall file and record with the proper offices in the State of Delaware and any other state in which the Company does business, such further certificates and other filings as shall be required or advisable under the Act or applicable law. The rights, powers, duties, obligations and liabilities of the Members shall be determined pursuant to the Act and this Agreement to the extent that the rights, powers, duties, obligations and liabilities of the Members are different by reason of any provision of this Agreement than they would be in the absence of such provision, this Agreement shall, to the extent permitted by the Act, control. The existence of the Company as a separate legal entity shall continue until cancellation of the Certificate of Formation as provided in the Act.

2.02. Name and Principal Place of Business.

(a) The name of the Company is 300 River Plaza Holdings LLC. All business of the Company shall be conducted under such name, and title to all assets of the Company shall be held in such name.

(b) The principal place of business and office of the Company shall be initially located at c/o The Mizrachi Group, LLC, 7700 Congress Avenue, Suite 3106, Boca Raton, Florida 33487. Such principal place of business and office of the Company may be changed from time to time by the Managing Member.

2.03. Term. The term of the Company commenced on the date of the filing of the Certificate of Formation pursuant to the Act and shall continue in full force and effect until the dissolution and termination of the Company pursuant to Article XI.

2.04. Registered Agent Registered Office and Foreign Qualification. The address of the Company's registered office shall be at the offices of its registered agent, as set forth in the Certificate of Formation. The address of the Company's registered office and registered agent of the Company may be changed from time to time by the Managing Member by filing the address of the new registered office and/or the name of the new registered agent with the Secretary of State pursuant to the Act.

2.05. Purposes. Subject to the limitations set forth herein, the business and purpose of the Company shall be to acquire, hold, maintain, operate, improve, renovate, expand, originate, use, lease, finance, refinance, manage, develop, dispose of and otherwise deal with, directly or through one or more direct or indirect Subsidiaries, the Building, and the Tenant's Lease Interest and to engage in any and all activities as are related or incidental to each of the foregoing.

2.06. Powers. The Company shall have the power to do anything and everything necessary, suitable or proper for the accomplishment of or in furtherance of the purposes set forth above, and to do every other act or acts, thing or things, incidental or appurtenant to or arising from or corrected with any of such purposes. The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed by, the Managing Member as provided herein.

III. MEMBERS

3.01. Admission of Members. The Mizrachi Member and the Optibase Member are the only Members of the Company as of the date hereof. Except as expressly permitted by this Agreement, no other Person shall be admitted as a member of the Company and no other Person has the right to take part in the ownership of the Company.

3.02. Limitation on Liability. Except as otherwise expressly provided in the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Member shall be obligated personally for any such debt, obligation or liability of the Company, solely by reason of being a Member of the Company.

IV. CAPITAL

4.01. Initial Capital Contributions. As of the date hereof, each Member is deemed to have made a Capital Contribution in the amount set forth next to such Member's name on Schedule A under the column marked "Initial Capital Contributions" (the "Initial Capital Contributions").

4.02. Reserved.

4.03. Additional Capital Contributions. Each Member will contribute additional Capital Contributions ("Additional Capital Contributions") to the Company (i) as and when requested by the Managing Member in its reasonable discretion to fund operating expenses of the Company and its business to the extent such expenses were contemplated in the applicable Approved Annual Budget and the amount payable does not exceed the amount budgeted for the particular expense by more than ten percent (10%) or five percent (5%) of the total Aggregate Annual Budget, (ii) to pay any expenses necessitated by an Emergency, (iii) to pay any expenses necessary to comply with legal requirements necessitated by any Governmental Authority, (iv) reserved (v) to fund leasing expenses (including, without limitation, tenant work allowances, the cost of tenant improvements and brokerage expenses) with respect to leases and lease modifications entered into in accordance with this Agreement (collectively, "Leasing Expenses"), (vi) to fund other expenses approved by the Members; and (vii) to pay or reimburse a Recourse Obligation pursuant to Section 10.02. Notwithstanding anything contained herein to the contrary, the aggregate Additional Capital Contributions that may be requested by the Managing Member to fund Leasing Expenses shall not exceed $10,000,000.00.

4.04. Additional Capital Contribution Remedies.

(a) All Capital Contributions made pursuant to this Article IV shall be made by wire transfer of funds to the Company account designated in the applicable capital call notice, and any reimbursements or distributions to any Member required by or provided in this Agreement shall be made by wire transfer of funds to such account as designated in writing by such Member. Except upon the dissolution of the Company or as may be specifically provided in this Agreement (including Section 7.10), no Member shall have the right to demand or to receive the return of all or any part of its Capital Contributions to the Company.

(b) Additional Capital Contributions shall be made upon thirty (30) days prior written notice from the Managing Member to the Members (an "Additional Capital Call"), or sooner if deemed necessary by the Managing Member in connection with an Additional Capital Contribution required pursuant to Sections 4.03(ii) and 4.03(iii). No Member shall be required to or may make a Capital Contribution to the Company except as provided in this Article IV.

(c) If any Member (the "Non-Contributing Member") fails to timely make any Additional Capital Contribution (or any portion thereof) required pursuant to Section 4.03 hereof within the timeline set forth in the applicable Additional Capital Call, and the other Member (the "Contributing Member") has made its required share of such Additional Capital Contribution, then the Contributing Member may, at its election:

(i) demand and receive from the Company the full and immediate return of the Additional Capital Contribution funded by the Contributing Member (the "Cancel Option" and the amount so returned to the Contributing Member, the "Cancelled Additional Capital Contribution"), in which event the Contributing Member may elect to fund all or any portion of the applicable Additional Capital Call as a loan to the Company (a "Capital Loan") which Capital Loan shall be deemed a loan to the Company and accrue interest at the Preferred Return (and which Capital Loan shall, subject to the terms of the Senior Notes and any Leasing Expense Loans, be paid out of Net Cash Flow prior to any other distributions under Section 6.06 hereof); or

(ii) provided that the Contributing Member does not exercise the Cancel Option, advance all or any portion of each Non-Contributing Member's share of such required Additional Capital Contribution, in which event the Additional Capital Contributions made by the Contributing Member on behalf of the Non-Contributing Member in respect of the related request therefor (i.e., only the Non-Contributing Member's portion thereof) shall be designated as a Priority Member Loan entitled to a Preferred Return thereon; provided, however, that such Priority Member Loan will be considered and treated as a loan to the Non-Contributing Member followed by an Additional Capital Contribution by the Non-Contributing Member to the Company; and

(iii) to the extent the Non-Contributing Member does not repay any such Priority Member Loan and any Preferred Return accrued and unpaid thereon within one hundred and eighty (180) days of the date on which it was advanced by the Contributing Member, the Contributing Member shall have the one time right for each Priority Member Loan to convert all or a portion of such Priority Member Loan, together with any Preferred Return accrued and unpaid thereon (the amount so converted, the "Converted Amount"), into an Additional Capital Contribution to the Company made by such Contributing Member as of the date of such election in full or partial substitution for the deemed Additional Capital Contribution of the Non-Contributing Member to which it relates (a "Conversion Election"). Upon a Conversion Election, the Percentage Interest of the Contributing Member shall be increased (but not above one hundred) such that, immediately after such increase, the Percentage Interest of the Contributing Member shall be a percentage equal to (A) the sum of (I) the Contributing Member's Initial Capital Contribution, (II) the Contributing Member's Additional Capital Contributions other than the Converted Amount and (III) the Converted Amount, over (B) the sum of (I) the Initial Capital Contribution made by the Members and (II) the Additional Capital Contributions made by the Members to the Company prior to such default (including the applicable Additional Capital Contributions resulting from the Conversion Election described in this Section 4.04), and, concomitantly, the Percentage Interest of the Non-Contributing Member shall be decreased to a percentage equal to 100% less the Contributing Member's new Percentage Interest.

(d) Until a Priority Member Loan and the Preferred Return thereon have been paid in full by the Non-Contributing Member and to the extent such Priority Member Loan was not converted as provided in Section 4.04(b)(iii) above, the Priority Member Loan shall be repaid out of any distributions of Net Cash Flow made pursuant to this Agreement to which any Non Contributing Member for whose account the Priority Member Loan was made would otherwise be entitled (but such distributions actually paid to the Contributing Member shall, nonetheless, constitute a distribution to any such Non-Contributing Member for purposes of this Agreement), and such payments shall be applied first to the payment of accrued but unpaid interest on the Priority Member Loan and then to the payment of the outstanding principal, until the Priority Member Loan is repaid in full. The payment of any Preferred Return under this Agreement shall be subject to a "*Heter Iska*" in the form attached hereto as Exhibit B or such other form as may be mutually acceptable to the Members.

(e) The rights, powers or remedies conferred upon the Contributing Member in this Section 4.04 shall be exclusive and no Member shall be personally liable for its obligations to make Additional Capital Contributions in excess of its Interests in the Company, provided that in addition to such rights, powers or remedies conferred herein, the Contributing Member shall have the right to sue for specific performance in connection with a Conversion Election in Section 4.04(c)(iii) above. No course of dealing between the Contributing Member and any Non-Contributing Member and no delay in exercising any right, power or remedy conferred in this Section 4.04 shall operate as a waiver or otherwise prejudice any such right, power or remedy.

(f) Prior to entering into any Senior Notes or increasing the funding thereunder the, Company shall first offer each of the Members the opportunity to fund their pro rata share of the amount of the Senior Notes by providing advanced written notice of ten (10) days. Each Member shall have the right, but not the obligation to fund its share of the Senior Note funding.

V. CAPITAL ACCOUNTS

5.01. Capital Accounts. A capital account ("Capital Account") shall be maintained for each Member in accordance With Section 704(b) of the Code and Regulations Sections 1.704-l (b) and 1.704-2. The initial balance in each Member's Capital Account shall be as set forth on Schedule A.

5.02. Adjustments. The Capital Account of each Member shall be increased by (i) the amount of any cash contributed by such Member to the capital of the Company, (ii) the Book Value of any property contributed by such Member to the capital of the Company (net of liabilities that the Company is considered to assume, or take property subject to, under Section 752 of the Code), (iii) such Member's share of Net Profits (as determined in accordance with Section 6.01) and (iv) any income and gain allocated to such Member pursuant to Section 6.02. The Capital Account of each Member shall be decreased by (w) the amount of all cash distributions to such Member, (x) the Book Value of any property distributed to such Member by the Company (net of liabilities that the Member is considered to assume, or take property subject to, under Section 752 of the Code), (y) such Member's share of Net Losses (as determined in accordance with Section 6.01), and (z) any deductions and losses allocated to such Member pursuant to Section 6.02.

5.03. Negative Capital Accounts. No Member shall be required to make up a negative balance in its Capital Account.

5.04. Transfers. If any Interest is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred Interest.

5.05. Capital Account Balance. Except as otherwise provided in this Agreement, whenever it is necessary to determine the Capital Account balance of any Member, the Capital Account balance of such Member shall be determined after giving effect to all allocations pursuant to Sections 6.01 and 6.02 and all contributions and distributions made prior to the time as of which such determination is to be made.

VI. ALLOCATIONS AND DISTRIBUTIONS

6.01. Allocations of Net Profit and Net Loss. After the application of Section 6.02, Net Profit and Net Loss (and, to the extent necessary, individual items of income, gain, loss, deduction, and credit) for any taxable year, or portion thereof, shall be allocated among the Members in a manner such that the Capital Account of each Member, immediately after making such allocation, and after taking into account actual distributions made during such taxable year, or portion thereof: is, as nearly as possible, equal (proportionately) to (i) the distributions that would be made to such Member pursuant to Section 11.02 hereof if the Company were dissolved, its affairs wound up and its assets sold for cash equal to their Book Value, all Company liabilities, including the Company's share of any liability of any entity treated as a partnership for U.S. federal income tax purposes in which the Company is a partner, were satisfied (limited with respect to each non-recourse liability to the Book Value of the assets securing such liability) and the net assets of the Company were distributed in accordance with Section 11.02 to the Members immediately after making such allocation, minus (ii) such Member's share of Company minimum gain and Member nonrecourse debt minimum gain determined pursuant to Regulations Sections 1.704-2(g)(l) and 1.704-2(i)(5), computed immediately prior to the hypothetical sale of assets. Subject to the other provisions of this Article VI, an allocation to a Member of a share of Net Profit or Net Loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Profit or Net Loss.

6.02. Regulatory Allocations.

(a) Notwithstanding any other provision of this Agreement, (i) "partner nonrecourse deductions" (as defined in Regulations Section 1.704-2(i)), if any, of the Company shall be allocated for each period to the Member that bears the economic risk of loss within the meaning of Regulations Section 1.704-2(i) and (ii) "nonrecourse deductions" (as defined in Regulations Section 1.704-2(b)) and excess nonrecourse liabilities" (as defined in Regulations Section 1.752-3(a)), if any, of the Company shall be allocated to the Members in accordance with their respective Percentage Interests.

(b) This Agreement shall be deemed to include "qualified income offset," "minimum gain chargeback" and "partner nonrecourse debt minimum gain chargeback" provisions within the meaning of the Regulations under Section 704(b) of the Code. Accordingly, notwithstanding any other provision of this Agreement, items of gross income shall be allocated to the Members on a priority basis to the extent and in the manner required by such provisions.

(c) To the extent that Net Loss or items of loss or deduction otherwise allocable to a Member hereunder would cause such Member to have an Adjusted Capital Account Deficit as of the end of the taxable year to which such Net Loss, or items of loss or deduction, relate (after taking into account the allocation of all items of income and gain for such taxable period), such Net Loss, or items of loss or deduction, shall not be allocated to such Member and instead shall be allocated to the Members in accordance with Section 6.01 as if such Member were not a Member.

(d) If any Member has an Adjusted Capital Account Deficit at the end of any taxable year that is in excess of the sum of the amount such Member is obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Member shall be specially allocated items of income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 6.02(d) shall be made only if and to the extent that such Member would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Article VI have been made as if Section 6.02(c) and this Section 6.02(d) were not in this Agreement.

6.03. Tax Allocations.

(a) For federal income tax purposes, except as otherwise provided in this Section 6.03, each item of income, gain, loss and deduction shall be allocated among the Members in the same manner as its corresponding item of book income, gain, loss or deduction is allocated pursuant to Sections 6.01 and 6.02.

(b) In accordance with Sections 704(b) and 704(c) of the Code and the Regulations thereunder, income, gain, loss and deduction with respect to any Company asset contributed (or deemed contributed) to the capital of the Company shall, solely for federal income tax purposes, be allocated among the Members so as to take into account any variation between the adjusted basis of such Company asset for federal income tax purposes and its Book Value upon its contribution (or deemed contribution) using the "traditional method" under Regulations Section 1.704-3 (b). If the Book Value of any Company asset is adjusted, subsequent allocations of taxable income, gain, loss and deduction with respect to such Company asset shall take account of any variation between the adjusted basis of such Company asset for federal income tax purposes and the Book Value of such Company asset using the "traditional method" under Regulations Section 1.704-3(b).

(c) If a Member acquires an Interest, redeems all or a portion of its Interest or transfers an Interest during a taxable year, the Net Profit or Net Loss (and other items referred to in Sections 6.01 and 6.02) attributable to any such Interest for such taxable year shall be allocated between the transferor and the transferee by closing the books of the Company as of the date of the transfer, or by any other method permitted under Section 706 of the Code and the Regulations thereunder that is selected by the Tax Matters Partner.

(d) The provisions of this Article VI (and other related provisions in this Agreement) pertaining to the allocation of items of Company income, gain, loss, deductions, and credits shall be interpreted consistently with the Regulations, and to the extent unintentionally inconsistent with such Regulations, shall be deemed to be modified to the extent necessary to make such provisions consistent with the Regulations.

6.04. Withholding. The Company will at all times be entitled to make payments with respect to each Member in amounts required to discharge any obligation of the Company to withhold or make payments to any U.S. federal, state, local or foreign taxing authority ("Taxing Authority") with respect to any distribution or allocation of income or gain to such Member and to withhold (or deduct) the same from distributions to such Member. Any funds withheld from a distribution by reason of this Section 6.04 shall nonetheless be deemed distributed to the Member in question for all purposes under this Agreement. If the Company makes any payment to a Taxing Authority in respect of a Member hereunder that is not withheld from actual distributions to the Member, then the Member shall promptly reimburse the Company for the amount of such payment, on demand, and any outstanding amount not paid by the Member shall accrue interest owed to the Company at a rate of 15% per annum, compounded monthly. The amount of a Member's reimbursement obligation under this Section 6.04, to the extent not paid, shall be deducted from the distributions to such Member; any amounts so deducted shall constitute a repayment of such Member's obligation hereunder. Each Member's reimbursement obligation under this Section 6.04 shall continue after such Member transfers its interest in the Company or after a withdrawal by such Member. Each Member agrees to furnish the Company with any representations and forms as shall reasonably be requested by the Company to assist it in determining the extent of, and in fulfilling, any withholding obligations it may have. Each Member agrees to indemnify and hold harmless the Company and the other Member from and against any liability with respect to taxes, interest or penalties which may be asserted by reason of the failure to deduct and withhold tax on amounts distributable or allocable to such Member. Any amount payable as indemnity hereunder by a Member will be paid promptly to the Company, and if not so paid, the Company will be entitled to retain any distributions due to such Member for all such amounts.

6.05. Tax Matters.

(a) Tax Matters Partner. The "Tax Matters Partner" of the Company shall be the Managing Member as tax matters partner. The Tax Matters Partner shall be authorized to take any action permitted by the Code, in addition to extending the statute of limitations on behalf of the Company, submitting any written material to any taxing authority, settling or offer to settle any controversy, selecting the Company's choice of litigation forum in a tax controversy or taking any other action in its capacity as Tax Matters Partner. The Tax Matters Partner shall be reimbursed by the Company for any reasonable expenses incurred in its capacity as Tax Matters Partner.

(b) Tax Elections. All elections and other tax decisions by the Company for federal income tax or other tax purposes shall be made by the Tax Matters Partner. The Company shall make an election under Section 754 of the Code to adjust the basis of its assets as provided by Sections 734 and 743 of the Code for its taxable year that includes the date hereof. Notwithstanding the foregoing, in the event that the Optibase Member requires, as a result of regulatory or other legal requirements governing the Optibase Member or its affiliates, that the Company make a tax election not otherwise provided for herein, the Company shall not unreasonably withhold its consent to such election provided that such election does not have a negative effect on the Managing Member, the Company, the Tenant's Lease Interest or the Building.

(c) Tax Returns. All U.S. Federal, state and local income tax returns shall be prepared by the Company Accountant under the direction of the Managing Member. The Managing Member shall cause the Company Accountant to submit drafts of all tax returns (including all related schedules and exhibits and upon request, copies of all supporting workpapers) to the Members, together with a request for comments on their contents, at least thirty (30) days prior to the required filing date (with extensions). The Managing Member shall file or cause to be filed all such tax returns required to be filed by or on behalf of the Company. All costs and expenses associated with the preparation and filing of tax returns and other tax work required shall be paid or reimbursed by the Company.

(d) Information to be Provided in Connection With Tax Returns. Within seventy-five (75) days after the end of each Fiscal Year of the Company, the Managing Member shall send (or shall cause the Company Accountant to send) to each person or entity who was a Member at any time during the Fiscal Year then ended a Schedule K-1 and such partnership tax information necessary for the preparation by such person or entity of its United States federal, state and local tax returns in accordance with any applicable laws, rules and regulations then prevailing. Such information shall include a statement showing such Member's share of distributions, income, gain, loss, deductions and expenses and other relevant fiscal items of the Company for such fiscal year. Upon the request of the Optibase Member, the Managing Member shall endeavor to provide the Optibase Member with such additional information as shall be required pursuant to rules and regulations applicable to publicly traded companies in Israel and the United States provided that Optibase shall pay the amount of any out-of pocket costs incurred in producing such additional information. Without limitation of the foregoing, promptly upon the request of any Member, the Managing Member will furnish to such Member: (i) all United States federal, state and local income tax returns or information returns, if any, which the Company has filed; and (ii) if applicable, such other information as such Member may reasonably request for the purpose of applying for refunds of withholding taxes.

6.06. Distributions. Except as provided to the contrary in Sections 4.04(c) and (d), the Company's Net Cash Flow (to the extent and when available, but not less often than quarterly) shall be applied as follows:

(i) First, to the Senior Note Holders, until all accrued and unpaid interest on the Senior Notes has been paid;

(ii) Second, to the Senior Note Holders, until the entire principal amount on the Senior Notes has been reduced to zero;

(iii) Third, to the Junior Note Holders, pro rata based on the relative accrued and unpaid interest on the Junior Notes, until all accrued and unpaid interest on the Junior Notes has been paid;

(iv) Fourth, to the Junior Note Holders, pro rata based on the outstanding principal amounts on the Junior Notes, until the entire principal amount on the Junior Notes has been reduced to zero; and

(v) Fifth, to the Members, pro rata in accordance with their respective Percentage Interests.

To the extent any Leasing Expense Loans are outstanding, payment of principal and interest on such Leasing Expense Loans shall be made pari passu with the payment to the Senior Note Holders under Sections 6.06(i)-(ii) above. To the extent any Capital Loans are outstanding, such Loans shall be paid prior to any other distributions of Net Cash Flow, subject to any restrictions in the Senior Notes or with respect to the Leasing Expense Loans, first to any interest accrued on such Capital Loans and then to reduction of principal of such Capital Loans.

VII. MANAGEMENT

7.01. Management.

(a) The business and affairs of the Company shall be controlled by the Managing Member, provided however, that the actions set forth in Section 7.01(b) below (each a "Major Decision") shall only be taken, directly or indirectly, by the Company, if at all, upon the written approval of the Consenting Members, which approval may be granted, denied or conditioned, in the sole discretion of each Consenting Member, with respect to the items set forth in Section 7.01(b)(i), (x), (xiv) and (xxii) – (xxiv) and which approval shall not otherwise be unreasonably withheld. Except with respect to Major Decisions or as otherwise expressly stated in this Agreement, no Member other than the Managing Member shall participate in the management or control of the Company or have any right to approve, vote on or otherwise consent to any matter relating to the business, affairs or assets of the Company or any Subsidiary. In the event the Managing Member requests the consent, approval or agreement of the Consenting Members with respect to any of the Major Decisions other than as set forth in Sections 7.01(b)(i), (x), (xiv) and (xxii) – (xxiv), and within ten (10) Business Days after such notice is given, a Consenting Member has not notified the Managing Member that it disapproves of, does not consent to or does not agree to the matter set forth in the notice, and provided further that approval from any Lender and from any other entity, the approval or consent of which is required, has been obtained, such matter shall be deemed to have been approved, consented to or agreed to by such Consenting Member. Any notice given pursuant to the foregoing sub-sections shall state in bold letters requesting that the Consenting Members failure to respond within ten (10) Business Days shall constitute consent.

(b) The Major Decisions include all of the following and shall apply equally to the Company and any Subsidiary, whether or not so specified:

(i) engaging in any business inconsistent with the purposes of the Company set forth in Section 2.05;

(ii) except as provided in Sections 7.01(e) and 7.06 into transactions with Affiliates of the Managing Member;

(iii) other than additional unsecured debt required to fund Leasing Expenses ("Leasing Expense Loans"), incurring or refinancing any debt (including any financing secured by the Tenant's Lease Interest, the Building or all or a portion of the ownership interests in a Subsidiary) or materially modifying or amending the terms of any existing financing or indebtedness other than (x) trade debt incurred by Subsidiaries in connection with the ownership and operation of the Building in the ordinary course of business; or (y) any financing or refinancing of mortgage or mezzanine indebtedness for a loan in the amount of not less than $160,000,000.00 ("Permitted Financing"), provided that in connection with any such Permitted Financing the Managing Member shall not enter into any such Permitted Financing without the prior written consent of the Optibase member which consent shall be granted to the extent the terms of such Permitted Financing are not unreasonable and deemed granted if not affirmatively denied in ten (10) days of the Investor's receipt of notice of such proposed Permitted Financing;

(iv) except as set forth in Sections 4.03 and 4.04, requesting Additional Capital Contributions and adjustments to initial Capital Contributions;

(v) granting of any guaranty for, or otherwise becoming a surety, endorser or accommodation endorser, the obligations of any Person;

(vi) entering into any material amendment, termination, or modification of or waiving any material right under any Major Lease;

(vii) entering into any material amendment, termination or modification of or waiving any material right under the Net Lease;

(viii) incurring or, paying any capital, operating or other expense on behalf of the Company or any Subsidiary in respect of an item in excess of $100,000 that is not contemplated by an Approved Annual Budget except (i) as would not cause such expenditures to be greater than 110% of any single line item or 105% of the total Aggregate Annual Budget; and (ii) as necessitated by an Emergency;

(ix) entering into or consenting to any restrictive covenant or easement agreement affecting the Fee Interest or the Tenant's Lease Interest, the Building or any portion thereof (other than utility easements and the like granted or released in the ordinary course);

(x) admitting any additional members into the Company or a Subsidiary (other than admitting a wholly-owned Subsidiary as the sole member of another wholly-owned Subsidiary);

(xi) selling or transferring any direct or indirect ownership interest in the Company, a Subsidiary and/or the Tenant's Lease Interest other than a transfer permitted under Sections 7.01(f) or 9.02 ;

(xii) appointing a property manager or leasing agent for the Building except for an interim retention of an Approved Property Manager to replace a property manager or leasing agent that has been terminated or not renewed, it being agreed that upon any such termination the Members shall endeavor to select a long-term replacement as soon as practicable, but no later than ninety (90) days;

(xiii) approving a proposed Annual Budget or making any modification to an Approved Annual Budget, provided that the Managing Member may, in its reasonable discretion, cause the Company to exceed the Approved Annual Budget by up to 10% for any single item and up to five percent (5%) of the total Aggregate Annual Budget; and

(xiv) executing an agreement, or causing an amendment to be effectuated with respect to this Agreement, which would result in a dilution of the Interests or the Percentage Interest, of any Member, except pursuant to the terms of this Agreement expressly provided, or causing the Company, or any Subsidiary, to enter into any agreement which would result in personal liability to any Member or to any principal of a Member;

(xv) any determination regarding rebuild or replace any improvement located within the premises demised by the Tenant's Lease Interest following a casualty or taking, the proceeds of which exceed $250,000.

(xvi) taking of any legal action involving any claim in excess of $500,000 and any determination to settle any legal action involving any claim in excess of $500,000,

(xvii) approving an insurance program or changes thereto, and approval of any insurance claim or settlement in excess of $500,000;

(xviii) the hiring of any employees by the Company or a Subsidiary;

(xix) The replacement of the Approved Accountant;

(xx) filing of any petition or consenting to the filing of any petition that would subject the Company or a Subsidiary to a Bankruptcy Event; the making of an assignment for the benefit of creditors of the Company or a Subsidiary; the application for appointment of a custodian, receiver or trustee by the Company or with respect to any of the Company's property; or admitting in writing that the Company or its Subsidiary is unable to pay its debts generally as they become due

(xxi) making any distributions by the Company, other than in accordance with Section 6.06;

(xxii) any merger, consolidation, termination or dissolution of the Company or any Subsidiary;

(xxiii) amending this Agreement or the organizational documents and operating agreements of the Company and any Subsidiary;

(xxiv) any change to the treatment or classification of (i) the Company as a partnership for US federal and state income-tax purposes, or as a partnership for state law purposes, or (ii) the Building LLC as a disregarded entity for US federal and state income tax purposes or as a partnership for state law purposes; and

(xxv) establishing reserves of the Company other than up to 110% of the amount set forth in the then-current Approved Annual Budget, provided that the Managing Member may not cause the Company to establish reserves in excess of the reserves set forth in the Approved Annual Budget to the extent that the cash flow of the Company is insufficient to service the interest obligations on the Senior Note on a current basis;

(xxvi) Permitting any encumbrances against the Building, the Tenant's Lease Interest, or the Fee Interest, other than (i) lien and encumbrances reflected in the Title Report obtained for the Tenant's Lease Interest as of the date of this Agreement; (ii) the lien for ad valorem taxes or assessments not yet delinquent; (iii) inchoate mechanics liens and mechanics and materialman's liens that arise during the ordinary course of business and that are filed of record and not bonded, insured or released of record within ninety (90) days after being filed of record; or (iv) in connection with any Permitted Financing.

(c) Reserved.

(d) Upon the occurrence of any direct or indirect sale or refinance by the Company or its subsidiaries of all or substantially all of the Tenant's Lease Interest, the Mizrachi Member shall be entitled to receive the balance of the Capital Event Fee after payment of all Capital Event Costs (which shall be subtracted from the amount of the Capital Event Fee). In the event that, in connection with any direct or indirect sale or refinance by the Company or its subsidiaries of the Tenant's Lease Interest, the Capital Event Costs exceed the Capital Event Fee with respect to such sale or refinance, the parties shall determine a reasonable fee payable to the Managing Member for its services provided in connection with such sale or refinance.

(e) Budget. The proposed form of the initial Annual Budget for the Company, the Building LLC and the Building is attached to this Agreement as Exhibit __. On or prior to December 1 of each calendar year, the Managing member shall prepare a new budget for the following calendar year and shall submit such proposed budget to the Optibase Member for its approval as a Major Decision. The Managing Member and the Optibase Member shall cooperate in good faith to approve all budgets, including revisions, updates and amendments thereto in a prompt manner.

(f) Notwithstanding anything contained herein to the contrary, the Mizrachi Member shall be entitled, in its sole and absolute discretion, to sell, directly or indirectly, the Tenant's Lease Interest, if at any time, the Capital Event Proceeds from such sale satisfy the IRR Condition .

7.02. Managing Member. Subject to the provisions of Section 7.01, the Mizrachi Member shall be the "Managing Member" of the Company in charge of the management, operation and policy of the Company, and shall be authorized and empowered on behalf and in the name of the Company to carry out any and all of the objects and purposes of the Company and to perform all acts and enter into and perform all contracts and other undertakings that it may, in its reasonable discretion, deem necessary or advisable or incidental thereto. Third parties dealing with the Company can rely conclusively upon the Managing Member's certification that it is acting on behalf of the Company and that its acts are authorized. The Managing Member's execution of any agreement on behalf of the Company is sufficient to bind the Company for all purposes and execution by the Managing Member on behalf of the Company shall be conclusive evidence that such execution of such agreement has been duly authorized. Subject to the terms and conditions hereof, the Managing Member shall have all of the rights and powers that may be possessed by a Managing Member under the Act and otherwise as provided by law and this Agreement.

7.03. Control of the Members.

(a) The Mizrachi Member shall at all times be Controlled by Joseph Mizrachi and the Optibase Member shall at all times be Controlled by Optibase Parent Company. Notwithstanding the foregoing, following the (i) death, (ii) incapacity for more than 120 consecutive days, (iii) removal, or (iv) resignation of Joseph Mizrachi, the Mizrachi Member may be Controlled by any Permitted Successor Control Party selected pursuant to the terms and provisions of the Operating Agreement of the Mizrachi Member. Any disputes as to whether the Person Controlling the Optibase Member or Mizrachi Member qualifies as a Permitted Successor Control Party shall be resolved and determined pursuant to the provisions of Section 13.15 of this Agreement.

