

Securities and Exchange Commission
Washington, DC 20549
FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended December 31, 1997
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from to
Commission File Number 1-12002

MARK CENTERS TRUST

(Exact name of registrant as specified in its charter)
Maryland 23-2715194
(State of incorporation) (I.R.S. employer identification no.)

600 Third Avenue, Kingston PA 18704 (717) 288-4581
(Address of principal executive offices) (Registrant's
telephone number)

Securities registered pursuant to Section 12(b) of the Act:
Common Shares of Beneficial Interest, \$.001 par value
(Title of Class)

New York Stock Exchange

(Name of exchange on which registered)

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

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 and (2) has been
subject to such filing requirements for the past 90 days.

YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to
Item 405 of Regulation S-K is not contained herein, and will not be
contained, to the best of registrant's knowledge, in definitive proxy
or information statements incorporated by reference in Part III of
this Form 10-K or any amendment to this Form 10-K.

YES X NO

The aggregate market value of the voting stock held by non-affiliates
of the Registrant was approximately \$76,452,957 million based on the
closing price on the New York Stock Exchange for such stock on March
31, 1998.

The number of shares of the Registrant's Common Shares of Beneficial
Interest outstanding was 8,554,177 on March 31, 1998.

DOCUMENTS INCORPORATED BY REFERENCE

Part III - Definitive proxy statement for the Annual Meeting of
Shareholders presently scheduled to be held June 12, 1998, to be
filed pursuant to Regulation 14A.

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PART I

Item 1. Business

General

Mark Centers Trust (the "Company") was formed on March 4, 1993 as a Maryland Real Estate Investment Trust ("REIT") to continue the business of its predecessor company, Mark Development Group ("MDG" or the "Predecessor"). The Company is a fully integrated, self-managed and self-administered equity REIT which owns, acquires, develops and operates primarily neighborhood and community shopping centers in the eastern and southeastern United States. The Company currently owns and operates 39 properties totalling approximately 7.3 million square feet of gross leasable area ("GLA"), consisting of thirty-four neighborhood and community shopping centers, three enclosed malls, and two mixed use (retail/office) properties located in ten states.

The Company is in the late stages of negotiation of a significant transaction which will provide additional properties and capital to the Company. If the transaction is completed in its current form, assuming execution of a definitive agreement (the "Agreement") and satisfaction of all conditions to the transaction, including approval by the Company's shareholders, the Company, through Mark Centers Limited Partnership, a Delaware limited partnership through which the Company conducts substantially all its activities ("the Operating Partnership"), and in exchange for approximately 11 million Operating Partnership Units ("OP Units"), will acquire substantially all of the ownership interests in twelve retail shopping centers and five multi-family apartment complexes controlled by a private New York real estate company. Under the current proposal, the Company will also receive a cash investment of \$100 million in exchange for newly issued common shares of beneficial interest ("Shares") valued at a price of \$7.50 per share. Upon completion of the transaction, it is contemplated that two senior executives of the New York real estate company will become Chief Executive Officer and President of the Company, respectively. Mr. Marvin Slomowitz, the current Chairman of the Board and Chief Executive Officer, will remain as a board member and is expected to continue as a consultant to the Company. The two new executives will serve on the board together with two designees of the real estate company and two designees (in addition to Mr. Slomowitz) of the existing board.

The transaction is subject to the completion of final negotiation and execution of the Agreement, receipt of a fairness opinion from Bear, Stearns & Co. Inc. (the Company's investment bankers), approval by the Company's Board of Trustees, evidence of the receipt by the real estate company of the necessary funds to make the cash investment and the completion of closing. The transaction is a complex one involving many parties and there can be no assurance that the Agreement will be executed or that the closing on this transaction will be completed. The transaction is subject to the approval by the shareholders of the Company at a meeting to be scheduled for that purpose if and when the Agreement is signed.

The Company conducts substantially all of its activities through, and substantially all of its properties are owned by, the Operating Partnership and its majority owned partnerships. The Company currently owns an 84% interest in the Operating Partnership as the sole general partner. Concurrently with the consummation of the Company's initial public offering (the "Offering") on June 1, 1993, the Operating Partnership acquired thirty-one properties from Marvin L. Slomowitz, the founder of MDG and the Company's Chairman and Chief Executive Officer (the "Principal Shareholder"), or from affiliates of the Principal Shareholder, in exchange for OP Units which are exchangeable on a one for one basis into the Company's Shares. The properties had been developed directly or indirectly by the Principal Shareholder from 1964 through 1992 and were operated under MDG's direction. The Principal Shareholder owns in excess of 99% of the remaining 16% of the Operating Partnership in the form of OP Units. The remaining OP Units, which represent less than 1% ownership of the Operating Partnership, were issued by the Company in July 1995 to an unrelated entity in consideration for a property acquired by the Company. The Company at all times will be the general partner of and own no less than a 51% interest in the Operating Partnership.

The Company has transacted its affairs so as to qualify as, and has elected to be treated as, a real estate investment trust under sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). Under the Code, a real estate investment trust that meets applicable requirements is not subject to Federal income tax to the extent it distributes at least 95% of its REIT taxable income to its shareholders.

The Company's executive offices are located at 600 Third Avenue, Kingston, Pennsylvania, and its telephone number is (717) 288-4581.

Business Objectives and Operating Strategy

The Company currently specializes in neighborhood and community shopping centers strategically located in secondary markets where basic staple merchandise is not available in adequate supply. The Company intends to expand its operations through leasing, property management, renovation and expansion of existing shopping centers and through the development of new centers and acquisition of additional centers. As previously discussed, the Company is also in the late stages of negotiation of a significant transaction which would provide additional properties and capital to the Company.

Operating and administrative functions such as leasing, property management, construction, finance and legal are provided by Company personnel, providing for fully integrated property management. In addition, management believes that the experience and tenant relationships developed through in-house leasing and property management staff enhance the Company's ability to attract and retain high quality tenants. Property operations are currently managed centrally at the Company's headquarters and are augmented by regional management and leasing offices at the Northwood Centre in Tallahassee, Florida, the Normandale Mall in

Montgomery, Alabama and in Columbia, South Carolina. The Company also maintains property management offices at the Ledgewood Mall in Ledgewood, New Jersey, the Northside Mall in Dothan, Alabama, and the Searstown Mall in Titusville, Florida.

The general weakness in the retail sector has adversely impacted the Company's cash flow and income, particularly given the retail concentration of the Company's tenants. In a soft retail environment tenants may experience downturns in their business which may weaken their financial condition and, potentially, result in their bankruptcy.

On March 28, 1997, Crafts Plus+, Inc., a 30,000 square foot single location tenant, filed for protection under Chapter 11 of the United States Bankruptcy laws. For the fiscal years ended December 31, 1997 and 1996, rental revenues from this tenant (including expense reimbursements) totalled \$111,000 and \$110,000, respectively. The lease was rejected and in January 1998, the Company installed a replacement tenant, Beall's Outlet, at a lower per square foot rent in the entire space.

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On July 7, 1997, Montgomery Ward & Co., Incorporated filed for protection under Chapter 11 of the United States Bankruptcy laws. Montgomery Ward is currently a tenant at one retail location and related storage space in the Company's portfolio comprising approximately 77,000 square feet in total. For the fiscal years ended December 31, 1997 and 1996, rental revenues (including expense reimbursements and percentage rent) for this space totalled \$154,000 and \$142,000, respectively. The lease has been neither affirmed nor rejected and the Company continues to receive rent under its lease agreement.

On August 11, 1997, Old America Stores, Inc. filed for protection under Chapter 11 of the United States Bankruptcy laws. Old America currently is a tenant at one location in the Company's portfolio comprising approximately 30,000 square feet. Rental revenues for the fiscal year ended December 31, 1997 (including expense reimbursements) from this tenant totalled \$94,000. On January 21, 1998, the lease was assigned to KOB, LP in connection with KOB, LP's acquisition of substantially all of the assets of Old America Stores, Inc. As such, the Company continues to receive rent under its lease agreement.

On January 2, 1998, Bruno's Inc. filed for protection under Chapter 11 of the United States Bankruptcy laws. Bruno's is a tenant at one location in the Company's portfolio comprising approximately 48,000 square feet. For the fiscal years ended December 31, 1997 and 1996, rental revenues (including expense reimbursements) from this tenant totalled \$231,000 and \$227,000, respectively. The lease was rejected March 18, 1998 and the Company signed a lease with Office Depot, Inc. on March 31, 1998 for 30,000 square feet of this space at a higher per square foot rent and is engaged in releasing efforts for the balance of the space.

On January 5, 1998, HomePlace Stores, Inc. filed for protection under Chapter 11 of the United States Bankruptcy laws. Homeplace Stores is currently a tenant at one location in the Company's portfolio comprising approximately 48,000 square feet. For the fiscal years ended December 31, 1997 and 1996, rental revenues (including expenses reimbursements) for this tenant totalled \$614,000 and \$265,000, respectively. The lease has been neither affirmed nor rejected and the Company continues to receive rent under its lease agreement. The Company is currently in negotiation with the tenant to amend the terms of the lease which would include a reduction in rent.

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Operating Strategy

The Company believes it continued to make strides during fiscal 1997 in recovering from the unfavorable impact of the loss

of anchor tenants at three locations following their bankruptcy filings in 1996 (Jamesway, Rich's and Bradlees vacated a total of approximately 220,000 square feet during 1996) as well as contending with the unfavorable impact of the above bankruptcy proceedings which commenced in fiscal 1997. The continuing soft retail environments within the secondary markets in which the Company operates has made releasing this vacant space challenging and has required the Company to incur tenant improvements for new tenants earlier than had been originally anticipated because of early termination of the prior leases. The Company's ability to overcome these challenges will remain dependent on the general real estate uncertainties which affect the industry in general and the Company's tenants in particular, and on the Company's ability to finance its ongoing capital plans and tenant improvements to maintain and increase occupancy levels.

Leasing and Expansion

The Company's leasing efforts during fiscal 1997 resulted in the opening and commencement of rent of a 25,000 square foot Goody's at the Wesmark Plaza, a 28,000 square foot Diversified Records at the Normandale Mall, an 18,000 square foot Dunham's Sporting Goods in the Valmont Plaza, a 29,000 square foot Office Depot in the Midway Plaza and a 13,000 square foot Factory Card Outlet in the East End Centre. In addition, the Company installed approximately 142,000 additional square feet of small store tenants for which rent also commenced.

The Company also has signed leases totalling approximately 74,000 square feet for which the Company anticipates the tenants to occupy and commence paying rent during fiscal 1998.

Furthermore, the Company has entered into an agreement to settle certain litigation with Pharmhouse Corp., a tenant at the Ledgewood Mall, which had obtained an injunction during fiscal 1997 against the installation of Walmart in the mall based on certain exclusive use provisions within Pharmhouse Corp.'s lease. The Company has agreed to pay the tenant approximately \$1.7 million by May 1, 1998 after which the Company anticipates proceeding with the installation of Walmart in approximately 120,000 square feet. As part of this settlement, the Company has also agreed to amend certain terms of the lease with Pharmhouse Corp. including reductions in rent and the lease term and withdraw its appeal of

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this case in return for Pharmhouse Corp.'s withdrawal of all legal actions against the installation of Walmart at the mall.

The Company also commenced construction to expand one of its centers in fiscal 1997 and obtained the construction financing and commenced construction in February 1998 to expand another. Construction of a 52,825 square foot Redner's Supermarket at the Mark Plaza commenced in September 1997 with completion scheduled to occur during the second quarter of 1998. Financing has been obtained and construction has also commenced for a 32,000 square foot Hoyts Cinema at the Manahawkin Village Shopping Center.

Development

In fiscal 1997, the Company continued development of Phase II of the Union Plaza located in New Castle, Pennsylvania with the opening of Peebles Department Store on October 9, 1997, occupying 25,000 square feet. This followed the completion of Phase I in October 1996 and the opening of Sears and Hills Department Stores which totalled 193,000 square feet. Upon completion of all phases, the Union Plaza is expected to total approximately 350,000 square feet.

Despite the unfavorable impact of the continuing soft retail markets within the secondary markets in which the Company operates, the Company held its portfolio occupancy stable at 86% as of December 31, 1997, the same as that of December 31, 1996, primarily as a result of the above development, leasing and installation efforts. Due to space leased but not yet occupied

related primarily to anchor replacement and expansion at existing centers, the Company's portfolio was 89% leased as of December 31, 1997.

Dispositions

As part of the ongoing strategic evaluation of its properties, the Company sold the Newberry Plaza, located in Newberry, South Carolina for \$1.3 million in March 1997. The net proceeds of the sale were used by the Company to supplement its working capital. In 1995, Newberry Plaza was found to have petroleum related soil and ground water contamination. The Company is not obligated to reimburse the purchaser for any remediation costs it might incur and the purchaser has waived all claims it might have against the Company arising out of such contamination.

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Financing Strategies

The Company intends to continue to finance property development and tenant improvements with sources of capital determined by management to be the most appropriate based on, among other factors, availability, pricing and other commercial and financial terms. The sources of capital may include undistributed funds from operations (subject to provisions in the Code concerning taxability of undistributed REIT income), the issuance of equity and/or debt securities, the sale of properties, and bank and other institutional borrowing. Future borrowing by the Company may be either on a secured or unsecured basis. The Company intends to continue its practice of managing its exposure to floating rate debt primarily through the use of fixed-rate debt.

Environmental Matters

Under various Federal, state and local laws, ordinances and regulations relating to the protection of the environment, a current or previous owner or operator of real estate may be liable for the cost of removal or remediation of certain hazardous or toxic substances disposed, stored, generated, released, manufactured or discharged from, on, at, under, or in a property. The Company believes that it is in compliance in all material respects with all Federal, state and local ordinances and regulations regarding hazardous or toxic substances.

Other than as disclosed below and as otherwise relating to the Newberry Plaza (which was sold in March 1997), the Company has not been notified by any government authority of any material non-compliance, liability or other claim in connection with any of the properties.

Upon conducting environmental site inspections in connection with obtaining financing from Morgan Stanley Mortgage Capital, Inc. ("Morgan Stanley") during fiscal 1996, certain environmental contamination was identified at two of the properties which were to serve as collateral for the financing: soil contamination at the Troy Plaza in Troy, New York, and soil and ground water contamination at the Cloud Springs Plaza in Fort Oglethorpe, Georgia. In each case, the contamination was determined to have originated from former tenants. The Company has entered into a voluntary remedial agreement with the State of New York for remediation of the Troy Plaza. Environmental consultants estimate

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that the total cost of remediation for the Troy Plaza will be approximately \$80,000. During fiscal 1997, the Company received notification from the State of Georgia that the Cloud Springs Plaza will not be listed on the State's Hazardous Site Inventory because it has no reason to believe that contamination exceeding a reportable quantity has occurred at this property. Following this notification, Morgan Stanley released \$375,000 previously held in escrow for the Cloud Springs Plaza. As of December 31, 1997, Morgan Stanley held \$228,000 in escrow for the Troy Plaza

which is to be released upon final environmental remediation.

Competition

There are numerous commercial developers and real estate companies that compete with the Company in seeking land for development, properties for acquisition and tenants for their properties. There are numerous shopping facilities that compete with the Company's properties in attracting retailers to lease space. In addition, retailers at the Company's properties face increasing competition from outlet malls, discount shopping clubs, direct mail and telemarketing.

Employees

At December 31, 1997, the Company employed 61 persons, 32 of whom were located at the Company's headquarters in Kingston, Pennsylvania and the remainder were located in the Company's regional offices. The Company believes that its relationships with its employees are good.

Item 2. Properties

Shopping Center Properties

The Company currently owns and operates 39 properties totalling approximately 7.3 million square feet of GLA, consisting of thirty-four neighborhood and community shopping centers, three enclosed malls, and two mixed-use (retail/office) properties located in ten states. The Company's shopping centers offer day to day necessities and value-oriented merchandise rather than high priced luxury items. The Company currently specializes in neighborhood and community shopping

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centers strategically located in underserved, secondary markets. The shopping centers are diverse in size, ranging from approximately 45,000 to 507,000 square feet with an average size of 186,000 square feet. The Company's portfolio was approximately 86% occupied and 89% leased at December 31, 1997.

The Company's shopping centers are typically anchored by a national or regional discount department store and/or supermarket. Typical department store tenants at the Company's properties are Kmart (nine), Ames (five), Hills (five), Sears (two), Marshalls (two), and one of each of the following: Bradlees, Montgomery Wards, Sports Authority, J.C. Penney, Sterns and Walmart. At December 31, 1997, twenty-three of the Company's properties were anchored by supermarkets including Price Chopper (six), BiLo (four), Acme (two), Weis Markets (two), and one of each of the following: P&C Foods, Winn-Dixie, Shaw's, Gerrity's, Publix, Shoprite, Bargain Town, Food Lion, and Kroger's. Penn Traffic owns and operates all the BiLo and P&C Foods grocery stores.

The Company currently has 562 leases of which approximately 64% are with national or regional tenants. A substantial portion of the income from the properties consists of rent received under long term leases. Most of these leases provide for the payment of fixed minimum rent monthly in advance and for the payment by tenants of a pro-rata share of the real estate taxes, insurance, utilities and common area maintenance of the shopping centers. Certain of the tenant leases permit tenants to exclude some or all of these expenses from their rental obligations. Minimum rents and expense reimbursements accounted for approximately 93% of the Company's rental revenues for the year ended December 31, 1997.

Approximately 57% of the Company's existing leases also provide for the payment of percentage rents either in addition to or in place of minimum rents. These arrangements generally provide for payment to the Company of a certain percentage of a

tenant's gross sales in excess of a stipulated annual amount. Percentage rents accounted for approximately 7% of the total 1997 rental revenue of the Company.

In 1997, approximately 11.3% of the Company's total rents were derived from current leases of office space and specialized computer facilities with two agencies of the State of Florida at

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the Northwood Centre in Tallahassee, Florida; the Florida Department of Health and Rehabilitative Services (6.7%) and the Florida Department of Business Professional Regulation (4.6%). Leases with these Florida agencies contain customary conditions, required under Florida law, permitting state agency tenants to cancel their leases upon six months' notice in the event that state-owned office facilities in the same county become available. These leases do not provide for early termination penalties. The exercise by either of these state agencies of these cancellation provisions would have an unfavorable impact on the Company's revenues unless the Company could successfully relet the space once vacated. The Company is unaware of any such state owned facility currently available which would result in either of these agencies cancelling their leases. Furthermore, the State of Florida tenants increased their leased space at the Northwood Centre during fiscal 1997 by approximately 19,000 square feet. The Florida Department of Health and Rehabilitative Services lease term expires July 31, 1999, and it has five two-year renewal options. The Florida Department of Business and Professional Regulation lease term expires April 30, 1999. The Company would be adversely affected in the event that any current state agency tenants do not renew their leases or negotiate a new lease. During fiscal 1997, the Company also received approximately 10.0% of its total rents under leases with the Kmart Corporation at nine locations. The Company received no more than 5.5% of its total rents from any other single tenant.

Six of the Company's shopping center properties are subject to long-term ground leases in which a third party owns and has leased the underlying land to the Company. The Company pays rent for the use of the land and is responsible for all costs and expenses associated with the building and improvements.

The following sets forth more specific information with respect to each of the Company's properties at December 31, 1997:

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SHOPPING CENTER PROPERTY	LOCATION	YEAR		OWNERSHIP INTEREST	LAND AREA (ACRES)	MARK CENTERS TRUST PROPERTY LIST		ANCHOR TENANTS CURRENT LEASE EXPIR LEASE OPTION EXPIR
		CONSTRUCTED (C) ACQUIRED (A)				LEASABLE AREA SQ FT	% LEASED (4) 12/31/97	
PENNSYLVANIA AMES PLAZA	SHAMOKIN	1966 (C)		FEE	17.6	98,210	92%	Ames 2000/2013
MARK PLAZA	EDWARDSVILLE	1968 (C)		LI (1)	20.2	216,406	100%	Kmart 1999/2049 Redner's Markets Inc(6)
MONROE PLAZA	STROUDSBURG	1964 (C)		FEE (1)	7.8	130,569	100%	Ames 1999/2019 Shoprite 2005/2023
VALMONT PLAZA	WEST HAZLETON	1985 (A)		FEE	26.0	200,164	98%	Hills 2007/2027 BiLo 2008/2027

CIRCLE PLAZA	SHAMOKIN DAM	1978 (C)	FEE	21.0	92,171	100%	Kmart 2004/2054
DUNMORE PLAZA	DUNMORE	1975 (A)	FEE (5)	6.0	45,380	100%	Price Chopper 2000/2020 Eckerd Drug 2004/2019
LUZERNE STREET SHOPPING CENTER	SCRANTON	1983 (A)	FEE	4.6	57,715	100%	Price Chopper 2004/2024 Eckerd Drug 2004/2019
TIOGA WEST	TUNKHANNOCK	1965 (C)	FEE	17.2	122,338	100%	BiLo 2014/2024 Ames 2000/2015
BLACKMAN PLAZA	WILKES-BARRE	1968 (C)	FEE (2)	9.7	121,206	97%	Kmart 1999/2049

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MARK CENTERS TRUST PROPERTY LIST							
SHOPPING CENTER PROPERTY	LOCATION	YEAR	OWNERSHIP INTEREST	LAND AREA (ACRES)	LEASABLE	% LEASED (4) 12/31/97	ANCHOR TENANTS
		CONSTRUCTED (C) ACQUIRED (A)			AREA SQ FT		CURRENT LEASE EXPIR LEASE OPTION EXPIR
PENNSYLVANIA BIRNEY MALL	MOOSIC	1968 (C)	FEE	28.3	193,899	100%	Kmart 1999/2049 Consolidated Stores 2003/2008
PLAZA 15	LEWISBURG	1995 (A)	FEE	16.4	113,530	98%	Weis Market 2001/2021 Ames 2001/2021
GREEN RIDGE PLAZA	SCRANTON	1986 (C)	FEE	16.1	197,622	100%	Hills 2007/2037 BiLo 2008/2017
EAST END CENTRE	WILKES-BARRE	1986 (C)	FEE	40.3	304,754	95%	Hills 2007/2037 PharMor 2003/2017 Price Chopper 2008/2028 Dunham's Sporting Goods 2007/2017
MOUNTAINVILLE SHOPPING CENTER	ALLENTOWN	1983 (A)	FEE	11.4	114,801	97%	Acme 1999/2028 Klings Handyman 1999/2009
PLAZA 422	LEBANON	1972 (C)	FEE	13.4	154,791	95%	Hills 2001/2021
KINGSTON PLAZA	KINGSTON	1982 (C)	FEE	13.7	64,824	100%	Price Chopper 2006/2026
25TH STREET SHOPPING CENTER	EASTON	1993 (A)	FEE	16.2	131,477	100%	CVS Inc. 2005/2010
BRADFORD TOWNE CENTRE	TOWANDA	1993 (C)	FEE	48.0	257,319	97%	Kmart 2019/2069 P&C Foods 2014/2024 JC Penney 2009/2044

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MARK CENTERS TRUST PROPERTY LIST							
SHOPPING CENTER PROPERTY	LOCATION	YEAR	OWNERSHIP INTEREST	LAND AREA (ACRES)	LEASABLE	% LEASED (4) 12/31/97	ANCHOR TENANTS
		CONSTRUCTED (C) ACQUIRED (A)			AREA SQ FT		CURRENT LEASE EXPIR LEASE OPTION EXPIR
PENNSYLVANIA							

SHILLINGTON PLAZA	READING	1994 (A)	FEE	20.3	150,742	100%	Kmart 1999/2049 Weis Market 1999/2019
ROUTE 6 MALL	HONESDALE	1994 (C)	FEE	23.0	175,482	100%	Kmart 2020/2070 Eckerd Drug 2011/2025
PITTSTON PLAZA	PITTSTON	1994 (C)	FEE	10.2	79,568	97%	BiLo 2015/2025
UNION PLAZA	NEW CASTLE	1996 (C)	FEE	118.0	217,992	100%	Sears 2011/2031 Hills 2017/2026 Peebles 2018/2026
FLORIDA							
SEARSTOWN MALL	TITUSVILLE	1984 (A)	FEE	28.5	263,609	76%	Sears 1998/2013 United Artist 2005/2015
NEW SMYRNA BEACH SHOPPING CENTER	NEW SMYRNA BEACH	1983 (A)	FEE	9.6	100,430	85%	DeMarsh Theater 2005/2015
NORTHWOOD CENTRE	TALLAHASSEE	1985 (A)	FEE	34.1	499,636	90%	FL Dept of HRS 1999/2009 FL Dept of Business and Professional Regulation 1999 Publix 2005/2025
ALABAMA							
NORMANDALE CENTRE	MONTGOMERY	1985 (A)	FEE	30.0	295,591	42%	Winn Dixie 2008/2033
MIDWAY PLAZA	OPELIKA	1984 (A)	FEE	21.6	207,538	74%	Office Depot 2007/2022 Carmike Cinema 2005/2015

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SHOPPING CENTER PROPERTY	LOCATION	YEAR CONSTRUCTED (C) ACQUIRED (A)	OWNERSHIP INTEREST	LAND AREA (ACRES)	MARK CENTERS LEASABLE AREA SQ FT	TRUST PROPERTY LIST % LEASED(4) 12/31/97	ANCHOR TENANTS	
							CURRENT LEASE EXPIR	LEASE OPTION EXPIR
ALABAMA								
NORTHSIDE MALL	DOTHAN	1986 (A)	FEE (1)	36.2	382,498	93%	Wal-Mart 1999/2029 Montgomery Ward (7) 1999/2014 Goody's 2003/2018	
SOUTH CAROLINA MARTINTOWN PLAZA	N. AUGUSTA	1985 (A)	LI (1)	18.8	133,878	97%	Belk's Store 2004/2024 Bargain Town 1999	
WESMARK PLAZA	SUMTER	1986 (A)	FEE	26.0	215,198	78%	Staples 2005/2015 Old America Store 2007/2012	
NEW YORK NEW LOUDON CENTER	LATHAM	1982 (A)	FEE	26.1	251,725	70%	Price Chopper 2015/2035 HomePlace Stores (7) 2011/2026 Marshalls 2004	
TROY PLAZA	TROY	1982 (A)	FEE	12.3	128,479	93%	Ames 2001/2016 Price Chopper 1999/2014	
NEW JERSEY LEDGEWOOD MALL	LEDGEWOOD	1983 (A)	FEE	46.0	507,080	89%	Marshalls 2002/2017 Pharmhouse 1999/2014 The Sports' Authority 2007/2037 Stern's 2005/2030	
MANAHAWKIN VILLAGE SHOPPING CENTER	MANAHAWKIN	1993 (A)	FEE	20.6143	737	95%	Kmart 2019/2069	

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YEAR MARK CENTERS TRUST PROPERTY LIST
LEASABLE % ANCHOR TENANTS

SHOPPING CENTER PROPERTY	LOCATION	CONSTRUCTED (C) ACQUIRED (A)	OWNERSHIP INTEREST	LAND AREA (ACRES)	AREA SQ FT	LEASED (4) 12/31/97	CURRENT LEASE EXPIR LEASE OPTION EXPIR
NEW JERSEY							
BERLIN SHOPPING CENTER	BERLIN	1994 (A)	FEE	22.0	187,296	85%	Kmart 1999/2049 Acme 2005/2015
MASSACHUSETTS							
CRESCENT PLAZA	BROCKTON	1984 (A)	FEE (3)	22.5	216,095	99%	Bradlees (7) 2009/2027 Shaws 2012/2042
VIRGINIA							
KINGS FAIRGROUND	DANVILLE	1992 (A)	LI (1)	15.2	118,535	100%	Schewel Furniture 2001/2011 The Kroger Co 2002/2012
GEORGIA							
CLOUD SPRINGS PLAZA	FT. OGELTHORPE	1985 (A)	FEE	12.2	113,367	96%	Food Lion 2011/2031 Consolidated Stores 2000/2005 Badcock Furniture 2000/2010
MAINE							
AUBURN PLAZA	AUBURN	1994 (A)	LI (1) (Partial) FEE	28.4	259,218	61%	Hoyt Cinema 2005/2020 Service Merchandise 2011/2090 T.J. Maxx 2000/2015
TOTAL OPERATING PROPERTIES					7,264,870	89%	

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<FN>

<F1>

(1) The Company is ground lessee under long-term ground leases having at least 60 years remaining in term (including options) at existing rental rates.

