

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1996

OR

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

For the transition period from to

Commission File Number 1-12002

MARK CENTERS TRUST
(Exact name of registrant in its charter)

MARYLAND 23-2715194
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

600 THIRD AVENUE, KINGSTON, PENNSYLVANIA 18704
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code
(717) 288-4581

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

Yes X No

As of May 20, 1996, there were 8,543,452 common
shares of beneficial interest, par value \$.001
per share, outstanding.

MARK CENTERS TRUST
FORM 10-Q

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Part I. Financial Information
Item 1. Financial Statements

MARK CENTERS TRUST
CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 1996	December 31, 1995 (audited)
ASSETS		
Rental property - at cost:		
Land	\$ 25,270	\$ 25,270
Buildings and improvements	259,027	258,827
Construction-in-progress	10,767	7,060
	-----	-----
	295,064	291,157
Less accumulated depreciation	64,055	61,269
	-----	-----
Total rental property	231,009	229,888
Cash and cash equivalents	3,482	3,068
Rents receivable - less allowance for doubtful accounts of \$477 and \$509, respectively	4,356	5,200
Prepaid expenses	1,077	1,352
Due from related parties	310	384
Furniture, fixtures and equipment, net	724	796
Deferred charges	7,346	4,905
Tenant security and other deposits	1,441	3,922
	-----	-----
	\$249,745	\$249,515
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable	\$108,335	\$107,975
Lines of credit	44,793	43,853
Accounts payable and accrued expenses	9,713	7,058
Accrued contingent payable to Principal Shareholder	6,156	6,156
Rents received in advance and tenant security deposits	1,241	1,466
	-----	-----
Total Liabilities	170,238	166,508
	-----	-----
Minority interest	12,669	13,228
	-----	-----
Shareholders' equity:		
Common shares, \$.001 par value, authorized 50,000,000 shares, issued and outstanding 8,543,452 shares	9	9
Additional paid-in capital	66,829	69,770
Retained earnings	--	--
	-----	-----
Total Shareholders' Equity	66,838	69,779
	-----	-----
	\$249,745	\$249,515
	=====	=====

See accompanying notes to consolidated financial statements

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MARK CENTERS TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 1996 AND 1995
(in thousands except for per share data)

	March 31, 1996	March 31, 1995
Revenue:		
Minimum rents	\$ 8,466	\$ 7,847
Percentage rents	602	769

Additional rents-		
expense reimbursements	1,944	1,541
Other	223	259
	-----	-----
Total revenue	11,235	10,416
	-----	-----
Expenses:		
Property operating	2,817	2,158
Real estate taxes	1,298	1,119
Depreciation and amortization	3,202	2,853
General and administrative expenses	758	731
	-----	-----
Total operating expenses	8,075	6,861
	-----	-----
Operating income	3,160	3,555
Interest and financing expenses	2,974	2,353
	-----	-----
Income before minority interest	186	1,202
Minority interest	(52)	(216)
	-----	-----
Net income	\$ 134	\$ 986
	=====	=====
Net income per common share	\$.02	\$.12
	=====	=====

See accompanying notes to consolidated financial statements

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MARK CENTERS TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 1996 AND 1995
(in thousands)

	March 31, 1996	March 31, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 134	\$ 986
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of leasing costs	2,968	2,563
Amortization of deferred financing costs	234	290
Minority interest	52	216
Provision for bad debts	194	134
	-----	-----
	3,582	4,189
Changes in assets and liabilities:		
Rents receivable	651	868
Prepaid expenses	274	58
Due from related parties	75	51
Tenant security and other deposits	467	(147)
Accounts payable and accrued expenses	20	(147)
Rents received in advance and tenant security deposits	(224)	(224)
	-----	-----
Net cash provided by operating activities	4,845	4,648
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for real estate and improvements	(3,892)	(4,091)
Increase (decrease) in accounts payable related to construction in progress	2,633	(2,661)
Payment to Principal Shareholder for acquisition of land	--	(1,500)
Deferred leasing and other charges	(2,761)	(1,127)
Expenditures for furniture, fixtures and equipment	--	(77)
	-----	-----
Net cash used in investing activities	(4,020)	(9,456)
	-----	-----

CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgages	(2,060)	(45,326)
Proceeds received on mortgage notes	3,360	56,463
Reduction in debt service escrow	2,014	--
Payment of deferred financing costs	(39)	(367)
Dividends paid	(3,075)	(3,073)
Distributions to Principal Shareholder	(611)	(617)
	-----	-----
Net cash (used in) provided by financing activities	(411)	7,080
	-----	-----
INCREASE IN CASH AND CASH EQUIVALENTS	414	2,272
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,068	3,021
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 3,482	\$ 5,293
	=====	=====
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for interest, net of \$189 and \$358, respectively	\$ 2,993	\$ 2,534
	=====	=====