(b) The Managing Member shall at all times be Controlled by Joseph Mizrachi or a Permitted Successor Control Party. The Optibase Member is irrevocably authorized to conclusively rely upon notice received from Joseph Mizrachi (or any Permitted Successor Control Party that Controls the Mizrachi Member) on behalf of the Managing Member. Notice from the Managing Member to the Optibase Member shall not be effective unless such notice is executed by Joseph Mizrachi (or any Permitted Successor Control Party that Controls the Mizrachi Member) on behalf of the Managing Member, or accompanied by reasonable evidence that the signatory other than Joseph Mizrachi (or any Permitted Successor Control Party that Controls the Mizrachi Member) has been authorized by Joseph Mizrachi (or any Permitted Successor Control Party that Controls the Mizrachi Member)."

7.04. Limited Power and Duties of the Members. Subject to Section 7.01 (Major Decisions) and except as otherwise provided in this Agreement, the Members (other than the Managing Member) shall have no power to participate in the management of the Company except as expressly authorized by this Agreement or as expressly required by the Act. Unless expressly and duly authorized in writing to do so by the Managing Member, no Member, in its capacity as such, shall have any power or authority to bind or act on behalf of the Company in any way, to pledge the Company's credit or to render the Company liable for any purpose.

7.05. Delegation to Officers. Subject to the provisions of Section 7.01, the Managing Member shall be entitled to appoint persons to serve as officers of the Company, with such powers, including the power to bind the Company, and subject to such limitations the Managing Member may from time to time determine. If granted the power to bind the Company, any such officer's execution of any agreement on behalf of the Company shall be sufficient to bind the Company for all purposes and execution by any such officer on behalf of the Company shall be conclusive evidence that such execution of such agreement has been duly authorized.

7.06. Affiliate Transactions. The Managing Member may cause the Company or any Subsidiary to enter into agreements with Affiliates of the Managing Member to provide services to the Company or any Subsidiary in the ordinary course of business; provided that competitive bids are first solicited from potential third-party service providers and the terms of such agreements shall be commercially reasonable and on an arms-length basis, and provided further, that the Managing Member shall inform the Optibase Member of any Affiliated transaction in advance of entering into such transaction. Notwithstanding the foregoing, the Company and any Subsidiary shall not be permitted to engage or pay any compensation to an Affiliate of the Managing Member to perform construction or renovation work on Building or to perform any construction management services (including any construction management work performed under the Property Management Agreement) without first obtaining the written consent of the Optibase Member, such consent not to be unreasonably withheld.

7.07. Other Activities. Except as otherwise expressly provided herein, the Members recognize that each Member (including the Managing Member), and its respective members, partners, shareholders, officers, directors, employees; agents, representatives and Affiliates, have or may in the future have other business interest activities and investments, some of which may be in conflict or competition with the business of the Company, and that the other Member, and its respective members, partners shareholders, officers, directors, employees, agents, representatives and Affiliates, are entitled to carry on such other business interests, activities and investments. Neither the Company, its Subsidiaries nor the other Member shall have any right, by virtue of this Agreement, in or to such activities, or the income or profits derived therefrom, and the pursuit of such activities, even if competitive with the business of the Company or any of its Subsidiaries, shall not be deemed wrongful or improper. Nothing in this Section 7.07 shall be deemed to limit the obligation of either Member under any other agreement to offer the other Member a participating interest in any business, activity or investment opportunity.

7.08. Property Sale Mechanism.

(a) Each Member ("Initiating Member") shall have the right, subject to the last sentence of this subsection, to initiate and complete the procedures for sale of the Tenant's Lease Interest described in this Article ("Property Sale Procedures") occurring after the fifth (5th) anniversary of the Effective Date, provided that the Optibase member may elect to exercise the rights set forth in this Section 7.08 at any time within sixty (60) days after the occurrence of a Removal Event and the failure to cure following expiration of all cure periods hereunder. In the event that (i) the Optibase member exercises the Property Sale Procedures within sixty (60) days after the occurrence of a Removal Event and the cure periods as prescribed above or (ii) the any Member exercises the Property Sale Procedures on a date that is later than six years and six months following the Closing Date and the Junior Notes are still unpaid and outstanding, then the Property Sale Procedures shall not be subject to the IRR Condition set forth below..

(b) In order to initiate the Property Sale Procedures, the Initiating Member shall give written Notice ("Property Sale Notice") to the other Member (the "Recipient Member"), which Notice shall (1) state that the Initiating Member elects to sell the Tenant's Lease Interest on behalf of the Company and the Building LLC pursuant to this Article, (2) specify a price for the Tenant's Lease Interest and all other assets of the Company which shall not be less than the fair market value of the Tenant's Lease Interest (the "Offer Price") as determined in the most recent appraisal of the Tenant's Lease Interest performed by one of the 5 largest appraisal firms operating within the Chicago, Illinois metropolitan area (an "Qualified Appraiser") (which shall be updated if more than six (6) months have passed since the date of the appraisal), and (3) specifying the amount (as reasonably calculated by the Company Accountant) that would be distributed to each Member (with respect to each Member, its "Distribution Amount") if the Tenant's Lease Interest were sold for the Offer Price and the net proceeds (assuming typical transaction costs such as repayment of debt, transfer taxes, the Capital Event Fee and the effect of the terms and conditions described in item (4) below) after paying or providing for all Company liabilities were distributed to the Members in accordance with this Agreement, which Distribution Amount may not be less than an amount that would satisfy the IRR Condition with respect to the Recipient Member, (4) state the other material terms and conditions under which the Initiating Member proposes to sell the Tenant's Lease Interest and (5) specifically request the Recipient Member to respond to the Property Sale Notice by delivering an Election notice (as defined in Section (c) below).

(c) If a valid Property Sale Notice is given, the Recipient Member shall, subject to subsection (d) below, within thirty (30) days (the "Election Deadline") after its receipt of the Property Sale Notice, elect by written notice (an "Election Notice") to the Initiating Member, to either (i) purchase the entire Interest in the Company owned by the Initiating Member for the Distribution Amount that would be received by the Initiating Member (the "Initiating Member Distribution Amount") and without qualification or other condition (the "Recipient Sale Option"), or (ii) decline to purchase the Initiating Member's Interests and allow the Company to cause a sale of the Tenant's Lease Interest to a Third Party (the "Third Party Sale Option").. The failure to timely elect any such option shall be deemed an election by the Recipient Member of the Third Party Sale Option.

(d) Within five (5) Business Days of receipt of the Property Sale Notice, the Recipient Member may elect to contest the Offer Price (a "Demand for Valuation") by, at its sole cost and expense, by engaging a Qualified Appraiser to conduct an additional appraisal of the Tenant's Lease Interest, which additional appraisal shall be delivered within twenty-one (21) days of such election. If the lower of the two appraisals is at least 90% of the higher of the two appraisals, the average of the two appraisals shall be the Offer Price. If the lower of the two appraisals is less than 90% of the higher of the two appraisals, the two Qualified Appraisers shall, within 30 days after the date of the Demand for Valuation, select (and notify the Members of the selection and identity of) a third Qualified Appraiser who shall, within 55 days after the date of the Demand for Valuation, report its appraisal in writing simultaneously to the Members, and the Offer Price shall be the amount determined by the Member's appraisal that is closest to the value of the Tenant's Lease Interest determined by the third Qualified Appraiser. In the event a Demand for Evaluation is made, the Election Deadline shall be postponed until ten (10) days after the final determination of the Offer Price pursuant to this subsection (d).

(e) If the Recipient Member timely exercises the Recipient Sale Option, it shall simultaneously therewith deposit in escrow five percent (5%) of the Initiating Member's Distribution Amount; any purported exercise by the Recipient Member of the Recipient Sale Option shall be invalid if not accompanied by such deposit, whereupon the Recipient Member will be deemed to have exercised the Third Party Sale Option. The closing of the Recipient Member's acquisition of the Initiating Member's Interests shall be on a date designated by the Recipient Member, but not later than the sixty (60) days after the delivery of the Election Notice. At the closing, the Initiating Member's Distribution Amount shall be paid by the Recipient Member by bank wire transfer of immediately available funds. The terms of the purchase and sale shall be without representation or warranty, except that (i) the Initiating Member shall be required to represent and warrant to the Recipient Member (and the same shall be a condition to closing) that its entire interest is owned free and clear of all liens and encumbrances (other than liens in favor of any lender to the Company whose loan will remain outstanding after closing) and is subject to no legal or equitable claims, and that the Initiating Member has the authority to sell the applicable interest and (ii) the Recipient Member shall be deemed to have assumed all obligations and liabilities relating to the purchased interest arising from transactions or events first occurring after the date of such sale, and upon request each Member shall deliver to the other appropriate documentation evidencing the sale, assignment, representation and assumption set forth herein.

(f) Prior to the closing of the Recipient Sale Option, the Members shall use commercially reasonable efforts to have the Initiating Member and its Affiliates released from all obligations hereunder with respect to Recourse Obligations arising from events arising out of, or attributable to events, circumstances, acts or omissions occurring after the date that the Initiating Member has transferred its Interest to the Recipient Member ("Post-Transfer Liabilities"). If the Members are unable, after employing commercially reasonable efforts, to arrange for the Initiating Member or its Affiliates to be released from all Post Transfer Liabilities in regard to Recourse Obligations, then the Recipient Member shall indemnify the Affiliates of the Initiating Member providing such Recourse Obligations for any Post-Transfer Liabilities.

(g) If the Recipient Member fails to close under the Recipient Sale Option, the Initiating Member may retain the amount deposited in escrow as liquidated damages and if the Initiating Member fails or refuses to close under the Recipient Sale Option, the Recipient Member may sue for specific performance and enforcement costs and the Initiating Member may not thereafter deliver a Property Sale Notice.

(h) If the Third Party Sale Option is duly elected (or deemed elected, as applicable), then the Initiating Member may cause the Company to engage one of the five (5) largest brokerage firms in the metropolitan area where the Building is located to offer the Tenant's Lease Interest for sale to a bona fide Third Party on behalf of the Company and the Building LLC for the best offer taking into account all of the terms of such offer including, but not limited to,) the credit worthiness of the proposed Third Party and the Initiating Member's (or its Affiliate's) prior experiences with the proposed Third Party (provided that in no event shall the Tenant's Lease Interest be sold at a price that is less than the Offer Price).

(i) If a closing has not occurred in connection with the Third Party Sale Option within one hundred and eighty (180) days of an Election Notice (or deemed Election Notice) to proceed with the Third Party Sale Option, such election and shall be null and void and no such transactions may occur without the Initiating Member first sending a new Property Sale Notice subject to the process set forth above.

7.09. Removal of Managing Member.

(a) Grounds for Removal. Subject to the notice and cure rights described in subsection (b) below, the Optibase Member shall have the right to remove the Managing Member for cause by delivering to it a written Notice of removal and stating the grounds for removal, which must be based upon or related to one or more of the following ("Removal Event"):

(i) The Managing Member takes any action in connection with a Major Decision in violation of Section 7.01 hereof or commits a Transfer that is prohibited by this Agreement under Article IX.

(ii) The final determination of any fraud, criminal conduct punishable as a felony or material and intentional misappropriation of funds by the Managing Member or its Affiliates in its performance of duties, obligations or covenants under this Agreement or in their performance of the Property Management Agreement;

(iii) Any knowing violation of any law by the Managing Member in connection with the Company, its Subsidiary or the Building that has had a material and adverse effect on the Company its Subsidiary or the Building, provided that such violation was taken without the consent of the Members and that sufficient capital was available to the Company and/or Building LLC to avoid such violation.

(iv) The failure of the Managing Member to be Controlled by the Joseph Mizrahi or any Permitted Successor Control Party and the failure of Joseph Mizrahi or the Family Members of Joseph Mizrahi and [Alcalay] to beneficially own at least 15% of the Mizrachi Member;

(v) A Bankruptcy Proceeding has been commenced by the Managing Member or Joseph Mizrachi a Bankruptcy Proceeding has been commenced involuntarily against the Managing Member or Joseph Mizrachi and has not been dismissed or discharged within ninety (90) days after it was commenced.

(b) Notice and Cure Periods. If (1) the cause or grounds for removal can be cured within thirty (30) days after the date of receipt by the Managing Member of the Notice of removal and (2) the Managing Member gives the Optibase Member a written undertaking to cure such matter within such 30-day period, then the Managing Member shall have such 30-day period in which to cure the cause or grounds for removal or, if the Managing Member requests additional time for completing the cure, such additional time as shall be Approved by the Optibase Member but in no event more than ninety (90) days after the receipt by the Managing Member of the original Notice of removal from the Optibase Member. The costs and expenses of any such cure (1) shall be paid solely, fully and directly by the Managing Member and not by the Company or any other Member and (2) shall not be treated as an additional Capital Contribution or loan to the Company or any other Member. If any cost or expense related to any such cure is paid or required to by paid by the Company or any other Member, the Managing Member shall immediately reimburse the full amount so paid to the Company or the other Member, as appropriate. Notwithstanding the foregoing, the Managing Member shall not be entitled to a cure period in the event of a Removal Event pursuant to Section 7.09(2).

7.10. Effect of Removal. If the cause or grounds for removal of the Managing Member is not cured within the time period permitted in subsection (b) above or is not otherwise afforded any Notice, grace or cure period with respect to such action or occurrence, the Mizrahi Member shall automatically be removed as the Managing Member and shall be replaced in that capacity by a non-member manager that is a Permitted Successor Control Party mutually agreed upon by the Members, unless the Optibase Member sends written Notice waiving such termination. Upon removal pursuant to this Section, the Mizrahi Member shall continue as a Member and shall continue to have the rights and obligations of a Member under this Agreement except that the Mizrahi Member shall not have the rights set forth in Section 7.01(f)..

VIII. BOOKS AND RECORDS

8.01. Books and Records. The Managing Member shall maintain or cause to be maintained in a manner customary and consistent with GAAP, a comprehensive system of office records, books and accounts in which shall be entered fully and accurately each and every financial transaction with respect to the operations of the Company and its Subsidiaries. The Managing Member shall maintain or cause to be maintained such books and accounts in a safe manner and separate from any records not having to do directly with the. Company. Such books and records of account shall be prepared and maintained by the Managing Member at the principal place of business of the Company or such other place or places as may from time to time be determined by the Managing Member. Each Member or its duly authorized representative shall have the right to inspect, examine and copy such books and records of account at its own expense at the Company's office during reasonable business hours.

8.02. Bank Accounts. The Managing Member shall deposit and shall cause the Company, each property or asset manager employed by or on behalf of the Company to deposit all revenues and receipts of the Company and its Subsidiary, including cash balances derived from rents or occupancy payments or otherwise arising from the Building or the Tenant's Leasehold Interest, in one or more bank accounts established in the name of the Company by the Managing Member (each, an "Account"). Each Account shall be solely in the name of the Company. In no event shall any Account be commingled with any accounts of the Managing Member or any other Person

8.03. Accounting and Fiscal Year. The books of the Company shall be kept in accordance with US GAAP, and the Company shall report its operations for tax purposes on the accrual method. The taxable year of the Company shall end on December 31 of each year (the "Fiscal Year"), unless a different taxable year shall be required by the Code. In the event that a different taxable year is required by the Code, the Company shall maintain an additional set of accounting books and records in accordance with US GAAP for a yearly period ending on December 31 of each year.

8.04. Reports. The Managing Member shall prepare or cause to be prepared at the Company's expense and furnish to each of the Members within forty-five (45) days after the close of each Fiscal Year of the Company, commencing with fiscal year 2015, an audited consolidated balance sheet of the Company and each Subsidiary dated as of the end of such Fiscal Year, an audited statement of income and expense, an unaudited statement of cash flow and an unaudited statement of changes in Members, capital for such Fiscal Year and information for the Fiscal Year as to the balance in each Member's Capital Account. In addition, The Managing Member shall prepare or cause to be prepared at the Company's expense and furnish to each of the Members within thirty (30) days after the close of each quarter ending on March 31, June 30 and September 30 (a "Fiscal Quarter"), a reviewed consolidated balance sheet of the Company and each Subsidiary dated as of the end of such Fiscal Quarter, a reviewed statement of income and expense, a reviewed statement of cash flow and a reviewed statement of changes in Members, capital for such Fiscal Quarter and information for the Fiscal Quarter as to the balance in each Member's Capital Account. Within twenty (20) days after the end of each calendar month, the Managing Member shall send the Optibase Member a monthly operating report including an overview of Property activity, leasing activity, rent rolls and an operating results summary including tenant improvement works overview and other major issues.

8.05. The Company Accountant. The Company shall retain as the regular accountant and auditor for the Company (the "Company Accountant") any accounting firm approved and designated from time to time by the Managing Member, provided that such Company Accountant is reasonably acceptable to the Optibase Member and is approved as a member of PCAOB. The fees and expenses of the Company Accountant shall be a Company expense. As of the date hereof, the Mizrachi Member anticipates retaining Eisner Amper LLC as the Company Accountant, and Eisner Amper LLC is hereby approved by the Optibase Member.

8.06. Loan Compliance. Notwithstanding the requirements of Sections 8.01 - 8.04 above, the Managing Member may cause the Company and/or its subsidiaries to depart from such requirements to the extent necessary to comply with the terms of any Loans made to the Company or a Subsidiary.

IX. TRANSFER OF INTERESTS

9.01. No Transfer. Except as expressly permitted in Section 9.02 below, no Member shall have the right to sell, assign, transfer, convey, encumber, pledge or hypothecate, directly or indirectly, all or any portion of its respective Interest (each, a "Transfer") without the consent of the other Members. Any Transfer not in compliance with this Agreement shall be null and void ab initio.

9.02. Permitted Transfers.

(a) Indirect Transfers of the Optibase Member's Interest shall be permitted provided that such Transfers comply with law and the terms of any and all Loans and provided that after giving effect to each such Transfer, the Optibase Parent Company will continue to Control the Optibase Member. Transfers of a direct or indirect interest in the Optibase Parent Company will not be considered a Transfer under this Agreement and will not be subject to the consent of the Mizrahi Member.

(b) The Optibase Member shall be permitted to Transfer its Interests, directly or indirectly to a Permitted Optibase Transferee.

(c) Indirect Transfers of the Mizrachi Member's Interest shall be permitted provided that such Transfers comply with law and the terms of any and all Loans and provided that after giving effect to each such Transfer, Joseph Mizrachi will continue to Control the Mizrachi Member and either Joseph Mizrachi, a Family Member of Joseph Mizrachi or a trust or similar device for the primary benefit of Joseph Mizrachi and/or one or more of his Family Members, together with [Alcalay] continue to own at least 15% of the Managing Member.

9.03. Transferees. Notwithstanding anything to the contrary contained in this Agreement, no Transfer shall be permitted to the extent that such Transfer would violate any applicable law or any provision of any agreement to which the Company or its assets are bound, and no transferee of all or any portion of any Interest shall be admitted as a substitute Member unless (i) such Interest is transferred in compliance with the applicable provisions of this Agreement, and (ii) such transferee shall have executed and delivered to the Company such instruments as the Managing Member reasonably deems necessary or desirable to effectuate the admission of such transferee as a Member and to confirm the agreement of such transferee to be bound by all the terms, conditions and provisions of this Agreement with respect to such Interest. As promptly as practicable after the admission of any Person as a Member, the books and records of the Company shall be changed to reflect such admission. All reasonable costs and expenses incurred by the Company in connection with any Transfer of any Interest and, if applicable, the admission of any transferee as a Member shall be paid by such transferee.

9.04. Admission of Additional Members. Any additional or substitute Member admitted to the Company shall execute and deliver documentation in form reasonably satisfactory to the Managing Member accepting and agreeing to be bound by this Agreement, and such other documentation as the Managing Member shall reasonably require in order to effect such Person's admission as an additional Member.

X. EXCULPATION AND INDEMNIFICATION

10.01. Indemnification.

(a) No Member shall be bound by, or be personally liable for, the expenses, liabilities, or obligations of the Company, and the liability of each Member shall be limited solely to the amount of its contribution to the capital of the Company and its Interest, and no Member, nor the Company, nor any Person claiming by, through or under any Member, or the Company shall have any recourse to any assets of a Member other than such Member's Interest to satisfy any liability, judgment or claim that may be obtained or made against such Member under this Agreement.

(b) Except for the indemnity provided The Company shall, to the fullest extent permitted by applicable law, indemnify, defend and hold harmless the Managing Member and each Member and officer of the Company (severally, the "Indemnified Person"), from and against any loss, damage, liability, cost or expense (including fees and expenses of counsel selected by the Indemnified Person) ("Losses") incurred by reason of (i) the fact that the Indemnified Person was a managing member, member, director or officer of the Company (but only insofar as the matter at issue relates to actions actually or allegedly taken or omitted by such Indemnified Person on behalf of the Company with respect to the business of the Company or any Affiliated Person (as defined below) of the Company) or (ii) any action actually or allegedly taken or omitted by the Indemnified Person in any such capacity, if with respect to the matter at issue he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Company or such Affiliated Person, as the case may be, and with respect to any criminal proceeding had no reasonable cause to believe such conduct was unlawful. However, the Indemnified Person shall not be entitled to indemnification with respect to any amount paid in settlement if the settlement was effected without the Company's prior written consent, which shall not be unreasonably withheld. The fees and expenses of counsel shall be paid by the Company as they are incurred upon receipt, in each case, of an undertaking by or on behalf of the Indemnified Person to repay such amounts if it is ultimately determined that such Indemnified Person is not entitled to indemnification with respect thereto. Nothing in this Agreement or the Certificate of Formation of the Company shall affect any rights to indemnification to which such Indemnified Person may be entitled by contract or otherwise under law. Notwithstanding the foregoing, the Company shall not be obligated to indemnify the Managing Member for any Losses caused by the Managing Member's acts of gross negligence, or willful misconduct.

(c) "Affiliated Person" means (i) each corporation, if any in the stock or securities of which the Company has directly or indirectly invested, (ii) each partnership, if any, of which the Company is a general or limited partner or in the partner interests or securities of which the Company has directly or indirectly invested, (iii) each joint venture, if any, of which the Company is a joint venturer or in the joint venture interests or securities of which the Company has directly or indirectly invested, (iv) each limited liability company, if any, of which the Company is a member or in the membership interests or securities of which the Company has directly or indirectly invested and (v) each trust, if any, (including any trust under an employee benefit plan) of which the Company is a beneficiary (or in the case of a trust under an employee benefit plan of which the Company is a sponsor) or in the trust interests or securities of which the Company has directly or indirectly invested.

10.02. Recourse Obligations.

(a) Notwithstanding anything contained herein to the contrary, if any "bad boy" guaranty or environmental indemnity (an obligation under each such guaranty or indemnity and any other guaranty or indemnity relating to a Loan, a "Recourse Obligation") is required in connection with any Loan, the Mizrachi Member or an affiliate thereof that is acceptable to the applicable lenders, shall provide such guaranty or indemnity. The Mizrachi Member shall have the right to make a capital call in accordance with the provisions of Section 4.03 to pay any Recourse Obligation and any other loss, cost or expense (including reasonable attorney's fees and expenses) suffered or incurred by the Mizrachi Member or any of its Affiliates arising from (x) recovery of all or any portion of a Recourse Obligation or (y) any negotiations or discussions related to the defense of such Recourse Obligation (the "Recourse Obligation Capital Call"), or if previously paid, to reimburse the Mizrachi Member or its affiliated guarantor for any amounts paid thereunder; provided, however, the Mizrachi Member shall only have a right to make a Recourse Obligation Capital Call to the extent that a Recourse Obligation arises from (i) environmental liability, (ii) an event beyond the control of the Managing Member or a Subsidiary and not caused by a prohibited transfer of a beneficial interest in the Managing Member or by the failure of the Managing Member or its Affiliates to maintain financial covenants required under the Recourse Obligation, (iii) an action by the Optibase Member, or (iv) any other action Approved by the Optibase Member.

(b) Notwithstanding anything to the contrary contained herein, if the Mizrachi Member or an Affiliate thereof makes or is required to make any payment pursuant to any Recourse Obligation that arises solely from the gross negligence or willful misconduct of the Optibase Member or any Affiliate thereof, the Optibase Member shall fund 100% of the Recourse Obligation Capital Call. Notwithstanding anything to the contrary contained herein, any payment made by the Optibase Member pursuant to this Section 10.02(b) shall not be deemed an Additional Capital Contribution solely for the purpose of calculating the Optibase Member's Percentage Interest pursuant to Section 4.04(b)(iii).

(c) Notwithstanding anything to the contrary contained herein, in the event any Recourse Obligations results solely from the gross negligence or willful misconduct of the Mizrachi Member, or any Affiliate thereof, the Mizrachi Member shall fund 100% of the Recourse Obligation, and such shall not be paid or be payable by the Company.

10.03. Exculpation/Member Indemnification. Except in the case of willful misconduct, gross negligence or willful breach of the express terms of this Agreement by a Member, or as otherwise provided herein, no Member shall be liable to any other Member or the Company for any act or omission performed or omitted in good faith, (ii) such Member's failure or refusal to perform any act, except those· required by the terms of this Agreement or (iii) the negligence, dishonesty or bad faith of any agent, consultant or broker of the Company selected, engaged or retained in good faith.

XI. DISSOLUTION AND TERMINATION

11.01. Dissolution and Termination.

(a) The Company shall be dissolved upon the first of the following events to occur: (i) the consent in writing to dissolve and wind up the affairs of the Company by the Members; (ii) all or substantially all of the assets of the Company, after payment of or due provision for all debts, liabilities and obligations of the Company shall have been distributed to the Members in the manner provided for in this Agreement; (iii) the Certificate of Formation shall have been cancelled in the manner required by the Act; and (iv) the entry of a judicial dissolution under Section 18-804 of the Act.

(b) Notwithstanding any other provision of this Agreement, the bankruptcy of any Member shall not cause such Member to cease to be a member of the Company and upon the occurrence of such an event, the Company shall continue without dissolution.

(c) In all cases of dissolution of the Company, the business of the Company shall be wound up and the Company liquidated as promptly as practicable thereafter, and the assets of the Company shall be applied as provided for in the Act and thereafter in accordance with Section 11.01(d).

(d) In liquidation or dissolution of the Company, the Company's Net Cash Flow shall be applied in accordance with Section 6.06.

11.02. Winding Up and Articles of Dissolution. The winding up of the Company shall be completed when all debts, liabilities and obligations of the Company have been paid and discharged or reasonably adequate provision therefor has been made, and all of the remaining assets of the Company have been distributed as provided for in Sections 11.01(c) and (d). Within ninety (90) days following the dissolution and the commencement of the winding up of the Company, or at any time there are no Members, articles of dissolution, which shall set forth the information required by the Act, shall be filed in the Office of the Secretary of State of the State of Delaware in accordance with the Act. Prior to winding up the Company, the Company shall prepay the cost of storing the books and records of the Company with a third party provider for at least six (6) years after the winding up is completed, or for as long as legally required.

XII. REPRESENTATIONS AND WARRANTIES

12.01. Representations and Warranties of the Members.

(a). Each Member represents and warrants to the Company and to the other Member as follows:

(i) Such Member has all the requisite power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by the Member, and the consummation of the transactions contemplated hereby, does not conflict with or contravene the provisions of its organizational documents or any agreement or instrument by which it or its properties are bound or any law, rule, regulation, order or decree to which it or its properties are subject

(ii) All acts and other proceedings required to be taken by such Member to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and properly taken.

(iii) This Agreement has been duly executed and delivered by such Member and constitutes the legal, valid and binding obligation of such Member, enforceable against such Member in accordance with its terms, except as may be limited by bankruptcy, insolvency and other similar laws and general equitable principles.

(iv) Such Member has obtained all approvals and consents required to be obtained by it in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby from all governmental authorities having any approval rights with respect thereto, and all persons having consent rights.

(v) Such Member is duly organized, validly existing and in good standing under the laws of its jurisdiction of formation with all requisite power and authority to enter into this Agreement and to conduct the business of the Company.

(vi) Such Member is acquiring its interest in the Company for investment, solely for its own account, with the intention of holding such interest for investment and not with a view to, or for resale in connection with, any distribution or public offering or resale of any portion of such interest within the meaning of the Securities Act of 1933 as amended from time to time (the "Securities Act") or any other applicable federal or state securities law, rule or regulation ("Securities Laws").

(vii) Such Member is an "Accredited Investor," as such term is defined in Rule 50l(a) under the Securities Act.

(viii) Such Member acknowledges that it is aware that its interest in the Company has not been registered under the Securities Act or under any other Securities Law in reliance upon exemptions contained therein. Such Member understands and acknowledges that its representations and warranties contained herein are being relied upon by the Company, the other Member and the constituent owners of such other Member as the basis for exemption of the issuance of interest in the Company from registration requirements of the Securities Act and other Securities Laws. Each Member acknowledges that the Company will not and has no obligation to register any Interest in the Company under the Securities Act or other Securities Laws.

(ix) The Member is in compliance with Executive Order 13224 (September 23, 2001), the rules and regulations of the Office of Foreign Assets Control, Department of Treasury, and any enabling legislation or other Executive Orders in respect thereof.

(x) At all times, including after giving effect to any Transfers permitted pursuant to this Agreement, such Member is not a Prohibited Person, and will not be a Prohibited Person so long as such Member remains a Member.

(xi) If applicable to such Member, the Member has implemented a corporate anti-money laundering plan that is reasonably designed to ensure compliance with applicable foreign and U.S. anti-money laundering law.

(xii) The Member is familiar with the U.S. Government Restricted Lists maintained by applicable U.S. Federal agencies and neither it nor any of its investors, officers or directors are on the U.S. Government Blacklists.

(xiii) Each Member acknowledges that "plan assets", within the meaning of the plan assets regulation promulgated by the U.S. Department of Labor (29 C.F.R. 2510.3-1 01 et seq.). will not be used for any transaction contemplated herein.

(xiv) Such Member is, and at all times will be, a "United States Person" as defined in Section 7701(a)(30) of the Code (meaning, for clarity, that such Member is either a domestic corporation or a domestic partnership for U.S. Federal, state, and local income tax purposes).

(b) Intentionally omitted.

(c) Each Member agrees to indemnify and hold harmless the Company, the other Member, its Affiliates and their respective officers, directors, shareholders, partners, members, employees, successors and assigns and against any and all loss, damage, liability or expense (including costs and attorneys' fees) which they may incur by reason of, or in connection with, any material breach of the foregoing representations and warranties by such Member, and all such representations and warranties shall survive the execution and delivery of this Agreement and the termination and dissolution of any of the Mizrachi Member, the Optibase Member and/or the Company.

XIII. MISCELLANEOUS

13.01. Intentionally Omitted.

13.02. Notices. Unless otherwise provided herein, all notices, requests, demands, claims and other communications provided for under the terms of this Agreement shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be sent by (i) personal delivery (including receipted courier service) or overnight delivery service, with confirmation of receipt, (ii) facsimile during normal business hour with confirmation of receipt, to the number indicated and by electronic email transmission (pdf), (iii) reputable commercial overnight delivery service courier, with confirmation of receipt, or (iv) registered or certified mail, return receipt requested, postage prepaid and addressed to the intended recipient as set forth below:

If to Optibase Member	c/o Optibase Ltd.. P.O. Box 2170 Herzliya, Israel 46120 Attention: Amir Philips Email: amirp@optibase-holdings.com
with a copy to:	Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co. One Azrieli Center, 39th Floor Tel-Aviv 6701101, Israel Attention: Lawrence Sternthal, Esq. Fax: (972)(3)607-4411 Email: Lawrence@gkh-law.com
If to Mizrachi Member:	c/o The Mizrachi Group, LLC 7700 Congress Avenue, Suite 3106 Boca Raton, Florida 33487 Attention: Joseph Mizrachi Fax No.: (561) 995-8116 Email: JMizrachi@3rdmg.com
With a copy to:	Neuberger, Quinn, Gielen, Rubin & Gibber, P.A One South Street, 27th Floor Baltimore, Maryland 21202 Attention: Isaac M. Neuberger, Esq. Fax No.: (410) 332-8511 Email: imn@nqgrg.com

All such notices, requests, consents and other communications shall be deemed to have been given when received. Either party may change its email address facsimile number or its address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other parties hereto notice in the manner then set forth.

