

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, 1996
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 \$96,174,191 million based on the
closing price on the New York Stock Exchange for such stock on March
24, 1997.

The number of shares of the Registrant's Common Shares of Beneficial
Interest outstanding was 8,548,817 on March 24, 1997.

DOCUMENTS INCORPORATED BY REFERENCE

Part III - Definitive proxy statement for the Annual Meeting of
Shareholders presently scheduled to be held June 12, 1997, 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 7.2 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 conducts substantially all of its activities through, and substantially all of its properties are owned by, Mark Centers Limited Partnership (the "Operating Partnership"), a Delaware limited partnership and its majority owned partnerships. The Company 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 Operating Partnership Units ("OP Units") which are exchangeable on a one for one basis into the Company's Common Shares of Beneficial Interest ("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.

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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 intends to continue to specialize 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 continue 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.

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 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.

As with other shopping center owners and operators, 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.

In 1996, the Company was unfavorably impacted by the loss of anchor tenants at four locations following their bankruptcy proceedings. Jamesway, Rich's and Bradlees vacated a total of approximately 220,000 square feet during 1996 and Sugarman's vacated 45,000 square feet in September 1995. The soft retail environment 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 believes it has begun to meet these challenges during the end of fiscal year 1996 and the beginning of fiscal year 1997 through new leasing activity, including releasing of previously vacated space, through expansion activities to increase existing space for current tenants, and through ongoing development activities designed to attract new tenants. 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.

As of December 31, 1996, the Company had leased approximately 150,000 square feet to two replacement anchor tenants (of which one anchor tenant was installed in 30,000 square feet during 1996) at two locations at market rental rates in excess of the rates paid by the former anchors. The Company has also signed

major leases totalling 91,000 square feet related to planned expansion at three of its centers. In addition, the Company leased approximately 203,000 gross square feet of small store space, of which the majority of tenants took occupancy and commenced paying rent in 1996.

The Company anticipates the majority of the space currently under lease but not yet occupied will be occupied and rent payment to commence during 1997. The Company's portfolio occupancy declined 3% to 86% as of December 31, 1996 from 89% as of December 31, 1995, primarily as a result of the loss of anchor tenants as previously discussed. However, as a result of space leased but not yet occupied related primarily to the replacement of anchors and expansion at existing centers, the Company's portfolio was 90% leased as of December 31, 1996.

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During the year ended December 31, 1996, the Company installed three major tenants in three of its centers. In June 1996, a 48,000 square foot Home Place Store opened at the New Loudon Center in Latham, New York. In August 1996, Dunham's Sporting Goods opened in 30,000 square feet at the East End Centre located in Wilkes-Barre, Pennsylvania filling the majority of space vacated by Sugarman's following bankruptcy proceedings. An Old American Store opened in 30,000 square feet in November 1996 at the Wesmark Plaza in Sumter, South Carolina.

Development

In 1996, the Company completed development at one center and continued with scheduled development at a second.

Pittston Plaza in Pittston, Pennsylvania, was completed in June 1996. This center, which is currently 97% leased, is anchored by a 59,000 square foot Insalaco's Supermarket which opened in December 1995.

Phase I of the development at the Union Plaza located in New Castle, Pennsylvania was completed in October 1996 with the opening of both Sears and Hills Department Stores which total 193,000 square feet. Development of Phase II has commenced following the signing of a lease with Peebles Department Store in 1996 for 25,000 square feet. Upon completion of all phases, the Union Plaza is expected to total approximately 350,000 square feet.

Acquisition Options - Development Properties

Concurrent with the Offering, the Company obtained acquisition options ("Acquisition Options") to acquire six properties under development from the Principal Shareholder (the "Development Properties"), which were in various stages of the development process. As of December 31, 1995, the Company had exercised three of these options for the Bradford Towne Centre in Towanda, Pennsylvania, the Route 6 Mall in Honesdale, Pennsylvania, and the Columbia Towne Centre in Hudson, New York. Development on the Columbia Towne Centre was suspended due to the bankruptcy of a former anchor tenant. Upon substantial completion of each Development Property the Company had agreed to pay the Principal Shareholder an amount (the "Contingent Payment Amount") equal to the (i) land acquisition costs, (ii) third-party development costs, (iii) allocated overhead expenses, (iv) leasing commissions for all tenant leases signed prior to the Offering and an incentive payment equal to 5% of construction costs (excluding engineering, architectural and other "soft costs"). The Contingent Payment Amount was to be reduced as necessary to