See accompanying notes to consolidated financial statements

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MARK CENTERS TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION

The consolidated financial statements include the consolidated accounts of Mark Centers Trust (the "Company") and its majority owned partnerships, including Mark Centers Limited Partnership (the "Operating Partnership"), and have been prepared in accordance with generally accepted accounting principles for interim financial information and with instruction to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The information furnished in the accompanying consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the aforementioned consolidated financial statements for the interim periods. Operating results for the three month period ended March 31, 1996 are not necessarily indicative of the results that may be expected for the fiscal year ended December 31, 1996.

The aforementioned consolidated financial statements should be read in conjunction with the notes to the aforementioned consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

2. ORGANIZATION AND FORMATION OF THE COMPANY

The Company was formed as a Maryland Real Estate Investment Trust ("REIT") 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 an aggregate of 8,350,000 common shares of beneficial interest to the public at an initial public offering price of \$19.50 per share (the "Offering"). The proceeds of the Offering were used to repay certain property-related indebtedness, for costs associated with the Offering and 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.

MARK CENTERS TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The Company currently owns and operates thirty-nine properties consisting of thirty-four neighborhood and community shopping centers, three enclosed malls and two mixed use (retail/office) properties. In addition, the Company currently has one community shopping center under construction in New Castle, Pennsylvania. All of the Company's assets are held by, and all of its operations are conducted through, 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.

3. SHAREHOLDERS' EQUITY AND MINORITY INTEREST

The following table summarizes the change in the shareholders' equity and minority interest since December 31, 1995:

	(in thousands)	
	Shareholders' Equity	Minority Interest
Balance at December 31, 1995	\$69,779	\$13,228
Income for the period January 1 through March 31, 1996	134	52
Distributions to Principal Shareholder	--	(611)
Dividends paid, \$.36 per share	(3,075)	--
	-----	-----
Balance at March 31, 1996	\$66,838	\$12,669
	=====	=====

4. RELATED PARTY TRANSACTIONS

As of March 31, 1996 amounts due from related parties consisted of the following (in thousands):

Accrued management fees due from Principal Shareholder for certain operating properties owned by the Principal Shareholder	\$ 23
Accrued ground rent due from Blackman Plaza Partners (a limited partnership in which the Principal Shareholder is a 1% general partner)	261
Other amounts due the Company from the Principal Shareholder	26

	\$310
	=====

Concurrent with the Offering, the Company obtained acquisition options to acquire six properties that were under development by the Principal Shareholder ("Acquisition Options"). Upon exercising an option, the Company immediately obtains title, completes all development and, depending on the Company's return on its investment, pays the Principal Shareholder all or a portion of an amount (the "Contingent Payment Amount") equal to (i) land acquisition costs, (ii) third party development costs, (iii) allocated overhead expenses and (iv) leasing commissions for all tenant leases signed prior to the Offering, and also pays an incentive payment equal to 5% of construction costs (excluding engineering, architectural and other "soft" costs). The Contingent Payment Amount will be reduced proportionately to the extent that, within two years after completion of construction, the annualized net operating income derived from operation of the properties as to which options have been exercised does not generate a return on the Company's investment of at least 13.5%, giving effect to the payment of the Contingent Payment Amount.

Payment of the Contingent Payment Amount, which is made within 24 months after construction has substantially been completed and after certain other conditions have been met, will be made by the issuance to the Principal Shareholder of Operating Partnership Units.

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MARK CENTERS TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

4. RELATED PARTY TRANSACTIONS, continued

In February 1996, the Board of Trustees of the Company and the Principal Shareholder agreed to terminate all outstanding Acquisition Options (other than the Acquisition Option pertaining to the New Castle property which had been terminated in May 1995), execute a new agreement as to the Development Property for which the Acquisition Option had been previously exercised and construction suspended, and review the purchase price for the properties for which Acquisition Options had been previously exercised and construction completed. The Principal Shareholder's and Board's decision was intended to eliminate the appearance of potential conflicts of interest arising between the Principal Shareholder and the Company in the context of the Acquisition Options, and to eliminate potential disputes arising from the complex manner in which the reimbursement to the Principal Shareholder for the Development Properties was calculated.