<F2>

(2) The Company's interest in the land has been leased to, and a fee interest in the improvements is held by, an industrial development authority for the benefit of an affiliated entity subject to a mortgage to a third party. The Company's interest in the land is also subject to that mortgage. The Company manages the property and, after making debt service payments and paying a fixed fee to said entity, retains all remaining cash flow as ground rent. In accordance with the terms of the ground lease, the Company receives and accounts for most of its income from this property as percentage rent.

<F3>

(3) During the term of its lease, Bradlees has a right of first refusal in the event that the Company sells all or a portion of Crescent Plaza giving it the right to purchase on the same terms as a bona fide offer from a third party.

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(4) Includes space leased for which rent is being paid but which is not presently occupied or space that is leased but rent has not commenced.

<F5>

(5) The Company holds a fee interest in a portion of Dunmore Plaza and an equitable interest in the land on the remaining portion. The fee for this remaining portion is held by an industrial development authority and the equitable interest in the building on such remaining portion is held by an unrelated entity. The Company receives and accounts for most of its income from this property as percentage rent.

<F6>

(6) Leased premises is currently under construction.

<F7>

(7) The tenant is currently operating under Chapter 11 of the United States Bankruptcy laws and has neither affirmed nor rejected the lease.

</FN>

Item 3. Legal Proceedings

On November 20, 1995, Jack Wertheimer, the former President of the Company, filed a complaint against the Company, its Trustees including the Principal Shareholder, and the Company's former in-house General Counsel and current Chief Financial Officer in the United States District Court for the Middle District of Pennsylvania. The complaint, which was filed in connection with the termination of Mr. Wertheimer's employment, includes many of the allegations raised in a state court proceeding commenced by Mr. Wertheimer in November 1994. The Federal court complaint also includes a civil RICO action in which Mr. Wertheimer alleges that the Board of Trustees of the Company conspired with the Principal Shareholder to terminate Mr. Wertheimer's employment as part of the Principal Shareholder's breach of his duty of good faith and fair dealing. Further, Mr. Wertheimer alleges that the above defendants engaged in securities fraud in connection with the Offering and that the Principal Shareholder has defrauded or overcharged the Company in corporate transactions. The Federal complaint seeks treble damages under RICO, as well as damages arising from Mr. Wertheimer's alleged termination of employment, invasion of privacy, intentional infliction of emotional distress, fraud and misrepresentation. The Company and all defendants filed motions to dismiss the RICO and tort claims which the court, on December 9, 1996, granted in part and denied in part. Specifically, the court dismissed Mr. Wertheimer's claims for wrongful discharge, fraud and negligence misrepresentation, but declined to dismiss the remainder of the claims at this time. On January 23, 1997, the defendants filed an answer to Mr. Wertheimer's complaint. In the answer, the defendants denied all allegations of wrongdoing, and intend to vigorously defend against all of the counts. The Company and the Principal Shareholder have also filed counterclaims against Mr. Wertheimer alleging Mr. Wertheimer made material misrepresentations in connection with his hiring and breached his employment contract and fiduciary duties to the Company.

The Company is involved in other various matters of litigation arising in the normal course of business. While the Company is unable to predict with certainty the amounts involved, the Company's management and counsel are of the opinion that, when such litigation is resolved, the Company's resulting liability, if any, will not have a significant effect on the Company's consolidated financial position.

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Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the fourth quarter of 1997.

PART II

Item 5. Market for the Registrant's Common Equity and Related Shareholder Matters

(a) Market Information

The following table shows, for the period indicated, the high and low sales price for the Shares as reported on the New York Stock Exchange (the "NYSE"), and cash dividends paid during the two years ended December 31, 1997 and 1996.

Quarter Ended	High	Low	Dividend Per Share
1997			
March 31, 1997	11 3/4	10 1/8	\$.36
June 30, 1997	10 7/8	8 7/8	.20
September 30, 1997	9 9/16	8 15/16	.20
December 31, 1997	9 7/16	8 3/4	(1)
1996			
March 31, 1996	12 3/4	10 1/2	.36
June 30, 1996	11	9 3/4	.36

September 30, 1996	11 3/4	10		.36
December 31, 1996	11 1/4	9 3/4		.36

(1) To be determined by the Trustees in 1998

At March 31, 1998, there were 239 holders of record of the Shares.

(b) Dividends

The Company has determined that 34.50% and 35.06% of the total dividends distributed to shareholders in fiscal years 1997 and 1996, respectively, represented ordinary income, while the remaining 65.50% and 64.94%, respectively, represented return of capital. The Company's cash flow is affected by a number of factors, including the revenues received from rental properties, the operating expenses of the Company, the interest expense on its borrowings, the ability of lessees to meet their obligations

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(b) Dividends, continued
to the Company and unanticipated capital expenditures. Future dividends paid by the Company will be at the discretion of the Trustees and will depend on the actual cash flows of the Company, its financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Trustees deem relevant. In the event that the transaction described in Item 1 is consummated, the Company's dividend policy would likely be affected.

Item 6. Selected Financial Data

The following table sets forth, on a historical basis, selected financial data for the Company and MDG which, for accounting purposes only, is considered the Predecessor entity to the Company. This information should be read in conjunction with the audited consolidated financial statements of the Company and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this Form 10-K.

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MARK CENTERS TRUST				MARK DEVELOPMENT GROUP	
Year Ended	Year Ended	Year Ended	Year Ended	Seven Months Ended	Five Months Ended
12/31/97	12/31/96	12/31/95	12/31/94	12/31/93	5/31/93

OPERATING DATA:

Revenue:						
Minimum rents	\$33,669	\$33,695	\$32,740	\$27,543	\$12,971	\$ 9,267
Percentage rents	3,183	2,795	3,340	2,505	1,644	1,147
Expense reimbursements	6,632	6,559	6,431	5,220	2,629	1,687
Other	1,014	747	821	1,065	961	72
	-----	-----	-----	-----	-----	-----
Total revenue	44,498	43,796	43,332	36,333	18,205	12,173
	-----	-----	-----	-----	-----	-----
Operating expenses	17,055	18,260	16,374	14,797	7,718	5,182
Interest and other financing expense	15,444	12,733	10,598	5,763	2,094	5,172
Depreciation and amortization	13,768	13,398	11,820	9,066	3,945	2,934
	-----	-----	-----	-----	-----	-----
	46,267	44,391	38,792	29,626	13,757	13,288
	-----	-----	-----	-----	-----	-----
(Loss) income before gain on sale, reorganization costs, extraordinary items and minority interest	(1,769)	(595)	4,540	6,707	4,448	(1,115)
(Loss) gain on sale of land	(12)	21	93	305	--	--
Reorganization costs	--	--	--	--	(2,629)	--
Extraordinary items	--	(190)	--	--	194	--
	-----	-----	-----	-----	-----	-----
(Loss) income before minority interest	(1,781)	(764)	4,633	7,012	2,013	(1,115)
Minority interest	217	40	(833)	(1,222)	(321)	39
	-----	-----	-----	-----	-----	-----
Net (loss) income	\$ (1,564)	\$ (724)	\$ 3,800	\$ 5,790	\$ 1,692	\$ (1,076)
	=====	=====	=====	=====	=====	=====

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MARK CENTERS TRUST

MARK DEVELOPMENT

	Year Ended 12/31/97	Year Ended 12/31/96	Year Ended 12/31/95	Year Ended 12/31/94	Seven Months Ended 12/31/93	Five Months Ended 5/31/93
Net (loss) income per Common Share						
- basic and diluted	\$ (0.18)	\$ (.08)	\$ 0.44	\$ 0.68	\$ 0.20	
	=====	=====	=====	=====	=====	
Weighted average number of Common Shares outstanding						
- basic	8,551,930	8,546,553	8,540,631	8,533,688	8,445,493	
	=====	=====	=====	=====	=====	
- diluted (1)	8,551,930	8,546,553	8,563,466	8,563,529	8,490,114	
	=====	=====	=====	=====	=====	
Funds from Operations (2)	\$10,827	\$12,372	\$15,281	\$14,831	\$8,262	
	=====	=====	=====	=====	=====	
Funds from Operations per share(3)	\$ 1.06	\$ 1.22	\$ 1.50	\$ 1.46	\$ 0.81	
	=====	=====	=====	=====	=====	
BALANCE SHEET DATA:						
Real estate before accumulated depreciation	\$311,688	\$307,411	\$291,157	\$278,611	\$210,133	\$163,095
Total assets	254,500	258,517	249,515	242,483	180,083	127,968
Total mortgage indebtedness	183,943	172,823	151,828	124,410	61,578	150,392
Minority interest-						
Operating Partnership	9,244	10,752	13,228	14,827	16,049	--
Total equity (deficit)	48,800	56,806	69,779	78,183	84,606	(32,993)

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<FN>

<F1>

(1) Due to a net loss for the years ended December 31, 1997 and 1996, the weighted average number of shares outstanding on a diluted basis is not presented as the inclusion of additional shares is anti-dilutive.

<FN2>

(2) The Company, along with most industry analysts, consider funds from operations ("FFO") as defined by the National Association of Real Estate Investment Trusts ("NAREIT") as an appropriate supplemental measure of operating performance. However, FFO does not represent cash generated from operations as defined by generally accepted accounting principles and is not indicative of cash available to fund cash needs. It should not be considered as an alternative to net income for the purpose of evaluating the Company's performance or to cash flows as a measure of liquidity. Generally, NAREIT defines FFO as net income (loss) before gains (losses) on sales of property, non-recurring charges and extraordinary items, adjusted for certain non-cash charges, primarily depreciation and amortization of capitalized leasing costs.

<FN3>

(3) Includes OP units

</FN>

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements of the Company (including the related notes thereto) appearing elsewhere in this Form 10-K. The Company effectively commenced its operations on June 1, 1993 with the completion of its initial public offering.

Certain statements made in this report may constitute "forward-looking statements" within the meaning of the federal securities laws. Such statements are inherently subject to risk and uncertainties which may cause the actual results to differ materially from the future results implied by such forward-looking statements. Factors which might cause such differences include general economic conditions, adverse changes in the real estate markets in general and in the geographic regions in which the Company's properties are located, changes in interest rates, potential bankruptcy of tenants and environmental requirements.

RESULTS OF OPERATIONS

Comparison of the year ended December 31, 1997 ("1997") to the year ended December 31, 1996 ("1996").

Total revenue increased \$702,000, or 2%, to \$44.5 million in 1997 compared to \$43.8 million in 1996.

In total, minimum rents of \$33.7 million for 1997 were essentially unchanged from 1996. Increases in minimum rents of \$757,000 and \$102,000 were achieved in 1997 following the completion of the development of Phase I of the Union Plaza and completion of the initial lease-up of the Pittston Plaza following its construction in 1996, respectively. A \$680,000 increase in minimum rents was realized throughout the remaining portfolio, except at those properties as noted below, primarily from rents received following the installation of new tenants in excess of rents lost due to vacating tenants. These increases were, however, offset by declines in minimum rent for 1997 of (i)\$1.1 million at the Ledgewood Mall and Auburn Plaza following the loss of two anchor tenants during 1996 as well as certain remaining tenants at these two centers paying percentage rent in lieu of minimum rent pursuant to anchor cotenancy requirements, (ii)\$338,000 at the Normandale Mall primarily as a result of the

State of Alabama Department of Public Health vacating its leased space following the expiration of its leases in April 1997 and (iii) \$155,000 following the sale of the Newberry Plaza in March 1997.

Percentage rents increased \$388,000, or 14%, to \$3.2 million for 1997 compared to \$2.8 million for 1996 primarily as a result of tenants paying percentage rent in lieu of minimum rents at the Ledgewood Mall and Auburn Plaza as previously discussed.

Expense reimbursements of \$6.6 million for 1997, which represent the pass-through of certain property expenses to the tenants, were essentially unchanged from 1996. Increases relating to the pass-through of higher real estate taxes in 1997 were offset by a decline in expense reimbursements as a result of a decrease in other property operating expenses in 1997, and by a decrease in expense reimbursements following the loss of anchor tenants at the Ledgewood Mall and Auburn Plaza as previously discussed.

Other income increased \$267,000, or 36%, to \$1.0 million for 1997 compared to \$747,000 for 1996 primarily as a result of an increase in interest earned on mortgage escrows in connection with financings with Morgan Stanley Mortgage Capital, Inc. and Nomura Asset Capital Corporation.

Total 1997 operating expenses decreased \$443,000, or 1%, to \$30.8 million compared to \$31.3 million in 1996.

Property operating expenses decreased \$759,000, or 8%, to \$9.0 million for 1997 from \$9.8 million for 1996, primarily due to the establishment of a \$425,000 reserve in 1996 for estimated environmental remediation costs and related consulting fees related to two properties (See "Business-Environmental Matters") and a decrease in winter related costs due to the comparatively mild winter experienced in the Northeast during 1997.

Real estate taxes increased \$406,000, or 8%, to \$5.7 million for 1997 from \$5.3 million for 1996 primarily due to the expiration of a ten-year development abatement at the Greenridge Plaza and increases in assessed property values as a result of recent development and expansion activities.

Depreciation and amortization increased \$370,000, or 3%, to \$13.8 million for 1997 from \$13.4 million for 1996 primarily due to an increase in depreciation expense following the completion of the development of Phase I of the Union Plaza in October 1996.

General and administrative expense decreased \$460,000, or 16%, to \$2.4 million for 1997 from \$2.8 million for 1996 primarily due to the write-off during 1996 of non-recurring costs totalling \$492,000 as a result of the Company's decision to terminate certain acquisition and development activities.

Net interest expense increased \$2.7 million, or 21%, to \$15.4 million in 1997, compared to \$12.7 million in 1996 due to higher borrowing levels primarily associated with development and tenant replacement activities.

The loss before minority interest for 1997 was \$1.8 million, representing an increased loss of \$1.0 million compared to the loss before minority interest of \$764,000 for 1996 due to the above items, as well as a \$392,000 loss in 1996 on the reduction in the carrying value of certain property held for sale and \$190,000 in extraordinary expense for 1996 related to certain 1996 refinancings.

RESULTS OF OPERATIONS

Comparison of the year ended December 31, 1996 ("1996") to the year ended December 31, 1995 ("1995").

Total revenue increased \$464,000, or 1% to \$43.8 million in 1996 compared to \$43.3 million in 1995. This increase was attributable to increases in minimum rents and expense reimbursements partially offset by decreases in percentage rents and other income.

Minimum rents increased \$955,000, or 3%, in 1996 primarily as a result of the inclusion of a full year of results from the acquisition of the Plaza 15 Shopping Center in July 1995 and the development of the Route 6 Mall opened in April 1995, and from the development of the Pittston Plaza completed in June 1996 and completion of Phase I of development at the Union Plaza.

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Expense reimbursements, which represent the pass-through of certain property expenses to the tenants, increased \$128,000, or 2%, from \$6.4 million in 1995 to \$6.5 million in 1996. The increase was primarily due to increases in property operating expenses and real estate taxes.

Percentage rents, representing the Company's participation in tenants' gross sales above predetermined thresholds, decreased \$545,000, or 16%, to \$2.8 million in 1996 compared to \$3.3 million in 1995. This decrease was primarily attributable to timing differences effecting the period that tenant sales figures were received and percentage rent recognized.

Additionally, 1996 revenues were unfavorably impacted by the loss of two anchor tenants during 1996 as a result of bankruptcies (Jamesway at the Ledgewood Mall, for which a replacement anchor tenant has been signed, and Rich's at the Auburn Plaza) which resulted in a decline in total revenues at the two properties totalling \$984,000.

Total 1996 operating expenses, including depreciation and amortization increased \$3.1 million, or 11%, to \$31.3 million compared to \$28.2 million in 1995. Of this increase, a \$1.4 million increase in depreciation expense was related to increased investments in properties as a result of acquisition, development and expansion activities. The remaining \$1.7 million increase was a result of several factors including: (i) a \$496,000 increase in real estate taxes due primarily to acquisition, development and expansion activities, (ii) increased winter related costs of \$469,000 due to the extremely harsh winter experienced in the Northeast during the first quarter of 1996, (iii) the establishment of a \$425,000 reserve for estimated environmental remediation costs and related consulting fees related to two properties (See "Business-Environmental Matters") and (iv) a \$253,000 increase in bad debt expense primarily as a result of certain tenant bankruptcies offset by repair work completed at certain properties below initial insurance estimates.

Net interest expense and financing fees increased \$2.1 million, or 20%, to \$12.7 million in 1996, compared to \$10.6 million in 1995 primarily due to higher borrowing levels associated with acquisition, development, expansion and tenant replacement activities.

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As a result of the foregoing, and in addition to a \$392,000

reduction in the carrying value of certain property held for sale in 1996 (See Note 13 to the consolidated financial statements) and extraordinary expenses of \$190,000 related to the write-off of deferred financing costs in 1996, the loss before minority interest for 1996 was \$764,000, representing a decrease of \$5.4 million from income before minority interest of \$4.6 million for 1995.

LIQUIDITY AND CAPITAL RESOURCES

The Company is in the late stages of negotiation of a significant transaction which will provide additional properties and capital to the Company. If the transaction as described in Item 1 is completed as anticipated in the current negotiations, the Company's liquidity and capital resources would be significantly impacted.

During 1997, the Company invested \$11.8 million in its property portfolio (of which \$3.3 million was included in accounts payable as of December 31, 1996), including \$6.5 million for new development, \$3.5 million for renovation and tenant replacement at existing centers, \$1.2 million for deferred leasing and other charges and \$624,000 for non-revenue generating capital expenditures at the properties. As a significant portion of the Company's funds from operations are distributed to shareholders, the principal sources of funding for the Company's investment activity has historically been through permanent debt financing as well as short-term construction and line of credit borrowing from various lenders.

Total debt outstanding at December 31, 1997 and 1996 was \$183.9 million and \$172.8 million, respectively. The \$11.1 million increase in debt was primarily a result of funding the 1997 investment activity. At December 31, 1997, \$174.2 million, or 95%, of the outstanding debt was carried at a fixed rate and the remaining \$9.7 million, or 5%, at variable rates. Of the total outstanding debt, \$100.6 million will mature by December 31, 2000, with scheduled maturities of \$2.8 million in 1998, \$2.9 million in 1999 and \$94.9 million in 2000. As the Company currently does not anticipate having sufficient cash on hand to repay such indebtedness, it will need to refinance this indebtedness or select other alternatives based on market

conditions at that time. The Company believes that the current loan-to-value ratios on the collateral properties are at levels which would allow it to fully refinance these loans on commercially competitive terms.

On September 18, 1997, the Company closed on a \$5.5 million construction loan with Firsttrust Savings Bank ("Firsttrust") which refinanced and expanded the Company's existing \$2.0 million credit facility with Firsttrust. This construction loan, which is for the expansion of the Mark Plaza in Edwardsville, Pennsylvania, bears interest, payable monthly, at the Firsttrust commercial reference rate plus 1% and matures in March 1999.

On March 4, 1997, the Company closed on \$23.0 million of fixed rate financing from Nomura Asset Capital Corporation. The loan, which matures in March 2022, is secured by a mortgage on one of the Company's properties, bears interest at 9.02% and requires monthly payments of interest and principal amortized over 25 years. Approximately \$10.2 million of the proceeds were used to retire existing debt with Fleet Bank of Massachusetts, NA, \$673,000 was used to pay financing costs, \$3.0 million was deposited in escrows, and the remaining proceeds were used for working capital. The Company is subject to certain affirmative and negative covenants relating to this facility.

At December 31, 1997, other mortgage notes payable aggregated \$158.1 million and were collateralized by 35 properties and related tenant leases. Interest rates ranged from

7.7% to 9.11%. Mortgage payments are due in monthly installments of principal and/or interest and mature at various dates through 2021. The loan agreements contain customary representations, covenants and events of default. Certain loan agreements require the Company to comply with certain affirmative and negative covenants, including the maintenance of certain debt service coverage ratios. Additionally, the Principal Shareholder has personally guaranteed the repayment of mortgage loans with an aggregate balance of \$41.0 million at December 31, 1997 without consideration from the Company.

At December 31, 1997, the Company's capitalization consisted of \$183.9 million of debt and \$91.6 million of market equity (based on a December 31, 1997 market price of \$9.00 per share).

As part of the Company's ongoing strategic evaluation and realignment of its property portfolio, the Company completed the

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sale of the Newberry Plaza on March 5, 1997 for \$1.3 million, collecting \$1.2 million in net sales proceeds after closing costs and adjustments. The proceeds were used to supplement working capital.

The Company currently estimates that capital outlays for tenant improvements, related renovations and other property improvements will require \$12.4 million during 1998. Certain tenant improvement costs are being incurred earlier than anticipated because of early termination of leases due to tenant bankruptcies. Of these outlays, \$1.4 million is reflected in accounts payable as of December 31, 1997. Furthermore, the Company has entered into an agreement whereby it has agreed to pay a tenant at the Ledgewood Mall \$1.7 million to settle certain litigation (see "Business-Leasing and Expansion") so as to proceed with the installation of Walmart at the mall.

The Company anticipates that cash flow from operating activities will continue to provide adequate capital for all debt service payments, recurring capital improvements, as well as dividend payments in accordance with REIT requirements. However, the Company may experience a cash shortfall in 1998 if there are delays in obtaining construction financing to fund the above capital outlays. Any delays in construction financing will increase the Company's short term reliance on cash from operations to meet these commitments.

In order to meet part of its 1998 capital requirements, the Company obtained \$3.5 million in construction financing on January 28, 1998 with Royal Bank of Pennsylvania for the construction of a theater at the Manahawkin Village Shopping Center. The loan, which is secured by the center, requires monthly payment of interest only at the lender's prime rate plus 150 basis points and matures in February 1999 with additional extension periods available through February 2000. In addition, certain amounts currently escrowed with lenders as well as other debt and equity financing alternatives are expected to provide the necessary capital to fund the installation of tenants and achieve continued future growth.

The Company, along with most industry analysts, consider funds from operations ("FFO") as defined by the National Association of Real Estate Investment Trusts ("NAREIT") as an appropriate supplemental measure of operating performance. However, FFO does not represent cash generated from operations as

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defined by generally accepted accounting principles and is not indicative of cash available to fund cash needs. It should not be considered as an alternative to net income for the purpose of evaluating the Company's performance or to cash flows as a measure of liquidity. Generally, NAREIT defines FFO as net income

(loss) before gains (losses) on sales of property, non-recurring charges and extraordinary items, adjusted for certain non-cash charges, primarily depreciation and amortization of capitalized leasing costs.

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MARK CENTERS TRUST
FUNDS FROM OPERATIONS

For the Years Ended December 31, 1997 and 1996
(in thousands except per share data)

	For the year ended December 31,	
	1997	1996
Revenue		
Minimum rents(a)	\$33,360	\$33,396
Percentage rents	3,183	2,795
Expense reimbursements	6,632	6,559
Other	1,014	747
	-----	-----
Total revenue	44,189	43,497
	-----	-----
Expenses		
Property operating(b)	9,113	9,181
Real estate taxes	5,691	5,285
General and administrative	2,339	2,796
	-----	-----
Total operating expenses	17,143	17,262
	-----	-----
Operating income	27,046	26,235
Interest expense	15,444	12,733
Amortization of deferred financing costs	567	915
Depreciation of non-real estate assets	208	215
	-----	-----
Funds from operations	\$10,827	\$12,372
	=====	=====
Funds from operations per share (c)	\$ 1.06	\$ 1.22

	=====	=====
Reconciliation of funds from operations to net income determined in accordance with Generally Accepted Accounting Principles (GAAP)		
Funds from operations above	\$10,827	\$12,372
Depreciation of real estate and amortization of leasing costs	(12,993)	(12,268)
Straight-line rents and related write-offs (net)	176	164
(Loss) gain on sale of land	(12)	21
Adjustment (reserve) for environmental remediation costs	245	(425)
Adjustment to carrying value of property held for sale	--	(392)
Extraordinary item, write-off of deferred financing costs	--	(190)
Minority interest	217	40
Other non-cash adjustments	(24)	(46)
	-----	-----
Net loss	\$ (1,564)	\$ (724)
	=====	=====
Net loss per share		
- basic and diluted (d)	\$ (0.18)	\$ (0.08)
	=====	=====

- (a) Excludes income from straight-lining of rents.
- (b) Represents all expenses other than depreciation, amortization, write-off of unbilled rent receivables recognized on a straight-line basis and the non-cash charge for compensation expense related to the Company's restricted share plan.
- (c) Assumes full conversion of 1,623,000 OP Units into common shares of the Company for the years ended December 31, 1997 and 1996, respectively, for a total of 10,177,177 and 10,171,817 shares, respectively.
- (d) Net loss per share (basic and diluted) is computed based on the weighted average number of shares outstanding for the years ended December 31, 1997 and 1996 of 8,551,930 and 8,546,553, respectively.

Historical Cash Flow

The following discussion of historical cash flow compares the Company's cash flows for the year ended December 31, 1997 ("1997") with the year ended December 31, 1996 ("1996").