13.03. Further Assurances. Each Member agrees to execute, acknowledge, deliver, file, record and publish such further instruments and documents, and do all such other acts and things as may be required by law, or as may be required to carry out the intent and purposes of this Agreement.

13.04. Captions. All titles or captions contained in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit, extend, or describe the scope of this Agreement or the intent of any provision in this Agreement.

13.05. Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, and neuter, singular and plural, as the identity of the party or parties may require.

13.06. Successors and Assigns. This Agreement shall be binding upon the parties hereto and their respective executors, administrators, legal representatives, heirs, successors and permitted assigns, and shall inure to the benefit of the parties hereto and, except as otherwise expressly provided in this Agreement, their respective executors, administrators, legal representatives, heirs, successors and permitted assigns.

13.07. Extension Not a Waiver. No delay or omission in the ·exercise of any power, remedy or right herein provided or otherwise available to a Member or the Company shall impair or affect the right of such Member or the Company thereafter to exercise the same. Any extension of time or other indulgence granted to a Member hereunder shall not otherwise alter or affect any power, remedy or right of any other Member or of the Company, or the obligations of the Member to whom such extension or indulgence is granted.

13.08. No Third Party Rights. Except as expressly provided herein or in the Act, this Agreement is for the sole benefit of the Members and their respective permitted successors and assigns. and shall not confer directly, indirectly, contingently, or otherwise, any rights or benefits on any Person or party other than the Members and their permitted successors and assigns.

13.09. Severability. In case any one or more of the provisions contained in this Agreement or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and other application thereof shall not in any way be affected or impaired thereby.

13.10. Entire Agreement. This Agreement contains the entire agreement among ·the parties hereto, and supersedes all prior representations, agreements and understandings (including the Letter Agreement and any prior course of dealings), both written and among the parties hereto with respect to the subject matter hereof.

13.11. Counterparts.

(a) This Agreement and any amendment hereto may be signed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one agreement (or amendment, as applicable).

(b) The exchange of counterparts of this Agreement among the parties by means of facsimile transmission or by electronic email transmission (pdf) which shall contain authentic reproductions shall constitute. a valid exchange of this Agreement and shall be binding u:Pon the parties hereto.

13.12. Survival. It is the express intention and agreement of the Members· that all covenants, agreements, statements, representations, warranties and indemnities made in this Agreement shall survive the execution and delivery of this Agreement.

13.13. Confidentiality. Each Member shall keep confidential and shall not disclose, or permit the disclosure of, any information or materials relating to the Company and its investments and activities that are not generally known to the public or which the Members believe should remain confidential or are required by law or agreement to remain confidential; m:ovided that a Member may disclose such confidential information upon prior written notice to the other Member to the extent (i) the disclosure of such information or materials is expressly required by law; (ii) the information or materials become publicly known other than through the. actions or inactions of such Member or its Affiliates, employees, financial sources, representatives, agent, actual or potential permitted investors, permitted transferees or attorneys or violations of this Agreement or any other obligations of confidentiality of such Member; (iii) the disclosure of such information and materials by such Member is to its Affiliates, employees, financial sources, representatives, agents actual or potential permitted investors, permitted transferees or attorneys; or (iv) such other Member consents in writing to such disclosure. ¸Notwithstanding the foregoing, nothing in this Agreement shall prohibit the Optibase Member from publishing all or a portion of this Agreement or from delivering press releases regarding his Agreement if it is required to do so in connection with notices or filings required under applicable law or regulations (including the regulations of any stock exchange).

13.14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to any principles of conflicts of laws.

13.15. Dispute Resolution.

(a) Any and all claims, demands or disputes arising out of or relating to this Agreement shall be resolved and determined exclusively under the provisions of this Section 13.15,which shall be the sole and exclusive procedure for the resolution of any such disputes.

(b) The parties to such dispute shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by good faith negotiation between the parties who have authority to settle the controversy. Any party may give the other party written notice of any dispute not resolved in the normal course of business. Within ten (10) days after delivery of the disputing party's notice, the parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary to attempt to resolve the dispute. All reasonable requests for information made by one party to the other will be honored. All negotiations pursuant to this Section 13.15(b) are confidential.

(c) If the parties are unable to reach a satisfactory solution to any dispute within twenty (20) days after the delivery of the notice described in Section 13.15(b), then either party (the "Claimant") shall have the right to provide written notice to the other party (the "Respondent") that the Claimant desires to submit the dispute to arbitration to be fully, finally and exclusively resolved by binding arbitration in accordance with the following procedures:

(i) Except as modified or supplemented herein or by written agreement of the parties, the arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") or its successor. The place of arbitration shall be New York, New York. Either Member may commence arbitration by serving a notice of arbitration..

(ii) The arbitration shall be conducted by a sole arbitrator appointed by AAA and AAA shall endeavor to make the appointment within ten (10) days following request; provided, however, that its failure to meet that deadline shall in no way impair the effectiveness of the appointment. AAA shall only appoint as arbitrator an impartial person with at least ten (10) years experience in adjudicating over matters involving properties similar to the Building in Chicago Illinois or New York, New York.

(iii) The arbitration and this clause shall be governed by Title 9 (Arbitration) of the United States Code, the decision of the arbitration shall be final and unappealable and judgment on the award may be entered by any court of competent jurisdiction. The parties herewith consent to jurisdiction in the federal and state courts located in the county of New York, New York for the purpose of enforcing the decision.

(iv) All fees and expenses of the arbitrator and all other expenses of the arbitration (other than attorneys' fees incurred by the Members in connection therewith) shall be borne initially by the Members equally (i.e., 50% for each Member), but ultimately shall be home by the non prevailing party in the arbitration.

(d) EACH OF THE MEMBERS HEREBY WAIVES TRIAL BY JURY IN ANY ACTION ARISING OUT OF MATIERS RELATED TO THIS AGREEMENT AND COVENANTS NOT TO INSTITUTE ANY ACTION OR LITIGATION IN ANY COURT, OR COMMENCE ANY OTHER PROCEEDING, WITH RESPECT TO ANY DISPUTE HEREUNDER.

(e) Nothing in this Section 13.15 or any other provision of this Agreement shall prevent any Party from applying to any applicable State or Federal court for temporary restraining orders or injunctive relief, to prevent any violation of the covenants, conditions or provisions contained in this Agreement.

13.16. Amendments. This Agreement may be not be amended, modified or terminated> nor may any provision hereof be waived, except by an instrument in writing executed by the Mizrachi Member and the Optibase Member or, in the case of a waiver, the Member against whom such waiver may be asserted.

13.17. Intentionally Omitted.

13.18. Intentionally Omitted.

13.19. Brokerage.

(a) Each Member represents to the Company and to the other Member that neither such Member nor any of its Affiliates has employed or incurred any liability to any broker, finder or agent for any brokerage fees, finder's fees, commissions or other amounts in connection with the admission of Optibase Member as a Member of the Company.

(b) Intentionally Omitted.

(c) Intentionally Omitted.

(d) Each Member agrees to indemnify and hold harmless the Company, the other Member, its Affiliates and each of their respective officers, directors, shareholders, partners, members) employees, successors and assigns from and against any and all loss, damage, liability or expense (including reasonable costs and attorneys' fees) which they may incur by reason of or in connection with, any breach of such Member's representation, warranty or covenant in this Section 13.19. This Section 13.19 shall survive the expiration or earlier termination of this Agreement.

[THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK]

[SIGNATURES BEGIN ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth in the introductory paragraph hereof.

MIZRACHI MEMBER:

300 RIVER PLAZA ONE LLC

By: */s/ Joseph Mizrachi*
Name: Joseph Mizrachi
Title: Authorized Person

OPTIBASE MEMBER:

OPTIBASE CHICAGO 300 LLC

By: */s/ Amir Philips*
Name: Amir Philips
Title: Authorized Signatory

By: */s/ Tom Wyler*
Name: Tom Wyler
Title: Authorized Signatory

Exhibit 4.18

LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement"), dated as of this 7 day of July, 2015, by and between OPTIBASE REAL ESTATE MIAMI, LLC, a Delaware limited liability company, whose address is 401 East Las Olas Boulevard, Suite 1400, Fort Lauderdale, Florida 33301, and CITY NATIONAL BANK OF FLORIDA, its successors and/or assigns, whose address is 25 West Flagler Street, Miami, Florida 33130.

RECITALS

A. "Borrower" (as hereinafter defined) has requested and Lender has agreed to make a non-revolving credit facility to Borrower in the maximum principal amount of FIFTEEN MILLION AND 00/100 DOLLARS ($15,000,000.00) (the "Loan") to be used by Borrower to refinance certain fractured condominium inventory located in Miami, Miami Beach and Sunny Isles Beach, Florida, subject to the terms and conditions contained in this Agreement.

B. Borrower and Lender have negotiated the terms and conditions of, and wish to enter into, this Agreement in order to set forth the terms and conditions of the Loan.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, Borrower and Lender agree as follows:

1. DEFINITIONS. As used in this Agreement the terms listed below shall have the following meanings unless otherwise required by the context:

(a) Appraisal: An appraisal of the "Project" (as hereinafter defined), (i) ordered by Lender, (ii) prepared by a state certified general appraiser selected by Lender, (iii) in compliance with all federal and state standards for appraisals including the "Governmental Requirements" (as hereinafter defined), (iv) reviewed and approved by Lender, and (v) in form and substance satisfactory to Lender based on its standards and practices applied in reviewing real estate appraisals.

(b) Appraised Value: The then current "market value" of the Project, as determined by an Appraisal which meets the Governmental Requirements, prepared by a state certified general appraiser selected and engaged by Lender.

(c) Borrower: Shall mean OPTIBASE REAL ESTATE MIAMI, LLC, a Delaware limited liability company and its successors and/or assigns.

(d) Code: Means the Uniform Commercial Code (or any successor statute), as adopted and in force in Florida or, when the laws of any other state govern the method or manner of the perfection or enforcement of any security interest in any of the "Collateral" (as hereinafter defined), the Uniform Commercial Code (or any successor statute) of such state. Any term used in this Agreement and in any financing statement filed in connection herewith which is defined in the Code and not otherwise defined in this Agreement or in any other Loan Document has the meaning given to the term in the Code.

(e) Conditions for Extension: Shall have the meaning set forth in Section 3 hereof.

(f) Condominium: Shall mean individually and/or collectively the "Continuum South Beach Condominium", "Ocean One Condominium" and "Marquis Condominium" (as each is hereinafter defined).

(g) Condominium Association: Shall mean individually and/or collectively the "Ocean One At 194th Condominium Association, Inc.", the "Continuum On South Beach Condominium, The North Tower Association, Inc." and/or the "Marquis Miami Condominium Association, Inc." (each as defined in their respective "Declaration of Condominium" (as hereinafter defined)).

(h) Continuum South Beach Condominium: Shall mean the "Continuum on South Beach Condominium, The North Tower" located at 50 S. Pointe Drive, Miami Beach, Florida 33139.

(i) Debt Service: All principal and interest due and payable under the Note, which, for purposes of calculation of the Debt Service Coverage Ratio only, shall be calculated based upon a 6.50% interest rate and a 25 year amortization schedule.

(j) Debt Service Coverage Ratio: The decimal equivalent of a fraction, the numerator of which shall be the Net Operating Income and the denominator of which shall be the Debt Service.

(k) Declaration of Condominium: Shall mean individually and/or collectively the "Declaration of Continuum South Beach Condominium", the "Declaration of Marquis Condominium" and the "Declaration of Ocean One Condominium" (each as hereinafter defined), as each may exist from time to time.

(l) Declaration of Continuum South Beach Condominium North Tower: Shall mean that certain Declaration of Continuum on South Beach Condominium, The Northe Tower, as recorded in Official Records Book 26131, at Page 1961, of the Public Records of Miami-Dade County, as amended.

(m) Declaration of Marquis Condominium: Shall mean that certain Declaration of Condominium of Marquis a Condominium, as recorded in Official Records Book 26920, at Page 3495, of the Public Records of Miami-Dade County, as amended.

(n) Declaration of Ocean One Condominium: Shall mean that certain Declaration of Ocean One Condominium, as recorded in Official Records Book 18570, at Page 1863, of the Public Records of Miami-Dade County, as amended.

(o) Extended Maturity Date: Shall have the meaning set forth in Section 3 hereof.

(p) Extension Option: Shall have the meaning set forth in Section 3 hereof.

(q) Event of Default: Shall have the meaning set forth in Section 11 hereof.

(r) Financing Statements: The financing statements from Borrower to Lender to perfect Lender's security interest in the real and personal property described in the "Mortgage" (as hereinafter defined).

(s) Fiscal Year: Means the fiscal year of the Borrower, which period shall be a 12-month period ending on December 31st of each year. References to a Fiscal Year with a number corresponding to any calendar year (e.g. "Fiscal Year 2015") refer to the Fiscal Year ending on December 31st of such calendar year.

(t) GAAP: Generally accepted accounting principles consistently applied, as adopted in the United States, and as amended from time to time.

(u) Governmental Authority: Any governmental or quasi-governmental authority, agency, authority, board, commission, or governing body authorized by federal, state or local laws or regulations as having jurisdiction over the Lender, the Borrower, the "Guarantor" (as hereinafter defined), the Project, or the ownership, development or sale thereof.

(v) Governmental Requirements: The standards for real property appraisals established under applicable regulations governing national or state chartered banks promulgated by the Board of Governors of the Federal Reserve System or the United States Comptroller of the Currency, and any other regulations promulgated by any Governmental Authority which apply to Lender.

(w) Guarantor: Shall mean OPTIBASE, INC., a California corporation and its successors and/or assigns and any other individual or entity now or hereafter guaranteeing the Loan.

(x) Guaranty: That certain Guaranty of Payment and Performance dated as of even date herewith from Guarantor in favor of Lender, as the same may be amended, restated, modified or replaced from time to time.

(y) Improvements: All improvements located on or hereafter constructed on any real property encumbered by the Mortgage, or any other mortgage or security instrument executed in connection with the Loan.

(z) Interest Reserve: Shall have the meaning set forth in Section 2 hereof.

(aa) Lender: Shall mean CITY NATIONAL BANK OF FLORIDA and its successors and/or assigns.

(bb) Liquid Assets: Shall have the meaning set forth in Section 8(a) hereof.

(cc) Loan: That certain non-revolving credit facility in the amount of FIFTEEN MILLION AND 00/100 DOLLARS ($15,000,000.00), as evidenced by the "Note" (as hereinafter defined) and secured by the Mortgage and other "Loan Documents" (as hereinafter defined) as provided herein.

(dd) Loan Documents: Any and all documents evidencing, securing, or executed by Borrower and/or Guarantor in connection with the Loan, including, without limitation, the Note, the Mortgage, the Guaranty, that certain Collateral Assignment of Contracts, Etc. dated as of even date herewith from Borrower in favor of Lender and this Agreement.

(ee) Marquis Condominium: Shall mean the "Marquis Condominium" located at 1100 Biscayne Boulevard, Miami, Florida 33132.

(ff) Maturity Date: Shall mean July 7, 2018.

(gg) Mortgage: That certain Mortgage, Assignment of Rents and Security Agreement dated as of even date herewith, from Borrower in favor of Lender, to be recorded in the Public Records of Miami-Dade County, Florida, which is a valid first mortgage lien on the "Units" (as hereinafter defined), all contract rights derived therefrom and all Improvements, fixtures, equipment and personal property owned by Borrower to be located on or used in connection with the Units, and any replacements or additions thereto, and all modifications and amendments thereto.

(hh) Net Operating Income: The amount remaining after deducting Project Expenses, a property management fee equal to at least three and one-half of one percent (3.5%) of Project Effective Gross Income and a replacement reserve of at least $150.00 per Unit from Project Effective Gross Income.

(ii) Note: That certain Promissory Note dated as of even date herewith from Borrower in favor of Lender in the principal amount of FIFTEEN MILLION AND 00/100 DOLLARS ($15,000,000.00), as the same may be amended, restated, modified or replaced from time to time.

(jj) Ocean One Condominium: Shall mean the "Ocean One Condominium" located at 19333 Collins Avenue, Sunny Isles Beach, Florida 33160.

(kk) Person: A natural person, a partnership, a joint venture, an unincorporated association, a limited liability company, a corporation, a trust, any other legal entity, or any Governmental Authority.

(ll) Project: The Units and all Improvements, fixtures and personal property now or hereafter located within the Units.

(mm) Project Effective Gross Income; Any month, or any other period which such calculation shall be made, the total of all such Project's income, including, but not limited to, all rents, license fees, leases and profit derived from the operation of the Project, and tenant reimbursements, but excluding any security deposits.

(nn) Project Expenses: The aggregate for any month, or any other period for which the calculation shall be made, of all the actual costs, fees and expenses (due and payable for the period for which this calculation is being made) for the Project not reimbursed by tenants or licensees of such Project (excluding Debt Service and depreciation of real and personal property), including, but not limited to, the following: real estate taxes and assessments, hazard insurance premiums, management fees, costs for utilities, maintenance, repairs, franchise fees and all other actual operating expenses of such Project. Project Expenses shall not include depreciation or other non-cash deductions. With respect to any expenses that are paid by Borrower on a basis other than monthly (e.g. real estate taxes, insurance, etc.), such expenses shall be allocated on a pro-rata basis over the months in which such expenditures are applicable.

(oo) Restricted Account: Means that certain non-interest bearing restricted account no.: 1954626618 held with Lender, and any interest thereon.

(pp) Title Company: Old Republic National Title Insurance Company.

(qq) Unit(s): Shall mean individually and/or collectively those certain twenty-three (23) residential condominium units owned by Borrower, contained within the Marquis Condominium, according to the Declaration of Marquis Condominium; that certain residential condominium unit owned by Borrower, contained within the Continuum South Beach Condominium, according to the Declaration of Continuum South Beach Condominium and that certain residential condominium unit owned by Borrower, contained within the Ocean One Condominium, according to the Declaration of Ocean One Condominium, all as more particularly described in Exhibit "A" attached hereto and made a part hereof, and, each, together with an undivided share in the common elements appurtenant thereto.

(rr) Unmatured Event of Default: Means any event or condition which, with the giving or notice or the passage of time, or both, would constitute an Event of Default hereunder or under any of the other Loan Documents.

2. LOAN. Lender has agreed to make the Loan to Borrower in the amount of FIFTEEN MILLION AND 00/100 DOLLARS ($15,000,000.00), subject to the terms and conditions contained herein. The Loan shall be evidenced by the Note and secured by the Mortgage and other Loan Documents.

Upon closing, ONE MILLION AND 00/100 DOLLARS ($1,000,000.00) of the Loan proceeds (the "Interest Reserve") shall be funded by Lender into the Restricted Account to be used as an interest reserve as set forth in Section 10 below, the balance of the Loan proceeds under the Note shall be funded to Borrower upon closing of the Loan.

3. EXTENSION OPTION. Provided no Event of Default or Unmatured Event of Default exists, Borrower shall have the option to extend the Maturity Date of the Loan for a period of twelve (12) months in accordance with this Section 3 (the "Extension Option"). Upon and subject to the Borrower's satisfaction of the following conditions (the "Conditions for Extension"), the Borrower shall have the right to extend the Maturity Date from July 7, 2018 to July 7, 2019 (the "Extended Maturity Date"): (a) Borrower shall request the extension by written notice to Lender not less than one hundred eighty (180) days prior to the Maturity Date of the Note; (b) at the time of the request, and at the time of the extension, there shall not exist any Event of Default or any Unmatured Event of Default; (c) Borrower shall have provided to Lender evidence that certificates of occupancy have been issued for Units 6303 and 6304 at the Marquis Condominium with respect to the contemplated improvements to the Project; (d) Borrower shall demonstrate that the Project has achieved a minimum Debt Service Coverage Ratio of not less than 1.30 to 1.00, as determined by Lender in Lender's sole discretion; (e) Borrower shall deposit additional funds with Lender in the amount necessary to rebalance the Interest Reserve requirement more particularly described in Section 10 of this Agreement; and (f) Borrower shall pay Lender a non-refundable fee in the amount of $17,240.67.

4. PARTIAL RELEASE OF UNITS. Provided no Event of Default exists hereunder, under the Note, the Mortgage or any other Loan Document at the time Borrower presents a contract for sale to Lender executed by a buyer, Lender will provide partial releases in respect of its interest under the Mortgage and other Loan Documents in connection with the sale and closing of a Unit to a bona-fide third party purchaser upon the terms and conditions set out in **Exhibit "B"** attached hereto. Payments made for partial releases shall be applied by Lender against the outstanding principal balance of the Loan. Borrower and Guarantor agree to reimburse Lender for all reasonable out-of-pocket fees and costs, as set forth on **Exhibit "B"** attached hereto, in connection with the granting of such partial releases and shall provide Lender with any and all information requested by Lender with respect to the Unit to be released.

5. EXPENSES. Borrower shall pay all fees and charges incurred in the procuring and making of the Loan and all other expenses incurred by Lender in connection with this Loan during the term of the Loan, including without limitation, Title Company's fees and premiums, charges for examination of title to the Project, expenses of survey, Florida Documentary Stamp Taxes, if applicable, Florida Intangible Taxes, if applicable, recording expenses, and the reasonable fees of the attorneys for Lender. The Borrower shall also pay any and all insurance premiums, taxes, assessments, water rates, sewer rates and other charges, liens and encumbrances upon the Project, including all general and special assessments levied against the Units pursuant to the Declaration of Condominium. Such amounts, unless sooner paid, shall be paid from time to time as Lender shall request either to the Person to whom such payments are due or to Lender if Lender has paid the same.

6. WARRANTIES AND REPRESENTATIONS. Borrower and/or Guarantor, as applicable, represent and warrant (which representations and warranties shall be deemed continuing) as follows:

(a) Organization Status. Borrower (i) is duly organized under the laws of the State of Delaware, (ii) is in good standing under the laws of the State of Delaware, (iii) is qualified to do business in the State of Florida, and (iv) has membership interests which have been duly and validly issued. Guarantor (i) is duly organized under the laws of the State of California, (ii) is in good standing under the laws of the State of California, (iii) is qualified to do business in the State of Florida, and (iv) has shares which have been duly and validly issued.

(b) Compliance with Laws. There is no known violation of any applicable zoning, building or any other local, state or federal laws, ordinances or regulations existing with respect to the current use thereof; and, to the best of its knowledge, Borrower has obtained all licenses, permits and approvals required by all local, state and federal agencies regulating such current use; and, to the best of their knowledge, Borrower and Guarantor are in compliance with all laws, regulations, ordinances and orders of all Governmental Authorities.

(c) Accurate Information. All information now and hereafter furnished to Lender is and will be true, correct and complete in all material respects. Any such information relating to Borrower's or Guarantor's financial condition has and will accurately reflect such financial condition as of the date(s) thereof, (including all contingent liabilities of every type), and Borrower and Guarantor further represent that its financial condition has not changed in a material adverse manner since the date(s) of such documents.

(d) Authority to Enter into Loan Documents. The Borrower and the Guarantor have full power and authority to enter into the Loan Documents and consummate the transactions contemplated hereby, and the facts and matters expressed or implied in the opinions of its legal counsel are true and correct.

(e) Validity of Loan Documents. The Loan Documents have been approved by those Persons having proper authority, and are in all respects legal, valid and binding according to their terms.

(f) Priority of Lien on Personalty. No chattel mortgage, bill of sale, security agreement, financing statement or other title retention agreement (except those executed in favor of Lender) has been or will be executed with respect to any personal property, chattel or fixture used in conjunction with the construction, operation, or maintenance of the Improvements as described in the Financing Statements.

(g) Conflicting Transactions of Borrower. The consummation of the transaction hereby contemplated and the performance of the obligations of Borrower and Guarantor under and by virtue of the Loan Documents will not result in any breach of, or constitute a default under, any lease, loan or credit agreement, or other instrument to which Borrower or Guarantor is a party or by which they may be bound or affected.

(h) Pending Litigation. There are no actions, suits or proceedings pending against Borrower, Guarantor, or the Project, or circumstances which could lead to such action, suits or proceedings against or affecting Borrower, Guarantor, the Project, or involving the validity or enforceability of any of the Loan Documents, before or by any Governmental Authority, except actions, suits and proceedings which have been (or, in the future, will be) specifically disclosed to and approved by Lender in writing; and Borrower and Guarantor are not in default with respect to any order, writ, injunction, decree or demand of any court or any Governmental Authority. Notwithstanding anything contained herein to the contrary, the Borrower hereby notifies the Lender that the Borrower has received a Notice of Violation from the City of Sunny Isles Beach (the "City") with respect to the Unit at Ocean One Condominium. Such Notice of Violation is with respect to the front door to the Unit at Ocean One Condominium, which the City is requiring be replaced to comply with the City's fire code. The Borrower has obtained a permit for the replacement of the door and it is expected that such door will be installed and all permits closed with respect to the work performed in such Unit within ninety (90) days of the closing of the Loan. Provided such work is completed and all permits closed at the Unit at Ocean One Condominium within such ninety (90) day period, the current status of the permits with respect to such Unit shall not be deemed an Event of Default hereunder.

(i) Availability of Utilities. All utility services are available at the boundaries of each Condominium and available for use by the Units, including water supply, storm and sanitary sewer facilities, and gas, electric and telephone facilities.

(j) Condition of Project. The Project is not now damaged or injured as a result of any fire, explosion, accident, flood or other casualty.

(k) Contracts. Neither Borrower, Guarantor, nor any officer or partner of Borrower or Guarantor have made any contract or arrangement of any kind the performance of which by the other party thereto would give rise to a lien on the Project, other than as has been disclosed to the Lender in writing.

(l) Availability of Roads. Access to the Project is provided by a publicly dedicated (or private road with easement rights) paved road appurtenant thereto.

(m) Discharge of Liens and Taxes. Borrower and Guarantor have duly filed, paid and/or discharged all taxes or other claims that may become a lien on any of its property or assets, except to the extent that such items are being appropriately contested in good faith and an adequate reserve for the payment thereof is being maintained, and except for taxes for 2015, which are not yet due and payable.

(n) Sufficiency of Capital. Neither Borrower nor Guarantor are, and after consummation of this Agreement and after giving effect to all indebtedness incurred and liens created by Borrower in connection with the Note and any other Loan Documents, will be, insolvent within the meaning of 11 U.S.C. § 101, as in effect from time to time.

(o) ERISA. Each employee pension benefit plan, as defined in Employee Retirement Income Security Act of 1974, as amended ("ERISA"), maintained by Borrower and/or Guarantor meet, as of the date hereof, the minimum funding standards of ERISA and all applicable regulations thereto and requirements thereof, and of the Internal Revenue Code of 1986, as amended. No "Prohibited Transaction" or "Reportable Event" (as both terms are defined by ERISA) has occurred with respect to any such plan.

(p) Indemnity. Borrower and Guarantor will indemnify Lender and its affiliates from and against any losses, liabilities, claims, damages, penalties or fines imposed upon, asserted or assessed against or incurred by Lender arising out of the inaccuracy or breach of any of the representations contained in this Agreement or any other Loan Documents.

(q) No Default. There is no Event of Default or Unmatured Event of Default on the part of Borrower or Guarantor under this Agreement, the Note, the Guaranty, the Mortgage.

(r) Brokerage. Any brokerage commission due in connection with the transaction contemplated hereby has been paid in full and any such commission coming due in the future will be paid promptly by Borrower. Borrower agrees to and shall indemnify Lender from any liability, claim or loss arising by reason of any such brokerage commission. This provision shall survive the repayment of the Loan and shall continue in full force and effect so long as the possibility of such liability, claim or loss exists.

(s) Warranty of Title. To the best of Borrower's actual knowledge, the Project conforms to all applicable zoning and other governmental regulations and to all covenants, conditions and restrictions contained in any deed or affecting the Project, including the Declaration of Condominium.

(t) Ownership of Properties/Liens. Borrower owns good and, in the case of real property, marketable title to all of its properties, real and personal and tangible, free and clear of all liens, charges and known claims. An affiliate of Borrower is the owner of the trade name "Optibase".

Notwithstanding anything contained herein to the contrary, in the event a representation and/or warranty that was true and correct as of the date hereof becomes false or misleading in any material respect, the Borrower and/or Guarantor shall be provided with written notice of same from Lender and the Borrower and/or Guarantor shall be provided thirty (30) days to take action to once again make such representation and/or warranty true and correct in all material respects.

7. COVENANTS. Borrower and Guarantor, as applicable, each covenant and agree with Lender as follows:

(a) Taxes. Borrower and Guarantor certify that each has filed or caused to be filed all federal, state and other tax returns which are required to be filed, and have paid or caused to be paid all taxes as shown on said returns or in any manner due to be paid (including, but not limited to, ad valorem and personal property taxes) or on any assessment received by Borrower and not being contested in good faith, to the extent that such taxes have become due. Borrower further certifies that it has paid all other taxes, levies and charges of any nature that are due and payable, including any governmental charges.

(b) Notice of Litigation. Borrower and Guarantor shall promptly give Lender written notice of (a) a judgment entered against Borrower or Guarantor, or (b) the commencement of any action, suit, claim, counterclaim or proceeding against or investigation of Borrower or Guarantor which, if adversely determined, would materially and adversely affect the business of Borrower or Guarantor, or which questions the validity of this Agreement, the Note, the Guaranty, the Mortgage, or any other actions or agreements taken or to be made pursuant to any of the foregoing.

(c) Notice of Default. Borrower and Guarantor shall promptly give Lender written notice of any act of default under any agreement with Lender or under any other contract to which Borrower or Guarantor is a party and of any acceleration of indebtedness caused thereby which would have a material and adverse affect to the business of Borrower or Guarantor or the operation of the Project.

(d) Reports. Borrower shall promptly furnish Lender with copies of all governmental agency, and other special reports received by Borrower pertaining to or affecting Borrower or the Project, which would materially and adversely affect the business of Borrower or the operation of the Project by Borrower.

(e) Change in Ownership, Control or Management of Borrower. Borrower shall not change its ownership, control or management structure during the term of the Loan without the prior written consent of Lender. For clarification, such change of ownership, control or management structure shall be limited to the Borrower and shall not apply to any of its affiliated entities. For further clarification, a change of control of Optibase, Ltd., the parent company of the Guarantor, shall not be deemed a change of control resulting in an Event of Default hereunder.

(f) Change in Fiscal Year. Borrower shall not change its fiscal year without the prior written consent of Lender. Borrower's fiscal year ends on December 31.