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Acquisition Options - Development Properties, continued
provide the Company with a minimum 13.5% return on its investment

based on the annualized operating income from the property within two years after completion of construction. The Contingent Payment was to be made through the issuance of OP Units, unless such issuance would have resulted in the Company owning less than 51% of the Operating Partnership or would have jeopardized the Company's REIT status in which case, payment was to be made in cash.

In February 1996, the Principal Shareholder and Board of Trustees ("Trustees") took certain actions in an effort 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. As a result, the Company and the Principal Shareholder executed the following agreements:

- - The Trustees and the Principal Shareholder terminated all Acquisition Options (other than the Acquisition Option pertaining to the New Castle property which had been terminated in May 1995).
- - The Principal Shareholder repurchased the Columbia Towne Centre from the Company for \$3,065,000, which represented the total development costs incurred by the Company to the date of repurchase, and was greater than the value of the property as determined by an independent appraiser.
- - The Company purchased the Union Plaza, located in New Castle, Pennsylvania, from the Principal Shareholder for \$4,495,000 which represented the amount the Principal Shareholder had invested in the property less \$378,000 of predevelopment costs previously advanced by the Company. This purchase price was less than the value of the property as determined by an independent appraiser.
- - Upon completion of a review in June 1996 of the payments due the Principal Shareholder for the acquisition of the Route 6 Mall and the Bradford Towne Centre, for which development is complete and both are currently operating, the Company agreed to pay the Principal Shareholder \$1,600,000, which included the conveyance of approximately two acres of land by the Principal Shareholder which became part of the Route 6 Mall.

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Acquisition Options - Development Properties, continued

- - The Company and Principal Shareholder also terminated all management agreements for properties owned by the Principal Shareholder.

As a result of these transactions and to reflect the net result of the purchase and sales price for these properties, the Company issued a note payable to the Principal Shareholder for the principal sum of \$3,030,000. The note, which bears interest at a rate equal to that charged by Fleet Bank, N.A. on the Company's revolving line of credit 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. Since the payment to the Principal Shareholder reflects, in part, land acquisition costs associated with the Union Plaza, the Company has agreed with the Principal Shareholder to prepay the principal sum with any construction loan proceeds specifically allocable for land acquisition. The financing with First Western Bank, N.A. did not provide any proceeds allocable to land acquisition.

The Company currently holds an option to acquire 26 acres contiguous to the Plaza 15 in Lewisburg, Pennsylvania from the Principal Shareholder for \$1,325,000 which represents the fair market value as established by an independent appraisal.

Dispositions

As part of its ongoing strategic evaluation of its properties, the Company sold the Newberry Plaza, located in Newberry, South Carolina for \$1,300,000 in March of 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.

Financing Strategies

The Company intends to continue to finance acquisitions and development with the most appropriate sources of capital, which 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.

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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 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 1996, (see "Management's Discussion and Analysis of Financial Results of Operations") 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 agreed to enter into a voluntary remedial agreement with the State of New York for remediation of the Troy Plaza. Environmental consultants estimate that the total cost of such remediation will be approximately \$75,000. The Company has received notification from the State of Georgia that 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 of December 31, 1996, Morgan Stanley held in escrow \$563,000 of loan proceeds 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

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Competition, continued
development, properties for acquisition and tenants for their properties. There are numerous shopping facilities that compete with the 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, 1996, the Company employed 67 persons, 35 of whom were located at the Company's headquarters in Kingston, Pennsylvania and the remainder 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 7.2 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 has specialized, and intends to continue to specialize, in neighborhood and community shopping 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 184,000 square feet. The Company's portfolio was approximately 86% occupied and 90% leased at December 31, 1996. (See Business Objectives and Operating Strategy)

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 (four), Sears (four), Marshalls (two), and one of each of the following: Bradlees, Montgomery Wards, Sports Authority, J.C. Penney, Sterns and Walmart. At December 31, 1996, twenty-six of the Company's properties were anchored by supermarkets including Price Chopper (six), Insalaco's (four), Acme (two), BI-LO (two), and one of each of the following: P&C, Giant, Winn-Dixie, Shaw's, Food Max, Publix, Weis, Shoprite, Food Lion, and Kroger's. Penn Traffic owns and operates all the Insalaco's, BI-LO and P&C grocery stores.