Net cash provided by operating activities decreased \$815,000 to \$13.2 million in 1997 from \$14.1 million in 1996. This decrease was primarily attributable to a \$1.3 million decrease in cash provided by net income as adjusted for non-cash expenses including depreciation, amortization, property carrying value adjustment and the write-off of deferred financing costs. This was offset by a \$525,000 increase in cash provided by changes in operating assets, primarily an increase in accounts payable related to operations in 1997.

Investing activities used \$10.5 million during 1997, a decrease of \$9.5 million from \$20.0 million for 1996 due primarily to greater development costs paid associated with the Union Plaza in New Castle, Pennsylvania in 1996.

Net cash used in financing activities was \$5.4 million for 1997, representing a \$12.2 million decrease from net cash provided by financing activities of \$6.8 million for 1996. This decrease is primarily attributable to a decrease in borrowings related to property investment in 1997.

Inflation

The Company's long-term leases contain provisions designed to mitigate the adverse impact of inflation on the Company's net income. Such provisions include clauses enabling the Company to receive percentage rents based on tenants' gross sales, which generally increase as prices rise, and/or, in certain cases, escalation clauses, which generally increase rental rates during the terms of the leases. Such escalation clauses are often related to increases in the consumer price index or similar inflation indexes. In addition, many of the Company's leases are for terms of less than 10 years, which permit the Company to seek to increase rents upon re-rental at market rates if rents are below the then existing market rates. Most of the Company's leases require the tenants to pay their share of operating expenses, including common area maintenance, real estate taxes, insurance and utilities, thereby reducing the Company's exposure to increases in costs and operating expenses resulting from inflation.

Recently Issued Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 establishes standards for publicly-held business enterprises to report information about operating segments in annual financial statements and requires that these enterprises report selected information about operating segments in interim financial reports issued to shareholders. SFAS 131 is effective for financial statements for years beginning after December 15, 1997. The Company plans to adopt SFAS 131 in 1998.

Year 2000 Compliance

The Company is in the process of evaluating its major information systems to verify that they are Year 2000 compliant. If these systems are not compliant, the appropriate upgrades will be purchased. The cost of any required upgrades are not anticipated to be significant. In addition, the Company is communicating with its customers, suppliers and service providers to determine whether they are actively involved in projects to

ensure that their products and business systems will be Year 2000 compliant. The Company is not aware of any significant Year 2000 issues involving its customers, suppliers or service providers.

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Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data listed in items 14(a) (1) and 14(a) (2) hereof are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

PART III

Item 10. Directors and Executive Officers of the Company

This item is incorporated by reference from the definitive proxy statement for the Annual Meeting of Shareholders presently scheduled to be held on June 12, 1998, to be filed pursuant to Regulation 14A.

Item 11. Executive Compensation

This item is incorporated by reference from the definitive proxy statement for the Annual Meeting of Shareholders presently scheduled to be held on June 12, 1998, to be filed pursuant to Regulation 14A.

Item 12. Security Ownership of Certain Beneficial Owners and Management

This item is incorporated by reference from the definitive proxy statement for the Annual Meeting of Shareholders presently scheduled to be held on June 12, 1998, to be filed pursuant to Regulation 14A.

Item 13. Certain Relationships and Related Transactions

This item is incorporated by reference from the definitive proxy statement for the Annual Meeting of Shareholders presently scheduled to be held on June 12, 1998, to be filed pursuant to Regulation 14A.

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PART IV

Item. 14. Exhibits, Financial Statements, Schedules and Reports on Form 8-K

- | | | |
|--------|---------------------------------------|-------------|
| (a) 1. | Financial Statements - | Form 10-K |
| | The following consolidated financial | Report Page |
| | information is included as a separate | |
| | section of this annual report on | |
| | Form 10-K | |

MARK CENTERS TRUST

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All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule.

3. Exhibits

Exhibit No.

3.1	Declaration of Trust of the Company, as amended	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1994
3.2	By-Laws of the Company	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form S-11 (File No.33-60008) ("Form S-11")

10.1	Agreement of Limited Partnership of Mark Centers Limited Partnership	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11
10.2	Loan Agreement between the Company and Metropolitan Life Insurance Company	Incorporated by reference to the copy thereof filed as exhibit to Amendment No. 3 to the Company's Form S-11
10.3(a)	Loan Agreement between the Company and Fleet Bank of Massachusetts, N.A.	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11
10.3(b)	First Amended and Restated Loan Agreement between the Company and Fleet National Bank dated May 30, 1995	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1995
10.3(c)	Amendment Number One to the First Amended and Restated Assumption, Extension and Loan Agreement between the Company and Fleet National Bank dated December 6, 1995	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1995
10.3(d)	Amendment Number Two To the First Amended and Restated Assumption, Extension and Loan Agreement between the Company and Fleet National Bank	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended September 30, 1996

- 10.3(e) Amendment Number Three to the First Amended and Restated Assumption, Extension and Loan Agreement between the Company and Fleet National Bank Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended June 30, 1997
- 10.4 Acquisition Option Agreement between the Company and Marvin L. Slomowitz Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11
- 10.5(a) Option Agreement between the Company and the Principal Shareholder allowing the Company to acquire certain properties from the Principal Shareholder Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11
- 10.5(b) Amendment to the Option Agreement between the Company and the Principal Shareholder Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1993
- 10.5(c) Agreement of Sale and Purchase (Hudson, New York) between the Company and Marvin L. Slomowitz dated February 27, 1996 Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1995
- 10.5(d) Agreement of Sale and Purchase (New Castle, Pennsylvania) between the Company and Marvin L. Slomowitz dated February 19, 1996 Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1995
- 10.5(e) Termination of Option Agreements between the Company and the Principal Shareholder to acquire certain properties Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended June 30, 1996

- 10.5(f) Option Agreement between the Company and the Principal Shareholder allowing the Company to acquire a certain property from the Principal Shareholder Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended June 30, 1996
- 10.5(g) First Amendment to Agreement of Sale and Purchase (Hudson, NY) between the Company and Marvin L. Slomowitz Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended June 30, 1996
- 10.5(h) Option Purchase Agreement between the Company and the Principal

Shareholder allowing
the Company to acquire
a certain property from
the Principal Shareholder

10.5(i) Termination of Option
to Purchase (Lewisburg)
between the Company and
the Principal Shareholder

*10.6(a) Share Option Plan Incorporated by reference to
the copy thereof filed as an
exhibit to Amendment No. 3 to
the Company's Form S-11

*10.6(b) Mark Centers Trust
1994 Share Option
Plan Incorporated by reference to
the copy thereof filed as an
exhibit to the Company's
Form S-8 filed August 17,
1995

*10.6(c) Mark Centers Trust
1994 Non-Employee
Trustees' Share
Option Plan Incorporated by reference to
the copy thereof filed as an
exhibit to the Company's Form
S-8 filed August 17, 1995

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*10.7 Restricted Share Plan Incorporated by reference to
the copy thereof filed as an
exhibit to Amendment No. 3 to
the Company's Form S-8 filed
June 15, 1994

*10.8 Noncompetition
Agreement between
Marvin L. Slomowitz
and the Company Incorporated by reference
to the copy thereof filed as
an exhibit to Amendment No. 3
to the Company's Form S-11

*10.9 Form of Severance
Agreement between the
Company and certain
executive officers Incorporated by reference
to the copy thereof filed
as an exhibit to Amendment
No. 3 to the Company's
Form S-11

10.10 Form of Lock-Up
Agreement between the
Company and its
Trustees and
executive officers Incorporated by reference
to the copy thereof filed as
an exhibit to Amendment No. 3
to the Company's Form S-11

10.11 Form of Agreement
of Purchase and Sale
for the properties Incorporated by reference
to the copy thereof filed as
an exhibit to Amendment No. 3
to the Company's Form S-11

10.12 Form of Lease for
headquarters Incorporated by reference to
the copy thereof filed as an
exhibit to Amendment No. 3
to the Company's Form S-11

10.13(a) Management Agreements Incorporated by reference to
the copy thereof filed as an
exhibit to Amendment No. 3
to the Company's Form S-11

10.13(b) Termination of
Management Agreements Incorporated by reference to
the copy thereof filed as an
exhibit to the Company's Form
10-Q filed for the quarter
ended June 30, 1996

- 10.14 Form of Registration Rights Agreement Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 4 to the Company's Form S-11
- 10.15 Agreement of Purchase and Sale between Mark Centers Limited Partnership, a Delaware limited partnership and Manahawkin Route 72 L.P. dated November 23, 1993 Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 8-K filed on December 30, 1993
- 10.16 Agreement of Purchase and Sale between Mark Centers Limited Partnership, a Delaware limited partnership, and Twenty-Fifth Street Associates, L.P. dated November 23, 1993 Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 8-K filed on December 30, 1993
- 10.17(a) Loan Agreement between the Company and Mellon Bank, N.A. Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1994
- 10.17(b) First Amendment to Revolving Credit Loan Agreement between the Company and Mellon Bank, N.A. dated November 15, 1995 Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1995
- 10.17(c) Second Amendment to Revolving Credit Loan Agreement between the Company and Mellon Bank, N.A. dated February 29, 1996 Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1995

- 10.17(d) Third Amendment To Revolving Credit Loan Agreement between the Company and Mellon Bank, N.A. Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended September 30, 1996
- 10.17(e) Fourth Amendment to Revolving Credit Loan Agreement between the Company and Mellon Bank, N.A. Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended June 30, 1997
- 10.17(f) Fifth Amendment to Revolving Credit Loan Agreement between the Company and Mellon Bank, N.A.
- 10.18 Form of Loan Agreement together with Form of First Mortgage and Security Agreement Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal

between the Company and year ended December 31, 1995
John Hancock Mutual Life
Insurance Company dated
March 15, 1995

- 10.19 Construction Loan Incorporated by reference
Agreement between the to the copy thereof filed as
Company and Mellon Bank, an exhibit to the Company's
N.A. dated November 15, Form 10-K filed for the fiscal
1995 year ended December 31, 1995
- 10.20(a) Loan Agreement between Incorporated by reference
the Company and to the copy thereof filed as
Firsttrust Bank dated an exhibit to the Company's
December 21, 1995 Form 10-K filed for the fiscal
year ended December 31, 1995
- 10.20(b) Amendment to Mortgage Incorporated by reference to
and Assignments of the copy thereof filed as an
Rents and Leases between exhibit to the Company's Form
the Company and 10-Q filed for the quarter
Firsttrust Bank ended June 30, 1996

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- 10.20(c) Construction and/or Incorporated by reference to
Development Loan the copy thereof filed as an
Agreement between exhibit to the Company's Form
the Company and 10-Q filed for the quarter
Firsttrust Bank ended September 30, 1997
- 10.20(d) Open End Fee and Incorporated by reference to
Leasehold Mortgage the copy thereof filed as an
between the Company exhibit to the Company's Form
and Firsttrust Bank 10-Q for the quarter
ended September 30, 1997
- 10.21(a) Promissory Note Incorporated by reference to
Agreement between the the copy thereof filed as an
Company and First exhibit to the Company's Form
Federal Savings Bank 10-Q filed for the quarter
of New Smyrna ended June 30, 1996
- 10.21(b) Mortgage Deed and Incorporated by reference to
Security Agreement the copy thereof filed as an
between the Company and exhibit to the Company's Form
First Federal Savings 10-Q filed for the quarter
Bank of New Smyrna ended June 30, 1996
- 10.22(a) Indenture of Mortgage, Incorporated by reference to
Deed of Trust, Security the copy thereof filed as an
Agreement, Financing exhibit to the Company's Form
Statement, Fixture 10-Q filed for the quarter
Filing and Assignment ended September 30, 1996
of Leases, Rents and
Security Deposits
between the Company
and Morgan Stanley
Mortgage Capital, Inc.
- 10.22(b) Mortgage Note between Incorporated by reference to
the Company and Morgan the copy thereof filed as an
Stanley Mortgage exhibit to the Company's Form
Capital, Inc. 10-Q for the quarter
ended September 30, 1996
- 10.23(a) Construction Loan Incorporated by reference to
Agreement between the the copy thereof filed as an
Company and First exhibit to the Company's Form
Western Bank 10-Q filed for the quarter
ended September 30, 1996

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- 10.23(b) Mortgage Note between the Company and First Western Bank Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended September 30, 1996
- 10.24(a) Open-End Mortgage, Security Agreement, Future Filing, Financing Statement and Assignment of Leases and Rents between the Company and Anchor National Life Insurance Company Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1996
- 10.24(b) Promissory Note between the Company and Anchor National Life Insurance Company Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1996
- 10.25 Agreement of Sale of Newberry Plaza between Mark Centers Limited Partnership, a Delaware limited partnership, and Ronnie W. Cromer, William B. Rush, Earl H. Berger, Jr. Rodney S. Griffin and William W. Reiser, Jr. Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1996
- 10.26(a) Loan Agreement dated March 4, 1997 by and between Mark Northwood Associates, Limited Partnership, a Florida limited partnership, and Nomura Asset Capital Corporation Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1996
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- 10.26(b) Promissory Note dated March 4, 1997 between Mark Northwood Associates, Limited Partnership, a Florida limited partnership, and Nomura Asset Capital Corporation Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1996
- 10.26(c) Leasehold Mortgage, Assignment of Rents, Security Agreement and Fixture Filing by Mark Northwood Associates, Limited Partnership, a Florida limited partnership, to Nomura Asset Capital Corporation dated March 4, 1997 Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1996
- 10.27(a) Mortgage and Security Agreement between the Company and Royal Bank of Pennsylvania
- 10.27(b) Promissory Note between the Company and Royal

Bank of Pennsylvania

- 21 List of Subsidiaries of Mark Centers Trust Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1996
- 23 Consent of Independent Auditors to Form S-3 and Form S-8
- 27 Financial Data Schedule (EDGAR filing only)
- * Constitutes a compensatory plan or arrangement required to be filed as an exhibit to this Form.

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(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company for the quarter ended December 31, 1997.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned,

thereto duly authorized.

MARK CENTERS TRUST
(Registrant)

By: /s/ Marvin L. Slomowitz
Marvin L. Slomowitz
Chief Executive Officer

Dated: April 13, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/Marvin L. Slomowitz (Marvin L. Slomowitz)	Chief Executive Officer and Trustee (Principal Executive Officer)	April 13, 1998
/s/Joshua Kane (Joshua Kane)	Senior Vice President Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	April 13, 1998
/s/Harvey Shanus (Harvey Shanus)	Trustee	April 13, 1998
/s/Marvin J. Levine (Marvin J. Levine Esq)	Trustee	April 13, 1998
/s/Joseph L. Castle, II (Joseph L. Castle, II)	Trustee	April 13, 1998
/s/John Vincent Weber (John Vincent Weber)	Trustee	April 13, 1998
/s/Lawrence J. Longua (Lawrence J. Longua)	Trustee	April 13, 1998

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EXHIBIT INDEX

The following is an index to all exhibits filed with the Annual Report on Form 10-K other than those incorporated by reference herein:

Exhibit Number	Description	Page
10.5(h)	Option Purchase Agreement between the Company and the Principal Shareholder allowing the Company to acquire a certain property from the Principal Shareholder	
10.5(i)	Termination of Option to Purchase (Lewisburg) between the Company and the Principal Shareholder	
10.17 (f)	Fifth Amendment to Revolving Credit Loan Agreement between the Company and Mellon Bank, N.A.	
10.27(a)	Mortgage and Security Agreement between the Company and Royal Bank of Pennsylvania	

- 10.27(b) Promissory Note between
the Company and Royal
Bank of Pennsylvania
- 23 Consent of Independent
Auditors to Form S-3
and Form S-8
- 27 Financial Data Schedule
(EDGAR filing only)

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MARK CENTERS TRUST
INDEX TO FINANCIAL STATEMENTS

I. MARK CENTERS TRUST

Report of Independent Auditors	F-2
Consolidated Balance Sheets as of December 31, 1997 and 1996	F-3
Consolidated Statements of Operations for the years ended December 31, 1997, 1996 and 1995	F-4
Consolidated Statements of Shareholders' Equity for the years ended December 31, 1997, 1996 and 1995	F-5
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REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Trustees of
Mark Centers Trust

We have audited the accompanying consolidated balance sheets of Mark Centers Trust (a Maryland Trust) and subsidiaries (the "Company") as of December 31, 1997 and 1996, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1997. Our audits also included the financial

statement schedule listed in the Index at Item 14(a). These financial statements and the schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 Mark Centers Trust and subsidiaries as of December 31, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ ERNST & YOUNG LLP

New York, New York
April 8, 1998

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MARK CENTERS TRUST
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	December 31,	
ASSETS	1997	1996
	-----	-----
Rental property, at cost:		
Land	\$ 30,855	\$ 31,084
Buildings and improvements	274,165	271,423
Property under development	6,668	4,904
	-----	-----
	311,688	307,411
Less: accumulated depreciation	83,326	72,956
	-----	-----
Net rental property	228,362	234,455
Cash and cash equivalents	1,287	3,912
Cash in escrow	7,906	3,603
Rents receivable	4,802	4,956
Prepaid expenses	1,241	1,421
Due from related parties	177	203
Deferred charges, net	9,710	9,034
Other assets	1,015	933
	-----	-----
	\$254,500	\$258,517
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable	\$183,943	\$160,168
Lines of credit	--	12,655
Accounts payable and accrued expenses	7,553	9,397
Distributions payable	--	3,662
Note payable to Principal Shareholder	3,050	3,050
Other liabilities	1,910	2,027
	-----	-----
Total liabilities	196,456	190,959

Minority interest	----- 9,244 -----	----- 10,752 -----
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$.001 par value, authorized 50,000,000 shares, issued and outstanding, 8,554,177 and 8,548,817 shares, respectively	9	9
Additional paid-in capital	51,073	57,521
Deficit	(2,282)	(724)
Total shareholders' equity	----- 48,800 -----	----- 56,806 -----
	----- \$254,500 =====	----- \$258,517 =====

See accompanying notes

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MARK CENTERS TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year ended December 31,		
	1997	1996	1995
	-----	-----	-----
Revenue			
Minimum rents	\$ 33,669	\$ 33,695	\$ 32,740
Percentage rents	3,183	2,795	3,340
Expense reimbursements	6,632	6,559	6,431
Other	1,014	747	821

Total revenue	44,498	43,796	43,332
Operating expenses			
Property operating	9,013	9,772	8,834
Real estate taxes	5,691	5,285	4,789
Depreciation and amortization	13,768	13,398	11,820
General and administrative	2,351	2,811	2,751
Total operating expenses	30,823	31,266	28,194
Operating income	13,675	12,530	15,138
Interest expense	(15,444)	(12,733)	(10,598)
(Loss) gain on sale of land	(12)	21	93
Adjustment to carrying value of property held for sale	--	(392)	--
(Loss) income before extraordinary item and minority interest	(1,781)	(574)	4,633
Extraordinary item - write-off of deferred financing costs	--	(190)	--
Minority interest	217	40	(833)
Net (loss) income	\$ (1,564)	\$ (724)	\$ 3,800
Basic and diluted net (loss) income per common share:			
(Loss) income before extraordinary item	\$ (.18)	\$ (.06)	\$.44
Extraordinary item	--	(.02)	--
Basic and diluted net (loss) income per common share	\$ (.18)	\$ (.08)	\$.44

See accompanying notes
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MARK CENTERS TRUST
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except per share amounts)

	Shares of Common Stock	Common Stock	Additional Paid in Capital	Retained Earnings (Deficit)	Total Shareholders' Equity
Balance, December 31, 1994	8,536,765	9	78,174	--	78,183
Issuance of shares pursuant to the Company's restricted share plan	6,687	--	93	--	93
Issuance of Operating Partnership Units in connection with the acquisition of property	--	--	(20)	--	(20)
Income before minority interest	--	--	--	4,633	4,633
Distributions paid to limited partners of the Operating Partnership	--	--	--	(2,452)	(2,452)
Dividends paid from accumulated earnings (\$0.16 per share)	--	--	--	(1,348)	(1,348)
Dividends paid in excess of accumulated earnings (\$1.28 per share)	--	--	(10,949)	--	(10,949)
Minority interest's equity	--	--	2,472	(833)	1,639
Balance, December 31, 1995	8,543,452	9	69,770	--	69,779
Issuance of shares pursuant to the Company's restricted share plan	5,365	--	57	--	57
Loss before minority interest	--	--	--	(764)	(764)
Distributions paid or declared to limited partners of the Operating Partnership	--	--	(2,435)	--	(2,435)

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MARK CENTERS TRUST
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except per share amounts)

	Shares of Common Stock	Common Stock	Additional Paid in Capital	Retained Earnings (Deficit)	Total Shareholders' Equity
Dividends paid or declared in excess of accumulated earnings (\$1.44 per share)	--	--	(12,306)	--	(12,306)
Minority interest's equity	--	--	2,435	40	2,475
	-----	-----	-----	-----	-----
Balance, December 31, 1996	8,548,817	9	57,521	(724)	56,806
Issuance of shares pursuant to the Company's restricted share plan	5,360	--	52	--	52
Adjustment to minority interest	--	--	--	6	6
Loss before minority interest	--	--	--	(1,781)	(1,781)
Distributions paid to limited partners of the Operating Partnership	--	--	(1,285)	--	(1,285)
Dividends paid in excess of accumulated earnings (\$0.76 per share)	--	--	(6,500)	--	(6,500)
Minority interest's equity	--	--	1,285	217	1,502
	-----	-----	-----	-----	-----
Balance, December 31, 1997	8,554,177	\$ 9	\$51,073	\$ (2,282)	\$48,800
	=====	=====	=====	=====	=====

See accompanying notes

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MARK CENTERS TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except per share amounts)

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	\$(1,564)	\$ (724)	\$ 3,800
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Loss (gain) on sale of land	12	(21)	(93)
Depreciation and amortization of leasing costs	13,201	12,483	10,993
Amortization of deferred financing costs	567	915	827
Write-off of deferred financing costs	--	190	--
Adjustment to carrying value of property held for sale	--	392	--
Minority interest	(217)	(40)	833
Provision for bad debts	833	972	721
Other	52	57	93
	-----	-----	-----
	12,884	14,224	17,174
Changes in assets and liabilities:			
Rents receivable	(679)	(580)	(1,846)
Prepaid expenses	180	(69)	(387)
Due from related parties	26	31	408
Other assets	(290)	641	(959)
Accounts payable and accrued expenses	1,233	(756)	1,656
Other liabilities	(117)	561	51
	-----	-----	-----
Net cash provided by operating activities	13,237	14,052	16,097
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditures for real estate and improvements, inclusive of payables related to construction activity	(10,558)	(16,642)	(21,671)
Payment to Principal Shareholder for acquisition of land	--	--	(1,500)
Payment of deferred leasing charges	(1,205)	(3,399)	(1,650)

Proceeds from sale of property	1,288	22	105
	-----	-----	-----
Net cash used in investing activities	(10,475)	(20,019)	(24,716)
	-----	-----	-----

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MARK CENTERS TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except per share amounts)

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net funding of escrows	(4,303)	(688)	(2,014)
Principal payments on mortgages	(14,835)	(40,622)	(49,491)
Payment of deferred finance costs	(757)	(2,415)	(770)
Proceeds received on mortgage notes	25,955	61,617	75,690
Dividends paid	(9,577)	(9,229)	(12,297)
Distributions paid to Principal Shareholder	(1,870)	(1,852)	(2,452)
	-----	-----	-----
Net cash (used in) provided by financing activities	(5,387)	6,811	8,666
	-----	-----	-----
(Decrease) increase in cash and cash equivalents	(2,625)	844	47
Cash and cash equivalents, beginning of period	3,912	3,068	3,021
	-----	-----	-----
Cash and cash equivalents, end of period	\$ 1,287	\$ 3,912	\$ 3,068
	=====	=====	=====

Supplemental Disclosures of Cash Flow Information:

Cash paid during the year for interest, net of amounts capitalized of \$569, \$897, and \$978, respectively	\$15,502	\$12,950	\$10,172
	=====	=====	=====

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MARK CENTERS TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except per share amounts)

In connection with the exercise of the Company's options to acquire and develop certain properties and the subsequent transactions as a result of certain resolutions with the Principal Shareholder, the following assets and liabilities were recorded:

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
Contingent liability due to Principal Shareholder	\$ --	\$(6,156)	\$(8,133)
Establishment of note payable to the Principal Shareholder	--	3,031	--

Net decrease in cost of property acquired	----- \$ -- =====	----- \$(3,125) =====	----- \$(8,133) =====
---	-------------------------	-----------------------------	-----------------------------

In connection with the acquisition of the Plaza 15 Shopping Center, the following assets and liabilities were recorded:

Assumption of mortgage	\$ --	\$ --	\$1,219
Application of balance due the Company under the ground lease	--	--	196
Operating Partnership Units issued	--	--	20
Cash received	--	--	(46)
Cost of property acquired	----- \$ -- =====	----- \$ -- =====	----- \$1,389 =====

See accompanying notes
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MARK CENTERS TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

1. Organization, Basis of Presentation and Summary of Significant Accounting Policies

Mark Centers Trust (the "Company") was formed as a Maryland Real Estate Investment Trust on March 4, 1993 by Marvin L. Slomowitz (the "Principal Shareholder"), the principal owner of Mark Development Group (the "Predecessor"), to continue the business of the Predecessor in acquiring, developing, renovating, owning and operating shopping center properties. The Company effectively commenced operations on June 1, 1993 with the completion of its initial public offering, whereby it issued 8,350,000 common shares (the "Offering"). The proceeds from the Offering were used to repay certain property-related indebtedness, for costs associated with the Offering and the transfer of the properties to the Company and for working capital. The acquisition of the properties was recorded by the Company at the historical cost reflected in the Predecessor's financial statements since these transactions were conducted with entities deemed to be related parties. The Company currently owns and operates 39 properties consisting of 34 neighborhood and community shopping centers, three enclosed malls and two mixed-use (retail/office space) properties. All of the Company's assets are held by, and all of its operations are conducted through Mark Centers Limited Partnership (the "Operating Partnership") and its majority owned partnerships. The Company as of December 31, 1997 controlled, as the sole general partner, 84% of the Operating Partnership. The Company will at all times be the sole general partner of, and owner of a 51% or greater interest in, the Operating Partnership. In excess of 99% of the minority interest in the Operating Partnership is owned by the Principal Shareholder who is the principal limited partner of the Operating Partnership.

Principles of Consolidation

The consolidated financial statements of Mark Centers Trust include the accounts of the Company and its majority owned partnerships, including the Operating Partnership. All significant intercompany balances and transactions have been eliminated in consolidation.

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MARK CENTERS TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Properties

Real estate assets are stated at cost less accumulated depreciation. Such carrying amounts would be adjusted, if necessary, to reflect any impairment in the value of the assets. Expenditures for acquisition, development construction and improvement of properties, as well as significant renovations are capitalized. Interest costs are capitalized until construction is substantially complete. Depreciation is computed on the straight-line method over estimated useful lives of thirty to forty years for buildings and the shorter of the useful life or lease term of improvements, furniture, fixtures and equipment. Expenditures for maintenance and repairs are charged to operations as incurred.