(g) Construction Liens. Borrower will allow no work or construction to be commenced to the Units, or goods specially fabricated for incorporation therein, which has not been fully paid for, prior to the recording of the Mortgage, which could constitute a lien on the Project. Borrower and Guarantor shall save and hold Lender harmless from the claims of any construction lien or equitable lien and pay promptly upon demand any loss or losses which Lender may incur as a result of the filing of any such lien, including the reasonable cost of defending same and the Lender's reasonable attorneys' fees in connection therewith.

In addition, Borrower agrees, at its sole cost and expense, to have any mechanics' lien or equitable lien which may be filed against the Project or undisbursed funds of this Loan released or bonded within thirty (30) days of the date it is notified of filing same, time being of the essence. If Borrower fails, after written demand, to cause said lien or liens to be released or bonded as aforesaid or to contest such liens in accordance with the terms of the Mortgage, Lender may take such steps as it deems necessary and any funds expended shall be charged to Borrower's Loan account and shall bear interest as provided by the Loan Documents.

(h) No Transfer of Project. Borrower shall not sell, lease, convey, mortgage or encumber the Project or any part thereof in any way without the prior written consent of Lender, except as may be provided elsewhere herein or in the Mortgage. All contracts, deeds, easements or other agreements affecting the Project shall be submitted to Lender for its written approval, prior to the execution thereof by Borrower and any other information reasonably requested. Notwithstanding the foregoing, Borrower may continue to lease the Units comprising the Mortgaged Property in its ordinary course of business, consistent with past practices and subject to changing market conditions and subject to any requirements contained in any of the other Loan Documents.

(i) No Sale of Assets. Borrower and Guarantor shall not, during the term of the Loan, transfer any material portion of its respective assets unless such transfer is in the ordinary course of Borrower's or Guarantor's business, for fair market value and such fair market value is given to Borrower or Guarantor, in its sole name, and such transfer will not have a material adverse effect on the financial condition of Borrower or Guarantor and/or their ability to perform the obligations hereunder, as determined by Lender in its sole and absolute discretion. For clarification purposes, it is intended that the Borrower shall be using the proceeds of the Loan to, among other things, distribute funds to the Guarantor, as its sole member, and that the Guarantor intends to use such funds for, among other things, repaying loans made to Guarantor, and the Borrower's distribution of the Loan proceeds to the Guarantor and the Guarantor's repayment of loans, shall be permitted by the Lender, without the Lender's consent and shall not be a default hereunder.

(j) Compliance with Laws; Compliance with Declaration of Condominium. Borrower shall comply promptly with all federal, state and local laws, ordinances and regulations relating to the construction, use, sale and leasing of the Project, including, but not limited to, (i) the Interstate Land Sales Full Disclosure Act, if appropriate, (ii) all applicable federal and state securities laws, and (iii) all laws of the State of Florida applicable to the Project, and will obtain and keep in good standing all necessary licenses, permits and approvals required or desirable for use of the Improvements. Borrower shall promptly and faithfully comply with, confirm to and obey all requirements imposed upon the Project by each Declaration of Condominium, including the obligation to pay all general and special assessments on a timely basis.

(k) Title to Personalty. Borrower will deliver to Lender, on demand, any contracts, bills of sale, statements, receipted vouchers or agreements under which Borrower claims title to any materials, fixtures or articles incorporated in the Improvements or subject to the lien of the Mortgage.

(l) Payment of Debts. Borrower shall pay and discharge when due, and before subject to penalty or further charge, and otherwise satisfy before maturity or delinquency, all obligations, debts, taxes, and liabilities of whatever nature or amount, except those which Borrower in good faith disputes.

(m) Collection of Insurance Proceeds. Borrower will cooperate with Lender in obtaining for Lender the benefits of any insurance or other proceeds lawfully or equitably payable to it in connection with the transaction contemplated hereby and the collection of any indebtedness or obligation of Borrower to Lender incurred hereunder (including the payment by Borrower of the expense of an independent appraisal on behalf of Lender in case of a fire or other casualty affecting the Project). Notwithstanding the foregoing, in the event Borrower recovers funds in connection with its currently pending claims as to damages caused by the defective installation of certain bathtubs by the developer at the Marquis Condominium, provided there is no Event of Default or Unmatured Event of Default hereunder at the time of such recovery, Borrower shall be entitled to receive the benefits of such recovery and shall not be required to pay any portion of such recovery to the Lender. If there is an Unmatured Event of Default at the time of recovery, Lender shall identify the same in writing to Borrower and once cured, Lender shall release any recovery received by Lender on behalf of Borrower to Borrower.

(n) Indebtedness. Borrower shall not incur, create, assume or permit to exist any indebtedness or liability on account of advances or deposits, any indebtedness or liability for borrowed money, any indebtedness constituting the deferred purchase price of any property or assets, any indebtedness owed under any conditional sale or title retention agreement, contingent obligations pursuant to guaranties, endorsements, letters of credit and other secondary liabilities, or any other indebtedness or liability evidenced by notes, bonds, debentures or similar obligations without the prior written approval of Lender, except for (i) the Loan, (ii) the endorsement of checks for collection in the ordinary course of business; (iii) debt payable to suppliers and other trade creditors in the ordinary course of business on ordinary and customary trade terms and which is not past due; and (iv) management fees that Borrower may elect to accrue in the ordinary course of business.

(o) Guaranties. Except as may be in existence prior to the date hereof, as previously disclosed to the Lender, Borrower shall not guarantee or otherwise in any way become or be responsible for obligations of any other Person, whether by agreement to purchase the indebtedness of any other Person, or agreement for the furnishing of funds to any other Person through the purchase of goods, supplies or services (or by way of stock purchase, capital contribution, advance or loan) for the purpose of paying or discharging indebtedness of any other Person, or otherwise.

(p) Advances. Borrower shall not make any advances, dividends, loans, or distributions to Guarantor or any of its subsidiaries, affiliates, shareholders, officers or directors, without the prior written consent of Lender. Notwithstanding the foregoing, so long as no Event of Default or Unmatured Event of Default exists, Borrower shall be permitted to make advances to Guarantor or any of its subsidiaries, affiliates, shareholders, officers or directors, in the ordinary course of Borrower’s business, without first obtaining Lender’s prior written consent. For clarification purposes, it is intended that the Borrower shall be using the proceeds of the Loan to, among other things, distribute funds to the Guarantor, as its sole member, and that the Guarantor intends to use such funds for, among other things, repaying loans made to Guarantor, and the Borrower's distribution of the Loan proceeds to the Guarantor and the Guarantor's repayment of loans, shall be permitted by the Lender, without the Lender's consent and shall not be a default hereunder.

(q) Further Assurances and Preservation of Security. Borrower will do all acts and execute all documents for the better and more effective carrying out of the intent and purposes of this Agreement, as Lender shall reasonably require from time to time, and will do such other acts necessary or desirable to preserve and protect the collateral at any time securing or intending to secure the Note, as Lender may reasonably require.

(r) No Assignment. Borrower shall not assign this Agreement or any interest therein and any such assignment is void and of no effect. Lender may assign this Agreement and any other Agreements contemplated hereby, and all of its rights hereunder and thereunder, and all provisions of this Agreement shall continue to apply to the Loan. Lender agrees to notify Borrower of any such assignment. Lender also shall have the right to participate the Loan with any other lending institution.

(s) Access to Books and Records. Borrower shall allow Lender, or its agents, after reasonable prior notice and during reasonable normal business hours, to access Borrower's books, records and such other documents, and allow Lender, at Borrower's expense, to inspect, audit and examine the same and to make extracts therefrom and to make copies thereof.

(t) Business Continuity. Borrower shall conduct its business in substantially the same manner and locations as such business is now and has previously been conducted during the term of the Loan.

(u) Insurance.

(A) Borrower shall obtain, maintain and keep in full force and effect during the term of the Loan, or cause each Condominium Association to obtain, maintain and keep, adequate insurance coverage, with all premiums paid thereon and without notice or demand, with respect to its properties and business against loss or damage of the kinds and in the amounts customarily insured against by companies of established reputation engaged in the same or similar businesses including, without limitation:

(i) All-Risk (Special) Hazard Insurance reflecting coverage in such amounts as Lender may require. Such policy shall include an additional insured endorsement naming the Lender as additionally insured and loss payee;

(ii) Public liability insurance insuring against all claims for personal or bodily injury, death, or property damage occurring upon, in or about the Project in an amount of not less than $2,000,000.00 in the aggregate and $1,000,000.00 per occurrence for the Project. Such policy shall include an additional insured endorsement naming the Lender as additionally insured and loss payee;

(iii) Insurance in such amounts and against such other casualties and contingencies as may from time to time be reasonably required by Lender, in Lender's sole and absolute discretion, including, without limitation, flood hazard insurance to the extent, if any, required by law;

(iv) If any Condominium is located in an area designated by the Director of Federal Emergency Management Agency as a special flood hazard area, Borrower shall provide evidence for such parcel of flood insurance which shall be in an amount equal to the maximum insurable value of all improvements comprising such Condominium; and

(v) Business interruption insurance coverage insuring against any peril that would result in the inability of Borrower to conduct its business on the Project. Such policy shall include an additional insured endorsement naming the Lender as additionally insured and loss payee.

(B) All policies of insurance required hereunder shall: (i) be written by carriers which are licensed or authorized to transact business in the State of Florida, and are rated "A" or higher, Class XII or higher, according to the latest published Best's Key Rating Guide and which shall be otherwise acceptable to Lender in all other respects, (ii) provide that the Lender shall receive thirty (30) days' prior written notice from the insurer before a cancellation, modification, material change or non-renewal of the policy becomes effective, and (iii) be otherwise satisfactory to Lender.

(C) Borrower shall not, without the prior written consent of Lender, take out separate insurance concurrent in form or contributing with regard to any insurance coverage required by Lender.

(D) At all times during the term of the Loan, Borrower shall have delivered to Lender the original (or a certified copy) of all policies of insurance required hereby, together with receipts or other evidence that the premiums therefor have been paid.

(E) Not less than thirty (30) days prior to the expiration date of any insurance policy, Borrower shall deliver to Lender the original (or certified copy), or the original certificate, as applicable, of each renewal policy, together with receipts or other evidence that the premiums therefor have been paid.

(F) The delivery of any insurance policy and any renewals thereof, shall constitute an assignment thereof to Lender, and Borrower hereby grants to Lender a security interest in all such policies, in all proceeds thereof and in all unearned premiums therefor.

(v) Subordination of Debt. Borrower will fully subordinate all of the Borrower's debts owed to third parties, including, without limitation, officers, employees, stockholders, and affiliates (as well as Project management fees), upon terms and conditions acceptable to Lender. Notwithstanding the foregoing, so long as the Borrower is in compliance with the financial covenants contained herein and there exists no Event of Default or Unmatured Event of Default, the Borrower shall be permitted to make regularly scheduled payments of principal and interest on such subordinated debt, as well as make payments of the Project management fees and, at the time of a closing of a sale of a Unit, the Borrower may pay accrued Project management fees, as a closing cost, provided the Borrower pays the release price to Lender pursuant to **Exhibit "B"** hereof.

(w) Indemnification. Borrower and Guarantor hereby indemnify and hold Lender, its directors, officers, agents, employees and attorneys harmless from and against any liability, loss, expenses, damage of any nature, and claims, including, without limitation, brokers' claims, arising in connection with the Loan or the operation of the Project, unless caused by such indemnified party's gross negligence, willful misconduct and/or fraud.

(x) Estoppel Certificate. At any time during the term of the Loan, within ten (10) business days after written demand of such Borrower by the Lender therefor, the Borrower shall deliver to the Lender a certificate, duly executed and in form satisfactory to the Lender, stating and acknowledging, to the best of such Borrower's knowledge, the then unpaid principal balance of, and interest due and unpaid, under the Loan, the fact that there are no defenses, off sets, counterclaims or recoupments thereto (or, if such should not be the fact, then the facts and circumstances relating to such defenses, off sets, counterclaims or recoupments). Upon request of Lender, Borrower shall obtain estoppel certificates from each Condominium Association as to matters relating to the Project and/or each Condominium Association, on their standard form.

(y) Commitment Fee. Upon the execution of this Agreement, Borrower shall pay to Lender a commitment fee in the amount of $97,500.00 in connection with the Loan, less the application fee previously paid by Borrower in the amount of $25,000.00, net any costs deducted from the deposit.

8. FINANCIAL AND REPORTING REQUIREMENTS.

(a) Minimum Liquidity. At all times during the term of the Loan, Borrower and Guarantor shall collectively maintain unrestricted and unencumbered Liquid Assets in an amount not less than TWO MILLION AND 00/100 DOLLARS ($2,000,000.00). "Liquid Assets" shall include, without limitation, (i) cash, (ii) stocks and bonds traded on recognized exchanges that can be converted to cash in three (3) days, (iii) U.S. Government securities having a maturity of one year or less, (iv) commercial paper rated A-1 or better by Standard & Poor's or P-1 or better by Moody's having a maturity of one year or less, and (v) other liquid assets as may be approved by the Lender in its sole and absolute discretion, including, without limitation, any amounts held as Interest Reserve. Liquid Assets held in retirement accounts such as personal IRA's, 401K, SEP Plan, etc., or Liquid Assets titled in custodial accounts or trusts or titled in the name(s) of spouses or entities or third-parties which are not subject to this covenant or held in joint accounts or in accounts titled as tenants-by-the-entirety with spouses or entities or third-parties which are not subject to this covenant shall be excluded from the calculation of Liquid Assets. This covenant shall be tested annually one time a year based upon Lender's receipt of thebalance sheet, current bank and/or brokerage statements and other supporting documentation provided by Borrower and Guarantor. In the event that Borrower and/or Guarantor fails to provide Lender with evidence of such Liquid Assets within thirty (30) days of Lender's written request, such failure shall constitute an Event of Default hereunder and under the other Loan Documents.

(b) Depository Relationship. At all times during the term of the Loan, the Borrower shall maintain its primary depository account(s) and treasury management services with Lender. Notwithstanding the foregoing, Borrower may maintain other depository accounts with other banking institutions.

(c) Borrower's Annual Financial Statements. Within one hundred twenty (120) days after the end of each Fiscal Year, Borrower shall supply Lender with (i) an annual compiled, management-prepared financial statement for the prior Fiscal Year in form acceptable to Lender in its sole and absolute discretion, and (ii) such supporting documentation as Lender reasonably requests, including, without limitation, certified copies of rent rolls and other information with respect to the Units.

(d) Guarantor's Annual Financial Statements. Within one hundred twenty (120) days after the end of each Fiscal Year, Borrower shall cause Guarantor to supply Lender with (i) an annual compiled, management-prepared financial statement for the prior Fiscal Year in form acceptable to Lender in its sole and absolute discretion, (ii) such supporting documentation as Lender reasonably requests, and (iii) a covenant compliance certificate confirming compliance with the financial covenants set forth herein, in form satisfactory to Lender in its sole and absolute discretion.

(e) Intentionally Deleted.

(f) Guarantor Tax Returns. Within thirty (30) days of filing, Guarantor shall supply Lender with a copy of its annual federal income tax returns, including, without limitation, K-1 statements for all Partnerships and Sub Chapter S Corporations, or, if an extension is filed for any tax return, within thirty (30) days after any permitted extension date.

(g) Rent Roll. Within one hundred twenty (120) days after the end of each Fiscal Year, Borrower shall provide Lender with the rent roll for the Project in such detail and in such form as the Lender may require.

(h) Sales and Leasing Report. Within thirty (30) days after the end of each calendar month, Borrower shall provide Lender with a sales and leasing report for the Project in such detail and in such form as the Lender may require.

(i) Form of Financial Statements. The form and content of each financial statement required in Sections (d) and (e) above, shall be acceptable to Lender in its sole discretion, shall be certified by each party to be correct and complete, and shall include a complete description of all contingent liabilities, including, without limitation, all indebtedness guaranteed.

9. APPRAISALS. Lender may obtain a new or updated Appraisal of the Project at Borrower's expense. Appraisals shall not be required more than once annually unless an Event of Default exists or if required by a governmental or banking agency or authority.

10. INTEREST RESERVE: On the first (1st) banking business day of each respective month, the Lender shall debit the Interest Reserve to make payments of interest due under the Note for the account of Borrower, as the same become due by Lender's bookkeeping entries, unless Borrower elects to pay interest due in cash to Lender. When and if such Interest Reserve is depleted, then and in such event, all monthly interest payments shall be paid by Borrower. Notwithstanding any other provision contained in this Agreement to the contrary, Lender shall not be required to utilize any sums from the Interest Reserve if an Event of Default or Unmatured Event of Default exists under this Agreement or any of the Loan Documents and upon such occurrence, Borrower shall be required to make out-of-pocket payments of interest due under the Note. In the event an Unmatured Event of Default exists and Lender requires Borrower to make out-of-pocket payments of interest, Lender shall provide advance written notice of the same to Borrower.

11. DEFAULT. Upon the occurrence of any of the following events (each an "Event of Default" and collectively, the "Events of Default"), Lender may at its option exercise any of its remedies set forth herein:

(a) Borrower fails to perform any obligation under this Agreement or the Note, when due, whether on the scheduled due date or upon acceleration, maturity or otherwise; or

(b) Borrower fails to perform any other obligation under the Loan Documents, after the expiration of any applicable grace, notice and/or cure periods; or

(c) Borrower and/or Guarantor fail to pay or perform any material obligation, liability or indebtedness to any other party, after the expiration of any applicable grace, notice and/or cure periods; or

(d) A "Default" or an "Event of Default" (as defined in each respective document) occurs (beyond any applicable grace, notice and/or cure periods) under any of the Loan Documents; or

(e) Subject to the last paragraph of Section 6 hereof, if any warranty or representation made by Borrower or Guarantor in this Agreement or pursuant to the terms hereof shall at any time be false or misleading in any material respect, or if Borrower or Guarantor shall fail to keep, observe or perform any of the terms, covenants, representations or warranties contained in this Agreement, the Note, the Mortgage, the Guaranty or any other document given in connection with the Loan, or is unwilling to meet its obligations thereunder; or

(f) The dissolution of, termination of existence of, loss of good standing status by Borrower or Guarantor, or any party to the Loan Documents and the failure by Borrower or Guarantor to reinstate its existence or good standing status promptly after receipt of written notice of the same; or

(g) Borrower becomes the subject of any bankruptcy or other voluntary or involuntary proceeding, in or out of court, for the adjustment of debtor-creditor relationships, and in the event of an involuntary proceeding, Borrower fails to have the same dismissed within sixty (60) days of filing; or

(h) Guarantor becomes the subject of any bankruptcy or other voluntary or involuntary proceeding, in or out of court, for the adjustment of debtor-creditor relationship, and in the event of an involuntary proceeding, Borrower fails to have the same dismissed within sixty (60) days of filing; or

(i) The entry of a judgment against Borrower or Guarantor, in excess of $250,000.00, which is not satisfied by Borrower or Guarantor within thirty (30) days after the entry of same; or

(j) The seizure or forfeiture of, or the issuance of any writ of possession, garnishment or attachment, or any turnover order for any property of Borrower or Guarantor, which Lender deems in good faith to be of a material nature; or

(k) A material alteration in the kind or type of Borrower's business, or in the financial condition of Guarantor, is made without the prior written consent of Lender; or

(l) Lender determines in good faith, in its sole discretion, that the prospects for payment or performance of Borrower's obligations under the Loan Documents are materially adversely impaired or there has occurred a material adverse change in the business or prospects of Borrower, financial or otherwise; or

(m) The failure of Borrower to timely satisfy any of the covenants as required in Section 7 above, after the expiration of any applicable grace, notice and/or cure periods; or

(n) The failure of Borrower to timely satisfy any of the requirements as required in Section 8 (a) through (g) above, after the expiration of any applicable grace, notice and/or cure periods; or

(o) The failure of the Borrower's business to comply with any material law or regulation controlling its operation, and Borrower's failure to cure the same within thirty (30) days after receipt of written notice of the same; or

(p) The failure of Borrower to maintain the Interest Reserve as required in Section 10 above.

12. REMEDIES OF LENDER. Upon the happening of an Event of Default, then Lender may, at its option, upon written notice to Borrower:

(a) Cancel this Agreement;

(b) Commence an appropriate legal or equitable action to enforce performance of this Agreement;

(c) Accelerate the payment of the Note and the Loan and any other sums secured by the Mortgage, apply all or any portion of any equity funds toward payment of the Loan, and commence appropriate legal and equitable action to foreclose the Mortgage and enforce the Guaranty and collect all such amounts due Lender;

(d) The appointment of a receiver as a matter of strict right and with the full consent of Borrower therefore being hereby given and granted by Borrower, such right to a receiver being without regard to the solvency of the receiver or the value of any security to the Loan, and for the purpose of preserving the Project, preserving waste and protecting all rights accruing to the Lender by virtue of this Agreement, the Mortgage and all other Loan Documents. All expenses incurred in connection with the appointment of a receiver, or in protecting, preserving or improving the Project, shall be chargeable against the Borrower and shall be enforced as a lien against the Project;

(e) Exercise all rights under any agreements assigned to Lender and lease or let the Project; and take such action as may be reasonable to preserve and protect the Project and any construction materials stored thereon; or

(f) Exercise any other rights or remedies Lender may have under the Mortgage or other Loan Documents referred to in this Agreement or executed in connection with the Loan or which may be available under applicable law.

13. GENERAL TERMS. The following shall be applicable throughout the period of this Agreement or thereafter as provided herein:

(a) Rights of Third Parties. All conditions of the Lender imposed upon Borrower and/or Guarantor hereunder are imposed solely and exclusively for the benefit of Lender and its successors and assigns, and no other Person shall have standing to require satisfaction of such conditions or be entitled to assume that Lender will make advances in the absence of strict compliance with any or all thereof, and no other Person shall, under any circumstances, be deemed to be a beneficiary of this Agreement or the Loan Documents, any provisions of which may be freely waived in whole or in part by the Lender at any time if, in its sole discretion, it deems it desirable to do so.

(b) Borrower is not Lender's Agent. Nothing in this Agreement, the Note, the Mortgage or any other Loan Document shall be construed to make the Borrower the Lender's agent for any purpose whatsoever, or the Borrower and Lender partners, or joint or co-venturers, and the relationship of the parties shall, at all times, be that of debtor and creditor.

(c) Loan Expense/Enforcement Expense. Borrower agrees to pay to Lender on demand all reasonable costs and expenses incurred by Lender in seeking to enforce Lender's rights and remedies under this Agreement, including court costs, costs of alternative dispute resolution and reasonable attorneys' fees and costs, whether or not suit is filed or other proceedings are initiated hereon.

(d) Evidence of Satisfaction of Conditions. Lender shall, at all times, be free independently to establish to its good faith and satisfaction, and in its absolute discretion, the existence or nonexistence of a fact or facts which are disclosed in documents or other evidence required by the terms of this Agreement, provided, however, Lender agrees to use its reasonable good faith efforts not to unreasonably interfere with tenants occupying the Units.

(e) Headings. The headings of the sections, paragraphs and subdivisions of this Agreement are for the convenience of reference only, and shall not limit or otherwise affect any of the terms hereof.

(f) Invalid Provisions to Affect No Others. If performance of any provision hereof or any transaction related hereto is limited by law, then the obligation to be performed shall be reduced accordingly; and if any clause or provision herein contained operates or would prospectively operate to invalidate this Agreement in part, then the invalid part of said clause or provision only shall be held for naught, as though not contained herein, and the remainder of this Agreement shall remain operative and in full force and effect.

(g) Application of Interest to Reduce Principal Sums Due. In the event that any charge, interest or late charge is above the maximum rate provided by law, then any excess amount over the lawful rate shall be applied by Lender to reduce the principal sum of the Loan or any other amounts due Lender hereunder.

(h) Governing Law. The laws of the State of Florida shall govern the interpretation and enforcement of this Agreement.

(i) Number and Gender. Whenever the singular or plural number, masculine or feminine or neuter gender is used herein, it shall equally include the others and shall apply jointly and severally.

(j) Intentionally Deleted.

(k) Waiver. If Lender shall waive any provisions of the Loan Documents, or shall fail to enforce any of the conditions or provisions of this Agreement, such waiver shall not be deemed to be a continuing waiver and shall never be construed as such; and Lender shall thereafter have the right to insist upon the enforcement of such conditions or provisions. Furthermore, no provision of this Agreement shall be amended, waived, modified, discharged or terminated, except by instrument in writing signed by the parties hereto.

(l) Notices. All notices from the Borrower to Lender and Lender to Borrower required or permitted by any provision of this Agreement shall be in writing and sent by registered or certified mail or nationally recognized overnight delivery service and addressed as follows:

TO LENDER:	CITY NATIONAL BANK OF FLORIDA 25 West Flagler Street Miami, Florida 33130 Attention: Legal Department
TO BORROWER:	OPTIBASE REAL ESTATE MIAMI, LLC 401 East Las Olas Boulevard, Suite 1400 Fort Lauderdale, Florida 33301 Attention: Robert A. Feingold

Such addresses may be changed to another address within the United States by such notice to the other party. Notice given as hereinabove provided shall be deemed given on the date of its receipt. Notwithstanding the foregoing, notice shall be deemed received by the party to whom it is addressed on the third calendar day following the date on which said notice is deposited in the mail, or if a courier system is used, on the date of delivery of the notice.

(m) Successors and Assigns. This Agreement shall inure to the benefit of and be binding on the parties hereto and their heirs, legal representatives, successors and assigns; but nothing herein shall authorize the assignment hereof by the Borrower.

(n) USA Patriot Act Notice. Lender hereby notifies Borrower and Guarantor that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), Lender is required to obtain, verify and record information that identifies Borrower and Guarantor, which information includes the name and address of Borrower and Guarantor and other information that will allow Lender to identify Borrower and Guarantor in accordance with the Act.

(o) Counterparts, Facsimiles. This Agreement may be executed in counterparts. Each executed counterpart of this Agreement will constitute an original document, and all executed counterparts, together, will constitute the same agreement. Any counterpart evidencing signature by one party that is delivered by facsimile, or an email of a scanned .pdf, by such party to the other party hereto shall be binding on the sending party when such facsimile or email is sent, and such sending party shall within ten (10) days thereafter deliver to the other parties a hard copy of such executed counterpart containing the original signature of such party or its authorized representative.

(p) WAIVER OF JURY TRIAL. LENDER, BORROWER AND GUARANTOR HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THE RIGHT ANY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT AND ANY AGREEMENT TO BE CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER ENTERING INTO THIS AGREEMENT.

[CONTINUES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Borrower and Lender have caused this Agreement to be executed on the date first above written.

BORROWER:

OPTIBASE REAL ESTATE MIAMI, LLC, a Delaware limited liability company, acting by and through its Manager, to wit:

By: OPTIBASE, INC., a California corporation

By: */s/ Robert A. Feingold*
Name: Robert A. Feingold
Title: Executive Vice President

LENDER:

CITY NATIONAL BANK OF FLORIDA

By: /s/ *Kevin Miliffe*

Name: Kevin Miliffe
Title: Vice President

JOINDER OF GUARANTOR

The undersigned as Guarantor hereby joins in and consents to the foregoing Loan Agreement.

OPTIBASE, INC., a California corporation

By: */s/ Robert A. Feingold*
Name: Robert A. Feingold
Title: Executive Vice President

Exhibit 4.19

Deed of Trust

Signed on August 2, 2015

Between:
Optibase Ltd.
10 Hasadnaut St., Herzliya
Tel.: 073-7073700
Fax: 073-7946331
(hereinafter: the "Company")

Of the first part;

and between
Hermetic Trusts (1975) Ltd.
113 Hayarkon Street, Tel Aviv
Tel.: 03-5544553
Fax: 03-5271039
(hereinafter: the "Trustee")

Of the second part;

Whereas On August 2, 2015, the Company's board of directors approved the publication of a supplement prospectus of the Company, whereby the public will be offered Bonds (Series A) of the Company, that are not convertible into shares of the Company (hereinafter jointly: the "**Bonds (Series A)**" or the "**Bonds**") in accordance with this Deed of Trust; and

Whereas On May 6, 2015, Midroog Ltd. announced that it was providing a rating of Baa1 with a stable outlook to the issue of the Bonds (Series A) of the Company; and

Whereas The Company requested of the trustee that, subject to the issue of the Bonds (Series A), it will serve as a trustee for the Bondholders (Series A), and the trustee has agreed to the same, all subject to and in accordance with the terms of this Deed of Trust; and

Whereas The trustee is a company limited by shares, duly incorporated in Israel, whose purpose is to engage in trusts; and

Whereas The trustee declares that there is no impediment under the Law (as defined below) or any other law, to its engagement with the Company under this Deed of Trust, and that it meets the requirements and terms of fitness as prescribed in the Law (as defined below) to serve as a trustee under this Deed of Trust; and

Whereas The trustee has no material interest in the Company, and the Company has no personal interest in the trustee; and

Whereas The Company declares that there is no impediment under any law to the engagement with the trustee under this Deed of Trust; and

Whereas The Trustee agrees to sign this Deed of Trust and act as a trustee for the Bondholders.

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

1. Preamble, Interpretation and Definitions

1.1. The preamble to this Deed of Trust and the appendices attached hereto constitute integral parts thereof.

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

1.3. Division of this Deed of Trust into sections as well as the provision of titles for the sections was done solely for purposes of convenience and they shall not be used for the purpose of interpretation.

1.4. All of the contents of this Deed in the plural refer to the singular as well, and vice versa, and all of the contents of this Deed in the masculine form relate to the feminine as well, and vice versa, and all references to an individual refer to a corporation as well, all unless there is an explicit and/or implicit provision in this Deed otherwise and/or unless the content or context requires otherwise.

1.5. In any event of a conflict between the provisions of the law that can be conditioned upon (dispositive) and the provisions of this Deed, the provisions of this Deed will prevail. In any event of a conflict between the provisions of the law that cannot be conditioned upon (cogent) and the provisions of this Deed, the provisions of the Law will prevail.

1.6. In any event of a conflict between the provisions described in the Prospectus in connection with this Deed and the explicit provisions of this Deed, the provisions of this Deed will govern.