The Company and the Principal Shareholder agreed that the Principal Shareholder will repurchase the Columbia Towne Centre property in Hudson, New York in exchange for a note in the original principal amount equal to approximately \$3 million, representing the Company's investment in the property since its exercise of the Acquisition Option. Accordingly, the Company has adjusted the contingent amount payable in the financial statements to reflect this agreement.

The Company and the Principal Shareholder agreed to terminate the Acquisition Option for the New Castle property in May 1995. The Company has entered into a new agreement with the Principal Shareholder to purchase the New Castle, Pennsylvania, site in exchange for a note in the original principal amount equal to the lower of its appraised value or the amount in which the principal Shareholder had invested in the property less amounts advanced to the Principal Shareholder for certain pre-development costs. In February 1996, they have also agreed to terminate the Acquisition Options for the Gettysburg, Pennsylvania and Dallas, Pennsylvania sites, as the Company no longer has any interest in developing these sites.

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MARK CENTERS TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

4. RELATED PARTY TRANSACTIONS, continued

With respect to the Route 6 Mall and the Bradford Towne Centre properties, which are completed and currently operating, the Company and the Principal Shareholder are continuing to review any payments required under the Acquisition Options. The Acquisition Options currently provide that the Company would be required to pay the Principal Shareholder an amount based upon the Company

achieving a 13.5% return on its investment (on each property individually). At March 31, 1996, if the purchase price was calculated under this provision, no amounts would be due to the Principal Shareholder. However, since the Company and the Principal Shareholder are continuing to review this agreement, the Company has not adjusted the contingent amount payable of \$6,156,000 to the Principal Shareholder in the financial statements as of March 31, 1996. In addition to the Acquisition Option relating to the Route 6 Mall, the Principal Shareholder conveyed approximately two acres of land which became part of the Route 6 Mall. The Board of Trustees and the Principal Shareholder currently are discussing the extent of the Company's obligation to the Principal Shareholder in respect to his conveyance of this parcel.

5. PER SHARE DATA

Primary earnings per share are computed based on 8,563,053 and 8,564,036 shares outstanding, which represent the weighted average number of shares outstanding (including restricted shares) during the three month periods ended March 31, 1996 and 1995, respectively. Fully diluted earnings per share is based on an increased number of shares that would be outstanding assuming the exercise of share options at the market price at the end of the period. Since fully diluted earnings per share is not materially dilutive or anti-dilutive, such amounts are not presented.

6. SUBSEQUENT EVENT

On May 17, 1996, the Board of Trustees of the Company approved and declared a quarterly dividend for the quarter ended March 31, 1996 of \$0.36 per common share. The dividend is to be paid on June 28, 1996 to the shareholders of record as of May 30, 1996.

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

The following discussion is based on the consolidated financial statements of Mark Centers Trust (the "Company") as of March 31, 1996 and 1995.

This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto. These financial statements include all adjustments which, in the opinion of management, are necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature. Operating results for the three month period ended March 31, 1996 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 1996.

RESULTS OF OPERATIONS

Comparison of Three Months Ended March 31, 1996 to Three Months Ended March 31, 1995

Total revenue increased approximately \$819,000, or 7.9%, to \$11.2 million for the quarter ended March 31, 1996 compared to \$10.4 million for the quarter ended March 31, 1995. This increase was primarily due to increases in minimum rents, and expense reimbursements resulting from new leasing activity associated with a shopping center acquisition and expansion and development activity following the first quarter of 1995. Of the increase in total revenue, minimum rent increased approximately \$619,000, or 7.9% to \$8.5 million. Recovery from tenants of increased snow removal expenses also contributed to the increase in expense reimbursements for the quarter ended March 31, 1996. These were offset in part by a decrease in percentage rent due primarily to seasonal factors.

Operating expenses increased approximately \$1.2 million, or 17.7%,

to \$8.1 million during the quarter ended March 31, 1996 compared to \$6.9 million for the quarter ended March 31, 1995. The increase in operating expenses were primarily attributable to increased costs related to snow removal due to the extremely harsh winter experienced in the Northeast totalling \$416,000, certain non-recurring expenses related to the termination of development activity in Gettysburg, PA and legal expenses related to certain litigation totalling \$254,000 and increased real estate taxes and depreciation and amortization totalling \$528,000 related to an increase in the Company's portfolio from a property acquisition and its expansion and development activity.

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Mortgage and related interest charges increased approximately \$621,000 from the quarter ended March 31, 1995 compared to the quarter ended March 31, 1996. This increase is primarily due to higher average outstanding borrowings related to acquisition, expansion and development activity.

As a result of the aforementioned changes in revenues and expenses, income before minority interest for the quarter ended March 31, 1996 decreased \$1.0 million to \$186,000 from \$1.2 million for the quarter ended March 31, 1995.