In accordance with Financial Accounting Standards Board Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", the Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. During 1997 market events and circumstances and the requirement for significant capital expenditures indicated that \$35,412 of real estate assets might be impaired. However, the Company's estimate of undiscounted cash flows indicated that such carrying amounts were expected to be recovered. Nonetheless, it is reasonably possible that the estimate of undiscounted cash flows may change in the near term resulting in the need to write-down those assets to fair value.

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MARK CENTERS TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

Acquisition of Properties

On July 14, 1995, the Company acquired the equitable interest in the building and other improvements constituting the Plaza 15 Shopping Center, located in Lewisburg, Pennsylvania. The equitable interest in the land had already been assigned to the Company by the Principal Shareholder in the Offering in exchange for Operating Partnership Units ("OP Units"). The Company paid \$1,389 for the equitable interest in the building and improvements held by an unrelated third party under an industrial development authority installment sales agreement through the issuance of 2,000 OP Units, the assumption of \$1,219 of mortgage debt and the application of other amounts due the Company.

In May 1995, the Company and Principal Shareholder agreed to terminate an acquisition option which was obtained concurrent with the Offering to acquire property in New Castle, Pennsylvania. In lieu of the option the Company purchased the property from the Principal Shareholder in February 1996 for \$4,495.

Sale of Property

On March 5, 1997, the Company completed the sale of the Newberry Plaza for \$1,300. A \$392 reduction in carrying value had been recorded as of December 31, 1996 to reflect the property at a fair value equal to the contract sales price less direct selling costs.

Deferred Costs

Fees and costs incurred in the successful negotiation of leases have been deferred and are being amortized on a straight-line basis over the terms of the respective leases. Fees and costs incurred in connection with obtaining financing have been deferred and are being amortized over the term of the related debt obligation.

Revenue Recognition

Leases with tenants are accounted for as operating leases. Minimum rents are recognized on a straight-line basis over the term of the respective leases. As of December 31, 1997 and 1996, unbilled rents receivable relating to straight-lining of rents were \$1,652 and \$1,476, respectively. Percentage rents, which are additional rents based on tenants' sales, are accrued based on historical tenant sales. Certain tenants pay percentage rent

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MARK CENTERS TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

Revenue Recognition, continued

in lieu of minimum rent pursuant to their leases. Reimbursements from tenants for real estate taxes, insurance and other property operating expenses are recognized as revenue in the period the expenses are incurred.

An allowance for doubtful accounts has been provided against certain tenant accounts receivable which are estimated to be uncollectible. Rents receivable at December 31, 1997 and 1996 are shown net of an allowance for doubtful accounts of \$972 and \$544, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Cash in Escrow

Cash in escrow consists principally of cash held for real estate taxes, property maintenance, insurance, lease renewals, environmental remediation and minimum occupancy requirements at specific properties as required by certain loan agreements.

Minority Interest

In excess of 99% of the minority interest represents the Principal Shareholder's 16% interest as a limited partner of the Operating Partnership. Such interest is held in the form of OP Units which are exchangeable on an equivalent basis with common shares. The remaining interest is the result of the issuance of OP Units to an unrelated third party in consideration for the acquisition of a property.

Income Taxes

The Company has made an election to be taxed, and believes it qualifies as a real estate investment trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. A REIT will generally not be subject to federal income taxation on that portion of its income that qualifies as REIT taxable income to the extent that it distributes at least 95% of

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MARK CENTERS TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

Income Taxes, continued

its taxable income to its shareholders and complies with certain other requirements. Accordingly, no provision has been made for federal income taxes for the Company in the accompanying consolidated financial statements. The Company is subject to state income or franchise taxes in certain states in which some of its properties are located. These state taxes, which in total are not significant, are recorded as general and administrative expenses in the accompanying consolidated financial statements.

Earnings Per Common Share

In 1997, the Financial Accounting Standards Board issued Statement No. 128 (SFAS 128), Earnings Per Share. SFAS 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share (which were not separately presented historically as they were either anti-dilutive or not materially dilutive). All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the SFAS 128 requirements.

For the years ended December 31, 1997, 1996 and 1995, basic earnings per share was determined by dividing net income (loss) applicable to common shareholders for the year by the weighted average number of common shares of beneficial interest ("Common Shares") outstanding during each year.

Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted into Common Shares or resulted in the issuance of Common Shares that then shared in the earnings of the Company. For the years ended December 31, 1997 and 1996 no additional shares were reflected as the impact would be anti-dilutive due to the net loss in such periods. For the year ended December 31, 1995 diluted earnings per share was determined by dividing net income applicable to common

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MARK CENTERS TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

Earnings Per Common Share, continued

shareholders for the year by the total of the weighted average number of shares of common stock outstanding plus the dilutive effect of the Company's nonvested restricted shares (which amounted to 22,835 additional shares). The Company's outstanding stock options were not considered for the purpose of computing diluted earnings per share because their assumed conversion is antidilutive.

Segment Reporting

In June, 1997 the Financial Accounting Standards Board issued Statement No. 131 (SFAS 131), Disclosure About Segments of an Enterprise and Related Information, which is effective for financial statements issued for periods beginning after December 15, 1997. SFAS 131 requires disclosures about segments of an enterprise and related information regarding the different types of business activities in which an enterprise engages and the different economic environments in which it operates. The Company does not believe that the implementation of SFAS 131 will have a material impact on its financial statements.

Reclassifications

Certain 1996 and 1995 amounts were reclassified to conform with the 1997 presentation.

2. Deferred Charges

Deferred charges consist of the following as of December 31, 1997 and 1996:

	1997	1996
Deferred financing costs	\$6,382	\$5,822
Deferred leasing and other costs	8,054	7,063
	-----	-----
Accumulated amortization	14,436	12,885
	(4,726)	(3,851)
	-----	-----
	\$9,710	\$9,034
	=====	=====

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MARK CENTERS TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

3. Mortgage Loans
Mortgage Notes Payable

At December 31, 1997, mortgage notes payable aggregated \$183,943 and were collateralized by 37 properties and related tenant leases. Interest rates ranged from 7.7% to 9.50%. Mortgage payments are due in monthly installments of principal and/or interest and mature on various dates through 2022. The loan agreements contain customary representations, covenants and events of default. Certain loan agreements require the Company to comply with certain affirmative and negative covenants, including the maintenance of certain debt service coverage and leverage ratios. Additionally, the Principal Shareholder has personally guaranteed the repayment of mortgage loans with an aggregate balance of \$41,000 at December 31, 1997 without consideration from the Company.

On September 18, 1997, the Company closed on a \$5,500 construction loan with Firsttrust Savings Bank ("Firsttrust") which refinanced and expanded the Company's existing \$2,000 credit facility with Firsttrust. This construction loan, which is for the expansion of the Mark Plaza in Edwardsville, Pennsylvania, bears interest, payable monthly, at the Firsttrust commercial reference rate plus 1% (9.5% as of December 31, 1997) and matures in March 1999.

On March 4, 1997, the Company closed on \$23,000 of fixed rate financing from Nomura Asset Capital Corporation. The loan, which matures in March 2022, is secured by a mortgage on one of the Company's properties, bears interest at 9.02% and requires monthly payments of interest and principal amortized over 25 years. Approximately \$10,155 of the proceeds were used to retire existing debt with Fleet Bank of Massachusetts, NA, \$673 were used to pay financing costs, \$3,015 was deposited in escrows, and the remaining proceeds were used for working capital. The Company is subject to certain affirmative and negative covenants related to this facility.

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MARK CENTERS TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)

3. Mortgage Loans, continued

The following table summarizes lines of credit and mortgage indebtedness as of December 31, 1997 and 1996:

Monthly

	December 31, 1997	December 31, 1996	Interest Rate	Maturity	Properties Encumbered	Payment Terms
Lines of credit-variable rate						
Fleet Bank of Massachusetts, NA	\$ --	\$10,155				
Firsttrust Savings Bank	--	2,500				
Total-lines of credit	--	12,655				
Construction loans-variable rate						
Firsttrust Savings Bank	2,954	--	Prime + 1%	March 1999	(1)	(11)
First Western Bank, NA	4,000	4,000	Prime + 1%	March 2013	(2)	(11)
Mortgage notes payable-variable rate						
Mellon Bank, NA	2,759	3,396	LIBOR + 200 basis points/Prime+1/2%	April 1998	(3)	(12)
Mortgage notes payable-fixed rate						
Metropolitan Life						
Insurance Company	41,000	41,000	7.750%	June 2000	(4)	(11)
Morgan Stanley Mortgage Capital	45,312	45,845	8.840%	November 2021	(5)	\$380 (12)
Anchor National Life						
Insurance Company	4,028	4,100	7.930%	January 2004	(6)	\$33 (12)
Northern Life Insurance Company	3,627	3,829	7.700%	December 2008	(7)	\$41 (12)
Bankers Security Life	2,501	2,641	7.700%	December 2008	(7)	\$28 (12)
John Hancock Mutual						
Life Insurance Co.	54,922	55,357	9.110%	April 2000	(8) (9)	\$455 (12)
Nomura Asset Capital						
Corporation	22,840	--	9.020%	March 2022	(10)	\$193 (12)
Total-mortgage notes payable	183,943	160,168				
	\$183,943	\$172,823				

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MARK CENTERS TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)

3. Mortgage Loans, continued

Notes:

- | | | |
|---|---|--|
| (1) Mark Plaza | (5) Midway Plaza
Northside Mall | (6) Pittston Plaza |
| (2) Union Plaza | New Smyrna Beach
Cloud Springs Plaza | (7) Manahawkin Shopping Center |
| (3) Auburn Plaza | Troy Plaza
Martintown Plaza | (8) New Loudon Centre
Ledgewood Mall
Plaza 422 |
| (4) Valmont Plaza
Luzerne Street Plaza
Green Ridge Plaza
Crescent Plaza
East End Centre | Kings Fairgrounds
Shillington Plaza
Dunmore Plaza
Kingston Plaza
Twenty Fifth Street Shopping Center
Circle Plaza
Mountainville Plaza
Plaza 15
Birney Plaza
Monroe Plaza
Ames Plaza | (9) The following two properties
are encumbered related to an
outstanding letter of credit
held by the lender:
Wesmark Plaza
Searstown Mall |
| | | (10) Northwood Centre |
| | | (11) Interest only monthly |
| | | (12) Monthly principal and
interest |

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MARK CENTERS TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

3. Mortgage Loans, continued

The scheduled maturities of all mortgage indebtedness as of December 31, 1997 are as follows:

1998	\$ 4,506
1999	4,858
2000	96,423
2001	1,638
2002	1,784
Thereafter	74,734

	\$183,943
	=====

4. Related Party Transactions

As of December 31, 1997 and 1996 amounts due from related parties consisted of the following:

	December 31,	
	1997	1996
Accrued ground rent and management fees due from Blackman Plaza Partners	\$202	\$232
Other net amounts due to Principal Shareholder	(25)	(29)
	----	----
	\$177	\$203
	=====	=====

Included in other income are management fees earned on properties owned by the Principal Shareholder or affiliates which for the years ended December 31, 1997, 1996 and 1995 aggregated \$19, \$36 and \$166, respectively.

Included in rental income for the year ended December 31, 1995 is \$140 of rent earned pursuant to a ground lease on Blackman Plaza with Blackman Plaza Partners, a limited partnership ("Lessee") in which the Principal Shareholder is the sole general partner (owning a one percent economic interest). The Company has not recognized rental income for the years ended December 31, 1997 and 1996 due to the Lessee's inability to pay the ground rent as a result of insufficient cash flow from the property. The lease, which expires in the year 2051, provides the Company ("Lessor") with an option, exercisable between January 2, 1997 and August 2, 2001, to purchase the Lessee's interests in the shopping center.

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MARK CENTERS TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

Related Party Transactions, continued

In the event the Lessor's option is not exercised prior to August 2, 2001, the Lessee may, until and including December 1, 2002, require the Lessor to purchase its interest in the shopping center, thereby terminating the ground lease. In addition, the ground lease provides the Lessee with an option, exercisable at any time, to purchase the leased premises from the Lessor. The purchase price with respect to each of the above options is defined in the lease and is no less than the fair market value of the premises (See Note 16).

In 1996, the Company issued a note payable to the Principal Shareholder for \$3,030 for the purchase of the Union Plaza, located in New Castle, Pennsylvania. The note, which bears interest payable monthly at a rate equal to that charged on the Mellon Bank, N.A. facility, is payable in full the earlier of (i) two years following the date the Union Plaza is completed or (ii) on June 12, 1999. The note payable balance in the accompanying balance sheet also reflects \$20 of accrued interest as of December 31, 1997 and 1996.

The Company leases office space from the Principal Shareholder under the terms of a noncancellable ten year operating triple net lease which provides for annual rent of \$104 for the first five years with annual escalations thereafter based on increases in the consumer price index. Rent expense was \$104 for each of the years ended December 31, 1997, 1996 and 1995.

The Principal Shareholder is a member of the Board of Directors of a tenant which leases space in 12 of the properties. Rental income from this tenant for the years ended December 31, 1997, 1996 and 1995 aggregated \$885, \$909 and \$929, respectively, of which \$100, \$86 and \$32 are receivable as of December 31, 1997, 1996 and 1995, respectively. Additionally, for the year ended December 31, 1995, the Company paid \$1,050 for tenant improvements as provided by the respective lease agreements, at three properties for this tenant.

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MARK CENTERS TRUST
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Dollars in thousands, except per share amounts)

5. Tenant Leases

Space in the shopping centers and other properties is leased to various tenants under operating leases which usually grant tenants renewal options and generally provide for additional rents based on certain operating expenses as well as tenants' sales volume.

Minimum future rentals to be received under noncancelable leases as of December 31, 1997 are summarized as follows:

1998	\$ 27,213
1999	24,507
2000	21,146
2001	19,044
2002	17,271
Thereafter	115,717

	\$224,898
	=====

Minimum future rentals above include a total of \$7,016 for six tenants which have filed for bankruptcy protection. None of these leases have been rejected or affirmed.

During the years ended December 31, 1997, 1996 and 1995, rental income representing 10% or more of total revenues was earned from various governmental agencies of the State of Florida. These agencies have the right, under certain conditions, to cancel their leases upon three to six months written notice and are therefore not included in the above table of minimum future rentals. Rentals earned under these leases during the years ended December 31, 1997, 1996 and 1995 were \$4,890, \$4,735, and \$4,389, respectively. During the year ended December 31, 1996, the Company also earned greater than 10% of its rental income from the Kmart Corporation at nine locations totaling \$4,733. Rents from Kmart were less than 10% of total revenues for the years ended December 31, 1997 and 1995, totalling \$4,348 and \$4,180, respectively.

6. Lease Obligations

The Company leases land at six of its shopping centers which are accounted for as operating leases and generally provide the Company with renewal options. One of the leases terminates in 2088, with no renewal options and a purchase option for \$1,600,

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(Dollars in thousands, except per share amounts)

6. Lease Obligations, continued

that expires in 1999. Six of the leases terminate during the years 2006 to 2033 and provide the Company with options to renew the leases for additional terms aggregating from 20 to 60 years. Another ground lease which has no remaining renewal options, terminates in 2066. Additionally, the Company leases office space from the Principal Shareholder under a non-cancelable lease agreement for a term of ten years. Future minimum rental payments required for leases having remaining non-cancelable lease terms in excess of one year are as follows:

1998	\$ 313
1999	313
2000	313
2001	313
2002	313
Thereafter	13,520

	\$15,085
	=====

7. Share Option Plan

On November 10, 1994, the Company terminated the original incentive and nonqualified share option plan and adopted two new share option plans effective as of that date, authorizing the issuance of 500,000 share options to employees and 100,000 share options to non-employee trustees, respectively.

The Company has issued 200,000 share options to the Principal Shareholder and 64,500 to employees of the Company which vested 20% on the grant date and 20% for each of the four remaining years. The options are exercisable at the average fair market value as of the date preceding the grant date (\$11.19 to \$12.69 per share) for a period of ten years. The Company has also issued a total of 65,000 share options to non-employee trustees which vested 20% on the grant date and 20% for each of the four remaining years, and are exercisable at the average fair market price as of the date preceding the grant date (\$10.13 to \$12.75 per share) for a period of ten years. In addition, each trustee is entitled to 1,000 share options on each January 1, subsequent to the initial grant date of November 10, 1994.

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MARK CENTERS TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

7. Share Option Plan, continued

The Company elected Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25"), and related interpretations in accounting for its employee stock options. Under APB 25, no compensation expense is recognized because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant. The alternative fair value accounting provided for under SFAS 123, Accounting for Stock-Based Compensation, is not applicable because it requires use of option valuation models that were not developed for use in valuing employee stock options.

Proforma information regarding net income and earnings per share is required by SFAS 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of the grant using a Black-Scholes option pricing model with the following weighted-average assumptions: risk free interest rates ranging from 6.14% to 6.49%, expected dividend yield of 8.95%, volatility factor of the expected market price of the Company's common stock based on historical results of .137; and an expected life of 4 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting

restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate, management believes the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. The Company has elected not to present proforma information because the impact on the reported net income and earnings per share is immaterial.

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MARK CENTERS TRUST
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Dollars in thousands, except per share amounts)

7. Share Option Plan, continued

Changes in the number of shares under all option arrangements are summarized as follows:

	Year ended December 31,		
	1997	1996	1995
Outstanding at beginning of period		234,500	234,500
Granted	217,000	5,000	5,000
Option price per share granted	\$10.13-\$11.19	\$11.38	\$12.75
Cancelled	152,500	22,500	5,000
Exercisable at end of period	40,000	22,500	5,000
Exercised	181,100	127,200	92,800
Expired	--	--	--
Outstanding at end of period	--	--	--
Option prices per share outstanding	329,500	217,000	234,500
	\$10.13-\$12.75	\$11.38-\$12.75	\$12.75

As of December 31, 1997 the outstanding options had a weighted average remaining contractual life of approximately 7.8 years and a weighted average exercise price of \$12.66.

8. Restricted Share Plan

The Company has established a restricted share plan which originally granted to employees 47,722 restricted common shares. Restricted common shares aggregating 3,800 and 10,718 were granted, but not vested, as of December 31, 1997 and 1996, respectively. The restricted shares which were granted vest and are issued 20% per year over a five year period which began June 1, 1994. Each plan participant is entitled to receive additional compensation on a quarterly basis equal to the dividend declared on their respective restricted shares granted under the plan until such plan participants' restricted shares are vested. For the years ended December 31, 1997, 1996 and 1995, compensation expense related to such restricted shares vested in such periods amounted to \$24, \$46 and \$68, respectively.

9. Employee 401(k) Plan

The Company maintains a 401(k) plan for employees under which the Company matches 50% of a plan participant's contribution. A plan

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MARK CENTERS TRUST
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Dollars in thousands, except per share amounts)

9. Employee 401(k) Plan, continued

participant may contribute up to a maximum of 15% of their compensation but not in excess of \$9.5 for the year ended December 31, 1997. The Company contributed \$67, \$67 and \$64 for the years ended December 31, 1997, 1996 and 1995, respectively.

10. Distributions payable

On November 14, 1996, the Trustees declared a cash distribution of \$0.36 per common share and OP Unit which was subsequently paid on January 31, 1997.

The Company has determined that the cash distributed to the shareholders is characterized as follows for federal income tax purposes:

	1997	1996	1995
Ordinary income	34%	35%	64%
Return of capital	66%	65%	36%
	---	---	---
	100%	100%	100%
	====	====	====

11. Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107 "Disclosures About Fair Value of Financial Instruments", requires disclosure on the fair value of financial instruments. Certain of the Company's assets and liabilities are considered financial instruments. Fair value estimates, methods and assumptions are set forth below.

Cash and Cash Equivalents, Accounts Receivable, Accounts Payable and Accrued Expenses

The carrying amount of these assets and liabilities approximates fair value due to the short-term nature of such accounts.

Mortgage Notes Payable

As of December 31, 1997 and 1996, the Company has determined the estimated fair value of its mortgage notes payable are approximately \$206,491 and \$153,668, respectively, by discounting future cash payments utilizing a discount rate equivalent to the rate at which similar mortgage notes payable would be originated under conditions then existing.

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MARK CENTERS TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

13. Summary of Quarterly Financial Information (unaudited)

The separate results of operations of the Company for the years ended December 31, 1997 and 1996 are as follows:

	March 31, 1997	June 30, 1997	Sept 30, 1997	Dec 31, 1997	Total for Year
Revenue	\$11,124	\$11,128	\$10,874	\$11,372	\$44,498
Loss before minority interest	(487)	(260)	(544)	(490)	(1,781)
Net loss	(416)	(242)	(472)	(434)	(1,564)
Net loss per share-					
basic and diluted	\$ (0.05)	\$ (0.03)	\$ (0.06)	\$ (0.04)	\$ (0.18)
Cash dividends declared					
per share	\$ 0.36	\$ 0.20	\$ 0.20	\$ 0.00 (a)	\$ 0.76
Weighted average shares outstanding					
- basic and diluted (1)	8,548,817	8,550,466	8,554,177	8,554,177	8,551,930

(a) To be determined by the Trustees in 1998.

	March 31, 1996	June 30, 1996	Sept 30, 1996	Dec 31, 1996	Total for Year
Revenue	\$11,235	\$10,719	\$10,497	\$11,345	\$43,796
Income (loss) before gain from sale, extraordinary item, and minority interest	186	18	(204)	(595)	(595)
Net income (loss)	134	(4)	(179)	(675)	(724)
Net income (loss) per share-					
basic and diluted	\$ 0.02	\$ 0.00	\$ (0.02)	\$ (0.08)	\$ (0.08)
Cash dividends declared					
per share	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 1.44
Weighted average shares outstanding					
- basic	8,543,452	8,544,985	8,548,717	8,548,717	8,546,553
- diluted (1)	8,563,053	8,544,985	8,548,717	8,548,717	8,546,553

(1) Due to a net loss for the last three quarters in fiscal 1996 and all quarters in fiscal 1997, the weighted average number of shares on a diluted basis does not include additional incremental shares as they would be anti-dilutive.

MARK CENTERS TRUST
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Dollars in thousands, except per share amounts)

14. Legal Proceedings

On November 20, 1995, Jack Wertheimer, the former President of the Company, filed a complaint against the Company, its Trustees including the Principal Shareholder, and the Company's former in-house General Counsel and current Chief Financial Officer in the United States District Court for the Middle District of Pennsylvania. The complaint, which was filed in connection with the termination of Mr. Wertheimer's employment, includes many of the allegations raised in a state court proceeding commenced by Mr. Wertheimer in November 1994. The Federal court complaint also includes a civil RICO action in which Mr. Wertheimer alleges that the Board of Trustees of the Company conspired with the Principal Shareholder to terminate Mr. Wertheimer's employment as part of the Principal Shareholder's breach of his duty of good faith and fair dealing. Further, Mr. Wertheimer alleges that the above defendants engaged in securities fraud in connection with the Offering and that the Principal Shareholder has defrauded or overcharged the Company in corporate transactions. The Federal complaint seeks treble damages under RICO, as well as damages arising from Mr. Wertheimer's alleged termination of employment, invasion of privacy, intentional infliction of emotional distress, fraud and misrepresentation. The Company and all defendants filed motions to dismiss the RICO and tort claims which the court, on December 9, 1996, granted in part and denied in part. Specifically, the court dismissed Mr. Wertheimer's claims for wrongful discharge, fraud and negligence misrepresentation, but declined to dismiss the remainder of the claims at this time. On January 23, 1997, the defendants filed an answer to Mr. Wertheimer's complaint. In the answer, the defendants denied all allegations of wrongdoing, and intend to vigorously defend against all of the counts. The Company and the Principal Shareholder have also filed counterclaims against Mr. Wertheimer alleging Mr. Wertheimer made material misrepresentations in connection with his hiring and breached his employment contract and fiduciary duties to the Company.

The Company is involved in other various matters of litigation arising in the normal course of business. While the Company is unable to predict with certainty the amounts involved, the Company's management and counsel are of the opinion that, when such litigation is resolved, the Company's resulting liability, if any, will not have a significant effect on the Company's consolidated financial position.

MARK CENTERS TRUST
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Dollars in thousands, except per share amounts)

15. Contingencies

Upon conducting environmental site inspections in connection with obtaining the Morgan Stanley financing during October 1996, certain environmental contamination was identified at two of the collateral properties: soil contamination at the Troy Plaza in Troy, New York and soil and ground water contamination at the Cloud Springs Plaza in Fort Oglethorpe, Georgia. In each case, the contamination was determined to have originated from a former tenant. The Company has entered into a voluntary remedial agreement with the State of New York for the remediation of the Troy Plaza. Environmental consultants estimate that the total

cost of such remediation will be approximately \$80 for which the Company has recorded a reserve for as of December 31, 1997 and for which Morgan Stanley holds \$228 in escrow to be released upon final environmental remediation at this property. The Company has received notification from the State of Georgia that the Cloud Springs Plaza will not be listed on the State's Hazardous Site Inventory because it has no reason to believe that contamination exceeding a reportable quantity has occurred at this property. As such, there is no reserve for remediation costs at this site recorded as of December 31, 1997.

Management is not aware of any other environmental liability that they believe would have a material adverse impact on the Company's financial position or results of operations. Management is unaware of any instances in which it would incur significant environmental costs if any or all properties were sold, disposed of or abandoned.

16. Subsequent Events

On January 7, 1998, the Company exercised its option to purchase the Lessee's interests in the Blackman Plaza (See Note 4) with a closing date anticipated to occur during fiscal 1998.

On January 28, 1998, the Company completed a closing on a construction loan with Royal Bank of Pennsylvania in the maximum amount of \$3,500. The loan, which is secured by one of the Company's properties, requires monthly payment of interest only at the lender's prime rate plus 150 basis points and matures in February 1999 with additional extension periods through February 2000.

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MARK CENTERS TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

16. Subsequent Events, continued

On January 31, 1998, the Company entered into an agreement with Pharmhouse Corp. (the "Tenant") to settle certain litigation. During 1997, the Tenant had obtained an injunction against the installation of Walmart in the Ledgewood Mall based on certain exclusive use provisions within the Tenant's lease. The Company has agreed to pay the Tenant \$1,675 on or before May 1, 1998, amend certain terms of the Tenant's lease including rent and the lease expiration date, and withdraw its appeal of this case in return for the Tenant's withdrawal of all legal actions against the installation of Walmart at the mall.

On March 16, 1998, the Company and the Principal Shareholder agreed to terminate the option to purchase certain land owned by the Principal Shareholder in Lewisburg, Pennsylvania.