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Properties, continued

The Company currently has 566 leases of which approximately 58% 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 92% of the Company's rental revenues for the year ended December 31, 1996.

Approximately 57% of the Company's existing leases also provide for the payment of percentage rents in addition to 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 6% of the total 1996 rental revenue of the Company.

In 1996, approximately 10.8% of the Company's total revenue was derived from current leases of office space and specialized computer facilities with two agencies of the State of Florida at Northwood Centre in Tallahassee, the Florida Department of Health and Rehabilitative Services (6.3%) and the Florida Department of Business Professional Regulation (4.5%). 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 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. 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.

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Properties, continued

In 1996, the Company also received approximately 10.8% of its total revenues under leases with the Kmart Corporation at nine locations. The Company received no more than 4.8% of total revenues 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, 1996:

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| SHOPPING CENTER PROPERTY | LOCATION | MARK CENTERS TRUST PROPERTY LIST | | | | ANCHOR TENANTS | |
|-----------------------------|--------------|---|-----------------------|----------------------|---------------------------|-----------------------------|---|
| | | YEAR CONSTRUCTED (C) ACQUIRED (A) | OWNERSHIP INTEREST | LAND AREA (ACRES) | LEASABLE AREA SQ FT | % LEASED (4) 12/31/96 | CURRENT LEASE EXPIR LEASE OPTION EXPIR |
| PENNSYLVANIA | | | | | | | |
| AMES PLAZA | SHAMOKIN | 1966 (C) | FEE | 17.6 | 98,210 | 92% | Ames 1998/2013 |
| MARK PLAZA | EDWARDSVILLE | 1968 (C) | LI (1) | 20.2 | 176,786 | 92% | Kmart 1999/2049 |

| | | | | | | | |
|--------------------------------|---------------|----------|---------|------|---------|------|---|
| 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 | 200,039 | 100% | Hills 2007/2027 Insalaco's 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 Fay's Drug 2004/2019 |
| LUZERNE STREET SHOPPING CENTER | SCRANTON | 1983 (A) | FEE | 4.6 | 57,715 | 100% | Price Chopper 2004/2024 Fay's Drug 2004/2019 |
| TIOGA WEST | TUNKHANNOCK | 1965 (C) | FEE | 17.2 | 122,338 | 100% | Insalaco's 2014/2024 Ames 2000/2015 |
| BLACKMAN PLAZA | WILKES-BARRE | 1968 (C) | FEE (2) | 9.7 | 121,206 | 92% | Kmart 1999/2049 |