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FUNDS FROM OPERATIONS

For the Quarter Ended March 31, 1996 and 1995
(in thousands, except per share amounts)

	March 31, 1996	March 31, 1995
Revenue		
Minimum rents (a)	\$ 8,406	\$ 7,793
Percentage rents	602	769
Additional rents-expense reimbursements	1,944	1,541
Other	223	259
	-----	-----
Total revenue	11,175	10,362
	-----	-----
Expenses		
Property operating (b)	2,740	2,145
Real estate taxes	1,298	1,119
General and administrative	751	720
	-----	-----
Total operating expenses	4,789	3,984
	-----	-----
Operating income	6,386	6,378
Interest and financing expense	2,975	2,353
	-----	-----
Funds from operations (c)	3,411	4,025
Amortization of deferred financing costs	(234)	(290)
Depreciation of non real estate assets	(57)	(52)
	-----	-----
Adjusted funds from operations (d)	\$ 3,120	\$ 3,683
	=====	=====
Funds from operations per share (c) (e)	\$.34	\$.40
	=====	=====
Adjusted funds from operations per share (d) (e)	\$.31	\$.36
	=====	=====
Reconciliation of Adjusted Funds from Operations to Net Income determined in accordance with Generally Accepted Accounting Principles (GAAP)		
Adjusted funds from operations above	\$ 3,120	\$ 3,683
Depreciation and amortization of leasing costs	(2,911)	(2,511)
Straight-line rents and related write-offs net	(8)	40
Minority interest	(52)	(216)
Other non-cash adjustments	(15)	(10)
	-----	-----
Net income	\$ 134	\$ 986

	=====	=====
Net income per share (f)	\$.02	\$.12
	=====	=====

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- (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) Funds from operations as defined by NAREIT prior to the 1995 White Paper on Funds from Operations as net income (computed in accordance with generally accepted accounting principles) excluding gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.
- (d) Commencing in 1996, the Company has adopted the new NAREIT definition of Funds from Operations which does not add back amortization of deferred financing costs and depreciation of non real estate assets.
- (e) Assumes full conversion of 1,623,000 and 1,621,000 Operating Partnership Units into common shares of the Company for the quarters ended March 31, 1996 and 1995, respectively, for a total of 10,166,452 and 10,157,765 shares, respectively.
- (f) Net income per share is computed based on the weighted average number of shares outstanding for the quarters ended March 31, 1996 and 1995 of 8,563,053 and 8,564,036, respectively

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LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1996, the Company had \$18.3 million outstanding on its Fleet Bank line of credit. Although the maximum loan amount is \$25 million, the \$6.7 million additional sum is not currently available because \$1.7 million is subject to certain occupancy requirements at Ledgewood Mall and the remaining \$5.0 million is subject to certain borrowing base restrictions. The terms of the facility include interest at Fleet's Prime rate plus 1/4% or LIBOR plus 200 basis points, a May 31, 1997 maturity date, and certain affirmative and negative covenants. The facility is secured by mortgages on six of the Company's properties.

At March 31, 1996, the Company had \$20.5 million outstanding on a \$22.5 million revolving credit facility from Mellon Bank, N.A. which is secured by mortgages on six of the Company's properties. The additional \$2.0 million under this line of credit for property acquisitions, development, improvements and general working capital is not currently available because it is subject to certain collateral base borrowing restrictions. Advances under the facility bear interest at a floating rate equal to the prime rate plus 1/2% or LIBOR plus 200 basis points. The facility matures October 6, 1996.

The Company also has \$6.0 million outstanding on its \$6.0 million revolving line of credit facility with Firsttrust Savings Bank which bears interest at a fixed rate of 8.75% and is secured by mortgages on three of the Company's properties. The facility matures December 20, 1996.

At March 31, 1996, the Company had \$2.8 million outstanding on a construction loan from Mellon Bank, N.A. which is secured by one of the Company's properties. The \$4.7 million facility bears interest equal to the bank's prime rate plus 1/2% or LIBOR plus 225 basis points and matures May 15, 1997.

The Company has additional mortgage indebtedness of \$105.5 million outstanding which bear fixed rates of interest ranging from 7.7% to 9.11% and have maturities ranging from September 9, 1999 to June 1, 2008.

At March 31, 1996, the Company's capitalization consisted of \$153.1 million of debt and \$110.6 million of market equity (using a March 31, 1996 market price of \$10.875 per share). The Company's interest coverage ratio was 2.1 to 1. Of the total outstanding debt, \$111.5 million, or 73%, is carried at a fixed rate and the remaining \$41.6 million, or 27%, is carried at variable rates.