16.1 Event (Unaudited) Subsequent To Date of Report of Independent Auditors

The Company is in the late stages of negotiation of a significant transaction which will provide additional properties and capital to the Company. If the transaction is completed in its current form, assuming execution of a definitive agreement (the "Agreement") and satisfaction of all conditions to the transaction, including approval by the Company's shareholders, the Company, through Mark Centers Limited Partnership, a Delaware limited partnership through which the Company conducts substantially all of its activities, and in exchange for approximately 11 million Operating Partnership Units, will acquire substantially all of the ownership interests in twelve retail shopping centers and five multi-family apartment complexes controlled by a private New York real estate company. Under the current proposal, the Company will also receive a cash investment of \$100 million in exchange for newly issued common shares of beneficial interest valued at a price of \$7.50 per share. Upon completion of the transaction, it is contemplated that two senior

Northside Mall Dothan,AL	(1)	1,604	7,080	1,721	1,604	8,801	10,405	3,206	1986(A)
Searstown Mall Titusville,FL	(2)	491	4,854	3,155	491	8,009	8,500	3,529	1984(A)
New Smyrna Beach Shopping Center New Smyrna Beach,FL	(1)	247	2,219	3,136	247	5,355	5,602	1,933	1983(A)
Wesmark Plaza Sumter,SC	(2)	380	3,419	1,447	370	4,876	5,246	1,704	1986(A)
Kings Fairground Danville,VA	(1)	--	1,426	171	--	1,597	1,597	279	1992(A)
Cloud Springs Plaza Ft. Oglethorpe,GA	(1)	159	2,712	1,189	159	3,901	4,060	1,334	1985(A)
Crescent Plaza Brocton,MA	12,000	1,147	7,425	481	1,147	7,906	9,053	2,479	1984(A)
New Loudon Center Latham,NY	(3)	505	4,161	9,630	505	13,791	14,296	3,229	1982(A)
Ledgewood Mall Ledgewood,NJ	(3)	619	5,434	25,472	619	30,906	31,525	10,755	1983(A)
Troy Plaza Troy,NY	(1)	479	1,976	812	479	2,788	3,267	1,359	1982(A)
Birney Mall Moosic,PA	(1)	210	2,979	931	210	3,910	4,120	3,193	1968(C)
Dunmore Plaza Dunmore,PA	(1)	100	506	182	100	688	788	296	1975(A)

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MARK CENTERS TRUST
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1997
(Dollars in Thousands)

Description	INITIAL COST TO COMPANY				GROSS AMOUNTS AT WHICH CARRIED AT CLOSE OF PERIOD				
	Encumbrances	Land	Building & Improvements	Costs Capitalized Subsequent to Acquis	Land	Building & Improvements	Total	Accumulated Depreciation	Date of Acquisition (A) Construction (C)
Shopping Centers									
Mark Plaza Edwardsville,PA	2,954	--	4,268	999	--	5,267	5,267	3,312	1968(C)
Kingston Plaza Kingston,PA	(1)	305	1,745	473	305	2,218	2,523	1,228	1982(C)
Luzerne St. Shopping Center Scranton,PA	2,000	35	315	1,150	35	1,465	1,500	704	1983(A)
Blackman Plaza Wilkes-Barre,PA	--	120	--	--	120	--	120	--	1968(C)
East End Centre Wilkes-Barre,PA	14,200	1,086	8,661	3,164	1,086	11,825	12,911	4,367	1986(C)
Green Ridge Plaza Scranton,PA	6,700	1,335	6,314	595	1,335	6,909	8,244	2,373	1986(C)
Plaza 15 Lewisburg,PA	(1)	171	81	1,481	171	1,562	1,733	302	1976(C)
Plaza 422 Lebanon,PA	(3)	190	3,004	429	190	3,433	3,623	1,866	1972(C)
Tioga West Tunkhannock,PA	(3)	48	1,238	3,414	48	4,652	4,700	1,849	1965(C)
Mountainville Shopping Center Allentown,PA	(1)	420	2,390	491	420	2,881	3,301	1,324	1983(A)
Monroe Plaza Stroudsburg,PA	(1)	70	2,083	67	70	2,150	2,220	903	1964(C)
Ames Plaza Shamokin,PA	(1)	57	1,958	219	57	2,177	2,234	1,615	1966(C)
Route 6 Mall Honesdale,PA	(3)	--	--	12,696	1,664	11,032	12,696	1,121	1995(C)
Pittston Plaza Pittston,PA	4,028	--	--	7,167	1,521	5,646	7,167	398	1995(C)
Valmont Plaza W. Hazleton,PA	6,100	522	5,591	1,027	522	6,618	7,140	2,444	1985(A)
Manahawkin Village Shopping Center Manahawkin,NJ	6,128	2,400	9,396	260	2,400	9,656	12,056	1,066	1993(A)

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MARK CENTERS TRUST
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1997
(Dollars in Thousands)

Description	INITIAL COST TO COMPANY				GROSS AMOUNTS AT WHICH CARRIED AT CLOSE OF PERIOD				
	Encumbrances	Land	Building & Improvements	Costs Capitalized Subsequent to Acquis Land	Building & Improvements	Total	Accumulated Depreciation	Date of Acquisition(A)	Construction (C)
Shopping Centers									
25th St. Shopping Center Easton, PA	(1)	2,280	9,276	184	2,280	9,460	11,740	1,331	1993 (A)
Berlin Shopping Center Berlin, NJ	(3)	--	--	6,887	1,332	5,555	6,887	678	1994 (A)
Auburn Plaza Auburn, ME	2,759	--	--	13,287	2,644	10,643	13,287	1,153	1994 (A)
Shillington Plaza Reading, PA	(1)	--	--	4,109	809	3,300	4,109	362	1994 (A)
Union Plaza New Castle, PA	4,000	--	--	20,241	5,426	14,815	20,241	505	1996 (C)
Bradford Towne Centre Towanda, PA	(3)	--	--	16,087	816	15,271	16,087	1,806	1994 (C)
Mixed Use Properties									
Northwood Centre Tallahassee, FL	22,840	1,209	6,204	18,519	1,188	24,744	25,932	11,620	1985 (A)
Normandale Centre Montgomery, AL	--	287	2,584	4,154	287	6,738	7,025	2,816	1985 (A)
Construction in Progress	--	--	--	6,668	--	6,668	6,668	--	
	\$183,943	\$16,672	\$119,006	\$176,010	\$30,855	\$280,833	\$311,688	\$83,326	

See accompanying notes
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MARK CENTERS TRUST
NOTES TO SCHEDULE III
DECEMBER 31, 1997
(Dollars in thousands)

- These seventeen properties serve as collateral for the financing with Morgan Stanley Mortgage Capital, Inc.
- These two properties serve as collateral for a letter of credit with Fleet Bank.
- These seven properties serve as collateral for the financing with John Hancock Life Insurance.
- Depreciation of investments in buildings and improvements reflected in the statements of operations is calculated over the estimated useful lives of the assets as follows:
 - Buildings 30 to 40 years
 - Improvements Shorter of lease term or useful life
- The aggregate gross cost of property included above for Federal income tax purposes was \$326,412 as of December 31, 1997.
- (a) Reconciliation of Real Estate Properties:
The following reconciles the real estate properties from January 1, 1995 to December 31, 1997:

	Year ended December 31,		
	1997	1996	1995
Balance at beginning of period	\$307,411	\$291,157	\$278,611
Additions during period			
Acquisitions through purchase	--	--	--
Acquisition through exercise of purchase option	--	--	1,446
Acquisitions and adjustments related to development options and establishment of note payable to the Principal Shareholder	--	(3,125)	(8,133)
Other improvements	7,480	19,380	19,242
Fully depreciated assets written off	(998)	--	--

Sale of property	(2,205)	(1)	(9)
	-----	-----	-----
Balance at end of period	\$311,688	\$307,411	\$291,157
	=====	=====	=====

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MARK CENTERS TRUST
NOTES TO SCHEDULE III
DECEMBER 31, 1997
(Dollars in thousands)

(b) Reconciliation of accumulated depreciation:

The following table reconciles accumulated depreciation from January 1, 1995 to December 31, 1997:

	1997	1996	1995
Balance at beginning of period	\$72,956	\$61,269	\$51,002
Sale of property	(905)	--	--
Fully depreciated assets written off	(998)	--	--
Depreciation related to real estate	12,273	11,687	10,267
	-----	-----	-----
Balance at end of period	\$83,326	\$72,956	\$61,269
	=====	=====	=====

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Kelly Township
Union County, Pennsylvania

OPTION TO PURCHASE AGREEMENT

This Option to Purchase Agreement made as of the 16th day of March, 1998, by and between MARVIN L. SLOWOWITZ, an individual (the "Optionor"), and MARK CENTERS LIMITED PARTNERSHIP, a Delaware limited partnership ("Optionee").

BACKGROUND:

A. Optionor is the optionor and Optionee is the optionee under a certain Option Agreement dated May 21, 1996 ("Prior Option Agreement") under which Optionee has the option to acquire approximately 26.6 acres of vacant land owned by Optionor (the "Prior Option Property") in the Township of Kelly, County of Union, Commonwealth of Pennsylvania, for a purchase price of One Million Three Hundred Twenty-Five Thousand Dollars (\$1,325,000).

B. Optionee is the owner of a property located contiguous to the Prior Option Property. In connection with the proposed expansion of the shopping center constructed on such contiguous property, Optionee has determined that it will only require approximately two acres of the Prior Option Property. Optionee is desirous of terminating the Prior Option Agreement and acquiring an option on only a two acre portion of the Prior Option Property, and Optionor has agreed to grant Optionee an option to Purchase such two acre portion of the Prior Option Property which is depicted on the Sketch Plan attached as Exhibit "A" hereto, to be further defined by a subdivision plan to be prepared by Optionee and approved by Optionor (the "Premises") and to terminate the Prior Option Agreement.

C. At the May 28, 1997 Board Meeting of Optionee the Board of Optionee authorized Optionee to terminate the Prior Option Agreement and to enter into a new option to acquire the Premises, for a one-year term, subject to the following conditions: (i) that Optionee grant to Optionor an easement for ingress and egress over the Premises if Optionor acquires the Premises and (ii) the purchase price for the Premises would be Fifty-Five Thousand Dollars (\$55,000) per acre, unless Optionor were to receive a bona fide offer from a third party to purchase all or part of the Prior Option Property prior to Optionee's

exercise of its option to purchase the Premises, in which event, the Optionee would have a right of first refusal for ninety (90) days to match the offer on a per acre price with respect to the Prior Option Property, or otherwise forfeit its option with respect to the Premises. A copy of the relevant portion of the Minutes of the May 28, 1997 Board Meeting of Optionee is attached hereto as Exhibit "B".

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises contained herein, and intending to be legally bound, Optionor and Optionee agree as follows:

1. Grant of Option; Termination of Prior Option Agreement.

(a) Grant of Option. For and in consideration of the payments described in Paragraph 3 below, Optionor grants to Optionee, and Optionee takes from Optionor, the option to purchase the Premises (the "Purchase Option") at any time during the term of this Agreement by giving written notice to Optionor the term of this Agreement by giving written notice to Optionor (the "Exercise Notice") of its election to exercise the Purchase Option.

(b) Termination of Prior Option Agreement. The Prior Option Agreement is hereby terminated and rendered null and void. Contemporaneous with the execution of this Agreement, Optionor and Optionee are executing and will record a termination agreement in the form attached hereto as Exhibit "C".

2. Term.

(a) Term. the term of this Agreement shall commence as of the date hereof and shall end as of 11.59 p.m. on March 13, 1999 (the "Term").

(b) Termination. Optionee may terminate the term of this Agreement at any time and for any reason whatsoever by giving written notice of such election to Optionor, in which event this Agreement shall become null and void and neither party shall have any further obligations or liabilities to the other.

3. Option Payments. Optionee has been credited with payments made to Optionor under the Prior Option Agreement in the amount of Five Thousand Dollars (\$5,000) in consideration of

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Optionor's grant of the Purchase Option to Optionee.

4. Agreement of Sale. Upon the date the Optionee exercises the Purchase Option (the "Exercise Date"), this Agreement shall constitute an agreement of sale between Optionor and Optionee, whereby Optionor agrees to sell and Optionee agrees to purchase the Premises upon the following terms and conditions:

(a) Closing. Closing for the purchase of the Premises shall be held within the later of: (i) sixty (60) days after the Exercise Date, or (ii) after subdivision is final and nonappealable under Paragraph 5 below at such time, date ("Closing Date") and place as shall be sent forth in a notice from Optionee to Optionor after the Exercise Date. The Closing Date shall not be earlier than (15) days after the Exercise Date.

(b) Purchase Price. The purchase price for the Premises shall be One Hundred Ten Thousand Dollars (\$110,000), provided, however, that the purchase price shall be reduced by (i) the total amount of the Option Payments made by Optionee described in subparagraph 3(a) above, (ii) the amount of any lien on the Premises plus accrued and unpaid interest thereon as of the Closing Date and (iii) the total of any award or other proceeds received by Optionor at any time from the date of this Agreement until Closing with respect to the taking or condemnation of any portion of the Premises. At Closing, the purchase price shall be paid by Optionee to Optionor by Optionee's delivery of a Note to Optionor providing for interest only payments due monthly, with a maturity date of one year and otherwise be in a form reasonably acceptable to Optionor and Optionee.

(c) Adjustments. All transfer taxes, documentary stamps and recording charges necessary to record the Deed (as defined in subparagraph (d) below shall be split between Optionor and Optionee. Optionee shall bear the cost of the title insurance described in subparagraph 4(d) below, but Optionor shall bear all costs in the form of abatement of the purchase price associated with placing such title in the condition required by such subparagraph. Real estate taxes and water and sewer rents and charges (if any) shall be apportioned pro rata on a per diem basis as of the Closing Date.

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(d) Condition of Title. At closing, Optionor shall convey to Optionee good and marketable fee simple title to the Premises by delivery of a special warranty deed, in recordable form (the "Deed"), such title to be free and clear of all liens, leases, encroachments, easements, restrictions of record or,

title company objections, and other encumbrances, except for those approved by Optionee, in its sole discretion. Optionee's title shall be insurable as aforesaid at ordinary rates by any reputable title company of Optionee's choice (the "Title Company") pursuant to an ALTA Owner's Policy of Title Insurance - 1970 - Form B - Amended October 17, 1970, with such endorsements thereto as Optionee shall request.

(e) Title Affidavits, Etc. Optionor agrees that it shall execute any instruments, agreements, affidavits or other documentation reasonably required by the title company insuring Optionee's title in order to effectuate the transaction contemplated hereby, and Optionor further agrees to execute any and all affidavits required by such title company as a condition to its insuring such title as aforesaid.

(f) Failure of Title. If title to any part of the Premises shall not be in accordance with the requirements of subparagraph 4(d) above, Optionee shall have the option of taking such title to the Premises as Optionor can give with an appropriate abatement of the purchase price for liens of a fixed or ascertainable amount and/or of terminating this Agreement.

(g) FIRPTA Certification. Optionor agrees to sign and deliver at closing a certification in form reasonably acceptable to Optionee in compliance with the Foreign Interest in Real Property Transfer Act.

(h) Automatic Extension of Term. Optionee's delivery to Optionor of an Exercise Notice shall automatically extend the term of this Agreement for a sufficient period of time beyond the then-applicable expiration date to accommodate the time periods provided in this Paragraph 4.

(i) Easement. At closing, Optionee shall execute and deliver an easement for ingress and egress which shall benefit the remaining portion of the Prior Option Property and burden the premises in the form to be reasonably agreed to between Optionor and Optionee.

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5. Subdivision Approval.

(a) Following delivery of the Exercise Notice, the Optionee shall be responsible for receiving final and unappealable Subdivision Approval from Kelly Township ("Township") for the subdivision of the Premises from the Prior Option Property in accordance with a Subdivision Plan (x) prepared by Optionee at Optionee's expense, (y) which is satisfactory to the Optionee and (z) subject to the Optionee's right to apply for certain variances, and complies in all respects with the Township Zoning Ordinance. Optionor shall cooperate, at Optionee's expense, with Optionee to complete such subdivision and sign any documents as may be incidental thereto.

(b) At Optionee's request, following delivery of the Exercise Notice, Optionor, at Optionee's expense, shall cooperate with and assist Optionee in obtaining any permits or other approvals required for expansion of its existing shopping center onto the Premises (including without limitation, any permits or other approvals described in Paragraph 9 below). Optionor consents to Optionee's procurement of such permits or other approvals with respect to the Premises.

6. Operations Prior to Closing. Between the date of this Agreement and the earlier of its termination or the Closing Date:

(a) The Premises shall be maintained substantially in the same quality and condition on the Closing Date as on the date hereof.

(b) Except as contemplated under paragraph 14 below, Optionor shall not enter into any contract for, or on behalf of, or affecting the Premises, which shall not terminate by its terms

on or before closing or which cannot be terminated at closing without cost, penalty or premium, and shall not enter into any new lease, or any amendment, modification or termination of any existing lease.

(c) All payments required to be made to contractors, subcontractors, mechanics, materialmen and all other persons in connection with work done or services performed with respect to the Premises shall be made by Optionor as and when due, but in any event prior to the Closing Date, and as of the Closing Date there shall be no basis for the filing of any mechanics' or materialmens' liens against the Premises or any part thereof on the basis of any work done or services performed with respect to

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the Premises.

(d) Optionor shall promptly deliver to Optionee a copy of any tax bill, notice or assessment, or notice of change in a tax rate or assessment, affecting the Premises or any part thereof, any notice or claim of violation of any law, any notice of any taking or condemnation affecting or relating to the Premises or any part thereof, or any other notice affecting or relating to the Premises or any part thereof.

7. Representations and Warranties. Optionor, to induce Optionee to enter into this Agreement, represents and warrants to Optionee as follows:

(a) Optionor has full power and legal right and authority to enter into and perform its obligations under this Agreement, and the execution and delivery of this Agreement requires no further action or approval in order to make this Agreement a binding and enforceable obligation of Optionor.

(b) No individuals or entities other than Optionor have any legal, equitable or other claim or right with respect to the Premises or any part thereof.

(c) Neither the entering into of this Agreement, the consummation of the sale, if any, nor the prior conveyance of the Premises to Optionor, has or will constitute a violation or breach of any of the terms of any contract or other instrument to which Optionor is a party or to which he is subject or by which any of his assets or properties may be affected.

(d) No consent of any third party is required by Optionor to enter into this Agreement or to consummate the terms of this Agreement, were Optionee to exercise the Purchase Option.

(e) There is no action, suit or proceeding pending or, to the knowledge of Optionor, threatened against or affecting Optionor or the Premises or any portion thereof in any court or before or by any federal, state or local entity.

(f) There are no violations of any federal, state or local law, ordinance, order, regulation or requirement affecting any portion of the Premises and no written notice of any such violation has been issued by any governmental authority.

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Optionor shall cure, prior to closing, any such violation of which Optionor or Optionee receives notice prior to the closing date.

(g) There are no leases, tenancies, licenses or other rights of occupancy or use for any portion of the Premises, and no other contracts or agreements with respect to or affecting any portion of the Premises.

(h) No portion of the Premises is the subject of any

abatement, reduction, deferral or "rollback" with regard to real estate taxes nor any agreement or arrangement whereby the Premises or any part thereof may be subject to the imposition of real property taxes after the closing date on account of periods of time prior to the closing date.

8. Environmental Matters. Optionor represents and warrants that, to the best of his knowledge, there is no contamination present on the Premises or any part thereof. For purposes of this paragraph, the term "contamination" shall mean the uncontained presence of hazardous substances at the Premises or any part thereof, or arising from the Premises or any part thereof, which may require remediation under any applicable law. "Hazardous substances" shall mean any and/or all of the following: "hazardous substances", "pollutant or contaminant" as defined pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, as amended from time to time, "hazardous waste" as defined pursuant to the Resource Conservation and Recovery Act, as amended from time to time, polychlorinated byphenals or substances containing polychlorinated byphenals, asbestos or materials containing asbestos, petroleum or petroleum products, urea formaldehyde foam insulation, or any other substances which may be the subject of liability pursuant to Environmental Laws (as defined below). Optionor represents and warrants that, to the best of its knowledge, all activities at the Premises have been and are being conducted in compliance with all laws concerning discharges to the air, soil, surface water or ground water, and storage, treatment or disposal of, any contaminant (collectively, "Environmental Laws"). Optionor represents and warrants that, to the best of his knowledge, he does not know of any tanks, underground or otherwise, presently or formerly on the Premises, or any part thereof, used for the storage of any liquid, solid, gas or other material above or below ground on the Premises.

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Optionor agrees to indemnify, defend and hold harmless Optionee of, from and against any and all expense, loss or liability (including any and all reasonable legal fees and costs) suffered by Optionee by reason of Optionor's breach of any provisions of this Paragraph.

9. Investigation. Optionor shall afford Optionee and its representatives full access to the Premises, to all files, records and other information relevant to the Premises as Optionee shall reasonably request, and shall have the right to perform such tests and studies (including without limitation topographical studies, soils tests and engineering, environmental and other tests), prepare such plans and surveys and make such applications, inquires and searches of governmental records as Optionee shall deem necessary or appropriate in connection with its evaluation of the Premises and the feasibility of the Project; and Optionor shall cooperate fully with such investigation of the Premises. With respect to material damage to the Premises caused by Optionee or its representatives during any such investigation, Optionee shall restore such damaged areas to substantially their same condition existing prior to such studies and tests.

10. Recording. Optionor agrees to sign a copy of this Agreement or a memorandum thereof in the form of Exhibit "F" attached hereto for purposes of recording this Agreement or such memorandum with the Recorder's Office of Union County, Pennsylvania.

11. Condemnation. Optionor has not received any notice of any condemnation proceeding or other proceedings in the nature of eminent domain or taking in connection with the Premises, or any part thereof. In the event Optionor receives any such notice, it will forthwith send a copy of such notice to Optionee, and Optionee shall have the sole right (in the name of Optionor or in its own name) to negotiate for, to agree to or to contest all

offers and awards. If any portion of the Premises is taken or condemned, which, in Optionee's opinion, materially adversely affects the construction or operation of the Property, Optionee shall have the right to terminate this Agreement within twenty (20) days after first receiving written notice of such event.

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12. Assignment. Optionee may assign its interests under this Agreement at any time.

13. Notices. All notices and other communications to be given under this Agreement shall be in writing and shall be hand delivered or sent by reputable, overnight courier service, or by registered or certified mail, return receipt requested addressed or sent as follows:

if intended for Optionor:

Marvin L. Slomowitz
313 Sylbert Drive
Kingston, PA 18704

if intended for Optionee:

c/o Mark Centers Trust
600 Third Avenue
Kingston, PA 18704
Attn: Mr. Joshua Kane

All such notices or other communications shall be deemed to have been given on the date of delivery thereof if given by hand delivery, or on the date deposited with the courier service or the United States Postal Service if given by overnight courier service or United States mail, respectively. Notices by or to the parties may be given or their behalf by their respective attorneys.

14. Right of First Refusal. If during the Term, Optionor, his heirs, executors, administrators, legal representatives, successors or assigns shall obtain a bona fide, binding and written offer (the "Offer") (at a price and upon terms acceptable to him) for the Prior Option Property, Optionee, its successors or assigns, shall have the right to purchase the Prior Option Property for the per acre price contained in the Offer. Optionor shall notify Optionee in writing ("Notice") forthwith after the receipt of the Offer, the Notice to be accompanied by a copy of the Offer. Within thirty (30) days after the receipt of the Notice, Optionee shall, if it desires to purchase the Prior Option Property, do so in accordance with the terms of this

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Agreement by delivering the Exercise Notice within such thirty (30) day period and all of the terms and conditions of this Agreement shall apply to such purchase except that the Note shall be in the principal amount of the purchase price described in the Notice. Optionee's failure to deliver the Exercise Notice within the said thirty-day period shall automatically terminate this Option Agreement.

15. Miscellaneous.

(a) Successors. This Agreement shall be binding upon the inure to the benefit of Optionor and Optionee and their respective heirs, executors, administrators, successors and

assigns.

(b) Captions. The captions in this Agreement are inserted for convenience of reference only; they form no part of this Agreement and shall not affect its interpretation.

(c) Entire Agreement; Governing Law. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof, supersedes all prior or other negotiations, representations, understandings and agreements of, by or among the parties, express or implied, oral or written, which are fully merged herein. The express terms of this Agreement control and supersede any course of performance and/or customary practice inconsistent with any such terms. Any agreement hereafter made shall be ineffective to change, modify, discharge or effect an abandonment of this Agreement unless such agreement is in writing and signed by the party against whom enforcement of such change, modification, discharge or abandonment is sought. This Agreement shall be governed by and construed under the laws of the Commonwealth of Pennsylvania.

(d) Provisions Separable. The provisions of this Agreement are independent of and separable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other provision may be invalid or unenforceable in whole or in part.

(e) Survival. Notwithstanding any presumption to the contrary, all covenants, conditions and representations contained in this Agreement, which by their nature, impliedly or expressly, involve performance after settlement, or which cannot be ascertained to have been fully performed until after settlement,

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shall survive settlement.

(f) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall be binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected on this Agreement as the signatories.

(g) Interpretation. No provision of this Agreement is to be interpreted for or against either party because that party or that party's legal representative or counsel drafted such provision.

(h) Time. Time is of the essence of this Agreement. In computing the number of days for purposes of this Agreement, all days shall be counted, including Saturdays, Sundays and holidays; provided, however, that if the final day of any time period provided in this Agreement shall end on a Saturday, Sunday or legal holiday, then the final day shall extend to 5:00 p.m. of the next full business day. For the purposes of this Section, the term "holiday" shall mean a day other than a Saturday or Sunday on which banks in the state in which the Real Property is located are or may elect to be closed.

In witness whereof, Optionor and Optionee have executed this Agreement as of the day and year first written above.

Optionor:

/s/ Marvin L. Slomowitz
Marvin L. Slomowitz

Optionee:

MARK CENTERS LIMITED PARTNERSHIP,
a Delaware limited partnership, by
its general partner

By: MARK CENTERS TRUST, a Maryland
Business Trust

By: /s/ David S. Zook
Name: David S. Zook
Title: Executive Vice President

TERMINATION OF OPTION TO PURCHASE

AND NOW, this 16th day of March 1998, this Termination of Option to Purchase is hereby entered into between Mark Centers Limited Partnership, with offices located at 600 Third Avenue, Kingston, Pennsylvania 18704 and Marvin L. Slomowitz, Trustee, 600 Third Avenue, Kingston, Pennsylvania 18704.