1.7. In this Deed of Trust, the following terms will have the meanings beside them, unless another intention is implied from the content or their context:

"**This Deed**" or the "**Deed of Trust**"	This Deed of Trust, including the addendum and appendices attached hereto, constituting integral parts hereof;
"Trustee"	The Trustee mentioned at the beginning of this Deed and/or a person who serves from time to time as a trustee of the Bondholders under this Deed;
The "Prospectus"	The supplementary prospectus of the Company, which will be published in August 2015 for the issue of the Bonds and/or any later prospectus based on which additional bonds will be issued (Series A);
The "Tender"	The tender on the fixed annual interest rate that the Bonds (Series A) issued by the Company in accordance with the Prospectus will bear;
The "Law" or the "Securities Law"	The Securities Law, 5728-1968 and the regulations enacted thereunder, as they may be from time to time;

"The Bondholder Registry"	The registry of bondholders as set forth in Section 35h2 of the Law, and as stated in Section 26 of this Deed;
"Stock Exchange	The Tel Aviv Stock Exchange Ltd.;
"Principle"	The unpaid par value of the (Series A) Bonds;
"Special Resolution"	A resolution adopted at a general meeting of the Bondholders (Series A) in which Bondholders possessing at least fifty percent (50%) of the balance of the par value of Bonds (Series A) were present, either personally or by means of their representatives, or as a postponed meeting at which holders of at least twenty percent (20%) of the said balance of the par value were present either personally or by means of their representatives, and which was adopted (whether at an original meeting or at a postponed meeting) by a majority consisting of at least two thirds (two thirds) of the balance of the par value of the Bonds (Series A) represented in the vote, excluding abstentions;
"Midroog"	**Midroog Ltd.;**
The "Rating Agency"	**Any rating agency** that receives approval of the Commissioner of Capital Markets at the Ministry of Finance;
The "Nominee Company"	Mizrahi Tefahot Nominee Company Ltd., or a nominee company that replaces it, provided that all of the securities of the Company that are listed for trade in the Stock Exchange are registered in the name of the same nominee company;

The "Bonds" or the "Series of Bonds" or the "Bonds (Series A)"	The Bonds (Series A), listed by name, the conditions of each of which are in accordance with the certificate of Bonds (Series A), which will be issued from time to time by the Company, at its sole discretion;
The "Bondholders" and/or the "Holders of the Bonds" and/or the "Holders"	The individuals whose names are listed at the time in question in the Register of Bondholders as the holders of the bonds, and in the case of a number of joint holders, the joint holder listed first in the Register of Bondholders.
"Trading Day"	All day on which trading takes place on the Stock Exchange;
"Business Day" or "Bank Business Day"	Any day on which most of the banks in Israel are open to carry out transactions.
"Exchange Clearinghouse"	The Clearing House of the Tel Aviv Stock Exchange Ltd.;
The "Companies Law"	The Companies Law, 5759-1999;
"Generally Accepted Accounting Principles"	US Generally Accepted Accounting Principles (US GAAP), or any other Generally Accepted Accounting Principles on the basis of which the Company's financial statements are prepared;
"Relative"	As defined in Section 1 of the Companies Law.

2. **General**

2.1. This Deed of Trust is subject to the rules of the Stock Exchange, insofar as they cannot be conditioned upon.

2.2. Dates

The dates scheduled for payments (hereinafter: the "**Dates**") have been determined, *inter alia*, in accordance with the Stock Exchange Regulations, the guidelines thereunder and the bylaws of the Stock Exchange Clearing House (hereinafter: the "**Provisions of the Stock Exchange**") that are in force on the signing of the Deed of Trust.

The Provisions of the Stock Exchange may change from time to time, and *inter alia*, may include various limitations regarding the Dates set forth in the Deed of Trust or the Prospectus.

In the event that the Provisions of the Stock Exchange are changed with regard to Dates as stated, the change will also apply to securities issued under this Deed of Trust, unless determined otherwise by the Stock Exchange or the Clearing House of the Stock Exchange.

2.3. Appointment of Trustee

2.3.1. The Company hereby appoints the Trustee as the first trustee for the Bondholders (Series A), based on the provisions of Chapter E1 of the Law, including those entitled to payments under the Bonds which are not paid after they become due to be paid.

2.3.2. If the Trustee is replaced with another trustee, the other trustee will be a trustee for the Bondholders based on the provisions of Chapter E1 of the Law, including for those entitled to payments under the Bonds that are not paid after they become due to be paid.

2.4. Entry to Force of the Position

The trust for the Bondholders and the functions of the Trustee under this Deed of Trust will enter into force on the allocation date of the bonds under this Deed by the Company.

2.5. Term of the Position; Expiry of the Position; Resignation; Dismissal

2.5.1. The first trustee will serve as of the date set forth in Section 2.4 above, and the term will end on the date on which a meeting of Holders convenes (hereinafter: the "**First Appointment Meeting**"), which the Trustee will convene no later than 14 days from the submission of the annual report on the matters of the trust under Section 35h1(a) of the Law. If the First Appointment Meeting (with a simple majority) approves the continued service of the first trustee, it will continue to serve until the end of the first appointment term set forth in the resolution of the First Appointment Meeting (which may be until the final payment date of the Bonds).

2.5.2. If the First Appointment Meeting and/or any later meeting that allocates the additional term of appointment of the Trustee terminates the term of appointment by passing a resolution of the Holders as to the continued service and/or appointment of another trustee thereunder.

2.5.3. Notwithstanding this Section 2, the provisions of the Law will apply to the appointment, replacement, service, expiration of service, resignation and dismissal of the Trustee.

2.6. Functions of the Trustee and its Authorities

2.6.1. The Trustee will represent the Bondholders in every matter stemming from the Company's undertaking to them, and may, for this purpose, take action to exercise the rights given to the Holders under the Law or according to the Deed of Trust.

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

2.6.3. The Trustee will have all of the powers granted thereto under the Law, even if not listed above.

2.6.4. The Trustee will use the powers, permissions and authorities granted thereto under this Deed of Trust, at its discretion, or in accordance with the decision of the meeting, all subject to the provisions of any law.

2.6.5. In addition to the provisions of the Law and without detracting from them, the positions of the Trustee will be those listed in **Appendix 3** of this Deed of Trust.

2.6.6. Unless explicitly set forth otherwise in the Law or the provisions of this Deed of Trust, 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.

3. **Issuance of the Bonds**

3.1. The Company intends to issue, under the Prospectus, as supplemented within the supplementary notice, the Bonds (Series A), registered by name, par value NIS 1 each. The Bonds will be payable (principle) in twelve (12) payments, with the payments being consecutive and equal, on June 30 and December 31 of each of the years 2016 through 2021 (with the first payment for the principle being executed on June 30, 2016, and the last payment being executed on December 31, 2021). [1]

The Bonds shall not be linked to any index or currency.

The unpaid balance of the Bonds (Series A) in circulation will bear annual interest at a fixed rate that will be determined in the Tender (without linkage to any index or currency).

The interest for the Bonds (Series A) will be paid in thirteen (13) biannual payments, on June 30 and December 31 of each of the years 2015 through 2021 (inclusive), with the first interest payment being made on December 31, 2015, and the last interest payment being made on December 31, 2021, for the period of six (6) months ending on the payment date (hereinafter: the "**Interest Period**"), other than the first interest payment, which will be made on December 31, 2015, for the period beginning on the first trading day after the closing date of the signatures and ending on the first payment date of the interest (hereinafter: the "**First Interest Period**"), when calculated on a basis of 365 days per year, based on the number of days in this period. The interest rate that will be paid for a particular interest period (other than the First Interest Period) (meaning, the period that begins on the first day after the end of the interest period immediately prior and ending on the interest payment day immediately after the commencement date) will be calculated as the yearly interest rate divided by two (hereinafter: the "**Semiannual Interest Rate**"). The Company will publish an immediate report of the results of the Tender relating to the issue of the Bonds (Series A), the first interest rate, the interest rate determined in the Tender as stated, and the biannual interest rate.

---

[1] Each of the first 11 payments will be in a rate of 8.33% of the principal and the last payment will be in a rate of 8.37% of the principal.

For additional details, see also Sections 3, 4 and 5 of the overleaf conditions of the Bonds.

The Bonds are rated Baa1 by Midroog.

The Bonds are not secured by any collateral.

The Bonds (Series A) will be listed for trade on the Stock Exchange.

3.2. The Expansion of the Series

The Company may issue, in any manner (including in a private placement or a public offering), at any time and from time to time at its sole discretion, without requiring the consent of the Bondholders or the Trustee, or providing notice to any of them of the same, including the issue to a Related Holder as defined in Section 4.2 below, in accordance with the provisions of any law, the additional Bonds (Series A), whose terms will be identical to the terms of the Bonds, at any price and in any manner it sees fit, and this Deed will also apply regarding all of the additional bonds as stated, which will be issued by the Company, and the additional bonds will be deemed, as of the date of their issue, *mutatis mutandis*, to be Bonds (Series A).

The Trustee will serve as a trustee for the Bonds (Series A), as they may be from time to time in circulation, even in the case of an expansion of a series, and the Trustee will not be required to provide consent for the service as stated for the expanded series.

For the avoidance of doubt, the holders of the additional bonds, as stated in this section above, will not be entitled to the principal and/or interest for the interest periods whose effective payment dates occur before the date of their issue.

The Bonds (Series A), including those that are issued in a series expansion, if any, may be issued at their par value, at a discount or premium.

In the event that the discount rate determined for the Bonds (Series A) following the expansion of a series of the Bonds (Series A) is different from the discount rate of the existing Bonds (Series A) in circulation at the time (if any), the Company will contact the Securities Authority, if required - before the expansion of the series of Bonds, in order to receive its confirmation that regarding withholding tax at source from the discount fees for the aforesaid bonds, a uniform discount rate will be determined for the Bonds, based on a formula that weights the various discount rates, if any.

If such approval is received, the Company will calculate, prior to the series expansion, the weighted discount rate for all of the Bonds and will announce the uniform weighted discount rate in an immediate report regarding the results of the issue, and will deduct tax on the payment dates of the aforesaid Bonds, according to said weighted discount rate as stated and in accordance with the provisions of the Law. If the Bonds are issued within a series expansion in a package together with other securities, the Company will announce the weighted discount rate no later than the fourth trading day after they are listed for trade. If no approval is received as stated, the Company will announce in an immediate report, before the expansion of the series, the uniform discount rate, which will be the highest discount rate created for the Bonds. The Company will withhold tax at source upon payment of the Bonds, in accordance with the discount rate reported as stated.

Accordingly, there may be cases in which the Company deducts withholding tax on discount fees at a higher rate than the discount fees set for Holders of Bonds (Series A) prior to the series expansion (hereinafter: the "**Excess Discount Fees**"), in a manner harming them, whether or not approval was received from the Tax Authority for setting a uniform discount rate for the relevant series. In this case, a taxpayer that holds Bonds (Series A) before the expansion of the aforesaid series and until payment of the same bonds will be entitled to submit a tax report to the Securities Authority and receive a tax refund in the amount of the tax withheld from the Excess Discount Fees, if it is entitled to a refund as stated under law.

Notwithstanding the above, the Company may not perform an expansion of the Bonds (Series A) if upon the expansion of the series, the Company does not meet any of the financial covenants set forth in Section 5.3 below, or if according to the audited annual consolidated financial statements, or the quarterly consolidated financial results of the Company, as applicable, whichever is published most recently before the expansion date as stated, after the impact of the expansion of the series as stated (if performed before the date to which the financial statements or the quarterly results relate, as stated), the Company does not meet any of the financial covenants set forth in Section 5.3 below. The Company will provide the Trustee with confirmation from a senior office regarding the Company's compliance with the conditions set forth above, no later than seven business days before the expansion of the series takes place. The Trustee will rely on the Company's approval, and will not be required to perform additional examinations on its behalf.

It is clarified that an additional condition for the issue of additional bonds from the Bonds (Series A) will be receipt of approval in advance by the Rating Agency whereby the expansion of the Bonds (Series A) does not harm the rating of the Bonds (Series A), such that after the expansion of the series as stated, the rating of the Bonds (Series A) is not less than the rating of the Bonds (Series A) before the expansion of the series as stated. If the Company is rated by more than one Rating Agency, for the purpose of this section, the lower of all of the ratings determined for the Company will be applicable.

For the avoidance of doubt, it is clarified that the issue of the additional bonds from the Bonds (Series A) will take place with a deed of trust, and the provisions of the Deed of Trust will apply thereto, and the existing bonds from Series A and the additional bonds of the same series (as of the date of their issue) will constitute one series for all intents and purposes.

The Company will request that the Stock Exchange list for trade the additional bonds as stated, when offered.

3.3. Issue of Additional Securities

The Company may issue, at any time and from time to time in any manner (including a private placement or offer to the public), at its sole discretion, without requiring the consent of the Bondholders or the Trustee or providing notice to any of them as to the same, including an issue to an Affiliated Holder as defined in Section 4.2 below, bonds of a different class or different series of bonds or other securities or any type or kind, with or without ancillary rights for the purchase of the Company's shares, with terms of interest, linkage, securities, payment, and other conditions, if the Company sees fit, whether preferential over the terms of the Bonds, equal or inferior to them.

4. **Purchase of Bonds by the Company and/or an Affiliated Holder**

4.1. The Company reserves the right to purchase, at any time and from time to time, Bonds (Series A) at any price that it seems fit, whether in the Stock Exchange or external thereto or in another manner, without derogating from the payment obligation of the Bonds held by others, other than the Company. Bonds that are purchased by the Company will be cancelled upon their acquisition and delisted from trade in the Stock Exchange, and the Company may not issue the Bonds that it acquires again. In the case of the purchase of Bonds by the Company as stated, the Company will provide the Trustee with notice of the same shortly after the purchase, and will issue an immediate report of the same, all subject to the provisions of the Law. In the case that the Bonds are purchased as stated by the Company during trade in the Stock Exchange, the Company will request the Clearing House of the Stock Exchange to withdraw the certificates.

4.2. Any subsidiary of the Company and/or a corporation under its control and/or the controlling shareholder of the Company (directly or indirectly) and/or a corporation under the control of a controlling shareholder of the Company (directly and/or indirectly) and/or their relatives (excluding the Company, for which the provisions of Section 4.1 above will apply), which does not hold the Bonds for itself (hereinafter: an "**Affiliated Holder**"), may purchase at any time and from time to time, including within the issue by the Company and/or sell, at any time and from time to time, Bonds (Series A). The Bonds that are held as stated by an Affiliated Holder will be considered to be an asset of the Affiliated Holder, will not be delisted from trade in the Stock Exchange, other than subject to the rules of the Stock Exchange, and may be transferred in the same manner as the other Bonds of the Company (subject to the provisions of the Deed of Trust and the Bonds). For the purpose of holding a meeting of Bondholders, the provisions of the Second Addendum of the Deed of Trust will apply. Additionally, regarding the legal quorum and the quorum of voters in the general meeting of the Bondholders, the provisions of the Second Addendum of this Deed will apply.

4.3. The provisions of this Section 4 on their own will not bind the Company or the Bondholders in the purchase of bonds or require them to sell the Bonds in their possession.

5. **Company's Undertakings**

5.1. The Company undertakes to pay all of the amounts of principal, interest (including arrears interest as defined in Section 5.5 of the overleaf conditions of the Bonds, if applicable) and to comply with all of the other terms and obligations imposed thereon, under the terms of the Bonds and under this Deed. In any event in which a payment date on account of a principal and/or interest amount 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, interest or linkage.

5.2. Company's Undertakings Regarding a Distribution

5.2.1. As long as the Bonds (Series A) exist in circulation, the Company undertakes not to perform a distribution as defined in the Companies Law (including by way of a buy-back of its shares) in amounts exceeding a rate of 35% of the profit as defined in the Companies Law, based on the Company's consolidated financial statements, most recently published before the aforesaid distribution date, and less previous dividends distributed as of the issue date of the Bonds (Series A) for the first time.

5.2.2. Additionally, as long as the Bonds (Series A) exist in circulation, the Company undertakes not to perform a distribution as defined in the Companies Law (including by way of a buy-back of its shares) following which the Company's equity will be reduced (excluding minority rights), based on the Company's consolidated financial statements, most recently published (less impacts arising from revaluation of income-generating real estate, if any), before the declaration date of the dividend, below USD 50 million.

5.2.3. Shortly after the declaration of a distribution and no later than five days before the distribution date as stated, the Company will transfer confirmation to the Trustee regarding its compliance with the conditions in Section 5.2 above. The Trustee will rely on the Company's approval, and will not be required to perform additional examinations on its behalf.

5.2.4. As of the date of this Deed of Trust and excluding the provisions of this Section 5 above, the Company is not limited in terms of the distribution of dividend and/or the purchase of a buy-back of its shares. It shall be clarified that the above will not constitute a representation that this limitation will apply throughout the entire term of the Bonds.

5.3. Financial Covenants

As long as the Bonds (Series A) exist in circulation (meaning, as long as the Bonds (Series A) are not repaid or cleared in full in any manner, including by way of a buy-back and/or early repayment), the Company undertakes as follows:

5.3.1. Minimum Equity

The equity of the Company (excluding minority rights) will not be less than USD 33 million (hereinafter: the "**Minimum Equity**"). This amount will not be linked to any index or currency.

5.3.2. Equity to Balance Sheet Ratio

The ratio between the equity (including minority rights) and the total balance sheet of the Company will not be less than 25% (hereinafter: the "**Equity to Balance Sheet Ratio**").

The "**Total Balance Sheet**" - for the purpose of this Section 5.3.2 - the total consolidated balance sheet, based on the Generally Accepted Accounting Principles, all in accordance with the audited consolidated financial statements of the quarterly consolidated financial results of the Company, most recently published.

"**Equity**" - for the purpose of this Section 5.3 - the total equity of the Company, based on the audited consolidated financial statements, or based on the quarterly consolidated financial results of the Company, most recently published, as applicable, including minority rights or excluding minority rights, in accordance with this Section 5.3.

5.3.3. Net financial debt to CAP ratio

The ratio between the net financial debt and the total capital and net debt (CAP) will not exceed 70% (hereinafter: the "**Net Financial Debt to CAP**").

The "**Total Equity and Net Debt (CAP)**" - for the purpose of this Section 5.3.3 - the net financial debt, in addition to the equity including minority rights under the audited consolidated financial statements or based on the quarterly consolidated financial results of the Company most recently published.

5.3.4. Net financial debt to EBITDA ratio

The ratio between the net financial debt and the equity will not exceed 16 (hereinafter: the "**Net Financial Debt to EBITDA**").

"**EBITDA**" - for the purpose of this Section 5.3.4 - profit before tax, financing income/expenses, other income/expenses, depreciation and reductions, all in accordance with the audited consolidated financial statements or the quarterly consolidated financial results of the Company, most recently published, as applicable, of the Company.

"Net **Financial Debt**" - for the purpose of this Section 5.3 - loans and bonds, less cash and cash equivalents, securities held for trade and short-term investments and loans, based on the audited consolidated financial statements or the quarterly consolidated financial results of the Company, most recently published of the Company most recently published, as applicable.

Minimum Equity, Equity to Balance Sheet Ratio, Net Financial Debt to CAP, and Net Financial Debt to EBITDA will be hereinafter jointly: the "**Financial Covenants**" or the "**Financial Conditions**."

5.3.5. **Examination of the Financial Covenants and their Breach** The examination regarding the Company's compliance with the financial conditions set forth in Sections 5.3.1-5.3.2 above will be performed on the publication date of the audited consolidated financial statements of the Company or on the date of the publication of the quarterly consolidated financial statements for each calendar year or calendar quarter, as applicable. At the request of the Trustee, the Company will transfer to the Trustee, no later than five business days from receipt of the Trustee's request, with confirmation signed by the most senior office in the Company's financial field regarding the Company's compliance with the limitations in Sections 5.3.1-.5.3.2 above, in addition to a calculation that will reasonably satisfy the Trustee. The Trustee will rely on approval of the Company and will not demand to perform an additional examination on its behalf.

As of the date of the issue of the Bonds (Series A), in the event that it is discovered, based on the audited consolidated financial statements or the quarterly consolidated financial results of the Company, as applicable, that the Company has not met one or more of its obligations as stated in subsection 5.3.1-5.3.2 above, and has not met its obligations as stated in the subsequent quarter as well, pursuant to the audited consolidated financial statements or the quarterly consolidated financial results of the Company, as applicable, the provisions of Section 8 of the Deed of Trust will apply, subject to Section 8.2 of the Deed of Trust. For the avoidance of doubt, it is clarified that the grounds for calling for immediate repayment as stated in Sections 8.1.21, 8.1.22, 8.1.28 and 8.1.29 below will apply only if the Company does not meet the same financial covenants (minimum equity, equity to balance sheet ratio, net financial debt to CAP and net financial debt to EBITDA, as applicable) for two consecutive quarters in a row, and will be established on the date of the publication of the annual audited consolidated financial statements or the public date of the consolidated financial results of the second of the two consecutive quarters mentioned above, subject to the provisions of Section 8.2 below.

It shall be clarified that the date of the relevant breach will be considered to be the publication date of the financial statement or the subsequent (two) financial results in which the Company does not meet the relevant financial covenants.

5.4. Rating of the Bonds

The Company undertakes to act such that until the date of the full, final and precise payment of the Bonds (Series A) and the fulfillment of all of the other obligations of the Company towards the Bondholders (Series A), if it is under its control, the Bonds (Series A) will be rated by a Rating Agency. In this regard, it is clarified that the transfer of the Bonds (Series A) for a watch list or any other similar action performed by the Rating Agency will not be considered to be a cessation or change in the rating.

For the purpose of this Section 5.4 below, it is clarified that if the Bonds (Series A) are rated by more than one Rating Agency, the examination of the rating 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.

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

It shall be clarified that if an adjustment is required of interest in accordance with the mechanism described in this Section 5.4 below, in any event (excluding in the case in which entitlement to arrears interest is established in accordance with Section 5.5 of the overleaf terms), the additional maximum interest rate will not exceed 1% over the interest rate determined in the tender.

5.4.1. If the rating of the Bonds by the Rating Agency is updated during any interest period, such that the rating determined for the Bonds is lower by one or more rating (hereinafter: the "**Reduced Rating**") below a rating of Baa1 and a parallel rating, if the bonds are rated by more than one Rating Agency (or a parallel rating that will replace it, which will be determined by another Rating Agency, if it replaces the Rating Agency) (hereinafter: the "**Base Rating**"), the annual interest rate that the unpaid balance of the Bonds as determined in the tender will increase by a rate of 0.25% for each notch below the Base Rating (meaning, as of the decrease to a rating of Baa2) until a maximum interest addition of 1% per year, at most (hereinafter: the "**Additional Interest Rate**").

5.4.2. In the event that the interest was updated as stated above, the change will apply for the period beginning of the date of the update of the new rating and until the full payment of the unpaid balance of the Bonds (Series A) or until the increase of the Reduced Rating again (at which point, Section 5.4.7 below will apply), whichever is earlier.

5.4.3. No later than the end of one business date from receipt of notice from the Rating Agency regarding the reduction of the rating of the Bonds (Series A) to a reduced rating as defined above, the Company will publish an immediate report in which the Company will state: (a) the fact that the rating was reduced, the reduced rating and the date for the commencement of the rating of the Bonds (Series A) with the reduced rating (hereinafter: the "**Date of the Reduced Rating**"); (b) the precise interest rate that the balance of the Bonds will bear for the period commencing on the current interest period and until the Date of the Reduced Rating (the interest rate will be calculated based on 365 days per year) (hereinafter: the "**Original Interest**" and the "**Original Interest Period**," respectively); (c) the interest rate that the balance of the principal of the Bonds (Series A) will bear, as of the Date of the Reduced Rating and until the actual next payment date, meaning: the Original Interest in addition to the additional interest rate for the year (the interest rate will be calculated based on 365 days per year); (d) the weighted interest rate that the Company will pay to the Bondholders (Series A) on the upcoming interest payment date, arising from subsection (b) and (c) above; (e) the annual interest rate reflected from the weighted interest rate; (f) the annual interest rate and the biannual interest rate (the interest for the biannual interest period will be calculated as the annual interest divided by the number of interest payments per year, meaning: divided by two) for the subsequent periods.

5.4.4. In the event that the date of the commencement of the rating of the Bonds (Series A) with the Reduced Rating occurs in the period beginning on the effective date for the payment of any interest (inclusive) and ending on the interest payment date near the effective date as stated (hereinafter: the "**Deferral Period**"), the Company will pay the Bondholders (Series A), on the date of the next interest payment, the original interest (as the unpaid principal of the Bonds will bear at the same date of the debt) only, while the interest rate arising from the addition of the interest in the rate equal to the additional interest rate for the year during the Deferral Period will be paid on the next interest payment date. The Company will announce the precise interest rate for payment on the next interest payment date in an immediate report.

5.4.5. If the Bonds cease to be rated for a reason dependent on the Company (for example, but not limited to, due to the non-fulfillment of the Company's obligations vis-a-vis the Rating Company, including due to failure to provide payments and/or reports that the Company has undertaken to provide to the Rating Agency), for a period exceeding sixty (60) days before their final payment, the cessation of the rating will be considered to be a reduction in the rating of the Bonds (Series A) by four notches below the Base Rating, such that the additional interest rate will amount to 1%, and the provisions of Sections 5.4.3 - 5.4.5 and 5.4.7 will apply accordingly. For the avoidance of doubt, it is clarified that in the event that the Bonds (Series A) cease to be rated, before their final payment, for a reason independent of the Company, the provisions of this Section 5.4 will not apply.

5.4.6. It is clarified that in the case that after the reduction in the rating in a manner that impacts the interest rate that the Bonds (Series A) will bear as stated in Section 5.4.2 above, all of the Rating Agencies (that rate the Bonds (Series A) at the same time) will update the rating of the Bonds (Series A) upward, the interest rate will be reduced in increments of 0.25% per year for each notch (for the increase from Ba2 to the base rating), and if the Rating Agencies update the rating of the Bonds (Series A) upwards to a rating higher than the reduced rating (hereinafter: the "**High Rating**") or equal to the base rating, the interest rate paid by the Company to the Bondholders on the relevant interest payment date will be reduced for the period in which the Bonds were rated with the High Rating alone, such that the interest rate that the unpaid balance of the principal of the Bonds will bear will be the interest rate determined in the Tender, as the Company publishes in an immediate report regarding the result of the issue, in addition to the additional interest rate in accordance with the interest additions set forth in Section 5.4.2 above, with respect to the High Rating as it may be at the time, if the high rating is lower than the base rating. In any event, the interest rate that the unpaid balance of the principal of the Bonds will bear at the time will not be less than the rate determined in the Tender, as published by the Company in an immediate report regarding the results of the issue.

5.4.7. It is hereby clarified that if the Bonds (Series A) are rated or will be rated simultaneously by more than one Rating Agency, the reduction of rating (or the cessation of rating) for the purpose of this Section 5.4 shall mean the reduction of a rating (or the cessation of a rating, as applicable) to the lowest rating from among all of the ratings determined for the Company. For the avoidance of doubt, it will be clarified that the Company does not guarantee that the Bonds (Series A) will be rated by two Rating Agencies at any time, or at all.

5.4.8. Additionally, notwithstanding this Section 5.4 above, the reduction of the rating for the Bonds (Series A) is performed within the update of the rating for all of the companies in Israel that are engagement in the area of activity of the Company, as a result of a change to the methodology of the Rating Agency, will not cause any change to the interest rate that the Bonds (Series A) will bear.

5.4.9. For the avoidance of doubt, it is clarified that: (1) a change to the outlook of the rating of the Bonds (Series A) will not cause a change to the interest rate that the Bonds (Series A) will bear as stated in this Section; (2) as long as the Bonds (Series A) are rated by two Rating Agencies, Section 5.4.6 above will not apply other than in a case in which the two Rating Agencies together cease to rate the Bonds (Series A).

5.4.10. The Company undertakes to act, to the extent that the same is under its control, to ensure that the Bonds (Series A) will be rated by a Rating Agency during the entire term of the Bonds (Series A) and for the same purpose, the Company undertakes to pay the Rating Agency the payments that it undertook to pay the Rating Agency and to provide the Rating Agency with the reports and information reasonably required thereby within the engagement between the Company and the Rating Company. In this regard, the non-performance of payments that the Company undertook to pay the Rating Agency and the failure to provide reports and information reasonably required by the Rating Company within the engagement between the Company and Rating Agency will be considered to be reasons and circumstances under the Company's control. In the case of the cessation of the rating of the Bonds (Series A) or the replacement of the Rating Agency, the Company will publish an immediate report of the same and will list the reasons for the change of the Rating Agency. It is clarified that the above will not derogate from the right of the Company to replace, at any time, the Rating Agency, at its sole discretion and for any reason it sees fit.

5.5. Principal and Interest Cushion

5.5.1. The Company will transfer an amount equal to the amount of the first principal and the first interest amount that is expected to be paid to the Bondholders on June 30, 2016 and December 31, 2015, respectively (hereinafter: the "**First Interest and Principal Cushion Amount**") to the Trustee through a transfer of the First Interest and Principal Cushion Amount from the account of the issuance coordination in which the issuance consideration is held to a bank account opened by the Trustee, and in the name of the Trustee in trust for the Bondholders (Series A) alone (it is clarified that as required under the law, the Company will be listed as a beneficiary in the aforesaid account) (hereinafter: the "**Interest and Principal Cushion Account**").

The transfer of the funds will take place based on a written instruction of the Company to the issuance coordinator, which will be provided as a condition for the transfer of the balance of the funds of the issuance consideration to the Company, a copy of which will be furnished to the Trustee as well, in parallel.

5.5.2. The signature rights in the Interest and Principal Cushion Account will be granted to the Trustee alone. Without derogating from the provisions of this Subsection above, the Trustee will invest the funds in the Interest and Principal Cushion Account in accordance with the provisions of Section 16 of the Deed of Trust.

5.5.3. If on the morning of the second day of each calendar month after the payment date of the principal or interest, and if the same is not a business day then on the subsequent business day (hereinafter: the "**Cushion Completion Date**"), the amount deposited in the Interest and Principal Cushion Account will be lower than the upcoming interest and principal payment amount, the company will transfer to the Interest and Principal Cushion Account, on the Cushion Completion Date, an amount equal to the amount required in order for the amount deposited in the Interest and Principal Cushion Account to be the same as the upcoming interest and principal payment amount following the Cushion Completion Date (hereinafter: the "**Current Cushion Amount**"), within four business days from the Cushion Completion Date.

5.5.4. It is clarified that in the event that the series of Bonds (Series A) is expanded in the future, the Company will transfer to the Interest and Principal Cushion Account, as a condition for and before the transfer of the expansion consideration to the Company, the funds that constitute the relative share of the Interest and Principal Cushion Amount for the additional bonds issued within the expansion of the series as stated, or the different required in order for the Interest and Principal Cushion Account to contain an amount equal to the upcoming interest and principal payment amount following the date of the expansion of the series as stated.

5.5.5. It is clarified that if the additional interest rate applies, as defined in Section 5.4 above, the Company will deposit in the Interest and Principal Cushion Account, the funds that will constitute the Interest and Principal Cushion Amount in addition to the additional interest rate or the difference required in order for the Interest and Principal Cushion Account to contain an amount equal to the upcoming interest payment amount following the Interest Update Date as stated, whichever is lower, within four business days from the publication of an immediate report regarding the change to the interest rate as stated.

5.5.6. For the avoidance of doubt, it is clarified that the obligations of the Company to transfer funds to the Interest and Principal Cushion Account are not secured with a mechanism that will ensure the execution of this undertaking. In the case that the Company does not meet its obligations to transfer the funds to the Interest and Principal Cushion Account, the Trustee will not be able to prevent a breach of this undertaking, but rather will take the measures available to it under law and under the Deed of Trust, to retroactively enforce the Company to fulfill its obligations.

5.5.7. It is clarified that since the rights of the Company in the Interest and Principal Cushion Account are not pledged in favor of the Trustee and the Bondholders (Series A), a situation may arise in which any third party (including a functionary on behalf of the court and the like) will claim that the Company has rights in the account, and that the funds deposited therein belong to the Company and/or all of its creditors, and not to the Bondholders (Series A) alone.

5.5.8. On the final payment date of the Bonds (Series A), all of the funds in the Interest and Principal Cushion Account will be transferred by the Trustee directly to the Nominee Company for the performance of the final payment as stated, subject to receipt of approval in advance from the Company regarding the amount required to supplement payment of the Bonds as stated, and its transfer by the Company to the Nominee Company in parallel.