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LIQUIDITY AND CAPITAL RESOURCES, continued

The Company currently estimates that capital outlays for tenant improvements, related renovations and other property improvements will require \$2.9 million during the remainder of 1996.

Additionally, capital outlays for ongoing property development in New Castle, Pennsylvania will be \$11.3 million. Of these capital outlays, \$4.3 million has been recorded and is reflected in accounts payable and accrued expense balances at March 31, 1996.

The Company may experience a cash shortfall in the second quarter as a result of the delay in obtaining construction financing for the New Castle, Pennsylvania, project and the Company's decision to continue to fund out of operations (\$2.1 million as of March 31, 1996) the development of the project in order to take advantage of certain construction cost economies and to meet certain tenant deadlines. Construction loan financing was affected by the postponement of the signing of the third anchor tenant's lease which will result in a reduction in the amount of financing and will increase the Company's short term reliance on cash from operations to meet this commitment. Although the Company has not yet received a commitment, it expects to obtain financing of approximately \$10 million which the Company anticipates will permit it to meet its cash requirements for this project. In addition, short term cash availability has been negatively impacted as a result of the \$2.5 million purchase of the Jamesway lease at Ledgewood Mall to make space available for a large national discount department store at significantly increased rentals, the unanticipated requirement for the repayment of \$1.8 million of debt caused by the Rich's bankruptcy in Auburn, Maine, and certain other tenant bankruptcies which occurred in late 1995 and early 1996.

In order to meet the 1996 capital requirements and to provide for dividend payments, in addition to cash from operating activities, and in addition to the New Castle construction loan mentioned above, the Company expects to close on a committed \$1.5 million increase in the Firsttrust Savings Bank line of credit which requires the pledging as collateral the Troy Plaza in Troy, New York. Although it has not yet received final commitment, the Company expects to obtain an additional \$2 million in short-term borrowing and during the third quarter of 1996 the Company expects to complete a significant refinancing of its existing lines of credit to long-term, permanent, fixed rate, non-recourse debt of approximately \$60 million which will provide approximately \$20 million of additional working capital. While there can be no assurance that these financing transactions will be completed the Company believes they will be concluded in an orderly fashion to meet the Company's current and longer term capital needs.

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The Company's outstanding indebtedness encumbers 31 of its 39 properties. All of the remaining properties, with the exception of one property which the Company owns as ground lessor under a long-term ground lease, remain unencumbered, and therefore are available to secure potential future borrowings. Pursuant to covenants under the lines of credit with Fleet Bank and Mellon Bank, approval is needed from these lenders prior to the Company encumbering any additional properties.

In March 1996, the Company paid a dividend of \$.36 per share, representing approximately 90% of its reported funds from operations (95% based on the new NAREIT definition of funds from operations adopted by the Company in 1996), for the quarter ended December 31, 1995.

HISTORICAL CASH FLOW

Historically, the principal sources for funding operations, renovations, expansion, development and acquisitions have been funds from operations and construction and permanent secured debt financings, as well as short term construction and line of credit borrowing from various lenders.

The following discussion of historical cash flow compares the Company's cash flow for the three months ended March 31, 1996 with the Company's cash flow for the three months ended March 31, 1995.

Net cash provided by operating activities increased from \$4.6 million for the three months ended March 31, 1995 to \$4.8 million for the three months ended March 31, 1996. This increase was primarily attributable to increased cash flow from tenant security and other deposits offset by decreased cash flow from income before depreciation and amortization.

Investing activities used \$4.0 million during the three months ended March 31, 1996, a decrease in cash used of \$5.4 million from the same period in 1995 due to decreased expenditures for real estate and improvements offset by increased use of cash in deferred leasing costs associated with the Company's leasing activities.

Net cash used in financing activities was \$411,000 for the three months ended March 31, 1996 representing a \$7.5 million decrease from net cash provided by financing activities of \$7.1 million for the three months ended March 31, 1995. This decrease is primarily attributable to a decrease in net proceeds received on mortgage notes.

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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 14 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 ten years, which permits 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.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

None

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SIGNATURES

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

MARK CENTERS TRUST

By:

/s/ Marvin L. Slomowitz
Marvin L. Slomowitz
Chief Executive Officer and
Trustee (Principal Executive
Officer)

/s/ Joshua Kane
Joshua Kane
Senior Vice President
Chief Financial Officer and
Treasurer (Principal Financial
and Accounting Officer)

Date: May 20, 1996

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