WITNESSETH:

In consideration of the sum of One Dollar (\$1.00) and of the mutual covenants contained herein, the parties hereto agree as follows: That Mark Centers Limited Partnership hereby agrees to terminate its Option to Purchase as set forth in the records of Union County in Records Book 478 at Page 76 and 499 at Page 105 and that this termination can be recorded of record in Union County.

IN WITNESS WHEREOF and intending to be legally bound hereby, the parties hereto have set their hands and seals on the day and year first above written.

ATTEST By: MARK CENTERS LIMITED PARTNERSHIP
/s/Jon Grisham Mark Centers Trust, its General Partner
/s/ David S. Zook
David S. Zook
Executive Vice President

WITNESS:
/s/ Isobel C. Slomowitz /s/Marvin L. Slomowitz
Marvin L. Slomowitz, Trustee

ACKNOWLEDGEMENT

COMMONWEALTH OF PENNSYLVANIA
COUNTY OF LUZERNE

On this 16th day of March, 1998, before me, a Notary Public, duly commissioned and qualified in and for the Commonwealth and County aforesaid, personally appeared DAVID S. ZOOK, Executive Vice President of MARK CENTERS TRUST, General Partner of MARK CENTERS LIMITED PARTNERSHIP, a limited partnership, and that he as such Executive Vice President, being authorized to so do, executed the foregoing instrument for the purposes therein contained, by signing the name of the partnership by himself as Executive Vice President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

/s/ Diane Policare
Diane Policare, Notary Public

My Commission Expires:

March 18, 2000

Fifth Amendment to Revolving Credit Loan Agreement
("Fourth Amendment") by and among Mark Centers Limited
Partnership ("Borrower"), Mark Centers Trust ("MCT") and
Mellon Bank, N.A. ("Lender")

Ladies and Gentlemen:

Borrower, MCT and Lender are parties to a Revolving Credit Loan Agreement dated October 5, 1994, amended by a First Amendment to Revolving Credit Loan Agreement dated November 15, 1995 (the "First Amendment"); a Second Amendment to Revolving Credit Loan Agreement dated February 29, 1996 (the "Second Amendment"); a Third Amendment to Revolving Credit Loan Agreement dated October 3, 1996 (the "Third Amendment") and a Fourth Amendment to Revolving Credit Loan Agreement dated August 7, 1997 (the "Fourth Amendment"). The Revolving Credit Loan Agreement, as amended by the First Amendment, Second Amendment, Third Amendment and Fourth Amendment, shall hereinafter be referred to as the "Loan Agreement". Capitalized terms used in this Agreement without definition shall have the same meanings ascribed to those terms in the Loan Agreement.

Borrower and MCT have requested Lender to agree to modify certain covenants in the Loan Agreement and Lender has agreed to do so on the terms and conditions hereinafter set forth. In consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Amendments

(a) Commitment Termination Date. Section 1.1 of the Loan Agreement is amended so that the definition of "Commitment Termination Date" is deleted and the following is substituted therefor: "Commitment Termination Date" means July 2, 1998.

(b) Repayment. Notwithstanding anything in the Loan Agreement to the contrary, Borrower shall make monthly payments to the Lender in accordance with the Loan Agreement equal to the greater of (a) \$50,000 together with interest thereon as provided in the Loan Agreement or (b) the monthly Operating Income.

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(c) Fees. In addition to any other fees due to Lender under the Loan Documents, Borrower shall pay (a) to Lender, in consideration of the amendments provided herein, the sum of Six Thousand Six Hundred Eighty Five Dollars (\$6,685), and (b) to Lender's counsel, Drinker Biddle & Reath LLP, for services previously rendered in connection with prior modifications to the Loan Agreement, the sum of One Thousand One Hundred Twenty Seven and 40/100 Dollars (\$1,127.40).

2. Representations and Warranties. To induce Lender to amend the Loan Agreement as provided herein, Borrower and MCT represent and warrant to Lender as follows:

(a) Borrower and MCT have full power, authority and legal right to execute and deliver this Amendment, and this Fifth Amendment constitutes the valid and binding obligation of Borrower and MCT, enforceable against them in accordance with its terms.

(b) Neither MCT nor Borrower has any charge, claim, demand, plea or setoff upon, for or against the Loan Agreement or any of the Loan Documents. The outstanding principal balance of the Revolving Credit as of the date hereof is \$2,580,753.44, and such sum remains due and payable in accordance with the terms and

provisions of the Loan Agreement and other Loan Documents, as modified by this Fifth Amendment.

(c) No Event of Default exists under the Loan Agreement or any other Loan Document and there is no Unmatured Event of Default under the Loan Agreement or any other Loan Document.

(d) The execution, delivery and performance of this Amendment has been duly authorized by all requisite partnership action or the part of Borrower and MCT, and will not violate the partnership documents of Borrower or MCT or any provision of any law or any order of any tribunal, and will not conflict with, result in a breach of or constitute a default under any mortgage, security agreement, loan or other credit agreement, or any other agreement or instrument to which Borrower or MCT is a party, or result in the imposition of any lien upon the assets of Borrower or MCT except as contemplated by this Fifth Amendment.

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3. Effectiveness of Loan Documents. Except as specifically amended by this Fifth Amendment, the Loan Agreement and the other Loan Documents remain unmodified and in full force and effect. References in any of the Loan Documents to the Loan Agreement shall hereafter be deemed to mean and refer to the Loan Agreement as amended by this Fifth Amendment.

4. Reaffirmation of Guaranty. MCT acknowledges that it is unconditionally liable and legally and validly indebted to Lender in accordance with the terms of the Guaranty, and such indebtedness is not subject to any defense, counterclaim or offset. MCT consents to the delivery of this Fifth Amendment and the modifications made herein, and affirms that the Guaranty is in full force and effect and includes, without limitation, the indebtedness, liabilities and obligations arising under or in any way connected with the Loan Agreement and this Fifth Amendment, whether now existing or hereafter arising including, without limitation, principal, interest, costs and expenses of collection.

5. Miscellaneous

(a) This Fifth Amendment constitutes the entire understanding among Borrower, MCT and Lender concerning the modification of the Loan Agreement. All prior and contemporaneous negotiations and understandings are merged in this Fifth Amendment.

(b) The captions preceding the sections of this Fifth Amendment are for convenience of reference only. They are not a part of this Fifth Amendment and shall not be considered in construing its meaning or effect.

(c) Borrower and MCT shall pay the attorneys' fees and costs incurred by Lender in connection with the modification of the Loan Agreement evidenced by this Fifth Amendment.

(d) This Fifth Amendment may be executed in any number of counterparts, each of which shall be an original, and such counterparts together shall constitute one and the same instrument. The parties hereto agree that a facsimile transmission of an executed counterpart of this Fifth Amendment shall have the same binding effect upon the signatory as an executed and delivered original hereof. The parties hereto

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further agree, for confirmatory purposes only, to exchange copies of executed counterpart originals promptly after the aforesaid facsimile transmission so that each party may have one fully executed original hereof.

(e) This Fifth Amendment shall be construed in accordance with the laws of the Commonwealth of Pennsylvania and

shall be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF the parties hereto have caused this Fifth Amendment to be duly executed the day and year first above written.

Borrowers:

MARK CENTERS LIMITED PARTNERSHIP,
a Delaware limited partnership

By: MARK CENTERS TRUST, a Maryland
business trust, its general partner

By: /s/ Joshua Kane
Joshua Kane, Sr VP & CFO

MARK CENTERS TRUST, a Maryland
business trust

By: /s/ Joshua Kane
Joshua Kane, Sr VP & CFO

Lender:

MELLON BANK, N.A., a national
banking association

By: /s/ Wayne R. Evans
Wayne R. Evans, Sr VP

Prepared by:
Brent S. Gorey, Esq.
Stradley, Ronon, Stevens & Young, LLP
2600 One Commerce Square
Philadelphia, PA 19103

MORTGAGE AND SECURITY AGREEMENT

THIS MORTGAGE, given as of the 28th day of January, 1998, by MARK CENTERS LIMITED PARTNERSHIP, a Delaware limited partnership, with offices located at 600 Third Avenue, Kingston, Pennsylvania 18704, ("Mortgagor"), to ROYAL BANK OF PENNSYLVANIA, a Pennsylvania banking institution with offices at 732 Montgomery Avenue, Narberth, Pennsylvania 19072 ("Mortgagee").

WHEREAS, Mortgagor by a promissory note dated the date of this Mortgage (as the same may be amended, modified, extended or renewed from time to time, the "Note") promises to pay to the order of Mortgagee, with interest, the principal sum of Three Million Five Hundred Thousand Dollars (\$3,500,000.00), or so much thereof as may be advanced from time to time by Mortgagee pursuant to the terms of a Land Acquisition and Construction Loan Agreement dated the date of this Mortgage between Mortgagor and Mortgagee (as the same may be amended, modified, or supplemented from time to time, the "Loan Agreement");

WHEREAS, the Note contains provisions which allow for changes from time to time in the rate of interest;

NOW THIS INDENTURE WITNESSETH, that Mortgagor, in consideration of the principal sum of Three Million Five Hundred Thousand Dollars (\$3,500,000.00) evidenced by the Note, and to secure the payment thereof with interest thereon, and all other sums due or to become due under the Note, this Mortgage, or the Loan Agreement (the Note, this Mortgage, the Loan Agreement, and all other documents given as security for or in connection with the Note, as the same may be amended, modified, or supplemented from time to time, are sometimes collectively referred to below as the "Loan Documents"), and to secure the performance of all other covenants, terms, conditions, and agreements of Mortgagor under the Loan Documents, and to secure the payment of any past, present, and future loans, advances, extensions of credit, or other financial accommodations made by Mortgagee to Mortgagor, or

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to third parties upon the surety, guaranty, endorsement, or other accommodation of Mortgagor, and intending to be legally bound, does hereby transfer, assign, mortgage and pledge and does hereby grant, bargain, sell, convey, alien, release and confirm unto Mortgagee, its successors and assigns, and does hereby assign and grant to Mortgagee, its successors and assigns, a security interest in:

ALL THAT CERTAIN lot(s) or parcel(s) of ground in Ocean County, New Jersey, described in Exhibit "A" attached hereto and incorporated herein by this reference (the "Premises");

TOGETHER WITH all present and future buildings and improvements erected or to be erected thereon, as well as all present and future alterations, additions and improvements now or hereafter made thereto (collectively, the "Improvements"); and all streets, alleys, passages, easements, licenses, ways, water, water courses, water rights, air rights, other rights, timber, crops, minerals, liberties, privileges, hereditament and the appurtenances thereunto belonging (collectively, the "Hereditaments");

TOGETHER WITH all present and future reversions, remainders, incomes, rents, security deposits, issues, profits, fees, payments, grants, franchises, rights, claims, concessions, and operating privileges derived from or received in connection with

all purposes for which the Premises and the Improvements might be employed, whether now existing or hereafter arising (collectively, the "Rents");

TOGETHER WITH all present and future machinery, apparatus, equipment, fittings, fixtures, and articles of personal property of Mortgagor now or hereafter located on, about, under or in the Premises or the Improvements, without regard to whether the same may be affixed to the Premises or Improvements, at any time and from time to time and used or usable in connection with any present or future operation or occupancy of the Improvements, including but not limited to all heating, electrical, air conditioning, ventilating, lighting, laundry, incinerating and power equipment, engines, pipes, pumps, tanks, motors, conduits, switchboards, plumbing, lifting, cleaning, fire prevention, fire extinguishing, and communications apparatus, appliances, furnishings, carpeting, cabinets, partitions, ducts and compressors, and all parts and accessories therefor and all substitutions and

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replacements thereof, and the cash and non-cash proceeds of all the foregoing, including but not limited to the proceeds of any policy of insurance thereon (collectively, the "Building Equipment");

TOGETHER WITH all present and future contracts relating to the Premises, the Improvements, the Hereditaments, or the Building Equipment; all documents, contract rights, accounts, commitments, construction contracts, architectural agreements, general intangibles (including, but not limited to, trademarks and trade names), instruments, notes and chattel paper arising from or by virtue of any transaction related to the Premises, the Improvements, or the Building Equipment; and all other interests of every kind and character that Mortgagor now has or hereafter acquires in and to the Premises, the Improvements, the Hereditaments and the Building Equipment (collectively, the "Rights");

TOGETHER WITH all awards, decrees, proceeds and settlements made to or for the benefit of Mortgagor by reason of any damage to, destruction of or taking of the Premises or any part thereof or any Improvements, Hereditaments, or Building Equipment, whether made by reason of the exercise of the right of eminent domain or otherwise, or by any public or private authority, tribunal, corporation or other entity or by any natural person ("Damages").

All of the foregoing property of whatever kind encumbered by this Mortgage and any additional property now owned or hereafter acquired by Mortgagor and subject to the lien of this Mortgage or intended to be so is sometimes referred to below as the "Mortgaged Property."

TO HAVE AND TO HOLD the Mortgaged Property to Mortgagee, its successors and assigns, forever to its and their own proper use, benefit and behoof forever.

PROVIDED, HOWEVER, that if Mortgagor shall promptly pay or cause to be paid to Mortgagee the principal sum (including all additional advances and all other sums) payable by Mortgagor to Mortgagee under the Loan Documents, with interest thereon, and shall perform or cause to be performed all other covenants, terms, conditions, and agreements contained in the Loan Documents, and shall promptly pay or cause to be paid all other sums secured by this Mortgage, all without fraud or delay or

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deduction or abatement of anything or for any reason, then this Mortgage and the estate granted by this Mortgage shall cease, terminate and become void.

Mortgagor covenants and warrants that Mortgagor is sole lawful owner of an indefeasible estate in fee simple in the Mortgaged Property, free from all prior liens and encumbrances, and will warrant and forever defend the title thereof unto the Mortgagee against all claims whatsoever. In the event the

interest of Mortgagee in the Mortgaged Property or any part thereof should be endangered or should be challenged, directly or indirectly, Mortgagor authorizes Mortgagee, at Mortgagor's expense, to take all necessary and proper steps for the defense of such interest, including the employment of counsel, the prosecution or defense of litigation, and the compromise or discharge of claims made against such interest.

Mortgagor further covenants and agrees with Mortgagee that, until payment of all sums secured by this Mortgage:

1. Payment of Sums Secured and Performance.

(a) Mortgagor shall pay when due the principal sum secured by the Mortgage with interest thereon at the times and in the manner as provided in the Note and shall pay when due all other sums secured by this Mortgage.

(b) Mortgagor shall promptly and faithfully observe and perform all covenants, terms, conditions, and agreements contained in this Mortgage, in the Note, and in the other Loan Documents.

2. Taxes and Other Charges. Mortgagor shall pay, prior to the time when interest or penalties commence to accrue thereon, all taxes, sewer and water rents and other charges, including charges in lieu of taxes, and other claims owing the State of New Jersey or any other governmental authority, state or local, and all taxes, charges, and claims owing to the United States of America. Promptly after request by Mortgagee, Mortgagor shall produce to Mortgagee receipts or other satisfactory evidence of the payment of such items; provided, however, if Mortgagor in good faith and by appropriate legal action shall contest the validity or the amount of any such item, after notice to Mortgagee, and, if required by Mortgagee, shall have furnished

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and deposited security as required by Mortgagee and furnished assurance satisfactory to Mortgagee indemnifying it against any loss by reason of such contest, then Mortgagor shall not be required to pay the item or to produce the required receipts so long as the contest: (i) operates to prevent collection and enforcement; (ii) does not interfere with the use, occupancy or operations of the Mortgaged Property and the timely payment of all sums due under this Mortgage; (iii) does not jeopardize the lien of this Mortgage; (iv) is maintained and prosecuted with diligence; and (v) is not terminated or discontinued adversely to Mortgagor.

3. Insurance.

(a) Mortgagor shall keep the Premises, the Improvements, and the Building Equipment insured for the benefit of Mortgagee, its successors and assigns, as its interest may appear, against loss or damage by fire and other hazards including, without limitation, "all risks" (with extended coverage, vandalism and malicious mischief endorsements), upon terms and in companies satisfactory to Mortgagee, at all times in amounts required by Mortgagee and not less than the full replacement value of the Improvements and the Building Equipment. Mortgagor shall deliver all policies of insurance to the Mortgagee, each of such policies to contain noncontributory mortgagee clauses satisfactory to Mortgagee and provision for thirty (30) days' written notice, certified mail, return receipt requested, to Mortgagee of cancellation or material change in coverage, and to be endorsed to name Mortgagee as an additional insured with loss payable to Mortgagee. Mortgagor shall not take out separate insurance concurrent in form or contributing in the event of loss with the insurance required to be maintained under this Mortgage, unless Mortgagee is included on such insurance as an additional named insured with loss payable to Mortgagee under a standard mortgagee endorsement of the character above described. Mortgagor shall immediately notify Mortgagee whenever such separate insurance is taken out and shall promptly deliver to Mortgagee the policy of such insurance. Mortgagor shall

maintain and deliver satisfactory evidence to Mortgagee that there are in effect, if and as required by Mortgagee, policies of workmen's compensation, general liability insurance, and flood insurance, in such amounts as Mortgagee may from time to time require, in such form and issued by companies acceptable to Mortgagee, and such other insurance (including without limitation

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business interruption insurance) as Mortgagee may from time to time require. Mortgagor shall promptly proceed to effect new insurance on the Mortgaged Property satisfactory to Mortgagee, if any required insurance shall expire, or be withdrawn, or become void by breach of any condition by Mortgagor, or become void or unsafe by reason of the failure of or impairment of the capital of any company in which such insurance may then be, or if for any other reason whatsoever such insurance shall become unsatisfactory to Mortgagee.

(b) Mortgagor shall pay as they shall become due all premiums for all insurance, and shall deliver evidence of payment to Mortgagee within ten (10) days of payment. In event of loss or casualty, Mortgagor shall give immediate written notice to Mortgagee, and Mortgagee may make proof of loss if not promptly made by Mortgagor. Mortgagee shall have the right, at its election, to adjust and compromise any loss claims under such insurance. Mortgagor directs any insurance company to pay directly to Mortgagee any monies which may become payable to Mortgagor or Mortgagee as above and under such insurance, including return of unearned premiums, and Mortgagor appoints Mortgagee as attorney-in-fact to endorse any draft for such monies. All amounts recoverable under any insurance policy required by this Mortgage are assigned to Mortgagee and in the event of a loss the amount so collected, net of any cost incurred by Mortgagee in collecting the same, including attorneys' fees, shall be made available for restoration or replacement of the Improvements and Building Equipment then subject to the lien of this Mortgage, provided:

(i) The fire or other occurrence causing the loss occurs more than six (6) months prior to the maturity date of the Note.

(ii) An Event of Default does not exist and, during the course of restoration and replacement does not occur, under this Mortgage or the other Loan Documents.

(iii) Mortgagor shall deposit with Mortgagee in an interest bearing account sufficient funds to cover the costs of restoring and replacing the Improvements to the extent such costs are in excess of the available insurance proceeds.

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(iv) Mortgagor shall promptly furnish to Mortgagee plans and specifications for the restoration and replacement of the Improvements by such architect as shall be selected and engaged by Mortgagor and approved by Mortgagee.

(v) Mortgagor shall submit evidence satisfactory to Mortgagee that the value of the Premises, as restored and replaced, is not less than the value of the Premises as of the date of the loss.

(vi) Mortgagor shall submit satisfactory evidence that the restoration will be completed prior to the earlier of: (i) the maturity of the Note or (ii) one hundred eighty (180) days after the fire or other occurrence causing the loss, or such other period of time necessary due to extent of such loss as Mortgagee may approve in writing in its sole discretion (the "Completion Date").

(vii) Prior to the commencement of such restoration, Mortgagor shall take all steps necessary to avoid the imposition of any mechanics' liens on the Premises or Improvements.

Subject to the foregoing, insurance proceeds, net of the cost of adjusting, collecting, and such reasonable administrative charge as Mortgagee may impose for distributing same, shall be advanced pursuant to and subject to the provisions and conditions of this Mortgage as work progresses and upon the architect's certification. The insurance proceeds to be released shall be disbursed on request, but no more frequently than twice each month, in accordance with a draw schedule approved by Mortgagee. The item or items to which each distribution may be applied are subject to the prior approval of Mortgagee. Upon completion of such restoration, reconstruction and renovation, or upon occurrence of an Event of Default under this Mortgage, any portion of the insurance proceeds remaining unexpended shall be applied by Mortgagee in its sole discretion to the payment of accrued and unpaid interest, if any, on account of the unpaid principal sum, or to other sums due under this Mortgage or the other Loan Documents, in such order as Mortgagee may elect. No damage or destruction of the Mortgaged Property nor any application of insurance proceeds to the payment of the

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indebtedness evidenced by the Note shall postpone or reduce the amount of any installment of principal or interest due under the Note.

In the event all conditions of this paragraph (b) are not fully complied with within forty-five (45) days after the fire or other occurrence causing the loss, or all restoration, reconstruction and renovation is not completed by the Completion Date, and with regard to all other insurance proceeds (other than proceeds payable under the hazard insurance policy), all insurance proceeds shall be applied by Mortgagee in its sole discretion to the payment of accrued and unpaid interest, if any, on account of the unpaid principal sum, or to other sums due under this Mortgage or under the other Loan Documents, in such order as Mortgagee may elect.

(c) In the event of foreclosure of this Mortgage or other transfer of title to the Mortgaged Property in extinguishment of the indebtedness secured by this Mortgage, all right, title and interest of Mortgagor to any insurance policies then in force covering the Mortgaged Property shall pass to the transferee of the Mortgaged Property. Mortgagee is irrevocably appointed by Mortgagor as attorney-in-fact for Mortgagor, coupled with an interest, to assign any policy in the event of the foreclosure of this Mortgage or other extinguishment of the indebtedness secured by this Mortgage.

4. Escrow Deposits.

(a) Mortgagor shall deposit with Mortgagee, in a lump sum concurrently with the execution of this Mortgage and in monthly installments thereafter, such sums as shall equal annually the amount of the annual real estate taxes and such other charges as may be assessed or levied by any public authority on the Mortgaged Property. It is intended that not later than one month prior to the dates on which the taxes and other charges shall last be due and payable without interest or penalty, such sums shall be applied to the payment of the item or items in respect of which such sums were deposited, or, at Mortgagee's option, to the payment of such items in such order of priority as Mortgagee shall determine, as the same become due and payable, and Mortgagor shall make available to Mortgagee proper bills therefor. If at any time that it is intended that Mortgagor shall have deposited with Mortgagee a sufficient sum to

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pay any tax or other charge in full and the amount then held by Mortgagee on deposit therefor shall be insufficient for that purpose, Mortgagor, upon demand, shall pay to Mortgagee any amount necessary to make up such deficiency. If Mortgagor shall be in default under this Mortgage, Mortgagee may at its option apply the amounts then deposited with Mortgagee, or any part

thereof, in payment of the unpaid sums secured by this Mortgage. Nothing contained in this paragraph shall be deemed to affect any right or remedy of Mortgagee under any provisions of this Mortgage or any statute or rule of law to pay any such items and to add the amount of the payment, with interest, as provided in this Mortgage, to the indebtedness secured by this Mortgage, and to require payment thereof on demand. Payments from the deposit required under this Mortgage may be made by Mortgagee even though subsequent owners of the Mortgaged Property may benefit by such payments. If, when making any assignment of this Mortgage and the Note, the then Mortgagee shall pay over to its assignee the then balance of the deposits made by Mortgagor, such assigning Mortgagee shall have no further obligation to Mortgagor for the proper application of such deposits.

(b) No amounts paid under paragraph (a), above, shall be deemed to be trust funds but may be commingled with the general funds of Mortgagee. Unless otherwise required by law, Mortgagee shall have no obligation to pay interest to Mortgagor on any amounts so deposited.

5. Maintenance of Mortgaged Property. Mortgagor shall maintain the Mortgaged Property in good repair, order, and in first class condition; except as otherwise provided in or contemplated by the Loan Agreement, shall not remove any Building Equipment from the Premises or the Improvements, without the prior written consent of Mortgagee; except as otherwise provided in or contemplated by the Loan Agreement, shall not make, install, or permit to be made or installed, any alterations, additions, improvements, fixtures, appliances or equipment of any nature to or in the Mortgaged Property, without the prior written consent of Mortgagee; shall not commit or suffer any waste of the Mortgaged Property; shall not make any change in the use of the Mortgaged Property which may increase in any way the risk of fire or other hazard or which may impair the security of this Mortgage; shall not permit the Mortgaged Property to become deserted or unguarded; shall promptly protect and conserve any portion of the Mortgaged Property remaining after any damage to

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or partial destruction of the Mortgaged Property; shall promptly repair, restore, replace, or rebuild any portion of the Mortgaged Property which is damaged or destroyed; and shall promptly restore the balance of the Mortgaged Property remaining after any condemnation.

6. Inspections. Mortgagor shall permit Mortgagee and its agents, at any time and from time to time, to enter upon the Premises and Improvements and to inspect and appraise the same for any purpose.

7. Estoppel Affidavit. Mortgagor shall, within five (5) days after request in person or within ten (10) days after request by mail, furnish a written statement or declaration, duly acknowledged, of the amount due on this Mortgage and whether any offsets or defenses exist thereto or against this Mortgage.

8. Compliance with Laws and Agreements. Mortgagor shall comply with all rules, laws, ordinances, regulations, agreements, covenants, conditions, contracts, declarations, easements, encumbrances, licenses and restrictions affecting the Mortgaged Property, shall not suffer or permit any violation thereof, shall pay all fees and charges of any kind in connection therewith, and shall do or cause to be done all things necessary to preserve intact and unimpaired any and all easements, appurtenances, and other interests and rights in favor of, or constituting any portion of, the Mortgaged Property.

9. Transfer of Mortgagor Property. Mortgagor shall not sell, transfer, or assign, and shall not permit the sale, transfer or assignment, voluntarily or involuntarily, by operation of law or otherwise, of the Mortgaged Property, or any part of or interest in the Mortgaged Property, without the prior written consent of Mortgagee, which consent Mortgagee may in its sole discretion withhold. A transfer of the Mortgaged Property

shall be deemed to have occurred by virtue of the transfer of more than fifty percent (50%) of any interest (stock, partnership or otherwise) in Mortgagor, whether in a single transaction or by virtue of a series of transactions and whether voluntarily or involuntarily, by operation of law or otherwise.