5.5.9. It is clarified that the Interest and Principal Cushion Account and the Current Cushion Amount, including the profits accrued for the same amounts, will be held by the Trustee in trust for the Bondholders (Series A). The Company will not have any rights or claims with respect to the aforesaid amounts, and the Company will not be entitled to receive these funds in any case.

5.6. Undertaking not to Create Pledges ("Negative Pledge")

5.6.1. The Company undertakes not to pledge its property or any part thereof (held by it directly alone) with a general floating pledge or specific pledges (including a current pledge on specific asset/s) without the prior consent of the meeting of the Bondholders (Series A) to the same in an ordinary resolution.

5.6.2. Notwithstanding the above, it is clarified that the Company's undertaking not to create a current pledge or specific pledge will not apply to each of the following actions and pledges:

5.6.2.1. A pledge on the assets of the Company and/or a delay and/or other securities on the Company's assets (in whole or in part), which are created under a specific law or under regulatory requirements, and in accordance with their terms.

5.6.2.2. A specific pledge in favor of a party that finances the purchase of any asset by the Company, and that is created to secure the financing provided for the purchase of the same asset (an asset-specific pledge).

5.6.2.3. Assets purchased by the Company when a pledge applies to them and/or they are used as a security.

5.6.2.4. Offset arrangements and/or "netting" as required from financial activity, based on its natures, with banks and financial institutions and during the ordinary course of the Company's business.

Notwithstanding the above, it is clarified that the Company may create a general floating pledge on its assets, in whole or in part, in favor of a financing entity in Israel that provides financing to the Company itself (including holders of a different series of bonds) without requiring the consent of a meeting of the Bondholders, subject to the fact that together with the creation of a floating pledge as stated, the Company creates a pledge of the same type and rank in favor of the Bondholders (Series A), pari passu based on the ratio of the debts, which will be in force as long as the Bonds (Series A) are not repaid in full. The Company clarifies that as of the signing of this Deed, the Company has not created a general floating pledge as stated.

For the avoidance of doubt, it is clarified that subsidiaries of the Company may pledge their assets, in whole or in part, with any pledge (including a floating charge) and in any manner, without the consent of a meeting of the Bondholders (Series A) for the same, and without being required to provide any security for the Bondholders (Series A) in parallel to the creation of the pledge as stated by them.

6. **Collateral**

6.1. The Bonds (Series A) are not secured by any collateral.

6.2. For the avoidance of doubt, it is clarified that the Trustee is not subject to any obligation to examine, and in reality, the Trustee has not examined, the need to provide the securities to secure the payments to the Bondholders. The Trustee will not be requested to perform, and in reality, the Trustee has not performed, 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 with the consent of the Trustee to serve as a trustee for the Bondholders, the Trustee does not express an option, explicitly or implicitly, as to the Company's ability to meet its obligations vis-a-vis the Bondholders under this Deed of Trust, and the same is not included among its positions. The above will not derogate from the obligations of the Trustee under any law and/or the Deed of Trust, including the obligations of the Trustee (if such obligation applies to the Trustee under any law) to examine the impact of the changes in the Company from the date of the issue and thereafter, if the same detrimentally impacts the Company's ability to meet its obligations to the Bondholders.

6.3. The Company may, from time to time, sell, pledge, lease, assign, furnish or transfer in any other manner, its property, or any part thereof, without being required to receive the consent of the Trustee or the Bondholders, and the Company is not required to notify the Trustee or the Bondholders of the creation of any pledge on its assets.

7. **Degree of Preference**

All of the Bonds (Series A) that can be offered will have an equal rank as the bonds of the same series with respect to the amounts owed for them, pari passu, amongst themselves, and without a priority right or preference of one over the others for the same series.

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

8.1. Upon the occurrence of once or more of the cases listed in this Section below, the provisions of Section 8.2 below will apply, as applicable:

8.1.1. If the Company does not repay any amount from the payments that it owes under the terms of the Bonds or under this Deed.

8.1.2. If it is discovered that a material representation of the Company's representations in the Bonds or Deed of Trust is not complete and/or correct, and in the case of a breach that may be remedied - the breach is not remedied within 14 days from the receipt of notice of the breach, during which the Company makes efforts to remedy it.

8.1.3. If the Company violates the terms of the Bonds or the Deed of Trust with a material violation, or if any of the substantial obligations within them are not met, and the violation is not remedied within 14 days from the receipt of notice of the violation, during which the Company makes efforts to remedy the violation.

8.1.4. If the Company passes a liquidation resolution (excluding a liquidation as a result of a merger with another company, as stated in Section 8.1.19 below) or if a permanent and final liquidation order is given with respect to the Company by a court or if a permanent liquidator is appointed.

8.1.5. If a request is filed for receivership or to appoint a receiver (temporary or permanent) on the Company's assets, all or most of them, or if an order is given for the appointment of a temporary receiver that is not overturned or terminated within 45 days of being submitted or granted, as applicable; or, if an order is granted to appoint a permanent receiver on all or most of the Company's assets. Notwithstanding the above, the Company will not be given any cure period with respect to requests or orders submitted or granted as stated, as applicable, by the Company or with its consent.

8.1.6. If a temporary liquidation order is given by the court, or a temporary liquidator is appointed for the Company, or any judicial resolution is passed of a similar nature or a resolution as stated is not terminated within 45 days from the date on which the order is granted to the decision made, as applicable. Notwithstanding the above, the Company will not be given any cure period with respect to requests or orders submitted or granted as stated, as applicable, by the Company or with its consent.

8.1.7. If an attachment is placed on all or most of the Company's assets, and the attachment is not removed within 45 days of being imposed. Notwithstanding the above, the Company will not be given any cure period with respect to requests or orders submitted or granted as stated, as applicable, by the Company or with its consent.

8.1.8. If an execution action is performed against all or most of the Company's assets, and the action is not terminated within 45 days from being performed. Notwithstanding the above, the Company will not be given any cure period with respect to requests or orders submitted or granted as stated, as applicable, by the Company or with its consent.

8.1.9. If the Company ceases or announces its intention to cease to continue to manage its business as it may be from time to time, and if the Company ceases or announces its intention to cease its payments.

8.1.10. (a) If the Company submits a motion for a stay of proceedings or if such an order is granted, or if the Company submits a motion for a settlement or arrangement with the Company's creditors under Section 350 of the Companies Law (excluding for the purpose of a merger with another company, a change to the Company's structure or a split that is not prohibited under the terms of this Deed, excluding arrangements between the Company and its shareholders that are not prohibited under the terms of this Deed and that do not impact the Company's ability to repay the Bonds), or if the Company offers a settlement or arrangement as stated to its creditors in another manner, based on the Company's inability to meet its obligations on time; or (b) if a motion is submitted under Section 350 of the Companies Law regarding a settlement or arrangement with the Company's creditors against the Company (and without its consent) that is not terminated or overturned within 45 days from being filed.

8.1.11. If a substantial deterioration occurred to the Company's business compared to its state on the date of the issue, and there is a real concern that the Company will be unable to pay its obligations under this Deed of Trust and the Bonds on time.

8.1.12. If the Bonds are not repaid on time or no other substantial obligation provided in favor of the Bondholders is upheld.

8.1.13. If there is a real concern that the Company would not meet its substantial obligations towards the Bondholders.

8.1.14. If the Company does not publish a financial report that it is required to publish under any law within 30 days from the deadline for its publication.

8.1.15. If the Bonds are delisted from the Stock Exchange.

8.1.16. If the Company expands a series of Bonds in a manner that does not comply with the Company's obligations regarding the expansion of a series under Section 3.2 above.

8.1.17. If the Bonds cease to be rated for a period of time exceeding 60 consecutive days, excluding in a case in which the cessation of the rating results from reasons or circumstances that are not under the Company's control.

8.1.18. If a rating of the Bonds is updated by Midroog, such that the rating determined for the Bonds is lower than a rating of Baa3, or a parallel rating by another rating agency, if one replaces Midroog.

8.1.19. If: (a) Another series of bonds issued by the Company (if issued); or (b) a loan provided thereto by a banking corporation (the "**Lender**") in an amount exceeding USD 5 million or 15% of the total financial liabilities of the Company, based on the most recent audited financial statements published by the Company before the same date, or based on the quarterly consolidated financial results, as applicable, whichever of the two is higher, excluding a non-recourse loan provided to the Company and the corporations under its control, is called for immediate payment, and the demand to call for immediate repayment is not terminated within 30 days.

8.1.20. If the Company sells to a third party (that is not a company under the Company's control) most of the Company's assets (excluding assets that are not under the Company's direct and/or indirect control), such that after the sale as stated, most of the Company's business activity is not in the field of real estate, without the consent of a meeting of the Bondholders with a simple majority of voters in the meeting in which a legal quorum was present in accordance with Section 35l13(a) of the Law. For the purpose of this subsection, a "**sale of most of the Company's assets**" shall mean the same of an asset or assets in the aggregate that are owned by the Company, the value of which exceeds 50% of the total assets of the Company on a consolidated basis, according to the audited consolidated financial statements of the Company or based on the quarterly consolidated financial results, as applicable, most recently published, unless the sale consideration is transferred to a separate account with the Trustee, which is pledged in favor of the Trustee and the Bondholders (Series A). Use of the sale consideration takes place for the purchase of income-generating real estate assets in Western Europe, United States, Canada or Israel, or for the payment of Bonds, meaning: if the Company sells assets the value of which exceeds 50% of the total assets of the Company on a consolidated basis, as stated above, but transferred the sale consideration to a separate account with the Trustee, or alternatively used the sale consideration as stated to purchase income-generating real estate assets in Western Europe, the United States, Canada or Israel, or to repay the Bonds, the same will not be considered a "sale of most of the Company's assets." In the case in which the funds as stated are transferred to an account with the Trustee, the Trustee undertakes to cooperate with the Company and allow it to make the use required of the funds in the account as stated, in accordance with the provisions of this Deed of Trust. The Company will transfer to the Trustee confirmation signed by an officer, detailing the use that will be made of the consideration or confirmation regarding its deposit in an account. A pledge on the account will be removed when the Company ceases to use the consideration in the account for the uses set forth in this Deed.

8.1.21. If the Company violates its undertakings for minimum equity during two consecutive quarters, as set forth in Section 5.3.1 above.

8.1.22. If the Company violates its undertaking for the equity to balance sheet ratio during two consecutive quarters, as set forth in Section 5.3.2 above.

8.1.23. If the Stock Exchange suspended trade of the Bonds, excluding their suspension on grounds of the creation of uncertainty, as these grounds are defined in the Fourth Part of the bylaws of the Stock Exchange, and the suspension is not terminated within 60 days.

8.1.24. If a merger is performed, as this term is defined in the Companies Law, within which the Company is the absorbing company or the target company, without the prior consent of a meeting of the Holders (with a simple majority), unless the absorbing company declared towards the Bondholders, including through the Trustee, before the date of the merger, that it has undertaken within the merger all of the obligations of the Company vis-a-vis the Bondholders, and that there is no reasonable concern that following the merger the absorbing company will be unable to uphold its obligations vis-a-vis the Bondholders (it is clarified that in such a case, the Trustee will not be required to examine the accuracy of the above in this declaration of the absorbing company).

8.1.25. Upon the fulfillment of the following two conditions in the aggregate: (a) the holdings (direct and indirect, including through corporations under their control) of The Capri Family Foundation, of shares of the Company, will fall below a level of 51% of the issued and paid up capital of the Company; (b) the Company has another shareholder whose holdings of the Company's shares (directly or indirectly, including together with holdings of the other shareholders that are not listed in subsection (a) above) are in a rate that is higher than the rate of the holdings of the parties listed in subsection (a) in shares of the Company at the time.

8.1.26. If the Company violated its obligations with respect to the distribution as set forth in Section 5.2 above.

8.1.27. If the Company violated its obligations not to create current pledges, as set forth in Section 5.6 above.

8.1.28. If the Company violates its undertaking for a net financial debt to CAP ratio during two consecutive quarters, as set forth in Section 5.3.3 above.

8.1.29. If the Company violates its undertaking for a net financial debt to EBITDA ratio during two consecutive quarters, as set forth in Section 5.3.4 above.

8.2. Upon the occurrence of any of the events in Section 8.1 above and in accordance with the provisions included therein under the subsections herein, the Trustee and the Bondholders may call for immediate repayment of the amounts owed to the Holders under the terms of the Deed of Trust, all subject to the provisions of this Section 8.2 below:

8.2.1. The Trustee may, before using its authority to call for immediate repayment, convene a meeting of the Bondholders, which will list on the agenda a resolution regarding calling the entire unpaid balance of the Bonds for immediate repayment.

8.2.2. In the event that a meeting of the Bondholders is convened in accordance with Section 8.2.1 above, the date of the convening will be no earlier than seven days and no later than 21 days from the date of convening (however, the Trustee may advance convening the meeting, to at least one day from the date of the invitation, 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 invitation).

8.2.3. A decision of the Holders to call for immediate repayment of the Bonds, as stated above, will be passed in a meeting of the Holders that is convened as stated in Section 8.2.2 above, and that is attended by Holders of at least fifty percent of the balance of the par value of the Bonds, with a majority of the Holders of the balance of the par value of the Bonds represented in the vote or a majority as stated in an Adjourned Meeting that is attended by holders of at least twenty percent of the balance as stated.

8.2.4. Notwithstanding this Section 8.2 above, the Trustee and Bondholders may not call the Bonds for immediate repayment, until after the period set forth in Section 8.1 above applies, during which the Company may perform an action or make a decisions as a result of which the grounds to call for immediate repayment are dropped (hereinafter: the "**Cure Period**") and the grounds are not dropped.

8.2.5. Notwithstanding this Section 8.2 above, the Trustee or the Holders will not call the Bonds for immediate repayment, until after the Company is provided within written notice seven days in advance of its intention to do so; however, the Trustee or the Holders are not required to provide the Company with notice as stated if there is a reasonable concern that furnishing the notice will harm the possibility of calling the Bonds for immediate repayment. Additionally, the Trustee may shorten the period set forth in this Section if it deems necessary to protect the rights of the Holders.

8.2.6. A copy of the notice to convene a meeting as stated that is sent by the Trustee to the Company immediately upon publication of the notice or publication of an invitation to the meeting on the MAGNA system will constitute prior written notice to the Company of the intention of the Trustee or Holders to act as stated in Section 8.2.5 above.

8.2.7. The Trustee will inform the Bondholders of the occurrence of an event that constitutes grounds for calling for immediate repayment after being actually made aware of the same. Notice as stated will be published in accordance with the provisions of Section 24 below.

8.2.8. 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 the Bondholders or the Trustee under the Deed of Trust and the provisions of this Deed or under law, and calling the 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 Bondholders or the Trustee as stated.

8.3. In the case in which the Company is provided with notice that the Bonds were called for immediate payment under the provisions of this Section 8, the Company undertakes to pay the Bondholders and the Trustees all of the amounts owed to them and/or that will be owed to them under the terms of the Deed of Trust, whether the charge date for them has transpired or otherwise ("acceleration"), within seven days from the date of notice as stated in Section 8.2.5 above.

8.4. For the purpose of this Section 8 - written notice to the Company, signed by the Trustee, confirming that the action required thereby within its authorities is a reasonable action will constitute prima facie evidence of the same.

8.5. Upon the occurrence of any of the events in Section 8.1 above, and upon the occurrence of the conditions in accordance with the provisions of Section 8.2 above, the Trustee and/or the Holders may immediately take all of the measures that they deem fit. The Trustee may act as it sees fit and beneficial, including in accordance with the relevant law, in the relevant territory, for any security and may appoint, itself and/or by the court, a trustee, receiver or manager of assets provided as a security, in whole or in part.

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

9.1. In addition to any provision of this Deed and as a right and independent authority, the Trustee will take, without additional notice, all of the same proceedings, including legal proceedings, as it sees fit and subject to the provisions of any law to protect the rights of the Bondholders.

9.2. The above will not harm and/or derogate from the right of the Trustee to initiate legal proceedings and/or others, even if the Bonds (Series A) are not called for immediate repayment and all to protect the Bondholders (Series A) and/or to provide any order relating to the trust matters and subject to the provisions of any law. Notwithstanding this Section 9, it is clarified that the right to call for immediate repayment will only be established in accordance with the provisions of Section 8 above, and not under this Section 9.

9.3. The Trustee may, in accordance with the sole discretion and without being required to notify the Company, petition the competent court with a request for instructions regarding any matter related to the trust and/or arising from this Deed.

9.4. The Trustee will be required to act as stated in Section 9.1 above if required to do so by a special decision (as defined in Section 7.1) passed in the general meeting of the Bondholders (Series A), unless it determines that under the circumstances, the same is not just and/or it is not reasonable to do so, and petitioned the competent court with a request for instructions on the matter, on the first reasonable date.

9.5. The Trustee may, before taking proceedings as stated above, convene a meeting of Bondholders (Series A) such that the Holders pass a special resolution as to which proceedings to take to exercise their rights under this Deed. The Trustee may again convene meetings of the Bondholders (Series A) to pass resolutions with respect to managing the proceedings as stated. The actions of the Trustee will be performed in cases as stated without delay, and on the first reasonable potential date (subject to the provisions of the Second Addendum of this Deed on the matter of convening a meeting of Holders). For the avoidance of doubt, it is clarified that the Trustee may not delay proceedings to call for immediate repayment that were resolved in a meeting of the Bondholders under Section 8 above, if the delay may harm the rights of the Holders.

9.6. Subject to the provisions of this Deed of Trust, the Trustee may, but is not required to convene, at any time, a general meeting of the Bondholders in order to discuss and/or receive its instructions regarding any matter related to this Deed. For the avoidance of doubt, it is clarified that the Trustee may not delay the convening of the meeting in the case in which the delay may harm the rights of the Bondholders (Series A).

9.7. As long as the Trustee is required, under the terms of this Deed, to perform any action, including initiating proceedings or filing claims at the request of the Bondholders (Series A) as stated in this Section, the Trustee may refrain from taking any such action until instructions are received from the meeting of the Holders and/or instructions of the Court petitioned by the Trustee, at its sole discretion, with a request for instructions in the case in which it believes that it needs instructions as stated. For the avoidance of doubt, it is clarified that the Trustee may not delay proceedings to call for immediate repayment determined by a meeting of the Bondholders under Section 8 above, if the delay may harm the right of the Holders.

9.8. In cases as stated in Sections 9.5 and 9.7above, the Trustee will make efforts to convene the meeting without delay (subject to the provisions of the Second Addendum of this Deed regarding convening meetings of holders), will not refrain from acting (including actions required to protect the rights of the Bondholders (Series A)) if the avoidance may substantially risk the rights of the Bondholders (Series A).

10. **Order of Priorities in Collection; Distribution of Receipts**

All of the receipts received by the Trustee, excluding the wages and payment of any debt towards it, in any manner, including but not limited to as a result of calling the Bonds for immediate repayment and/or as a result of proceedings taken, if any, against the Company, will be held in trust and used thereby for the purposes and based on the order of priorities in collection as follows:

First - for payment of any debt for the Trustee's wages and expenses; **Second** - for payment of any other amount based on the "indemnification undertaking" (as this term is defined in Section 23 below); **Third** - for payment to holders that bore payments under Section 23.7 below; **Fourth** - for payment to the Bondholders of the arrears interest (if determined) and interest arrears owed to them under the terms of the Bonds, pari passu, and relative to the interest amount in arrears that is owed to each of them, without preference or priority right regarding any of them; **Fifth** - for payment to the Bondholders of the principal arrears owed to them under the terms of the Bonds, pari passu and relative to the principal amount in arrears owed to each of them, without preference or priority right regarding any of them; **Sixth** - for payment to the Bondholders of the interest amounts owed to them under the Bonds held by them, pari passu, whose payment date has not yet occurred and relative to the amounts owed to them, without any preference in connection with priority in time of the issuance of Bonds by the Company or in another manner; **Seventh** - for payment to the Bondholders of the principal amounts owed to them under the Bonds held by them, pari passu, whose payment date has not yet occurred, and relative to the amounts owed to them, without any preference in connection with priority in time of the issuance of the Bonds by the Company or in another manner; **Eighth** - the surplus, if any, will be paid by the Trustee to the Company or its replacement, as applicable.

Tax will be withheld at source from the payments to the Bondholders, if there is an obligation to withhold it under any law.

Payment of the amounts by the Trustee to the Bondholders as stated above, from the receipts received thereby, is subject to the rights of the other creditors of the Company, which precede or are equal to those of the Bondholders under law, if any exist in accordance with the provisions of the Law.

11. **Authority to Demand Payment to the Holders Through the Trustee**

Subject to an ordinary resolution of the Bondholders, the Trustee may instruct the Company in writing to transfer to the Trustee's account, for the Bondholders and instead of the performance of the payment to them, part or all of the next payment (interest and/or principal), in order to finance proceedings and/or expenses and/or wages of the Trustee under this Deed. The Company may not refuse to act based on the notice of the Trustee, and will consider the Company to have complied with its obligation towards the aforesaid holders if it transfers the amount required by the Trustee to credit the accounts the details of which are included in the Trustee's notice. The above will not release the Company from its obligation to bear payment of the expenses and the additional wages, if any, in the event in which it is required to bear them under this Deed or under law. Additionally, the above will not derogate from the obligation of the Trustee to act reasonably to collect the funds as stated from the Company, in the event in which the obligation to pay them applies to the Company under this Deed or under law.

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

12.1. The Trustee will be required to distribute the funds accrued for it within a reasonable time after their receipt or on the payment date of the principal and/or interest following the same date.

12.2. Notwithstanding Section 12.1 above, in the event that the financial amount received as a result of taking the aforesaid proceedings and that is available at any time for distribution, as stated in the same section, is less than NIS 1 million, the Trustee will not be required to distribute it and may invest the aforesaid amount, in whole or in part, in the investments permitted under this Deed and replace the same investments from time to time with other permitted investments as it sees fit.

12.3. When the aforesaid investments and their profit reach, together with the additional funds that the Trustee receives for the purpose of their payment to the Bondholders, if any, the amount sufficient for payment of the aforesaid total, the Trustee will be required to use the aforesaid amounts based on the order of priorities set forth in Section 10 above, and to distribute the aforesaid amount on the next payment date of the principal or interest. Notwithstanding the above, payment of the Trustee's wages and expenses will be made from the aforesaid funds immediate upon becoming due, even if the amounts that the Trustee receives are lower than the amount of NIS 1 million.

12.4. Notwithstanding the above, the Bondholders may, through passing a special resolution in a meeting of Holders, require the Trustee to pay them the amounts accrued with the Trustee even if the same does not reach NIS 1 million, all subject to the order of priorities in Section 10 above.

13. **Notice of Distribution and Deposit With the Trustee**

13.1. The Trustee will inform the Bondholders of the date and place at which any payment from the payments mentioned in Sections 10 and 12 above will be performed, with prior notice 14 days in advance, which will be provided in the manner set forth in Section 24 below.

13.2. After the date set forth in the notice, the Bondholders will be entitled to the interest for the Bonds based on the rate set forth in the Bonds, solely on the balance of the principal amount (if any) after reducing the amount paid or offered to them to be paid as stated.

13.3. The funds distributed, as stated in Section 13.1above, will be considered to be payment on account of the repayment.

13.4. Any amount owed to the Bondholder that is not actually paid on the effective date for the payment, for a reason independent of the Company, while the Company was prepared to pay it, will cease to bear interest as of the date scheduled for its payment, and the Bondholder will be entitled solely to the same amounts to which it would have been entitled under the terms of the Bonds on the date determined for payment of the same amount on account of the principal and interest.

13.5. The Company will provide the Trustee, within 15 business days from the date scheduled for the same payment, with the amount of the payment that was not paid on time, as stated in Section 13.4 above, and will inform the Bondholders through the MAGNA system, and the aforesaid deposit will be considered to be clearance of the same payment, and in the case of clearance of all amounts owed for the Bonds, as redemption of the Bonds as well.

13.6. The Trustee will invest, within the trust accounts in its name and for its deposit, the funds transferred thereto as stated in Section 13.5 above in investments permitted to the Trustee under this Deed (as stated in Section 16 below). In the event that the Trustee does so, it will not owe the entitled parties for the same amounts but rather will owe the consideration received from the exercise of the investments, less the reasonable expenses related to the aforesaid investment and management of the trust accounts, the reasonable fees and less the compulsory payments applicable on account of the trust. In the event that the impediment to the performance of the actual payment to the Holders is removed, the Trustee will transfer from the funds as stated amounts to the Bondholders entitled to them, as soon as possible after the Trustee is provided with the reasonable evidence and confirmations regarding their right to the same amounts, and less the reasonable expenses.

13.7. The Trustee will hold the aforesaid funds and investment them in the aforesaid manner, until the end of one year from the final payment date of the Bonds (or until the date of their payment to the Bondholders, whichever is earlier). After the aforesaid date, the Trustee will transfer to the Company the amounts as stated in Section 13.6 above, including profits arising from their investment, less the expenses, if any remain at the time. The Company will hold the same amounts in trust for the Bondholders entitled to the same amounts, and with respect to amounts transferred thereto by the Trustee as stated above, the provisions of Section 13.6 above will apply, *mutatis mutandis.*

13.8. The Company will confirm to the Trustee in writing that it holds the amounts and that they were received by the Trustee in trust for the aforesaid Bondholders.

13.9. The Company will hold the same amounts in trust for the Bondholders entitled to the same amounts during one additional year from the date of their transfer thereto from the Trustee, and will not make any use thereof and will invest them in accordance with the provisions of this Deed. Funds that are not demanded from the Company by the Bondholders until the end of two years from the final payment date of the Bonds will be transferred to the Company, which may use the remaining funds for any purpose. The above will not derogate from the Company's right towards the Bondholders, to pay the funds to which they are entitled as stated under any law, even after the period of two years as stated, subject to the period of limitation set forth by law.

14. **Receipt from the Bondholders and the Trustee**

14.1. A signed receipt from the Trustee regarding the deposit of the principal and interest amounts therewith for the credit of the Bondholders will absolutely release the Company with respect to all matters related to the performance of the payment of the amounts set forth in the receipt.

14.2. A signed receipt from the Bondholders for the principal and interest amounts paid thereto by the Trustee for the debt will absolutely release the Company with respect to all matters related to the performance of the payment of the amounts set forth in the receipt.

14.3. The funds distributed, as stated in Section 13above, will be considered to be payment on account of the payment of the Bonds.

15. **Presentation of Bonds to the Trustee and Records in Connection With Partial Payment**

15.1. The Trustee may demand from the Bondholders the presentation to the Trustee, upon payment of any interest payment or partial payment of the principal and interest amount in accordance with the provisions of Sections 10, 12 and 13 above, the certificate of Bonds for which the payments are made, and the Bondholder will be required to present the Bond certificate as stated, provided that the same does not require the Bondholder to bear any payment and/or expense and/or impose on the Bondholders any liability and/or debt.

15.2. The Trustee may add a note to the Bond certificate regarding the amounts paid as stated above and the payment date thereof.

15.3. The Trustee may, in any special case, at its discretion, waive the presentation of the Bond certificate after the Bondholder provides it with a letter of indemnity and/or sufficient guarantee to its satisfaction for the damage that may be caused as a result of the failure to add a notice as stated, all as it sees fit.

15.4. Notwithstanding the above, the Trustee may, at its discretion, keep records in another manner regarding partial payments as stated.

16. **Investment of Funds**

All of the funds that the Trustee may invest under this Deed will be invested thereby with the bank/s rated with a rating of "AA-" or higher, in its name or for its deposit, in investments in securities of the State of Israel or other securities that the laws of the State of Israel allow for the investment of trust funds, as it sees fit, all subject to the terms of this Deed of Trust, provided that any investment in securities will be made with securities rated by a rating agency with a rating that is not less than "AA-" or a parallel rating.

17. **The Company's Undertakings Towards the Trustee**

The Company hereby undertakes towards the Trustee, as long as the Bonds have not yet been repaid in full, as follows:

17.1. To maintain and manage its business in an orderly and proper manner.

17.2. To manage orderly financial records in accordance with the generally accepted accounting principles, to keep the records and documents used thereby as references that must be kept according to law, and to allow any authorized representative of the trustee to review, at any reasonable time coordinated in advance with the Company, any record and/or document as stated that the Trustee requests to review, if, in the reasonable opinion of the Trustee, review as stated is required for the application and operation of the authorities, proof and authorizations of the Trustee under the Deed of Trust, provided that the Trustee acts in good faith and subject to the obligations of confidentiality as stated in Section 18.2 below.

17.3. To inform the Trustee in writing as soon as possible and no later than seven business days from the date on which the Company was made aware of the same, of the occurrence of any of the events set forth in Section 8.1 above (and its subsections).

17.4. To provide the Trustee, at his request, with a copy of any document or information that the Company has provided to the Bondholders (Series A), if any. Publication of the document or information as stated on the MAGNA system will be considered to be provided to the Trustee for the purpose of this Section 17.

17.5. The Company will provide the Trustee or its authorized representative who is an attorney and/or accountant by professional (and for whom notice of appointment is provided by the Trustee to the Company upon the appointment thereof) with additional information regarding the Company (including explanations, documents and calculations related to the Company, its business or assets), upon the reasonable written request of the Trustee, if, in the Trustee's reasonable opinion, the information is required for the Trustee to apply and use its powers, authorities and authorizations and/or those of its representative under the Deed of Trust, including information that may be essential and required for the protection of the rights of the Bondholders (Series A), provided that the Trustee acts in good faith, subject to the confidentiality undertakings as stated in Section 18.2 below.

17.6. To provide, at the request of the Trustee, no later than the end of 30 days from the date of the first issue of the Bonds or the date of the expansion of the series (in any manner, including but not limited to a private placement or through a prospectus) of a payment schedule (updated) for payment of the Bonds (Series A) (principal and interest) in an Excel file.

17.7. To invite the Trustee to the general meetings (whether to ordinary general meetings or extraordinary general meetings of the Company's shareholders), without providing the Trustee a voting right in these meetings. Publication of an invitation to a general meeting of the Company's shareholders in the MAGNA system will be considered to be an invitation for the Trustee for the purpose of this section.

17.8. To provide the Trustee with the reports and reporting listed in Section 28 below.

17.9. To perform all of the actions required and/or necessary reasonably under the provisions of any law to give force to the operation of authorities, powers and authorizations of the Trustee and/or its counsel in accordance with the provisions of the Deed of Trust.

17.10. Until May 31 of each year and as long as this Deed is in force, at the request of the Trustee, the Company will provide the Trustee with confirmation that to the best of its knowledge, in the period from the date of issue of the Bonds or a period beginning as of the date of the previous confirmation provided to the Trustee under this Section 17.10, whichever of the two is later, and until the date on which approval is provided, there was no material breach on the part of the Company of the Deed of Trust (including with respect to provisions in specific provisions of the Deed with respect to which the Trustee will request the Company's reference in this confirmation), unless the matter is stated in the confirmation.

18. **Additional Undertakings**

18.1. After and if the Bonds are called for immediate repayment under the provisions of Section 8 above, the Company will perform, from time to time and as long as required by the Trustee, all of the reasonable actions in order to allow the operation of all of the authorities granted to the Trustee, and particularly, the Company will perform all of the following actions, insofar as reasonable:

18.1.1. Will make the declarations and/or sign the documents and/or perform and/or cause the performance of all of the actions required and/or necessary in accordance with the law to give force to the operation of authorities, powers and authorizations of the Trustee and/or its counsel in accordance with the provisions of the Deed of Trust.