10. Liens and Encumbrances. Mortgagor shall maintain this Mortgage as a valid first lien (and security interest) on the Mortgaged Property, and shall not create, incur, assume, or

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suffer to exist any mortgage, lien, charge, security interest or other encumbrance upon the Mortgaged Property, or any part thereof, whether senior or subordinate, without the prior written consent of Mortgagee, which consent Mortgagee may in its sole discretion withhold. If any such lien or encumbrance is filed or recorded without Mortgagee's consent, then in addition to the other remedies available under the terms of this Mortgage, Mortgagor shall have it removed of record within thirty (30) days after it is filed or recorded. By placing or accepting any mortgage, lien or encumbrance of any type, whether voluntary or involuntary, whether consented to by Mortgagee or not, against the Mortgaged Property, the holder shall be deemed to have agreed, without any further act or documentation, that its mortgage, lien, and encumbrance shall be subordinate in lien priority to this Mortgage (including, without limitation, amendments which increase the interest rate on the Note, provide for future advances secured by this Mortgage, or provide for the release of portions of the Mortgaged Property with or without consideration).

11. Condemnation. Mortgagor shall notify Mortgagee promptly of the commencement of any proceedings for the condemnation or the taking by eminent domain of all or any part of the Mortgaged Property. Mortgagee shall have the right to commence, appear in, and prosecute in its own or in Mortgagor's name, any such proceeding, and to settle or compromise any claim in connection therewith. Mortgagor appoints Mortgagee attorney-in-fact for Mortgagor, which appointment is coupled with an interest, to collect and receive any awards, damages, payments, and compensation from the authorities making the same, and to give receipts and acquittance therefor, and to institute, appear in and prosecute any proceeding therefor. All sums collected by or paid to Mortgagee pursuant to any such assignment, net of any cost incurred by Mortgagee in collecting the same, including attorneys' fees, may be: (i) applied by Mortgagee, in such order of priority as Mortgagee shall determine, to the payment of accrued interest and principal, whether or not then due and payable, or any other sums secured by this Mortgage; or (ii) paid or made available to Mortgagor, on such terms and conditions as Mortgagee may determine in its discretion, without waiving or impairing any equity or lien under and by virtue of this Mortgage. If, prior to the receipt by Mortgagee of such sums, the Mortgaged Property or any part thereof shall have been sold on foreclosure of this Mortgage, Mortgagee shall have the right,

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whether or not a deficiency judgment on the Note shall have been sought, recovered or denied, to receive such sums to the extent of the debt remaining unsatisfied after such sale, with interest thereon at the highest rate set forth in the Note, and to receive the counsel fees, costs and disbursements incurred by Mortgagee in connection with the collection of such sums.

12. Leases and Rents. Mortgagor assigns to Mortgagee, as security for Mortgagor's obligations under this Mortgage, any and all leases entered into by Mortgagor for any portion of the Premises or Improvements, whether now existing or hereafter created, including all rents due and to become due thereunder as well as all rights and remedies provided therein for the collection of rents. Mortgagee in no way assumes or will assume any of the obligations as lessor under any leases, and this assignment shall not release Mortgagor of its obligations as lessor. Mortgagor shall perform, or cause to be performed, every obligation of the lessor and shall enforce every obligation of

the lessee in every lease that is assigned to Mortgagee or any tenancy in which the rents are or may be assigned to Mortgagee, and shall not, modify, alter, waive or cancel any such lease or any part thereof, nor anticipate for more than one (1) month any rents that may be collectible under such lease or that may have been assigned to Mortgagee, nor assign any such lease or any such rents, without the prior written consent of Mortgagee.

13. Subordinate Lienholders. Mortgagor shall not permit the holder of any subordinate mortgage or other subordinate lien, whether or not consented to by Mortgagee, to terminate any lease or agreement of sale for all or a portion of the Mortgaged Property, whether or not that lease or agreement of sale is subordinate (whether by law or the terms of such lease or a separate agreement) to the lien of this Mortgage, without the prior written consent of Mortgagee. The holder of any subordinate mortgage or other subordinate lien shall have no such right, whether by foreclosure of its mortgage or lien or otherwise, to terminate any such lease or agreement of sale, whether or not permitted to do so by Mortgagor or as a matter of law, and any such attempt to terminate any such lease or agreement of sale shall be ineffective and void, without the prior written consent of Mortgagee.

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14. Payment of Costs and Expenses. If Mortgagor fails to pay any taxes, water and sewer rents, assessments, charges, claims, fees, costs, or expenses required to be paid under the terms of this Mortgage or to maintain insurance as required, or to make all necessary repairs to the Mortgaged Property, Mortgagee may, but shall not be obligated to, advance sums on behalf of Mortgagor in payment of such taxes, water and sewer rents, assessments, charges, claims, costs, expenses, fees, insurance and repairs, with right of subrogation, without prejudice to the right of enforcement of the obligation of the Note, or the other remedies of Mortgagee in this Mortgage, by reason of the failure of Mortgagor to make payment of the same; and all such sums so advanced by Mortgagee shall be added to and become a part of the indebtedness secured by this Mortgage, and payment of such sums (with interest thereon at the highest rate specified in the Note) may be enforced at any time by Mortgagee against Mortgagor.

15. Changes in Laws of Taxation. If at any time the United States Government or any department or bureau thereof shall require internal revenue stamps on the Note secured by this Mortgage, Mortgagor shall pay for same upon demand; and on default of such payment within fifteen (15) days after demand, the holder of the Note may pay for such stamps and add the amount so paid to the indebtedness evidenced by the Note and secured by this Mortgage. If any law or ordinance adopted after the date of this Mortgage imposes a tax on Mortgagee with respect to the Mortgaged Property, the value of Mortgagor's equity in the Mortgaged Property, the amount of the indebtedness secured by this Mortgage, the Note, or the other Loan Documents, Mortgagee shall have the right at its election to give Mortgagor sixty (60) days written notice to pay the indebtedness secured by this Mortgage, whereupon such indebtedness shall become due and payable at the expiration of such period of sixty (60) days, unless prior thereto, lawfully and without violation of usury laws, Mortgagor has paid any such tax in full as the same became due and payable.

16. Environmental Covenants.

(a) Mortgagor shall not use, nor permit any other party to use, the Mortgaged Property for the purpose of generating, treating, producing, storing, handling, transferring, processing, transporting, disposing or otherwise releasing Hazardous Substances, either on, from or about the Mortgaged

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Property or elsewhere, which (i) creates or causes or threatens to create or cause contamination, either on the Mortgaged

Property or elsewhere, required by any governmental authority to be removed or remedied under any Environmental Law, (ii) creates any form of liability, direct or indirect, due to such actual or threatened contamination, or (iii) is in contravention of any Environmental Law. Mortgagor shall require in all leases and subleases that all tenants, subtenants, and other occupants of the Mortgaged Property not use or occupy the Mortgaged Property in contravention of the Environmental Laws and the terms of this Mortgage.

(b) The term "Environmental Law" includes any and all current or future federal, state, county, regional and local laws, statutes, rules, regulations and ordinances concerning protection of health or the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Sub Section 9601 et seq., as amended ("CERCLA"), the Resource Conservation and Recovery Act, 42 U.S.C. Sub Section 6901 et seq., as amended ("RCRA"), the Toxic Substances Control Act, 15 U.S.C. Sub Section 2601 et seq., as amended ("TSCA"), the New Jersey Spill Compensation and Control Act, N.J.S.A. 58:10-23.11 et. seq. ("Spill Act"), and the New Jersey Industrial Site Recovery Act ("ISRA"). The term "Hazardous Substances" includes "hazardous substances" as defined in CERCLA and the Spill Act, "hazardous wastes" as defined in RCRA, and "toxic substances" as defined in TSCA, and any and all other pollutants and contaminants regulated or controlled by Environmental Laws.

(c) Mortgagor shall, in the event of any actual or threatened discharge, spill, injection, escape, emission, disposal, leak or other release of Hazardous Substances on, from or about the Mortgaged Property, which is not authorized by a permit or other approval issued by the appropriate governmental agencies, promptly notify the U.S. Environmental Protection Agency and the appropriate agency of the State of New Jersey, and shall take all steps necessary to promptly remove, remediate, or otherwise clean up such actual or threatened discharge, spill, injection, escape, emission, disposal, leak or other release in accordance with the provisions of all Environmental Laws, and shall receive a certification from the appropriate agency of the State of New Jersey, or U.S. Environmental Protection Agency that the Mortgaged Property and any other affected property has been

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cleaned up to the satisfaction of those agencies.

(d) Mortgagor grants Mortgagee and its agents, employees, contractors and designees an irrevocable license (coupled with an interest) to enter the Mortgaged Property from time to time, at Mortgagor's expense, to evaluate and monitor the Mortgaged Property for compliance with all Environmental Laws as well as the terms of this Mortgage, and to perform appropriate tests (including, without limitation, test borings) and to take samples (including, without limitation, soil and groundwater samples). Mortgagor shall provide Mortgagee with all notices and other communications received from federal, state, county, regional and local agencies and departments which enforce and administer Environmental Laws. Mortgagor shall provide Mortgagee, from time to time upon request, with any and all information requested by Mortgagee concerning the use of the Mortgaged Property and Mortgagor's compliance with the terms of this Mortgage and Environmental Laws.

(e) Mortgagor shall and does release, indemnify, agree to pay on behalf of, and hold harmless Mortgagee and its officers, directors, agents, employees, successors and assigns of and from any loss, claim, cost, cause of action, action, demand, damage, fine (civil or criminal), penalty or expense, including without limitation clean-up costs, attorneys' fees and court costs, which may be incurred, suffered or sustained by reason of any violation or alleged violation of any terms of this Mortgage or any Environmental Law on, in, under, from or about the Mortgaged Property, caused in whole or in part, regardless of fault, by any past, present or future owner, occupier, tenant, subtenant, licensee, guest, or other person or entity, including

but not limited to Mortgagor and Mortgagee. The terms of this paragraph shall survive the payment in full of all sums secured this Mortgage and the termination and satisfaction of record of this Mortgage.

(f) If Mortgagee should pay or incur any costs, fees, expenses, settlements, damages, fines (criminal or civil) or penalties, including, but not limited to, clean-up costs, attorneys' fees and court costs, because of a past, present or future violation of the terms of this Mortgage or Environmental Laws on, in, under, from or about the Mortgaged Property, all such sums shall be added to the indebtedness secured by this Mortgage, shall be payable on demand by Mortgagor, and shall bear

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interest at the highest rate set forth in the Note. The terms of this paragraph shall survive the payment in full of all other sums secured by this Mortgage and the termination and satisfaction of record of this Mortgage.

17. Environmental Representations. Mortgagor has investigated the prior ownership and uses of the Mortgaged Property, in a manner consistent with good commercial and customary practice, to determine that the Mortgaged Property is free of Hazardous Substances. Mortgagor, in performing its investigation, has considered (i) the relationship of the purchase price to the value of the Mortgaged Property if uncontaminated when acquired, (ii) commonly known or ascertainable information about the Mortgaged Property, and (iii) the obviousness of the presence or likely presence of contamination. Mortgagor warrants and represents to Mortgagee, to the best of Mortgagor's knowledge, that:

(a) None of the Mortgaged Property has ever been used to treat, store, produce, handle, transfer, process, transport, dispose or otherwise release Hazardous Substances which has caused, however remotely, a contamination that requires or could require removal or remediation under any Environmental Law or that creates or could create any liability for removal or remediation.

(b) No contamination or pollution or danger of pollution or contamination exists from a condition on the Mortgaged Property which requires any corrective action under any Environmental Law or which could result in any liability for corrective action.

(c) No notification has been filed with regard to a release of Hazardous Substances on, into or from the Mortgaged Property under any Environmental Laws.

(d) Neither Mortgagor nor any prior owner or occupier of the Mortgaged Property has received a summons, citation, notice of violation, administrative order, directive, letter or other communication, written or oral, from any governmental or quasi-governmental authority concerning any violation or alleged violation of any Environmental Law.

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(e) No underground storage tanks are currently located on the Mortgaged Property. Any such tanks that previously existed on the Mortgaged Property were removed in compliance with all Environmental Laws and there was no evidence of any contamination caused by the removal of any such tanks.

(f) No asbestos-containing materials and no polychlorinated biphenyls are located on the Mortgaged Property.

18. Events of Default. The occurrence of any one or more of the following events shall constitute a default under this Mortgage ("Event of Default"):

(a) Mortgagor fails to observe or perform any terms, conditions, and agreements of this Mortgage or the other Loan

Documents to be observed or performed by Mortgagor (subject, to the extent applicable thereto, to any cure or grace periods in the Note).

(b) A default or event of default otherwise occurs under the Note, the Loan Agreement, or the other Loan Documents.

(c) A default or event of default occurs under or in connection with any other loan, advance, extension of credit, or other financial accommodation now or hereafter made by Mortgagee to Mortgagor, or under any other agreements, documents, or instruments now or hereafter executed or delivered by Mortgagor to Mortgagee.

(d) A default occurs under or in connection with any other indebtedness or obligation secured by the Mortgaged Property or any part thereof.

19. Remedies Upon Default. Upon the occurrence of an Event of Default, or at any time during the continuance of an Event of Default, Mortgagee, may at its election, declare the whole unpaid principal sum and all accrued and unpaid interest thereon, and all other sums payable under the Loan Documents, to be immediately due and payable without notice or demand, and Mortgagee may immediately and without demand exercise any of the following rights and remedies, in addition to any of the rights or remedies provided in the other Loan Documents or in other documents held by Mortgagee as security for the indebtedness evidenced by the Note, and such rights and remedies otherwise

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available to Mortgagee at law, in equity, by virtue of statute, or otherwise, without further stay, any law, usage or custom to the contrary notwithstanding:

(a) Mortgagee may either in person or by agent, with or without bringing any action or proceeding, take possession of the Premises, the Improvements and the Building Equipment and exercise with respect thereto all rights of a mortgagee in possession, and may collect all rents therefrom and, after deducting all costs of collection and administration expense, apply the net rents to the payment of taxes, water and sewer rents, charges and claims, insurance premiums and all other carrying charges, to the maintenance, repair or restoration of the Mortgaged Property, or on account and in reduction of the principal or interest secured by this Mortgage, in such order and amounts as Mortgagee may elect in its sole discretion. Upon taking possession, Mortgagee may do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Premises, the Improvements, and the Building Equipment, to increase the income therefrom and to protect the security thereof, including sue for or otherwise collect the rents, issues and profits thereof, including those past due and unpaid. The making of such alteration, additions, improvements, renovations, repairs and replacements to the Mortgaged Property as Mortgagee may deem proper; the demolishing of any part or all of the buildings, structures or other improvements on the Premises which in the judgment of Mortgagee may be in an unsafe condition and dangerous to life or property; and the remodeling of such buildings, structures or other improvements so as to make them available in whole or in part for any business, dwelling, multiple dwelling or other purposes.

(b) Mortgagee may institute, notwithstanding the provisions of any law or act of assembly to the contrary, any appropriate action or proceeding to foreclose this Mortgage as if any and all redemption periods had fully expired, and proceed to judgment and execution for all sums secured by this Mortgage.

(c) MORTGAGOR IRREVOCABLY AUTHORIZES AND EMPOWERS ANY PROTHONOTARY, CLERK OF COURT OR ANY ATTORNEY OF ANY COURT OF RECORD OF THE COMMONWEALTH OF PENNSYLVANIA OR ELSEWHERE, TO APPEAR FOR AND CONFESS JUDGMENT AGAINST MORTGAGOR, AS WELL AS AGAINST ALL PERSONS CLAIMING UNDER, BY OR THROUGH MORTGAGOR, AND IN FAVOR OF MORTGAGEE, AS OF ANY TERM, PAST, PRESENT OR FUTURE,

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WITH OR WITHOUT DECLARATION, FOR POSSESSION OR CONTROL OF THE PREMISES AND THE IMPROVEMENTS TOGETHER WITH THE HEREDITAMENTS AND BUILDING EQUIPMENT (WITHOUT THE NECESSITY OF FILING ANY BOND AND WITHOUT ANY STAY OF EXECUTION OR APPEAL) FOR WHICH THIS INSTRUMENT (OR A COPY THEREOF VERIFIED BY AFFIDAVIT) SHALL BE A SUFFICIENT WARRANT; WHEREUPON, APPROPRIATE PROCESS TO OBTAIN POSSESSION OR CONTROL OF THE PREMISES AND THE IMPROVEMENTS TOGETHER WITH THE HEREDITAMENTS AND BUILDING EQUIPMENT (INCLUDING LEVY AND EXECUTION) MAY BE ISSUED FORTHWITH, WITHOUT ANY PRIOR WRIT OR PROCEEDING WHATSOEVER, MORTGAGOR RELEASING AND AGREEING TO RELEASE MORTGAGEE AND SUCH ATTORNEYS FROM ALL ERRORS AND DEFECTS WHATSOEVER IN ENTERING SUCH JUDGMENT OR IN CAUSING SUCH WRIT OR PROCESS TO BE ISSUED OR IN ANY PROCEEDING THEREON OR CONCERNING THE SAME, PROVIDED THAT MORTGAGEE SHALL HAVE FILED IN SUCH ACTION AN AFFIDAVIT MADE BY SOMEONE ON MORTGAGEE'S BEHALF SETTING FORTH THE FACTS NECESSARY TO AUTHORIZE THE ENTRY OF SUCH JUDGMENT ACCORDING TO THE TERMS OF THIS INSTRUMENT, OF WHICH FACTS SUCH AFFIDAVIT SHALL BE PRIMA FACIE EVIDENCE; AND IT IS EXPRESSLY AGREED THAT IF FOR ANY REASON AFTER ANY SUCH ACTION HAS BEEN COMMENCED, THE SAME SHALL BE DISCONTINUED, MARKED SATISFIED OF RECORD OR BE TERMINATED, OR POSSESSION OF THE PREMISES AND IMPROVEMENTS TOGETHER WITH THE HEREDITAMENTS AND BUILDING EQUIPMENT REMAINS IN OR IS RESTORED TO MORTGAGOR OR ANYONE CLAIMING UNDER, BY OR THROUGH MORTGAGOR, MORTGAGEE MAY, WHENEVER AND AS OFTEN AS MORTGAGEE SHALL HAVE THE RIGHT TO AGAIN TAKE POSSESSION OF THE PREMISES AND THE IMPROVEMENTS TOGETHER WITH THE HEREDITAMENTS AND BUILDING EQUIPMENT, BRING ONE OR MORE FURTHER CONFESSIONS IN THE MANNER SET FORTH ABOVE TO RECOVER POSSESSION OF THE PREMISES AND IMPROVEMENTS TOGETHER WITH THE BUILDING EQUIPMENT, AND THE AUTHORITY AND POWER ABOVE GIVEN TO ANY SUCH ATTORNEY SHALL EXTEND TO ALL SUCH FURTHER CONFESSIONS.

(d) Mortgagee, in its sole discretion, regardless of whether a foreclosure suit has been commenced, shall be entitled to the appointment of a receiver of the rents, without notice, to the extent not prohibited by applicable law, with power to collect the rents, issues and profits of the Mortgaged Property as a matter of strict right and without notice, with power to collect rents, issues and profits of the Mortgaged Property due and coming due, both prior to and during the pendency of such foreclosure suit, without regard to the value of the Mortgaged Property or to the solvency of the Mortgagor or any other person liable for the indebtedness secured by this Mortgage, and regardless of whether Mortgagee has an adequate remedy at law.

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Such receiver may rent the Mortgaged Property, or any part thereof, for such term or terms and on such other terms and conditions as such receiver may see fit, collect all rents (which term shall also include sums payable for use and occupation) and, after deducting all costs of collection and administration expense, apply the net rents to the payment of taxes, water and sewer rents, other lienable charges and claims, insurance premiums and all other carrying charges, and to the maintenance, repair and restoration of the Mortgaged Property, or in reduction of the principal or interest, or both, secured by this Mortgage, in such order and amounts as such receiver may elect. Mortgagor, for itself and its successors and assigns, waives any and all defense to the application for a receiver and consents to such appointment. The expenses, including receiver's fees, counsel fees, costs and agent's compensation, incurred in connection with the exercise of the powers contained in this Mortgage shall be secured by this Mortgage.

(e) Mortgagee may exercise any and all remedies available to a secured party under the Uniform Commercial Code or available at law, in equity, by virtue of statute or otherwise.

20. Security Agreement. Mortgagor agrees that the Building Equipment, to the extent permitted by law, is part of the Premises and is subject to the lien of this Mortgage, and this Mortgage, in the event and to the extent that any Building Equipment shall not be deemed to be part of the Premises, shall

constitute a security agreement under the Uniform Commercial Code. Mortgagor shall execute and deliver to Mortgagee on demand, and irrevocably appoints Mortgagee or any officer of Mortgagee the attorney-in-fact of Mortgagor (which appointment is agreed to be coupled with an interest) to execute, deliver and file such financing statements and other instruments as Mortgagee may require in order to perfect and maintain such security interest under the Uniform Commercial Code. A carbon, photographic or other reproduction of this Mortgage shall be sufficient as a financing statement for filing purposes under the Uniform Commercial Code.

21. Construction Mortgage. The indebtedness secured by this Mortgage is to be advanced, in part, in connection with the construction of certain improvements upon the Premises pursuant to the Loan Agreement, the terms and conditions of which are incorporated in this Mortgage by this reference with the same

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force and effect as it more fully set forth in this Mortgage. It is understood and agreed that the Mortgage covers present and future advances, in the aggregate amount secured by this Mortgage, made by Mortgage to or for the benefit of Mortgagor pursuant to the Loan Agreement and the lien of such future advances shall relate back to the date of this Mortgage. This Mortgage constitutes a "construction mortgage" as defined in Section 9-313 of the Uniform Commercial Code and secures an obligation incurred for the construction of the improvements.

22. Purchase Money Mortgage. The indebtedness secured by this Mortgage was incurred in part to finance the acquisition of a portion of the Mortgaged Property. This Mortgage constitutes a "purchase money mortgage" and shall be entitled to all benefits as such under the laws of the State of New Jersey and all other applicable laws.

23. Future Advances.

(a) This Mortgage shall constitute security for any and all past, present, and future loans, advances, extensions of credit, or other financial accommodations made by Mortgagee to Mortgagor, or to third parties upon the surety, guaranty, endorsement, or other accommodation of Mortgagor, as well as for any and all other obligations and liabilities of any kind of Mortgagor or Mortgagee, and for all interest thereon; provided, however, that the maximum amount of indebtedness secured by this Mortgage shall not exceed the principal sum of \$3,500,000.00 plus all accrued and unpaid interest, plus all costs and expenses incurred or assumed by Mortgagee under this Mortgage (including, without limitations, costs and expenses described in paragraph (b), below).

(b) In addition to and not in limitation of any other provisions in this Mortgage, it is understood and agreed that this Mortgage shall constitute security for the unpaid balance of advances made, with respect to the Mortgaged Property, for the payment of taxes, assessments, maintenance charges, insurance premiums, or costs incurred for the protection of the Mortgaged Property or the lien of this Mortgage, expenses incurred by Mortgagor by reason of default by Mortgagor under this Mortgage, and advances made under the Loan Agreement to enable completion of the improvements for which the loan was originally made.

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24. Additional Notices. In addition to and not in limitation of any other notice requirements in this Mortgage, Mortgagor shall give Mortgagee prompt written notice of the occurrence of any of the following: (i) receipt from any governmental authority of any notice or other communication relating to the structure, use or occupancy of the Mortgaged Property or any part thereof; (ii) change in the occupancy of the Mortgaged Property or any part thereof; (iii) commencement of any litigation or receipt of notice of any threat of litigation affecting the Mortgaged Property or any part thereof; (iv) receipt of any notice from any tenant or subtenant of the

Mortgaged Property or any part thereof; (v) the occurrence of a default under the terms of any agreements affecting or relating to the Mortgaged Property or any part thereof; (vi) the occurrence of a fire or other casualty causing damage to the Mortgaged Property or any part thereof; (vii) receipt of notice of eminent domain proceedings or condemnation of the Mortgaged Property or any part thereof; and (viii) receipt of any notice of the imposition of, or of threatened or actual execution on, any lien on or security interest in the Mortgaged Property or any part thereof.

25. Miscellaneous.

(a) No extension or indulgence granted to Mortgagor, and no alteration, change or modification of the Loan Documents consented or agreed to by Mortgagee, and no other act or omission of Mortgagee, including the taking of additional security or the release of any security, shall constitute a release of the lien and obligation of this Mortgage or be interposed as a defense against the enforcement of this Mortgage, except an act of Mortgagee which constitutes an express release and satisfaction of the Note and all other obligations. This Mortgage may not be changed orally or by any course of dealing between Mortgagor and Mortgagee, but only by an agreement in writing duly executed on behalf of the party against whom enforcement of any waiver, change, modification or discharge is sought.

(b) All rights and remedies granted by this Mortgage or in the other Loan Documents or otherwise available at law, in equity, by statute, or otherwise, shall be cumulative and concurrent and may be pursued separately, successively, or concurrently at Mortgagee's sole option, and may be exercised from time to

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time and as often as occasion therefor shall arise until the indebtedness secured by this Mortgage is paid in full. Mortgagee may resort to any security it holds in such order and manner as Mortgagee deems fit and may sell at any foreclosure sale on this Mortgage the Premises, Improvements, and Building Equipment in one parcel or in such parcels as Mortgagee elects in its sole discretion; the fore-closure sale shall pass title to all such property; and Mortgagee may bid and become the purchaser of the Mortgaged Property or any part thereof at any foreclosure sale under this Mortgage.

(c) Any part of the Mortgaged Property may be released by Mortgagee without affecting the lien, security interest and assignment of this Mortgage against the remainder of the Mortgaged Property. The taking of additional security, or the extension or renewal of the indebtedness evidenced by the Note or any part thereof, shall not release or impair the lien, security interest and other right granted by this Mortgage, or affect the liability of any endorser or guarantor or improve the right of any permitted junior lienholder; and this Mortgage, as well as any instrument given to secure any renewal or extension of the indebtedness evidenced by the Note, or any part thereof, shall be and remain a first and prior lien, except as otherwise provided in this Mortgage, on all of the Mortgaged Property not expressly released until the Note is paid in full.

(d) In the event that Mortgagee shall refer any or all of the Loan Documents to counsel because of any default under the Loan Documents, Mortgagor shall reimburse Mortgagee for attorneys' fees and costs incurred by Mortgagee. If judgment is entered under the Note or any of the other Loan Documents, or foreclosure proceedings are commenced upon this Mortgage, then reasonable attorneys' fees shall be payable and shall be recovered in addition to all principal, interest and other recoverable sums then due, in addition to costs of suit. If Mortgagee shall become a party, whether as plaintiff or defendant, to any suit or legal proceeding affecting the lien created by this Mortgage, Mortgagor shall pay to Mortgagee on demand its costs, expenses, and attorneys' fees in such suit or proceeding.

(e) To the extent permitted by law, Mortgagor waives any right pertaining to the marshalling of assets, the exemption of homestead, the administration of estates of decedents, or

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other matter to defeat, reduce or affect the right of Mortgagee to sell the Mortgaged Property for the collection of the indebtedness evidenced by the Note (without any prior or different resort for collection), or the right of Mortgagee to the payment of such indebtedness out of the proceeds of sale of the Mortgaged Property in preference to every other person and claimant.

(f) To the extent that Mortgagee pays any outstanding lien, charge or encumbrance affecting the Mortgaged Property, such proceeds shall be deemed to have been advanced by Mortgagee at Mortgagor's request, and Mortgagee shall be subrogated to all rights, interests and liens owned or held by the owner or holder of such outstanding liens, charges and encumbrances, irrespective of whether such liens, charges or encumbrances are released of record; provided, however, that the terms and provisions of this Mortgage shall govern the rights and remedies of Mortgagee and shall supersede the terms, provisions, rights, and remedies of the lien or liens to which Mortgagee is subrogated under this paragraph (f).

(g) Nothing contained in this Mortgage is intended to create any partnership, joint venture or association between Mortgagor and Mortgagee, or in any way make Mortgagee a co-principal with Mortgagor with reference to the Mortgaged Property.

(h) If at any time Mortgagee determines that any further instruments, documents, acts or things are necessary or desirable to vest or confirm any right or remedy granted in this Mortgage, Mortgagor shall execute and deliver any instrument or document and do or cause to be done any act or thing deemed necessary or desirable by Mortgagee for any purpose.

(i) All written notices to be given by either party to the other party shall be given by personal delivery or sent by registered or certified mail, return receipt requested, postage prepaid, such notices shall be deemed to be effective the date personally delivered or deposited in the United States mails. Any notice by Mortgagor to Mortgagee shall be addressed to Mortgagee at its place of business, 732 Montgomery Avenue, Narberth, Pennsylvania 19072, Attn: Lee Tabas, or at such address as Mortgagee may specify in writing to Mortgagor. Any notice by Mortgagee to Mortgagor shall be addressed to Mortgagor

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at 600 Third Avenue, Kingston, Pennsylvania 18704, Attn: Joshua Kane, Senior Vice President or at such address as Mortgagor may specify in writing to Mortgagee.

(j) To the extent permitted by law, Mortgagor waives and releases all errors, defects and imperfections in any proceedings instituted by Mortgagee under the terms of this Mortgage and the Note, as well as all benefits that might accrue to Mortgagor by virtue of any present or future laws exempting the Mortgaged Property, or any other property, real or personal, or any part of the proceeds arising from any sale of any such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process or extension of time for payment.

(k) All provisions under any act, statute or regulation of the State of New Jersey or the Commonwealth of Pennsylvania now in effect or hereafter passed to relieve Mortgagor in any manner from the obligations assumed by this Mortgage or requiring the foreclosure and sale of the Mortgaged Property before the attachment of or execution against other property, real or personal, of Mortgagor, are expressly waived in favor of the obligee on the Note or this Mortgage.

(l) At the sole option of Mortgagee, this Mortgage shall become subject and subordinate, in whole or in part (but not with respect to priority of entitlement to any award in condemnation) to any and all leases of all or any part of the Mortgaged Property, upon the execution by Mortgagee and recording thereof any time hereafter, in the appropriate office for the recording of deeds in and for the county or district wherein the Mortgaged Property is situated, of a unilateral declaration to that effect.

(m) If any term or provision of this Mortgage or the application thereof to any person or circumstances should, to any extent be invalid or unenforceable, the remainder of this Mortgage, and 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, and each term and provision of this Mortgage shall be valid and shall be enforced to the fullest extent permitted by law.

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(n) This Mortgage is made solely for the benefit of Mortgagee and its successors and its assigns. No purchaser of the Premises or any tenant under any lease the Premises, nor any other person, shall have standing to bring any action against Mortgagee as a result of this Mortgage, or to assume that Mortgagee will exercise any remedies provided in this Mortgage, and no person other than Mortgagee shall under any circumstances be deemed to be a beneficiary of any provision of this Mortgage.

(o) This Mortgage shall be binding upon the successors and assigns of Mortgagor. The use of the terms "Mortgagor" and "Mortgagee" shall be deemed to include the respective successors and assigns of the parties.

(p) Whenever used in this Mortgage, unless the context clearly indicates a contrary intent: (i) the use of any gender shall include all genders; (ii) the singular number shall include the plural, and the plural the singular, as the context may require; and (iii) the word "including" shall mean "including without limitation".

(q) Mortgagor shall give advance notice in writing to Mortgagee of any proposed change in Mortgagor's name, identity, or structure, and shall execute and deliver to Mortgagee, prior to or concurrently with the occurrence of any such change, all additional financing statements and other documents and instruments that Mortgagee may require to establish and maintain the validity and priority of Mortgagee's security interest with respect to any of the Mortgaged Property.

(r) MORTGAGOR WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS MORTGAGE OR THE OTHER LOAN DOCUMENTS, OR ANY PROCEEDING IN ANY WAY ARISING OUT OF OR IN CONNECTION WITH THIS MORTGAGE OR THE OTHER LOAN DOCUMENTS, AND MORTGAGOR AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

(s) This Mortgage shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, except to the extent that rights and remedies which relate to realizing upon the Mortgaged Property are governed by the laws of the State of Delaware.

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MORTGAGOR ACKNOWLEDGES RECEIPT, WITHOUT CHARGE, OF A TRUE AND CORRECT COPY OF THIS MORTGAGE.

IN WITNESS WHEREOF, Mortgagor has duly executed this Mortgage on the day and year first above written.

Witness: MARK CENTERS LIMITED PARTNERSHIP
By: Mark Centers Trust,

General Partner

/s/ Alexander S. Kroll

/s/ Joshua Kane
Senior Vice President and
Chief Financial Officer

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COMMONWEALTH OF PENNSYLVANIA :
: SS
COUNTY OF PHILADELPHIA :

On this 28th day of January, 1998, before me, a Notary Public, personally appeared Joshua Kane, who acknowledged that he is the Senior Vice President of Mark Centers Trust, general partner of Mark Centers Limited Partnership, a limited partnership, and that being authorized to do so, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

/s/ Elaine T. Vidovich
Notary Public

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EXHIBIT A

LEGAL DESCRIPTION

Attached

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Land Title Agency, Inc.
464 Valley Brook Avenue
Lyndhurst, NJ 07071
(201) 804-8844

Title No. 97-LT-0552.B

DESCRIPTION

ALL that certain tract or parcel of land and premises, situate, lying and being in the Township of Stafford, in the County of Ocean, and State of New Jersey, more particularly described as follows:

BEING known and designated as Lot 1.05 Block 77 as shown on map entitled "Major Subdivision Manahawkin Village, Tax Map Lot 1.01 Block 77, Stafford Township, Ocean County, N.J." dated July 29, 1993 and revised to September 21, 1993 by Owsen, Little & Associates, Inc., Engineers, Planners, Surveyors, and filed in the Ocean County Clerk's Office at Toms River, New Jersey, on December 13, 1993 as Map No. G-2499.

Together with any rights, benefits and/or interest acquired in Reciprocal Easement and Operation Agreement recorded in Deed Book 5042 page 217.

ALSO being described pursuant to a survey drawn by Kenderian Zilinski Associates dated November 24, 1997 as follows:

BEGINNING at a concrete monument found in the northerly line of Lot 1.06, said point also being the common corner of Tax Map Lots 1.05 and 1.04, Block 77, and running thence

- (1) South 58 degrees 30 minutes 30 seconds West 304.24 to a point; thence
- (2) South 30 degrees 30 minutes 30 seconds West 85.00 feet to a point; thence
- (3) South 47 degrees 49 minutes 41 seconds West 366.92 feet to a point; thence

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- (4) North 31 degrees 29 minutes 30 seconds West along the common line of Lots 1.07 and 1.05, Block 77 a distance of 183.89 feet to a point; thence
- (5) North 52 degrees 00 minutes 00 seconds West along the common

line of Lots 1.05 and 1.07, Block 77 a distance of 166.68 feet to a point being the common line corner of Lots 1.04 and 1.05, Block 77; thence

- (6) North 58 degrees 30 minutes 30 seconds East along the common line of Lots 1.04 and 1.05, Block 77 a distance of 223.87 feet to an angle; thence
- (7) North 12 degrees 57 minutes 56 seconds West still along the common line of Lots 1.04 and 1.05, Block 77 a distance of 105.30 feet to a point; thence
- (8) North 77 degrees 02 minutes 04 seconds East still along the common line of Lots 1.04 and 1.05, Block 77 a distance of 199.30 feet to an angle point; thence
- (9) South 12 degrees 57 minutes 56 seconds East still along the common line of Lots 1.04 and 1.05, Block 77 a distance of 8.70 feet to an angle point; thence
- (10) North 77 degrees 02 minutes 04 seconds East still along the common line of Lots 1.04 and 1.05, Block 77 a distance of 312.22 feet to an angle point; thence
- (11) North 12 degrees 57 minutes 56 seconds West still along the common line of Lots 1.04 and 1.05; Block 77 a distance of 18.00 feet to a point; thence
- (12) North 77 degrees 02 minutes 04 seconds East still along the common line of Lots 1.04 and 1.05, Block 77 a distance of 73.00 feet to an angle point; thence
- (13) South 12 degrees 57 minutes 56 seconds East still along the common line of Lots 1.04 and 1.05, Block 77 a distance of 30.32 feet to the point of curvature; thence
- (14) still along the common line of Lots 1.04 and 1.05, Block 77 on a curve to the left having a radius of 128.00 feet, an arc length of 41.39 feet (central angle of 18 degrees 31

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minutes 34 seconds) (chord bearing South 22 degrees 13 minutes 43 seconds East, 41.21 feet) to the point of tangency; thence

- (15) South 31 degrees 29 minutes 30 seconds East still along the common line of Lots 1.04 and 1.05, Block 77 a distance of 85.63 feet to the point and place of BEGINNING.

FOR INFORMATION ONLY:

Being known as lot 1.05 in Block 77 on the Official Tax Map of the Township of Stafford in the County of Ocean and State of New Jersey.

ALL that certain tract or parcel of land and premises, situate, lying and being in the Township of Stafford, in the County of Ocean, and State of New Jersey, more particularly described as follows:

BEGINNING at a concrete monument found in the southwesterly line of Washington Avenue (60 foot R.O.W.). Said point also being the common corner of Lots 1.04 and 1.06, Block 77; and running thence

- (1) South 31 degrees 29 minutes 30 seconds along the southwesterly line of Washington Avenue, a distance of 232.26 feet to the point being the common corner of Lots 2 and 1.06, Block 77; thence
- (2) South 28 degrees 17 minutes 43 seconds West, along the common line of Lots 2 and 1.06, Block 77 a distance of 250.00 feet to an angle point; thence
- (3) South 31 degrees 29 minutes 30 seconds East, still along the aforesaid common line of Lots 2 and 1.06, Block 77 a

distance of 12.00 feet to a point being the common corner of Lots 1.06 and 1.07, Block 77; thence

- (4) South 58 degrees 30 minutes 30 seconds West along the common line of Lots 1.06 and 1.07, Block 77 a distance of 729.57 feet to an angle point; thence

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- (5) North 31 degrees 29 minutes 30 seconds West, still along the common line of Lots 1.06 and 1.07, Block 77 a distance of 247.15 feet to a point being the common corner of Lots 1.06 and 1.05, Block 77; thence
- (6) North 47 degrees 49 minutes 41 seconds East, along the common line of Lots 1.06 and 1.05, Block 77 a distance of 366.92 feet to an angle point; thence
- (7) North 30 degrees 30 minutes 30 seconds East, still along the common line of Lots 1.06 and 1.05, Block 77, a distance of 85.00 feet to a concrete monument found at an angle point; thence
- (8) North 58 degrees 30 minutes 30 seconds East, still along the common line of Lots 1.06 and 1.05 then 1.04, Block 77, a distance of 375.00 feet to a concrete monument found at angle point; thence
- (9) North 52 degrees 10 minutes 05 seconds East, along the common line of Lots 1.06 and 1.04, Block 77 a distance of 135.83 feet to the point and place of BEGINNING.

The above description is in accordance with a survey drawn by Kenderian Zilinski Associates dated November 24, 1997.

FOR INFORMATION ONLY:

Being known as lot 1.06 (part of Lot 1.02) in Block 77 on the Official Tax Map of the Township of Stafford in the County of Ocean and State of New Jersey.

Being also known as South New Jersey Route 72.

PROMISSORY NOTE

\$3,500,000.00

January 28, 1998

FOR VALUE RECEIVED, and intending to be legally bound hereby, MARK CENTERS LIMITED PARTNERSHIP (hereinafter called "Maker"), promises to pay to the order of ROYAL BANK OF PENNSYLVANIA (hereinafter called "Bank"), the sum of THREE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$3,500,000.00), with interest as hereinafter provided on the unpaid principal balance until paid, lawful money of the United States of America in immediately available funds, without setoff or defalcation, at the offices of Bank at 732 Montgomery Avenue, Narberth, Pennsylvania 19072 or such other address as Bank may designate by written notice to Maker.

INTEREST: The unpaid balance shall bear interest as follows:

A floating rate per annum ("Floating Rate") equal to one and one-half percentage points (1.50%) in excess of the Prime Rate (as hereinafter defined). As used herein, "Prime Rate" shall mean the rate publicly announced by Bank from time to time as its prime rate. The Prime Rate may or may not be the lowest rate of interest charged to Bank's commercial borrowers. Interest shall be calculated on the basis of a 360 day year by multiplying the interest rate in effect by a fraction, the numerator of which is the actual number of days in the current billing period and the denominator of which is 360.

PAYMENT TERMS: The principal sum and interest shall be paid by Maker to Bank as follows: Interest shall be due and payable commencing on March 1, 1998, and continuing on the first day of each month thereafter until February 1, 1999 (the "Maturity Date"), on which date all outstanding principal and accrued interest shall be due and payable in full. Maker shall be entitled to extend a Maturity Date for two (2) additional periods of six (6) months each; provided, however, that no Event of Default has occurred and is continuing. In the event Maker elects to extend the Maturity Date, interest shall continue to be due and payable on the first day of each month. Maker may exercise these extension options by written notice to Bank, not less than thirty (30) days prior to its then current Maturity Date, accompanied by an extension fee in an amount of \$35,000.00.

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If any payment hereunder is not paid when due and continues unpaid for a period of six (6) days thereafter, Maker agrees to pay to Bank, in addition to all amounts of principal and interest, a late charge of five cents (\$.05) for each one dollar (\$1.00) so overdue, or such lesser late charge as may be required by law, but in no event shall the late charge be less than \$25.00. The late charge is imposed for the purpose of defraying the Bank's expenses incident to the handling of delinquent payments and is in addition to, and not in lieu of, the exercise by Bank of any rights and remedies hereunder, under the other Loan Documents or under applicable laws, and any fees and expenses of any agents or attorneys which Bank may employ. If after an Event of Default (as hereinafter defined), Bank elects to accelerate the maturity of this note and declare the entire debt due and owing immediately, Bank may, as an element of damages, continue to assess late charges against Maker pursuant to the late charge terms that have heretofore been set forth. Said late charges shall apply to each and every subsequent month (before or after acceleration) that payment is not made and shall compound at the Default Rate (as hereinafter defined).

In order to secure payment of this Promissory Note (hereinafter called "Note") and all other obligations of Maker to Bank presently existing or hereafter arising or incurred (collectively, the "Obligations"), Maker hereby pledges to Bank and grants to Bank a security interest in and a continuing lien and right of setoff against, all property (real and personal,

tangible and intangible) owned by Maker or in which Maker has any interest or any power of pledge, hypothecation or other disposition, which Bank shall have in its possession or control (including items in transit to Bank) at any time for any reasons whatsoever, including, but not limited to monies, deposit accounts, stocks, bonds, securities, mortgages, judgments, security interests, chattel paper, accounts, accounts receivable, contract rights, general intangibles, insurance policies, instruments, documents, motor vehicle titles, real estate, fixtures, goods, chattels, merchandise, inventory, equipment and all other items of like kind and type and all additions and accessions thereto and all proceeds therefrom (hereinafter called "Collateral"). The Bank shall have no duty or obligation with respect to the Collateral.

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Maker agrees to comply with each and every covenant, condition and term set forth in this Note as well as all other documents (collectively, the "Loan Documents") given by Maker or any other Obligor (as hereinafter defined) to Bank and agrees that any default under any of the other Loan Documents shall also be an Event of Default hereunder. The terms and provisions of the other Loan Documents are incorporated herein by reference. As used herein, the term "Obligor" means any Maker and any Guarantor, and the term "Guarantor" means any guarantor or surety of the Obligations of Maker to Bank existing on the date of this Note or arising in the future.

Bank shall have the right at Maker's expense to audit Maker's books and records periodically including access to accounts receivable and payable as well as executory contract records. Maker agrees to provide Bank and to cause any Obligor to provide Bank with periodic financial statements as requested from time to time by Bank in form satisfactory to Bank.

Upon the occurrence of any of the following events with respect to any Obligor, each of which shall constitute an "Event of Default" hereunder, the entire unpaid amount of principal and interest hereunder shall at the option of Bank become immediately due and payable, together with the prepayment fee described above, without notice or demand: (a) if payment of principal or interest, as aforesaid, is not paid when due, and continues unpaid for a period of fifteen (15) days thereafter; or (b) if at any time during the term of this Note, Maker does not pay principal and interest when due, but such payment is made after the fifteen (15) day period set forth in subparagraph (a) above, and such event occurs more than four (4) times during the term of this Note; or (c) if any Obligor defaults in the payment or performance of any other obligation to Bank or any other holder hereof; or (d) if any Obligor is unable to pay its debts as they mature or if any Obligor becomes insolvent or shall voluntarily suspend transaction of its business or operations; or (e) if any Obligor shall make an assignment for the benefit of creditors or file a voluntary petition to reorganize or to effect a plan or other arrangement with creditors or apply for or consent to the appointment of a receiver or trustee of all or part of its property; or (f) if any Obligor shall file an answer admitting the jurisdiction of the court and the material allegations of an involuntary petition filed pursuant to the Bankruptcy Code, as amended, or shall be adjudicated a bankrupt; or (g) if an order

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shall be entered approving an involuntary petition to reorganize any Obligor or to effect a plan or other arrangement with its creditors, or appointing a trustee or receiver of all or part of its property; or (h) if any Obligor shall institute liquidation, dissolution, merger or consolidation proceedings; or (i) if any Obligor dies or is incarcerated, or is adjudicated legally incompetent; or (j) if there is entered against any Obligor a judgment, levy or lien or if a writ or warrant of attachment, execution, garnishment, distraint, possession, or any similar process shall be issued by any court against all or a part of the

property of any Obligor; or (k) if there is a taking of possession of a substantial part of the property of any Obligor at the instance of any governmental authority; or (l) if any Obligor fails to pay any income, excise, or other taxes of any nature whatsoever prior to the time that they become delinquent; or (m) if any information or signature heretofore or hereafter furnished to Bank by any Obligor in connection with any Obligations is materially false or incorrect; or (n) if any Obligor fails to timely furnish to Bank such financial and other information as Bank may reasonably request or require; or (o) if any Obligor fails to perform or comply with any agreement with Bank or to pay any obligation whatsoever to Bank when due; or (p) if Bank, in view of circumstances which in its commercially reasonable judgment it considers adequate, believes that the credit of any Obligor has become impaired or that a material adverse change has occurred in the financial condition of any Obligor.

After an Event of Default, interest shall continue to accrue and be payable on demand at a rate equal to three percent (3%) per annum in excess of the interest rate which is otherwise payable hereon but not more than the maximum rate allowed by law (the "Default Rate"). The Default Rate shall apply retroactively to the first such Event of Default and shall continue until all Events of Default have been cured. Such interest shall accrue notwithstanding the entry or opening of any judgment and shall be added to and become part of the Obligations.

Upon the occurrence of an Event of Default hereunder, Bank shall have all rights and remedies provided under all applicable law and shall be deemed to have exercised the same immediately upon the occurrence of any such event without notice or future action, irrespective of when any record of the same may thereafter be entered on Bank's books and Bank shall have and may

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exercise as to the Collateral all rights and remedies provided under the Uniform Commercial Code and under all other applicable laws; and Bank shall have the right, immediately and without further action by it, to setoff against this Note all money owed by Bank in any capacity to Maker, whether or not due, and also to setoff against all other obligations of Maker to Bank all money owed by Bank in any capacity to Maker, and Bank shall be deemed to have exercised such right of setoff and to have made a charge against any such money immediately upon the occurrence of such default even though such charge is made or entered on the books of Bank subsequent thereto. In addition thereto Bank may sell all or any part of any Collateral at private or public sale without advertisement or notice to or demand upon Maker or any other Obligor, or upon seven (7) days notice, if notice is required, and Bank may purchase the same or any part thereof at any such sale free of all trusts, claims or equity of redemption. Bank shall not be required to resort to any particular security or persons to enforce payment and Bank shall not be subject to any marshaling requirements or equities among the person(s) designated as Maker or among any other Obligors.

No waiver of any default hereunder shall be construed as a waiver of any subsequent default, and the exercise of any right hereunder shall not waive the right to exercise such right thereafter.

Maker, and each of them, does hereby authorize and empower the prothonotary or clerk or any attorney of any court of record, following the occurrence of an Event of Default, to appear for and to CONFESS AND ENTER A JUDGMENT OR JUDGMENTS against Maker or any one of them, in favor of Bank, its successors and assigns, and any other holder hereof, for which this, or a true copy hereof, shall be a sufficient warrant: (a) for such sums as are due and/or may become due under this Note and the other Loan Documents, and/or (b) in any action of replevin instituted by Bank to obtain possession of any Collateral securing any of the Obligations, with interest at the Default Rate as above provided and the prepayment fee, with reasonable attorneys fees added, and with costs of suit, at any one or more times after this Note

becomes due, with or without declaration filed with release of all errors, and without stay of execution; and does hereby waive and release all relief from any and all appraisements, stay, exemption and homestead laws of any state, now in force or hereafter passed, and any right to except to, strike off, appeal

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from or open any judgment so entered; and further does waive the right of inquisition on any real estate that may be levied upon to collect this Note, hereby voluntarily condemns the same and authorizes the entry upon the writ of execution of such voluntary condemnation, and agrees that such real estate may be sold on a writ of execution. MAKER, AND EACH OF THEM, FURTHER WAIVES ALL RIGHT TO PRIOR NOTICE AND HEARING BEFORE ENTRY OF JUDGMENT. If a copy of this Note, verified by affidavit by Bank or someone on behalf of Bank, shall have been filed in such action, it shall not be necessary to file the original Note as a warrant of attorney.

The authority and power to appear for and CONFESS JUDGMENT against Maker, and each of them, shall not be exhausted by the initial exercise thereof and may be exercised as often as Bank shall find it necessary and desirable and this Note shall be a sufficient warrant therefor. Bank may CONFESS one or more JUDGMENTS in the same or different jurisdictions for all or any part of the Obligations, without regard to whether JUDGMENT has theretofore been CONFESSED on more than one occasion for the same obligations. In the event any JUDGMENT CONFESSED against Maker, and each of them, is stricken or opened upon application by or on Maker s behalf for any reason, Bank is hereby authorized and empowered to again appear for and CONFESS JUDGMENT against Maker, and each of them, for any part or all of the Obligations, as provided for herein, if doing so will cure any errors or defects in such prior proceedings.

MAKER ON BEHALF OF ITSELF AND ALL OBLIGORS HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WAIVES ANY AND ALL RIGHTS MAKER MAY HAVE TO A TRIAL BY JURY, AND TO RAISE COUNTERCLAIMS IN CONNECTION WITH ANY LITIGATION ARISING OUT OF THIS NOTE OR THE LOAN DOCUMENTS, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF BANK AND/OR ANY OBLIGOR OR IN ANY LITIGATION IN WHICH ANY OBLIGOR AND BANK ARE ADVERSE PARTIES. THIS PROVISION IS A MATERIAL INDUCEMENT FOR BANK S GRANTING THE LOAN(S) SUBJECT TO THIS NOTE.

If any provision of this Note shall for any reason be held to be invalid or unenforceable, such provision shall not affect any other provision of this Note that can be given effect without such provision and this Note shall be construed as if such provision has never been contained herein.

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This Note shall be binding upon the undersigned and their respective heirs, personal representatives, successors and assigns, and the benefits hereof shall inure to the benefit of Bank and its successors and assigns. If this Note is executed by more than one party, it shall be the joint and several obligations of all such parties.

In the event that Bank engages an attorney to represent it in connection with (1) any alleged default by any obligor under any of the Loan Documents, (2) the enforcement, administration or modification of any of Bank s rights and remedies under any of the Loan Documents, (3) any potential and/or actual bankruptcy or other insolvency proceedings commenced by or against any obligor, and/or (4) any potential and/or actual litigation arising out of or related to any of the foregoing, the Loan Documents or any of the Obligations, then Maker shall be liable to and shall reimburse Bank, on demand for all attorneys fees, costs and expenses incurred by Bank in connection with any of the foregoing. Maker shall also be liable and shall reimburse Bank, on demand, for all other costs and expenses (including attorneys fees) incurred by Bank in connection with the collection, preservation and/or liquidation of any Collateral and/or in the

enforcement of any Obligor s obligations hereunder and under any of the Loan Documents.

Presentment for payment or acceptance, demand and protest, and notice of dishonor of payment or acceptance, notice of protest and notice of any renewal, extension, modification or change of time, manner, place or terms of payment are hereby waived by Maker. Any notice to Maker shall be sufficiently served for all purposes if placed in the mail addressed to, or left upon the premises of the address of Maker shown on the Bank s records. Bank may surrender this Note to any person paying the final installment or payment due hereunder, and may endorse or assign it to such person or his order without recourse.

The parties agree and consent to the exclusive jurisdiction of the federal and state courts located in Pennsylvania in connection with any matters arising hereunder, including the collection and enforcement hereof, except as Bank may otherwise elect.

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This Note shall be governed by the substantive laws of the Commonwealth of Pennsylvania.

Witness:
/s/ Alexander S. Kroll

MARK CENTERS LIMITED PARTNERSHIP
By: Mark Centers Trust,
General Partner

By: /s/ Joshua Kane,
Senior Vice President and
Chief Financial Officer

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-80390) for the Mark Centers Trust Restricted Share Plan, in the Registration Statement (Form S-8 No. 33-95966) for the Mark Centers Trust 1994 Share Option Plan and Mark Centers Trust 1994 Non-Employee Trustee's Share Option Plan in the Registration Statement (Form S-3 No. 33-85190) of Mark Centers Trust of our report dated April 8, 1998, with respect to the consolidated financial statements and schedule of Mark Centers Trust included in this Annual Report (Form 10K) for the year ended December 31, 1997.

/s/ ERNST & YOUNG LLP

New York, New York
April 8, 1998