18.1.2. Will provide all of the notices, deposits and instructions that the Trustee deems beneficial and is required for the application of the provisions of this Deed.

18.2. 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/or a subsidiary of the Company and/or a corporation under its control and/or a controlling shareholder of the Company (directly or indirectly) and/or a corporation under the control of the Company's controlling shareholder (directly and/or indirectly) and/or their relatives and/or a party on behalf of those listed above (hereinafter: the "**Information**"), will not disclose it to another and will not use it unless the disclosure or use is required for the fulfillment of its obligation under the Securities Law, under the Deed of Trust, or under an order of the Court, **provided that the disclosure of the Information as stated will be limited to the minimum extent and scope required in order to meet the requirements of the law, and that the Trustee coordinates with the Company in advance, to the extent permissible, the content and timing of the disclosure, in order to allow the Company reasonable time to petition the courts and prevent the transfer of the Information as stated. The Trustee will maintain the absolute confidentiality of the information, at least with the same level of care with which it maintains the confidentiality of its own information, and will take no less than a high level of care.** Without derogating from the generality of the above, **if the Trustee provides information as stated to its authorized representatives and/or professional advisors, it will ensure that the confidentiality undertakings will be kept by them in a similar manner. The transfer of information as stated to the authorized representatives and/or professional advisors of the Trustee (hereinafter jointly: the "Consultants") will take place subject to having the Consultants sign letters of confidentiality such that the provisions of this section will also apply to the agents of the Trustee and its Consultants.**

19. **Reporting by the Trustee**

19.1. In the event that the Trustee becomes aware of a substantial breach of the Deed of Trust by the Company, it will inform the Bondholders of the breach within a reasonable time and without delay, subject to the provisions of the law. This obligation will not apply to an incident published by the Company under the law.

19.2. The Trustee will prepare, every year on the date set forth in the Law, and the absence of the determination of a date as stated, by the end of the second quarter of each calendar year, an annual report of trust matters (hereinafter: the "**Annual Report**").

The Annual Report will include detail of the following matters:

19.2.1. Ongoing details of the process of the trust matters in the past year.

19.2.2. Reporting of extraordinary events in connection with the trust that occurred during the past year.

The Holders may review the Annual Report at the offices of the Trustee during normal working hours and may receipt a copy of the report upon request.

20. **Trustee's Wages**

The Company will pay the Trustee wages for his services, in accordance with the Third Addendum of this Deed of Trust.

21. **Special Powers**

21.1. The Trustee may, within the performance of the trust matters under this Deed, commission an opinion or written counsel of any attorney, accountant, assessor, appraiser, surveyor, broker or other expert (hereinafter: the "**Consultants**"), whether such opinion or counsel was prepared at the request of the Trustee and/or by the Company, and to act based on its conclusions, and the Trustee will not be responsible for any loss or damage caused as a result of any action or omission performed thereby in reliance on the counsel or opinion as stated, unless the Trustee acted negligently (excluding negligence exempt under law, as the case may be from time to time) and/or in bad faith and/or maliciously. The Trustee will provide a copy of the opinion or counsel as stated for the review of the Bondholders and the Company, at their request. The Company will bear all of the wages and reasonable expenses of hiring the advisors appointed as stated. The Trustee and the Company will reach an agreement as to a list of no more than three reputable consultant firms with relevant expertise, which the Trustee may contact for fee proposals as stated. The Company will select one offer from the offers submitted, and may conduct negotiations with the offices as to their proposals.

21.2. Any such counsel or opinion may be provided, sent or received through a letter, telegram, facsimile or any other electronic means for the transfer of information, and the Trustee will not be responsible for actions performed in reliance on counsel or information or knowledge transferred in one of the methods mentioned above, despite the same containing errors or not being authentic, unless the errors or lack of authenticity could have been discovered with a reasonable examination, provided that the Trustee did not act negligently (excluding negligence exempt under law, as it may be from time to time) and/or in bad faith and/or maliciously. It is clarified that the documents may be transferred on the one hand, and the Trustee may rely on them, on the other hand, only in the event in which they are received in a clear manner, and when no difficulty arises in reading them. In any other case, the Trustee will be responsible to demand their receipt in a manner enabling their proper reading and understanding.

21.3. The Trustee will not be required to inform any party of signing this Deed and may not intervene in any manner in the management of the Company's business or affairs. This section will not limit the Trustee in actions that it is required to perform in accordance with this Deed of Trust.

21.4. The Trustee will act with the trust, powers, authorizations and permissions granted thereto under this Deed of Trust at its absolute discretion, and will not be responsible for any damage caused following a mistake in discretion as stated, unless 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.

22. **The Trustee's Power to Employ Agents**

Subject to providing notice to the Company in advance, and provided that the Trustee does not feel that the same may harm the rights of the Bondholders, the Trustee may appoint an agent/s to act in its place, whether an attorney or otherwise, in order to perform or participate in the performance of special actions that must be performed in connection with the trust, and pay reasonable wages to any such agent. Without derogating from the generality of the above, the same includes taking legal actions or representations in merger or division proceedings of the Company. The Company may oppose such appointment in the case in which the agent is a competitor, directly or indirectly, in the business of the Company or corporations under its control and/or in the case in which there is a concern that the agent may be found, directly or indirectly, in a case of a conflict of interests between the appointment and its position as an agent and its personal affairs, and its other roles or connections to the Company or the corporations under its control, provided that notice of the Company's objection as stated has been provided to the Trustee no later than ten business days from the date on which the Trustee was provided with notice of its intention to appoint an agent as stated. It is clarified that the appointment of an agent will not derogate from the responsibility of the Trustee for its actions and the actions of the agent. The Trustee may pay, at the Company's expense, the reasonable wages of such an agent, and the Company will repay the Trustee, at its first request, any expense as stated, provided that prior to the appointment of the agent as stated, the Trustee will inform the Company in writing of the appointment in addition to detail of the wages of the agent and the purpose of its appointment, and that the circumstances of the cost of the wages of the agents does not deviate from the boundaries of reasonable and acceptable. It is clarified that the publication of the results of the decision of the Bondholders regarding the appointment of agents will constitute notice as stated, provided that before the appointment as stated, the Trustee has provided the Company with all of the information and detail as stated above. For the avoidance of doubt, the Company will not repay the Trustee for the wages or expenses of an agent that was present on the Trustee's behalf in a meeting of the Bondholders or an agent that completed the ordinary actions that the Trustee is required to perform under this Deed of Trust, since the performance of these actions is included in the fees that the Trustee receives from the Company under the provisions of Section 20 above. For the avoidance of doubt, in the case that the Bonds are called for immediate payment, the actions that the Trustee is required to take in connection with the same will not be considered to be ordinary actions that the Trustee is required to perform under this Deed of Trust for the purpose of this section.

23. **Indemnification**

23.1. The Company and the Bondholders (on the relevant date, as stated in Section 23.5 below, each for its obligations as stated in Section 23.3 below) hereby undertake to indemnify the Trustee and any officer thereof, its employees, shareholders, agent or an expert appointed and other entities on behalf of the Trustee under the terms of the Deed of Trust and/or a decision passed in a meeting of the Bondholders (hereinafter: the "**Parties Entitled to Indemnification**"), provided that there is no dual indemnification or compensation in the same matter:

23.1.1. For any reasonable expense, damage, payment or financial charge under a judgment or arbitral judgment (for which no stay of proceedings is ordered) or under a settlement concluded (and if the settlement relates to the company, the Company provides its consent to the settlement), the grounds of any of which relate to actions performed by the Parties Entitled to Indemnification or that the Parties Entitled to Indemnification failed to perform (as applicable) or are required to perform under the provisions of this Deed and/or a law and/or provision of the competent authority and/or any law and/or the demand of the Bondholders and/or based on the request of the Company, all in connection with this Deed of Trust; and

23.1.2. For wages owed to the Parties Entitled to Indemnification and reasonable expenses incurred and/or that will be incurred following the execution and/or use of the powers and authorities under this Deed or under law or in connection with such actions, which they reasonably believed must be performed, all provided that none of the following situations takes place:

23.1.2.1. The matter for which the indemnification is provided cannot be delayed (without derogating from their right to demand retroactive indemnification, if they become eligible);

23.1.2.2. The Parties Entitled to Indemnification acted in bad faith;

23.1.2.3. The Parties Entitled to Indemnification acted outside of the framework of their duties and/or contrary to the terms of the Deed and/or the provisions of the law;

23.1.2.4. The Parties Entitled to Indemnification were negligent (excluding negligence exempt under law, as it may be from time to time);

23.1.2.5. The Parties Entitled to Indemnification acted with malice;

23.1.2.6. The Parties Entitled to Indemnification did not inform the Company in writing, immediately upon being made aware of the charge, and did not allow the Company to manage the proceedings (excluding in cases in which the proceedings were managed by the insurance company of the trustee or if the Company is in a conflict of interests).

The indemnification undertaking under this Section 23.1 will be the: "**Indemnification Undertaking**."

It is clarified that even if the case in which claims are made against the Parties Entitled to Indemnification that they are not entitled to indemnification due to subsection 23.1.2.2-23.1.2.4 above, the Trustee alone (and not the other Parties Entitled to Indemnification, including its agents) will be entitled, immediately upon its first request, to payment of the amount owed thereto for the "Indemnification Undertaking." In the case in which it is determined in any judicial decision (even if the decision as stated is subject to appeal) that the Trustee does not have the right to indemnification, the Trustee will return the Indemnification Undertaking amounts paid thereto.

23.2. Without derogating from the validity of the Indemnification Undertaking in Section 23.1 above and subject to the Securities law, as long as the Trustee is required under the terms of the Deed of Trust and/or under law and/or a provision of a competent authority and/or any law and/or at the request of the Bondholders and/or at the request of the Company to perform any action, including but not limited to initiating proceedings or filing a claim for the Bondholders as stated in this Deed, the Trustee may refrain from taking any such action until it receives a financial deposit to its satisfaction from the Company, and in the event that the Company does not provide a financial deposit for any reason, from the Bondholders to cover the Indemnification Undertaking (hereinafter: the "**Financing Cushion**"). The Trustee will contact the Bondholders that held [Bonds] on the effective date (as stated in Section 23.5 below), with a request that they provide the Financing Cushion amount, each based on its relative share (as this term is defined below). In the case that the Bondholders do not actually deposit the entire Financing Cushion amount, the Trustee will not be required to take an action or the relevant proceedings. The above will not exempt the Trustee from taking an urgent action required in order to prevent substantial detrimental harm to the rights of the Bondholders.

23.3. The Indemnification Undertaking:

23.3.1. Will apply to the Company for the following cases: (1) an action performed and/or that must be performed under the terms of the Deed of Trust or to protect the rights of the Bondholders; and (2) actions performs and/or that must be performed at the request of the Company.

23.3.2. Will apply to the Holders that hold the relevant bonds on the effective date (as stated in Section 23.5 below) in the following cases: (1) actions performed at the request of the Bondholders (excluding actions as stated that are taken at the request of Holders, for the grounds set forth in this Deed of Trust, to protect the rights of the Bondholders); and (2) in the case of non-payment by the Company of all or part of the "Indemnification Undertaking" amount, as applicable, applicable thereto under Section 23.1 above (subject to the provisions of Section 23.7 below). It is clarified that the payment in accordance with this subsection (2) will not derogate from the Company's obligation to bear the Indemnification Undertaking in accordance with the provisions of Section 23.3.1.

23.4. In any case in which the Company does not pay the amounts required to cover the Indemnification Undertakings and/or in the case that the Indemnification Undertaking applies to Holders under the provisions of Section 23.3.2 above and/or the Holders are requested to deposit the Financing Cushion amount under Section 23.2 above, the following provisions will apply:

23.4.1. The funds will be collected in the following manner:

23.4.1.1. First - the amount will be financed from the interest funds and/or principal that the Company must pay to the Bondholders after the date of the required action, and the provisions of Section 11 above will apply;

23.4.1.2. Second - if, if the Trustee's opinion, the amounts deposited in the Financing Cushion are not sufficient to cover the Indemnification Undertaking, the Holders that hold on the effective date (as stated in Section 23.5 below) will deposit the missing amount, each based on its relative share (as this term is defined) with the Trustee. The amount deposited by each Bondholder will bear annual interest at an amount equal to the interest set forth for the Bonds, and will be paid based on the priority as stated in Section 11 above.

"**Relative Share**" shall mean - the relative share of the Bonds held by the Holder on the relevant effective date as stated in Section 23.5 below, from the total par value in circulation at the time. It is clarified that calculating the relative share will remain constant even if after the same date, a change occurs to the par value of the Bonds held by the Holder.

23.5. The effective date for the determination of liability in the Indemnification Undertaking and/or the effective date for payment of the Financing Cushion is as follows:

23.5.1. In any case in which the Indemnification Undertaking and/or the Financing Cushion payment are required due to a resolution or urgent action that is required to prevent substantial detrimental harm to the rights of the Bondholders, without a prior decision of a meeting of the Bondholders, the effective date for the charge will be the end of the trading day on the day on which the action was taken or the date of the decision, and if the same is not a trading day, the preceding trading day.

23.5.2. In any event in which the Indemnification Undertaking and/or Financing Cushion payment are required based on a decision of a meeting of the Bondholders - the effective date for the charge will be the effective date for participation in the meeting (as determined in the invitation notice), and will also apply to a holder that is not present or a participant in the meeting.

23.6. The payment by the holders in lieu of the Company of any amount imposed on the Company under this Section 23 will not release the Company from its obligation to bear payment as stated.

23.7. The reimbursement to the Bondholders which bore payments under this section will take place based on the order of priorities set forth in Section 10 above.

24. **Notices**

24.1. Any notice on behalf of the Company and/or the Trustee to the Bondholders will be provided through the publication of an immediate report in the MAGNA system, and in the following cases, the notice will also be published in two daily newspapers distributed in Israel in Hebrew: (a) a settlement arrangement under Section 350 of the Companies Law; (b) a merger. Any notice published or that is sent as stated will be considered to have been delivered to the Bondholders on the publication date as stated (on the MAGAN, Edgar or newspapers, as applicable).

24.2. The Trustee may instruct the Company, and the Company will be required to immediately report to MAGNA on behalf of the Trustee, of any report with its wording as provided in writing by the Trustee to the Company.

24.3. In the case in which the Company ceases to be a foreign corporation (as this term is defined by law), to which the provisions of Chapter E3 of the Law apply, and ceases to be a "reporting corporation" as this term is defined in the Securities Law, any notice on behalf of the Company and/or Trustee to the Bondholders will be provided by being sent via registered mail based on the most recent address of the registered holders of the Bonds, as set forth in the Register of Bondholders and/or by its publication in two daily newspapers distributed in Israel in Hebrew. Any notice sent via mail as stated will be considered to have been provided to the Bondholder three (3) business days from the date of its dispatch with registered mail.

24.4. Copies of notices and invitations provided by the Company to the Bondholders will be sent to the Trustee as well. It is clarified that notices and invitations as stated do not include ongoing reports of the Company to the public. Copies of the notices and invitations provided by the Trustee to the Bondholders will be sent to the Company as well.

24.5. Any notice or demand on behalf of the Trustee to the Company or on its behalf to the Trustee may be provided by a letter sent via registered mail based on the address set forth in the Deed of Trust (or based on another address which one party will inform the other of in writing) or through facsimile (in addition to telephone confirmation regarding its receipt by the recipient) or by sending it via email with email confirmation being received of its receipt (not automatic delivery confirmation) by the receiving party, and any such notice or demand will be considered to be notice received by the party to which it was sent three business days from being delivered via registered mail, about one business day from being sent via email or facsimile, or on the first business day after the date of its delivery via courier or being offered for acceptance by the sender, as applicable.

25. **Waiver, Settlement and/or Changes to the Terms of the Bonds and the Deed of Trust**

25.1. Subject to the provisions of the Law and the regulations enacted or that will be enacted thereunder, the Trustee may, from time to time and at any time, if convinced that there is no harm to the rights of the Bondholders or that the same will benefit the Bondholders, waive any breach or any non-fulfillment of any of the conditions of the Bonds or this Deed by the Company.

25.2. Subject to the provisions of the Law and with prior consent in a special resolution (as defined in Section 1.7 above), the Trustee may, whether before or after the principal of the Bonds is called for repayment, settle with the Company in connection with any right or claim of the Bondholders (Series A) or any of them, and agree with the Company to any arrangement on their rights, including to waive any right or claim of the Company and/or the Bondholders (Series A) or any of them towards the Company.

25.3. Subject to the provisions of the Law and the regulations enacted or that will be enacted thereunder, the Company and the Trustee may, whether before or after the principal of the Bonds is called for repayment, change the Deed of Trust and/or the terms of the Deed, if one of the following is met:

25.3.1. Excluding a change to the identity of the Trustee or its wages, or to appoint a trustee in the place of a Trustee whose service is concluded, if the Trustee is convinced that the change does not harm the Bondholders.

25.3.2. The change proposed is approved by a special resolution (as defined in Section 1.7 above).

25.4. The Company will provide the Bondholders with written notice of any change as stated under Section 25.1, Section 25.2 or Section 25.3 above, as soon as possible after its execution.

25.5. In any event of use of a right of the Trustee under this Section, the Trustee may demand from the Bondholders to provide it or the Company with the certificate of the Bonds to record a note thereon regarding any settlement, arrangement, change or amendment as stated, and at the request of the Trustee, the Company will add a note as stated on a certificate provided thereto. In any event of use of any of the Trustee's rights under this Section, it will inform the Bondholders of the same immediately and as soon as possible.

25.6. Without derogating from the above, the conditions of the Bonds may be amended even within a settlement or arrangement, certified by the court, under Section 350 of the Companies Law.

26. **The Bondholder Registry**

26.1. The Company will hold and manage at its registered office a registry of the Bondholders, which will contain the names of the Bondholders, their addresses, the numbers and par value of the Bonds listed in their names. The Bondholders Registry will list any transfer of ownership of the Bonds. The Trustee and any Bondholder may review the Registry of Bondholders as stated at any reasonable time. The Company may close the Registry of Bondholders from time to time for a period or periods that do not exceed, jointly, thirty days each year.

26.2. The Company will not be required to record in the Registry of Bondholders any notice regarding explicit trust, implicit or estimated trust, or a pledge or lien of any type or kind, or any equitable right, claim or offset, or any other right in connection with the Bonds. The Company will only recognize ownership of a person in whose name the Bonds are registered. The lawful heirs, estate managers or executors of the estate of the registered holder, and any person entitled to the Bonds due to the bankruptcy of any registered Holder (and if the same is a corporation - due to its liquidation) may be registered as Holders thereof after providing evidence that, in the Company's opinion, will be sufficient for evidence of their right to be registered as their holders.

27. **Certificates and Splitting Certificates**

27.1. In respect of the bonds (Series A) 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"), each in a minimum quantity of NIS 1,000 (one thousand) par value (hereinafter: the "**Minimum Quantity**").

27.2. Each certificate may be split into certificates where the total par value of the Bonds included therein is equal to the amount of the par value of the Bonds included in the certificate that is requested to be split, provided that the par value for each certificate is not less than the Minimum Quantity. The split will take place based on a split request that is signed by the registered holder of the Bonds at the subject of the certificate that was split, against the transfer of the certificate that is requested to be split to the Company at its registered offices. The split will take place within 30 days from the end of the month in which the certificate is provided together with the request to be split in the registered office of the Company. The new bond certificates that are issued following the split will be in amounts of the par value in full new shekels, each. All of the costs involved in the split, including taxes and levies, if such shall apply, will fall on the party requesting the split.

28. **Report to the Trustee**

28.1. In addition to Section 17 above, the Company will prepare and the Trustee with the following, as long as the Bonds are not repaid:

28.1.1. Consolidated and audited financial statements of the Company for the financial year ending on December 31 of the previous year, immediately after the publication by the Company.

28.1.2. Any publication of quarterly consolidated financial results of the Company, immediately upon their publication by the Company.

28.1.3. A copy of any document that the Company provides the Bondholders.

28.2. Publication of the reports and/or information as stated above on the MAGNA system by the Company will be considered to be its delivery to the Trustee.

29. **Application of the Securities Law**

Any matter not mentioned in this deed as well as in any event of a contradiction between provisions of the law and its regulations (that may not be conditioned upon) and between this Deed, the parties will act in accordance with the provisions of the law and its regulations.

30. **Bondholders' Meetings**

The general meetings of Bondholders will be convened and conducted in accordance with the conditions set forth in the **Second Addendum** of the Deed of Trust.

31. **Early Payment of the Bonds Initiated by the Stock Exchange**

In the case in which the Stock Exchanged decides to delist the Bonds in circulation due to the value of the series of Bonds being less than the amount determined in the guidelines of the Stock Exchange regarding delisting Bonds from trade, the Company will act in the following manner:

31.1. Within 45 days from the date of the decision of the board of directors of the Stock Exchange to delist from trade as stated, the Company will announce the date of early payment at which the Bondholders (Series A) may be repaid. The Company will pay the Holder the principal in addition to interest based on the terms of the Bonds (Series A) accrued until the actual payment date.

31.2. Notice of the early repayment date will be published in an immediate report that will be sent to the Authority and Stock Exchange and in two daily newspapers distributed in Israel in Hebrew, and will be provided in writing to all of the registered Holders (if any) of the Bonds (Series A).

31.3. The early payment date will apply no earlier than 17 days before the publication of the notice and no later than 45 days from the aforesaid date, but not in the period between the effective date for payment of interest and the date of its actual payment.

31.4. On the early repayment date, the Company will repay the Bonds (Series A) that holders have requested to redeem, based on the balance of the par value thereof in addition to the interest that has accrued on the principal until the actual redemption date (the calculation of the interest will be performed on a basis of 365 days per year).

31.5. The determination of the early payment date as stated above will not harm the redemption rights set forth in the Bonds of any of the Bondholders that do not redeem them on the early redemption date as stated above, but the Bonds (Series A) will be delisted from trade in the Stock Exchange and will be subject to, *inter alia*, the tax implications arising from the same.

31.6. Early redemption of the Bonds (Series A) as stated above will not grant any party holding the Bonds that are redeemed as stated will the right for payment of the interest for the period following the redemption date.

32. **Early Redemption Initiated by the Company**

32.1. The Company will be entitled (but is not required), at its sole discretion, to perform early redemption, in whole or in part, of the Bonds (Series A), at any time, but not before at least 60 days transpire from the date on which the Bonds are listed for trade in the Stock Exchange, and in such a case, the following provisions will apply, all subject to the guidelines of the Securities Authority and the provisions of the bylaws of the Stock Exchange as they may be from time to time.

32.2. The minimum amount of any early redemption will not be less than NIS 3,000,000 million. Notwithstanding the above, the Company may perform early redemption in a scope lower than NIS 3,000,000 million, provided that the frequency of the redemption as stated does not exceed one per year.

32.3. Upon the Company's board of directors reaching a resolution regarding the performance of early redemption as stated, the Company will publish an immediate report regarding the performance of early redemption for the Bondholders (Series A), with a copy to the Trustee, for which the effective date will be determined in the immediate report and will occur no less than 17 days and no more than 45 days before the performance of the early redemption. The early payment date will not occur in the period between the effective date for the payment of interest for the Bonds (Series A) and between the actual interest payment date. 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 aforesaid principal amount until the date of the early redemption, in accordance with the following.

32.4. Partial redemption will not occur more frequently than once per calendar quarter, and if partial redemption does occur in a quarter in which interest and/or principal payments are made, the partial early redemption will take place on the date on which the aforesaid payment is performed.

32.5. Early redemption will not be performed for part of the series of the Bonds if the last redemption amount is less than NIS 3.2 million. On the date of the partial early redemption, if any, the Company will announce the following in an immediate report:

32.5.1. The partial redemption rate in terms of the unpaid balance;

32.5.2. The partial redemption rate in terms of the original series;

32.5.3. The partial redemption interest rate on the redeemed part;

32.5.4. The interest rate that will be paid with partial redemption, calculated regarding the unpaid balance;

32.5.5. An update of the partial redemption rates remaining, in terms of the original series;

32.5.6. The effective date for entitlement to receive the early redemption of the principal of the Bonds, which is 12 days before the date determined for the early repayment.

32.6. Partial early repayment will be performed, pari passu, for each of the Bondholders.

32.7. The amount paid to the Bondholders (Series A) in the case of early redemption will be the higher of the following amounts:

32.7.1. The market value of the Bonds (Series A) in circulation, which will be determined based on the average closing price of the Bonds (Series A) in thirty (30) trading days before the date on which a resolution is passed by the board of directors regarding early redemption;

32.7.2. The liability value of the Bonds (Series A) that are available for early repayment in circulation, meaning: the principal in addition to interest, until the actual early redemption date.

32.7.3. The balance of the cash flow of the Bonds (Series A) available for early repayment (principal in addition to interest), when discounted based on the yield of government bonds (as defined below) in addition to interest at an annual rate of 1.5%; discounting the Bonds (Series A) 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 A), available for early redemption, as determined in the first offering report.

In this regard: the "**Yield on Government Bonds**" means the average yield (gross) for redemption, in a period of seven business days, ending two business days before the date of notice of the early redemption, of three series of government shekel bonds whose average lifespan is the closest to the average lifespan of the Bonds (Series A) on the relevant date.

33. **Addresses**

The addresses of the parties will be as they appear in the preamble to this Deed, or any other address of which one party notifies the other in writing.

34. **Applicable Law and Jurisdiction**

The law applicable to this Deed of Trust and its appendices is Israeli law. The sole and exclusive jurisdiction with respect to this Deed will be granted to the competent courts of Tel Aviv Jaffa.

35. **Authority to Report to MAGNA**

The Trustee, by signing this Deed, authorizes the electronic authorized signatories of the Company, as they may be, to report in its name on MAGNA regarding its engagement in this Deed and signature, to the extent required by law.

36. **General**

Without derogating from the other provisions of this Deed and of the Bonds, any waiver, extension, discount, silence, refraining from taking action ("**Waiver**") on the part of the Trustee regarding non-fulfillment or partial fulfillment or improper fulfillment of any obligation to the Trustee according to this Deed and the Bonds 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, any change in undertakings to the Trustee 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 agreement 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).

In witness whereof the parties have signed:

/s/ Dan Avnon	*/s/ Amir Philips*
	/s/ Yakir Ben-Naim
Hermetic Trusts (1975) Ltd.	**Optibase Ltd.**

I, the undersigned, Adv. Adva Bitan, certify that this Deed of Trust was duly signed by OptiBase Ltd. (hereinafter: the "**Company**") under its articles of association, through Amir Phillips and Yakir Ben Naim, whose signature bind the Company in connection with this Deed.

/s/ Adva Bitan
Adv. Adva Bitan

Optibase Ltd.
First Addendum
Bond Certificates (Series A)

Bonds (Series A), which are payable in in twelve (12) payments, are hereby issued, with the payments being consecutive and equal, on June 30 and December 31 of each of the years 2016 through 2021 (with the first payment for the principle being executed on June 30, 2016, and the last payment being executed on December 31, 2021), bearing annual interest at a rate determined in the Tender, as stated below.

The Bonds (Series A), registered by name

Certificate Number: [__]

Total par value of the Bonds in this certificate is NIS [___].

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

1. This certificate attests to the fact that OptiBase Ltd. (hereinafter: the "**Company**") will pay on June 30 and December 31 of each of the years 2016 through 2021 8.33% of the par value of the Bonds in this certificate (excluding the last payment in a rate of 8.37% of the par value of the Bonds in this certificate), to a party that is the registered holder (as defined in the overleaf conditions) of the Bonds on the effective date for the same payment, all subject to the terms on the overleaf and the Deed of Trust dated August 2, 2015 between the Company on the one hand and Hermetic Trust (1975) Ltd. and/or any party that serves from time to time as a trustee of the Bondholders under the Deed of Trust (the "**Trustee**").

2. This Bond bears interest in the annual rate set forth above, which will be paid on the dates, all in accordance with the overleaf conditions.

3. This Bond will not be linked (principal and interest), all as set forth in the overleaf conditions.

4. This Bond is issued as part of Series A of the Bonds (Series A) whose terms are identical to the terms of this Bond, subject to the terms set forth in the overleaf and in accordance with the Deed of Trust (hereinafter: the "**Deed of Trust**") dated August 2, 2015, signed between the Company and the Trustee.

5. The Bonds are not secured by any collateral.

6. It is clarified that the provisions of the Deed of Trust will constitute an integral part of the provisions of this Bond and will bind the Company and the Holders of the Bonds included in Series A. In any event of a conflict between this certificate and the Deed of Trust, the provisions of the Deed of Trust shall prevail.

7. Payment of the principal and the last payment of the interest will be performed against the delivery of the Bonds to the Company at its registered office, as stated in the overleaf conditions or in any other place announced by the Company, no later than five business days before the payment date.

8. All of the Bonds (Series A) will rank equally amongst each other (pari passu), without having any priority of one over the other.

9. The Company may issue, at any time and from time to time in any manner (including a private placement or offer to the public), at its sole discretion, without requiring the consent of the Bondholders or the Trustee or providing notice to any of them as to the same, including an issue to an Affiliated Holder as defined in Section 4.2 of the Deed of Trust, bonds of a different class or different series of bonds or other securities or any type or kind, with or without ancillary rights for the purchase of the Company's shares, with terms of interest, linkage, securities, payment, and other conditions, if the Company sees fit, whether preferential over the terms of the Bonds, equal or inferior to them. The Company also reserves the right to increase the Series from time to time at its sole discretion, in accordance with the provisions of any law and subject to the provisions of Section 3.2 of the Deed of Trust.

10. Any transfer of the Bonds is subject to the transfer limitations set forth in Section 9 of the overleaf conditions of the certificate of the Bond.

Signed by the Company on [_____].

Optibase Ltd.

By: Authorized Signatory: [_____] Authorized Signatory: [_____]

I the undersigned, _____, Adv., certify that this Bond certificate was duly signed by OptiBase Ltd. company according to its bylaws, by means of Mr. _____ and his signature binds the Company for_____ purposes of this Bond.

[_____], Adv.

The Terms Listed on the Overleaf

1. **General**

Unless explicitly stated otherwise, the terms of the Bonds (including the terms on the overleaf) will have the meanings granted to them in the Deed of Trust to which this Bond is attached.

The terms of the Bonds (the terms on the overleaf) are an integral part of the provisions of the Deed of Trust and the provisions of the Deed of Trust will be considered to have been explicitly included in the terms of these bonds. In any event of a conflict between this Bond and the Deed of Trust, the provisions of the Deed of Trust shall prevail.

2. **The Bonds**

2.1. The Bonds (Series A), in this certificate are part of a series of Bonds (Series A), registered by name.

2.2. The Bonds bear interest, as set forth in Section 3 through 5 below.

The Bonds in this certificate will be listed for trade in the Stock Exchange.

2.3. The Expansion of the Series

For details, see Section 3.2 of the Deed of Trust.

2.4. Issue of Additional Securities

For details, see Section 3.3 of the Deed of Trust.

2.5. Collateral

For details, see Section 6 of the Deed of Trust.

3. **Principal**

The Bonds will be payable (principle) in twelve (12) payments, with the payments being consecutive and equal, on June 30 and December 31 of each of the years 2016 through 2021 (with the first payment for the principle being executed on June 30, 2016, and the last payment being executed on December 31, 2021). [2]

The Bonds shall not be linked to any index or currency.

[2] Each of the first 11 payments will be in a rate of 8.33% of the principal and the last payment will be in a rate of 8.37% of the principle.

4. **The Interest**

The unpaid balance of the Bonds (Series A) in circulation will bear annual interest at a fixed rate that will be determined in the Tender (without linkage to any index or currency) (but subject to adjustments in the case of a deviation from the Financial Covenants as set forth in Section 5.3 of the Deed of Trust).

The interest for the Bonds (Series A) will be paid in thirteen (13) biannual payments, on June 30 and December 31 of each of the years 2015 through 2021 (inclusive), with the first interest payment being made on December 31, 2015, and the last interest payment being made on December 31, 2021, for the period of six (6) months ending on the payment date (hereinafter: the "**Interest Period**"), other than the first interest payment, which will be made on June 30, 2015, for the period beginning on the first trading day after the closing date of the signatures and ending on the first payment date of the interest (hereinafter: the "**First Interest Period**"), when calculated on a basis of 365 days per year, based on the number of days in this period. The interest rate that will be paid for a particular interest period (other than the First Interest Period) (meaning, the period that begins on the first day after the end of the interest period immediately prior and ending on the interest payment day immediately after the commencement date) will be calculated as the yearly interest rate divided by two (hereinafter: the "**Semiannual Interest Rate**"). The Company will publish an immediate report of the results of the tender relating to the issue of the Bonds (Series A), the first interest rate, the interest rate determined in the Tender as stated, and the biannual interest rate.

5. **Interest and Principle Payments on the Bonds**

5.1. The payments on account of principal in respect of the Bonds (Series A) will be paid to the individuals that hold the Bonds (Series A) on June 18 and December 19 of each of the years 2016 through 2021 (inclusive), which precede the payment date on the relevant payment, other than the final payment.

5.2. The payments on account of interest in respect of the Bonds (Series A) will be paid to the individuals that hold the Bonds (Series A) on June 18 and December 19 of each of the years 2015 through 2016 (inclusive), as of December 2015 and until December 2021 (inclusive), which precede the payment date on the relevant payment, other than the final payment.

5.3. Notwithstanding the aforesaid, the final payment of principal and interest that will be made in exchange for the delivery of the certificates of the Bonds (Series A) to the Company on the payment date, will take place at the Company's registered office or in any other place which the Company shall indicate. The Company's notice regarding the aforesaid payment will be published no later than five (5) business days before the date of the final payment.

It is clarified that anyone who is not included amongst the Register of Bondholders (Series A) on the effective date will not be entitled to an interest payment in respect of the interest period that began prior to that same date.

5.4. In any event in which a date for payment on account of principal 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.

5.5. Every payment on account of the principal and/or interest which shall be paid with a delay exceeding 7 days from the date stipulated for its payment according to this Bond, for reasons that are dependent on the Company, shall bear arrears interest applicable from the effective date for payment and until the date of actual payment. In this regard, arrears interest will mean annual interest at a rate of 2% in excess of the interest borne by the same Bond. In the case in which arrears interest is paid, the Company will issue and immediate report at least two business days before payment as stated, in which it announces the rate and date of payment of the interest as stated.

5.6. The payment of the principal and interest are not linked to any index or currency.

5.7. Payment to those who are so entitled will be done by check or bank transfer to credit the bank account of the individuals whose names are listed in the Register of Bondholders (Series A), and stated in the details provided to the Company in writing in advance, in accordance with Section 5.8 below. If the Company cannot pay any amount to those so entitled, for a reason independent on the Company, the provisions of Section 6 below will apply.

5.8. A Bondholder (Series A) 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 A) as aforesaid, or of a change in the details of said account or his address, as applicable, in a written notice that 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 fifteen (15) business days from the date on which the Holder's notice reached the Company.

5.9. If a Bondholder who is entitled to payment as stated did not provide the Company with details regarding his bank account in advance, every such payment on account of the principal and interest will be made by check which will be sent by registered mail to his last address registered in the Registry of Bondholders (Series A). 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 upon being properly presented for collection.

5.10. Any compulsory payment required under law will be withheld from any payment for the Bonds (Series A).

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

For details, see Section 13 of the Deed of Trust.

7. **Transfer of Bonds**

7.1. Subject to Section 7.3 below, the Bonds may be transferred in their full par value, 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 for the transfer of shares, duly signed by a the registered holder or his legal representatives and by the recipient of the transfer or his legal representatives, which shall be provided to the Company at its registered office together with the bond certificates transferred in accordance therewith, as well as any other reasonable proof required by the Company for the purpose of proving the transferor's right to transfer them.

Subject to the above, procedural provisions included in the Company's articles of association with respect to the manner of the transfer of the shares will apply, *mutatis mutandis* as applicable, with respect to the manner of transfer of the Bonds and their assignment.

7.2. If any compulsory payment shall apply to the letter of transfer of the Bonds, reasonable proof of their payment shall be provided to the Company by the party requesting the transfer.

7.3. In the event of a transfer of only a portion of the amount of the determinate principle in a Bond in this certificate, it is necessary to first split, according to the provisions of Section 8below, the certificate into a number of bond certificates as required by the same, 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.

7.4. After the fulfillment of all of the aforesaid conditions, the transfer will be recorded in the Register of Bondholders, and the recipient will be subject to all of the terms set forth in the Deed of Trust and this Bond.

7.5. All of the expenses and fees involved in the transfer will be borne by the party requesting the transfer.

8. **Splitting Bond Certificates**

For the purpose of splitting a bond certificate, see Section 27 of the Deed of Trust.

9. **Early Payment of the Bonds (Series A) Initiated by the Stock Exchange**

For details, see Section 31 of the Deed of Trust.

10. **Early Redemption Initiated by the Company**

For details, see Section 32 of the Deed of Trust.

11. **Forced Early Redemption**

For details, see Section 33a of the Deed of Trust.

12. **Purchase of Bonds by the Company and/or an Affiliated Holder**

For details, see Section 4 of the Deed of Trust.

13. **General Provisions**

13.1. The principal and interest amount are payable and transferable without considering any equitable right or any offset right or existing counterclaims or those that will be formed between the Company and a previous Holder, including the original holder of the Bonds.

13.2. Any party that becomes entitled to the Bonds as a result of a bankruptcy or as a result of liquidation proceedings of the Bondholders will have the right, when the same evidence is presented as requested by the Company from time to time, to be registered in the Register of Bondholders as a holder of the Bonds, or subject to the conditions set forth above in this certificate, to transfer them.

13.3. The Bondholders may operate their rights under the Bonds and the Deed of Trust through the Trustee or based on a decision of the general meeting of the Bondholders in the manners set forth in the Bonds and the Deed of Trust. Notwithstanding the above, in the event that the Trustee acts in a manner contrary to the provisions of the Deed of Trust and the Bonds, the Bondholders may operate their rights, including based on the decision of the general meeting.

13.4. The provisions of the Deed of Trust, including the right to call the Bonds for immediate repayment, set forth in Section 8 of the Deed of Trust, will be considered to be an integral part of this Deed.

14. **Waiver, Settlement and/or Changes to the Terms of the Bonds**

For details, see Section 25 of the Deed of Trust.

15. **General Meetings of the Bondholders**

The general meetings of Bondholders will be convened and conducted in accordance with the Second Addendum of the Deed of Trust.

16. **Receipts as Proof**

Without derogating from any other condition other than these terms, a receipt signed by a Holder of Bonds in this certificate shall constitute evidence of the full payment of any payment set forth in the receipt, which is performed by the Company or the Trustee, as applicable, for the Bonds in this certificate.

17. **Replacement of Bond Certificates**

In the case that the Bond Certificate is defaced, lost or destroyed, the Company may issue a new certificate for the Bonds in its place, under the same conditions regarding proof, indemnification and coverage of the reasonable expenses incurred to the Company to clarify the ownership right of the Bonds, as the Company sees fit, provided that in the case of wear and tear, the damaged Bond certificate will be returned to the Company before the new certificate is issued. Fees and other expenses involved in the issuance of the new certificate, if applicable, will be borne by the party requesting the replacement of the certificate as stated.

18. **Notices**

For details, see Section 24 of the Deed of Trust.

Second Addendum of the Deed of Trust

General Meetings of the Bondholders

Subject to the provisions of the Securities Law, convening a meeting of Bondholders, the manner of its management and the various terms about the meetings, are as follows:

Convening a Meeting

1. The Trustee will convene, no later than the end of fourteen (14) days from the submission of the second annual report of trust matters (under Section 19.1 of the Deed of Trust) a meeting of Holders, for each series of bonds separately. The meeting will convene no later than the end of sixty (60) days from the submission of the aforesaid report. The agenda of the aforesaid meeting will include the appointment of the Trustee for the period determined, a discussion of the annual report of the trust matters and any other matter determined in the agenda as stated in Section 35l2 of the Securities Law.

2. The Trustee will convene a meeting of the Bondholders if it deems necessary, or based on a written request of the Bondholders, holding, individually or jointly, at least five percent (5%) of the balance of the par value of the Bonds in circulation.

3. In the event that those requesting the convening of the meeting are Bondholders, the Trustee will be entitled to require indemnification from the requesters, including in advance, for the reasonable expenses involved in the same.

4. The Trustee that is requested to convene a meeting of Holders under the provisions of Section 2 will convene the meeting 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 in the invitation, 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 invitation; however, the Trustee is entitled to advance the convening of the meeting to at least one day after the invitation 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 invitation.

5. The Trustee may, at its reasonable discretion, change the date of convening a meeting that he summons and at the request of the Company, in the case in which the meeting is called by the Company.

6. In the case in which the Trustee calls a meeting of Bondholders other than at the request of the Bondholders, the Trustee may determine that the meeting will be held via electronic means.

7. If the Trustee did not call a meeting of Holders according to the Holders' request, within the date as stated in Section 4 above, the Holder may convene the meeting, 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.

8. In the even that a meeting of Holders is held as stated in Section 1 or 2 above, the Court may, at the request of a Holder, order that a meeting be convened.

9. In the event that the Court orders as stated in Section 8 above, the Trustee will bear the reasonable expenses incurred by the applicant in the court proceedings, as determined by the court.

10. The Company may convene, at any time, a meeting of Bondholders in coordination with the Trustee. If the Company called such a meeting, it must immediately send the Trustee written notice of the location, day and time in which the meeting will take place as well as the matters to be presented for discussion therein, and the Trustee or his representative will be entitled to participate in the said meeting without having the right to vote. A meeting as stated will be convened for the date determined in the order, provided that the date of convening is not earlier than seven days and no later than 21 days from the date of the invitation.

11. In the event that there is no practical way to convene a meeting of Holders or manage it in the manner determined in the Deed of Trust or the Law, the Court may, at the request of the Company, Bondholder entitled to vote in a meeting or Trustee, instruct that a meeting will be convened or managed in the manner determined by the Court, and may provide supplementary instructions as it sees fit.

Flaw in convening

12. The Court may, at the request of the Holder, overturn a resolution passed in a meeting of Holders that convened or was managed without the conditions set forth for the same in the Law or under this Deed being met.

13. In the event that the flaw in the convening relates to notice regarding the place of convening the meeting or its time, a Holder that arrives to the meeting despite the flaw may not demand that the resolution is overturned.

Notice of Convening a Meeting

14. Notice of a meeting of Holders will be published under the provisions of Chapter G1 of the Law ("electronic reporting") and will be provided to the Company by the Trustee before the reporting and in accordance with the Regulations.

15. The notice of convening will include the agenda, resolutions proposed and the arrangements for the purpose of voting in writing under the provisions of Sections 28 and 30 below.

Meeting Agenda

16. The Trustee will determine the agenda in a meeting of Holders, and include the matters for which the meeting of Bondholders was required to convene based on Sections 1 and 2 above, and any matter required as stated in Section 18 at the request of a Holder.

17. If a meeting is convened as stated in Section 10 above, the Company will determine the agenda in the meeting.

18. One or more Holder with at least five percent (5%) of the balance of the par value of the series of Bonds may request that the Trustee include a matter on the agenda of the meeting of Holders that will convene in the future, provided that the matter is suitable for being discussed in a meeting as stated.

19. In a meeting of Holders, resolutions will be passed regarding matters listed on the agenda alone.

Place for Convening a Meeting

20. A meeting of Holders will take place in Israel at the offices of the Company or another place which the Company or Trustee will announce. The Trustee may change the address of convening the meeting. The Company will bear the costs of convening the meeting at an address that is not its offices.

The effective date for ownership of Bonds

21. Holders entitled to participate and vote in a meeting of Holders are holders of Bonds on the date determined in a resolution to convene a meeting of Holders, provided that the same date is not more than three days before the convening of a meeting of Holders and is not less than one day before the convening date.

Chairman of the Meeting

22. In each meeting of Holders, the Trustee or the person appointed by the Trustee will serve as chairman of the same meeting.

23. The Trustee will prepare minutes of a meeting of the Bondholders, and will keep them in its registered offices for a period of seven (7) years from the meeting date. The minutes of the Meeting may be prepared by way of recording. Minutes, if prepared in writing, will be signed by the chairman of the meeting. Any minutes signed by the chairman of the meeting constitute prima facie evidence of the contents thereof. The registry of minutes will be kept in the registered office of the Trustee, and will be open for the review of Holders and the Company during working hours and with prior coordination, and a copy will be sent to each holder that requests the same.

24. The declaration of a chairman of the meeting whereby a resolution in the meeting of Holders has been passed or rejected, whether unanimously or by a given majority, will be prima facie evidence of what is stated therein.

Legal quorum; Adjourned or postponed meeting

25. A meeting of Bondholders will be commenced by the chairman of the meeting after it is determined that the legal quorum required for any of the matters on the agenda of the meeting is present, as follows:

25.1. The legal quorum required to hold a meeting of Bondholders will be the presence of at least two Bondholders, present themselves or by counsel, who have at least twenty five percent (25%) of the voting rights in circulation, within the half hour from the time scheduled for the meeting to commence, unless another requirement by Law states differently.

25.2. 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 Holders; if the meeting is postponed, the Trustee will explain the reasons for this in the report regarding convening the meeting.

25.3. In the event that no legal quorum is presented in an adjourned meeting as stated in Section 25.2 above, within half an hour after the date scheduled for the meeting, the meeting will take place with any number of participants, unless another requirement is set forth by law.

25.4. Notwithstanding the provisions of Section 25.3 above, in the event that a meeting of Holders is convened at the request of Holders as stated in Section 2 above, the adjourned meeting of holders will only convene if Bondholders are present that hold at least the number required to convene a meeting as stated in the same section (meaning: at least five percent (5%) of the balance of the par value of the Bonds in circulation).

26. According to the decision of the Trustee or a resolution with a simple majority of the voters in a meeting of Holders in which a legal quorum was present, the continuation of the original meeting will be postponed from time to time, the discussion or passing a resolution on the matter set forth on the agenda to a later date and place determined, as determined by the Trustee or meeting as stated (hereinafter: the "**Postponed Meeting**"). At a Postponed Meeting, no matter will be discussed other than a matter that is on the agenda and for which no resolution was passed.

In the event that a meeting of Holders is postponed without changing its agenda, requests will be provided regarding the new date for the Postponed Meeting, as early as possible, no later than 12 hours before the Postponed Meeting. The requests as stated will be provided based on Sections 14 and 15 above.

Participation and voting

27. The Trustee, in accordance with its reasonable discretion and subject to the provisions of any law, may split the meeting into meetings by class and determine who may participate in each type of meeting.

28. A holder of Bonds may vote in a meeting of Holders, itself or through a proxy, and with a voting document which lists the manner of his vote, pursuant to the provisions of Section 30 below.

29. A decision in the meeting of Holders will be passed based on counting votes.

30. The voting document will be sent by the Trustee to all of the Bondholders; a holder of Bonds may state the manner of his vote in the voting document and send it to the Trustee.

A voting document in which the Holders indicates his vote, which the Trustee receives before the deadline determined for the same will be considered to be presence at the meeting for the purpose of the legal quorum, as stated in Section 25 above.

A voting document received by the Trustee as stated above, regarding a certain matter for which no vote was held in a meeting of Holders will be considered to be an abstention from a vote in the same meeting regarding the decision of whether to hold an adjourned meeting of Holders under the provisions of Section 26 above, and it will be counted in the adjourned meeting Holders held under the provisions of Section 26 or 25.3 and 25.4 above.

31. Each NIS 1 par value of Bonds represented in the vote will grant the Holder thereof one vote. In the event of joint holders of Bonds, only the vote of the person listed first in the Registry will be accepted.

32. A Bondholder may vote for part of the Bonds in its possession, and may divide the vote such that some of them are used to vote in favor of a resolution, and another part is used to vote against it and another part to abstain, all as he sees fit.

33. A Bondholder who is a controlling shareholder of the Company, a relative or corporation under the control of any of them will not be taken into account for the determination of the legal quorum in the meeting of Holders, and their votes will not be counted in the votes in a meeting as stated.

Resolutions

34. Resolutions in a meeting of Holders will be passed with a regular majority, unless another majority is determined in the Law or Deed of Trust.

35. The number of votes of participants in a meeting will not include abstentions from voting.

36. A proposed resolution will be passed with a simple majority, unless it is determined below that it will be passed with a special majority.

37. The matters below will be passed in a meeting of Holders with a majority that is not a simple majority. The matters are as follows:

37.1. A change, including an addition and/or amendment to the provisions of the Bonds and the Deed of Trust as stated in Section 25 of this Deed.

37.2. Any other matter that the Deed of Trust determines to be subject to a majority that is not a simple majority.

37.3. A resolution to replace the Trustee will be passed with a majority of at least fifty percent (50%) of the unpaid balance of the Bonds in circulation.

Vote and actions through a proxy / counsel

38. A letter appointment appointing a proxy will be in written and will be signed by the appointing party or by his representatives that are duly authorized to do so in writing. In the event that the appointing party is a corporation, the appointment will be performed in writing and signed with the corporation's stamp, in addition to the signature of the corporation's authorized signatories.

39. A letter of appointment of an agent will be prepared in any manner acceptable by the Trustee.

40. A proxy is not required to be a Bondholder himself.

41. A letter of appointment and power of attorney, and any other certificate based on which the letter of appointment is signed or a certified copy of the same power of attorney will be provided to the Trustee by the date on which the meeting is convened, unless determined otherwise in a notice convening the meeting.

42. The Trustee will participate in a meeting through its employees, officers, functionaries or another person appointed thereby, but will not have a voting right.

43. The Company and any other person excluding the Trustee will be precluded from participating in the meeting of Bondholders or any part thereof, based on the decision of the Trustee or an ordinary resolution of the Bondholders. Notwithstanding this Section 43, the Company may participate in commencing a meeting for expressing its position in connection with any matter on the agenda of the meeting and/or the presentation of a specific matter (as applicable).

Contacting Bondholders

44. The Trustee, and one or more Holders with at least five percent (5%) of the balance of the par value of the Bonds in circulation, through the Trustee, may contact the Holders in writing in order to convince them of the manner of their vote regarding any of the matters for discussion in the same meeting (hereinafter: the "**Position Statement**").

45. In the event that a meeting of Holders is convened under Section 2 above, the Holder may contact the Trustee and request that he publish, under the provisions of Chapter G1 of the Law, a Position Statement on his behalf to the other Bondholders.

46. The Trustee or the Company may send a Position Statement to the Bondholders in response to the Position Statement sent as stated in Section 44 and 45 above, or in response to another request to the Bondholders.

Examination of Conflicts of Interest

47. In the event that a meeting of Holders is convened, 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 Section – "Other Matter"); in accordance with the provisions of any law as they may at the time; the Trustee is entitled to require that the Holder participating in the Holders' meeting notify him, before the vote, of any Other Matter of his as well as whether he has such a conflict of interests.

48. In counting the number of votes in a vote that takes place in a meeting of Holders, the Trustee will not take into account the votes of Holders who do not meet the requirements as stated in Section 47 above or Holders for which the Trustee determines that there is a conflict of interests as stated in Section 47 above (hereinafter: the "**Holders with a Conflict of Interests**").

49. Notwithstanding what is stated in Section 48 above, if the total holdings participating in the vote, who do not possess a conflict of interest, is a less than a rate of five percent (5%) of the balance of the Bonds' par value, the Trustee will take into account when counting votes, the votes of Holders with a Conflict of Interest as well.

Convening a meeting of Holders for consultation

50. The provisions of Sections 2, 4, 7, 16, 18 and 19 above will not derogate from the authority to the Trustee to convene a meeting of Holders, if the Trustee would like to consult with them; in convening a meeting as stated, the matters on the agenda will not be specified and the date for convening will be at least one day after the invitation date.247161819

In a meeting as stated, a vote will not take place, resolutions will not be passed and it will not be subject to the provisions of Sections 2, 4, 7, 16, 18, 19, 28, 30, 8, 8, 15, 26, 25, 45 and 21, and as set forth by law.

Third Addendum to the Trust Deed

The Company will pay the Trustee wages for his services, in accordance with this Date of Trust, as detailed below:

1. For the Bonds (Series A) issued under the Prospectus and this Deed of Trust, and for which the Trustee will serve as a trustee, the Company will pay the Trustee wages for its services, in accordance with this Deed, as set forth below -

   1.1. A one-time payment for negotiations regarding the wording of the Deed in the amount of NIS 5,000.

   1.2. For the first year of the trust, with the first year of the trust starting on the date of the issue of the Bonds (Series A), the Trustee will be paid annual wages in the amount of NIS 20,000.

   1.3. For each additional year of the trust, as of the second year, the Trustee will pay annual wages in the amount of NIS 18,000.

   The amounts in Sections 1.1-1.2 above will be hereinafter: the "**Annual Wages**."

2. The Annual Wages will be paid to the Trustee at the beginning of each year of the trust, within 15 days from the issuance of a payment request by the Trustee. The Annual Wages will be paid to the Trustee for the period until the end of the term of the Trust under the terms of the Deed of Trust, even if a receiver and/or managing receiver is appointed for the Company and/or if the trust under the Deed of Trust is managed under the supervision of a Court or otherwise.

3. 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 wages as of the date of the day on which his service expires. In the event that the service of the Trustee expires during the trust year, the wages paid for the months in which the Trustee did not serve as a trustee for the Company will be returned. This Section will not apply regarding the first year of the trust.

4. The Trustee will be entitled to a reimbursement for "**reasonable expenses**" incurred, as defined below: amounts expended by the Trustee within the fulfillment of his position and/or under the authorities granted to him under the Deed of Trust, including expenses and costs for convening a meeting of the Bondholders and expenses for deliveries, including publications in newspapers related to convening a meeting.

5. The Trustee is entitled to additional payment other than the reasonable expenses, as defined above, for special actions performed, including those that it must perform in order to fulfill its legal requirement under the Securities Law (including amendments 50 and 51 of the Securities Law) and the regulations enacted following the aforesaid amendments, as well as actions arising from a breach of this Deed of Trust by the Company and/or from a breach of any other party that provides an undertaking or security included in the Deed and/or for actions that the Trustee must perform in connection with calling the Bonds for immediate repayment, exercise of securities and undertakings and/or special actions that he is required to perform, if any, for the fulfillment of his position, including under the Deed of Trust, all in addition to and without harming the payments owed thereto under this Section.

6. The Trustee will be entitled to additional payment as stated in the amount of NIS 600 per hour of work of the CEO, attorney or accountant, and NIS 250 per hour of work of the administrative team. Without derogating from the above.

7. For all of the meetings of shareholders (in addition to the payment under Section 6 above) in which the Trustee participates, including his presence in a meeting that is not started due to the absence of a legal quorum, additional wages will be paid of NIS 500 per meeting, in addition to the repayment of expenses for travel. The aforesaid amount will be paid within 15 business days from the issue of a payment request by the Trustee.

8. VAT, if applicable, will be added to payments owed to the Trustee, under the provisions of this Section, and will be paid by the Company.

9. All of the amounts listed in this Appendix are linked to the consumer price index known on the issue date of the Bonds (Series A), but in any case, no amount will be paid that is lower than the amounts listed in this Appendix.

10. In the event that a trustee is appointed in the place of a trustee whose service was terminated under Sections 35b(a1) or 35n(d) of the Securities Law, the Holders of the Bonds (Series A) will bear the difference in the increase in the wages of the trustee appointed as stated and the wages that had been paid to the trustee who was replaced, if the aforesaid difference is unreasonable and the provisions of the law relevant on the replacement date as stated will apply.

*** * ***

Appendix 3

Roles of the Trustee

Current Positions

1. To examine based on the reports of the Company published in MAGNA (hereinafter: the "**Company's Public Reports**") and based on the confirmations and documents furnished by the Company to the Trustee under the provisions of this Deed:

   1.1. That the principal and interest payments by the Company were performed on time.

   1.2. That the uses made by the Company of the issuance consideration meet the objectives determined in the Deed of Trust and/or the chapter discussion the designation of the consideration in the issuance prospectus, if determined.

   1.3. That the Company meets the milestones determined in the Deed of Trust for its operation, if any.

   1.4. If any of the grounds for calling for immediate repayment set forth in the Deed of Trust are met.

2. Convening meetings of Bondholders under the provisions of the Second Addendum of the Deed of Trust.

3. Participation (including through electronic means) in meetings of the Company's shareholders.

4. The preparation of an annual report of trust matters as stated in Section 19.2 of the Deed of Trust and presenting it for the review of the Bondholders.

5. Notice to the Bondholders of a substantial breach of the Deed of Trust on the part of the Company shortly after being made aware of the breach and notice of the actions that are taken to prevent it or for the fulfillment of the Company's obligations, as applicable.

6. To examine, based on the Company's public reports and the confirmations and documents furnished by the Company to the Trustee under the provisions of this Deed of Trust:

   6.1. That the Company meets its obligations vis-a-vis the Bondholders, including the fulfillment of grounds for calling for immediate repayment.

   6.2. That the Company complies with all of its obligations as set forth in the Deed of Trust.

   6.3. That the Company meets the Financial Covenants set forth in the Deed of Trust.

   6.4. If any change occurs to the rating of the Bonds, if they are rated.

Special Positions

7. Taking all of the actions required to ensure the Company's obligations vis-a-vis the Bondholders, which are set forth in Sections 1-6 of this Appendix above.

8. Examination of extraordinary events based on the Company's public reports, as set forth below:

   8.1. That the Company meets its obligations vis-a-vis the Bondholders, including the fulfillment of grounds to call for immediate repayment.

   8.2. That the Company complies with all of its obligations as set forth in the Deed of Trust.

   8.3. That the Company meets the financial covenants set forth in the Deed of Trust.

9. To apply the resolutions of the meeting of Bondholders that impose an obligation on the Trustee and to take all of the proceedings and actions required to protect rights of the Bondholders subject to the Trustee having available the financing to implement and adopt them, as required.

10. To take urgent actions required to prevent substantial detrimental harm to the rights of the Bondholders where waiting to convene a meeting is not possible.

11. Initiating negotiations with the Company, whether at the request of the Company or at the request of the Bondholder, regarding the requests or proposals related to the provisions of the Deed of Trust.

12. In the case in which the Trustee believes that there is a true concern that the Company will not be able to repay the Bonds on time, to perform extraordinary examinations regarding the examination of the aforesaid circumstances and to make efforts to protect the Holders in the manner that it deems most appropriate; and may, *inter alia*:

    12.1. To examine the aforesaid circumstances arising from actions or transactions performed by the Company, including a distribution as defined in the Companies Law, performed in violation of the law; however, the Trustee will not perform an examination as stated if an expert is appointed for the Bondholders as defined in Section 350r of the aforesaid Law, who is entrusted with its preparation.

    12.2. To manage, on behalf of the Bondholders, negotiations with the Company to change the terms of the Bonds.

    12.3. In this regard, convening a meeting of the Bondholders by the Trustee will not be considered, for receipt of instructions as to how to operate, as a breach of its obligations, provided that convening the meeting does not materially harm the rights of the Holders.

    12.4. In the event that a meeting of Bondholders is convened as stated in Section 12.3 above, and a lawful resolution is passed in the meeting, the Trustee will act in accordance with the resolution; in the event that it does so, its actions under the same decision will be considered to be compliant with the provisions of this Section relating to the resolution.

13. To distribute to the Bondholders, as stipulated in the Deed of Trust, funds that the Bondholders are entitled to receive, obtained by the Trustee.

14. To supervise the process of exercising rights of the Bondholders in the event in which a functionary is appointed for the Company or its assets.

Exhibit 8.1

List of Subsidiaries

Optibase Inc., a California corporation

Optibase Real Estate Miami LLC, a Delaware limited liability company

Optibase 2Penn LLC, a Delaware limited liability company

OPTX Equity LLC, a Delaware limited liability company

OPTX Lender LLC, a Delaware limited liability company

Optibase FMC LLC, a Florida limited liability company

Optibase 300 Chicago LLC, a Delaware limited liability company

Optibase Real Estate Europe Sarl, a Luxemburg company

Optibase RE1 Sarl, a Luxemburg company

Optibase RE2 SARL, a Luxemburg company

Optibase Bavaria GmbH & Co. KG, a German partnership

Optibase Bavaria Holding GmbH, a German corporation

OPCTN SA, a Luxemburg company

Eldista GmbH, a Swiss company

Exhibit 12.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Amir Philips, certify that:

1. I have reviewed this annual report on Form 20-F of Optibase Ltd.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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 company as of, and for, the periods presented in this report;

4. The company'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 company, including its consolidated subsidiaries, is made known to us by others within those entities, 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 company'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 company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company'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 (or persons performing the equivalent functions):

   (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 company'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 company's internal control over financial reporting.

Date: March 31, 2016

/s/ Amir Philips
Amir Philips
Chief Executive Officer

Exhibit 12.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Yakir Ben-Naim, certify that:

1. I have reviewed this annual report on Form 20-F of Optibase Ltd.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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 company as of, and for, the periods presented in this report;

4. The company'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 company, including its consolidated subsidiaries, is made known to us by others within those entities, 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 company'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 company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company'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 (or persons performing the equivalent functions):

   (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 company'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 company's internal control over financial reporting.

Date: March 31, 2016

/s/ Yakir Ben-Naim
Yakir Ben-Naim
Chief Financial Officer

Exhibit 13.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Optibase Ltd. (the "Company") on Form 20-F for the period ending December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify that to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2016

/s/ Amir Philips
Name: Amir Philips
Title: Chief Executive Officer

Exhibit 13.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Optibase Ltd. (the "Company") on Form 20-F for the period ending December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify that to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2016

/s/ Yakir Ben-Naim
Name: Yakir Ben-Naim
Title: Chief Financial Officer

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Form S-8 Files No. 333-10840; 333-12814; 333-13186; 333-91650; 333-122128; 333-137644; 333-139688; 333-148774; 333-198519) pertaining to Optibase Ltd. of our report, dated March 31, 2016, with respect to the consolidated financial statements of Optibase Ltd., included in this Annual Report (Form 20-F) for the year ended December 31, 2015.

/s/ Kost Forer Gabbay & Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Tel-Aviv, Israel
March 31, 2016