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| SHOPPING CENTER PROPERTY | LOCATION | YEAR | | OWNERSHIP INTEREST | LAND AREA (ACRES) | MARK CENTERS LEASABLE AREA SQ FT | TRUST PROPERTY % LEASED (4) 12/31/96 | PROPERTY LIST | |
|----------------------------------|--------------|---------------------------------|-----|-----------------------|----------------------|---|---|----------------|---|
| | | CONSTRUCTED (C) ACQUIRED (A) | | | | | | ANCHOR TENANTS | CURRENT LEASE EXPIR LEASE OPTION EXPIR |
| PENNSYLVANIA BIRNEY MALL | MOOSIC | 1968 (C) | FEE | 28.3 | 193,899 | 99% | Kmart 1999/2049 Consolidated Stores 1998/2008 | | |
| PLAZA 15 | LEWISBURG | 1995 (A) | FEE | 16.4 | 113,600 | 96% | BI-LO 2001/2021 Ames 2001/2021 | | |
| GREEN RIDGE PLAZA | SCRANTON | 1986 (C) | FEE | 16.1 | 197,292 | 99% | Hills 2007/2037 Insalaco's 2008/2017 | | |
| EAST END CENTRE | WILKES-BARRE | 1986 (C) | FEE | 40.3 | 304,754 | 93% | 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 | 96% | Hills 2001/2021 Giant Grocery 2004/2029 | | |
| 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% | F.W.Woolworth's 1998/1998 | | |
| BRADFORD TOWNE CENTRE | TOWANDA | 1993 (C) | FEE | 48.0 | 257,319 | 98% | Kmart 2019/2069 P&C 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 | % | ANCHOR TENANTS |
| | | CONSTRUCTED (C) ACQUIRED (A) | | | AREA SQ FT | LEASED (4) 12/31/96 | CURRENT LEASE EXPIR LEASE OPTION EXPIR |
| PENNSYLVANIA SHILLINGTON PLAZA | READING | 1994 (A) | FEE | 20.3 | 150,742 | 100% | Kmart 1999/2049 Weiss Market 1999/2019 |
| ROUTE 6 MALL | HONESDALE | 1994 (C) | FEE | 23.0 | 175,482 | 100% | Kmart 2020/2070 Fay's Drug 2011/2025 |
| PITTSTON PLAZA | PITTSTON | 1994 (C) | FEE | 10.2 | 79,568 | 97% | Insalaco's 2015/2025 |
| UNION PLAZA (PHASE I) | NEW CASTLE | 1996 (C) | FEE | 118.0 | 192,940 | 100% | Sears 2011/2031 Hills 2017/2026 |
| FLORIDA SEARSTOWN MALL | TITUSVILLE | 1984 (A) | FEE | 28.5 | 263,689 | 66% | Sears 1998/2013 United Artist 2005/2015 |
| NEW SMYRNA BEACH SHOPPING CENTER | NEW SMYRNA BEACH | 1983 (A) | FEE | 9.6 | 100,430 | 97% | DeMarsh Theater 2005/2015 |
| NORTHWOOD CENTRE | TALLAHASSEE | 1985 (A) | FEE | 34.1 | 499,718 | 89% | 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 | 75% | Winn Dixie 2008/2033 |
| MIDWAY PLAZA | OPELIKA | 1984 (A) | FEE | 21.6 | 201,976 | 63% | Crafts Plus 2005/2015 Carmike Cinema 2005/2015 |

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| MARK CENTERS TRUST PROPERTY LIST | | | | | | | |
|------------------------------------|------------|---------------------------------|-----------------------|----------------------|---------------|------------------------|---|
| SHOPPING CENTER PROPERTY | LOCATION | YEAR | OWNERSHIP INTEREST | LAND AREA (ACRES) | LEASABLE | % | ANCHOR TENANTS |
| | | CONSTRUCTED (C) ACQUIRED (A) | | | AREA SQ FT | LEASED (4) 12/31/96 | CURRENT LEASE EXPIR LEASE OPTION EXPIR |
| ALABAMA NORTHSIDE MALL | DOTHAN | 1986 (A) | FEE (1) | 36.2 | 381,677 | 92% | Walmart 1999/2029 Montgomery Ward 1999/2014 Goody's 2003/2018 |
| SOUTH CAROLINA MARTINTOWN PLAZA | N. AUGUSTA | 1985 (A) | LI (1) | 18.8 | 133,878 | 93% | Belk Store 2004/2024 Foodmax 2010/2025 |
| WESMARK PLAZA | SUMTER | 1986 (A) | FEE | 26.0 | 215,198 | 65% | 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 2011/2026 Marshalls 1999/2004 |
| TROY PLAZA | TROY | 1982 (A) | FEE | 12.3 | 128,479 | 97% | 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 | 20.6 | 143,737 | 97% | Kmart 2019/2069 |

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| MARK CENTERS TRUST PROPERTY LIST | | | | | | | |
|---|----------------|---|----------------------------|----------------------|---------------------------|-----------------------------|---|
| SHOPPING CENTER PROPERTY | LOCATION | YEAR CONSTRUCTED (C) ACQUIRED (A) | OWNERSHIP INTEREST | LAND AREA (ACRES) | LEASABLE AREA SQ FT | % LEASED (4) 12/31/96 | ANCHOR TENANTS CURRENT LEASE EXPIR LEASE OPTION EXPIR |
| NEW JERSEY BERLIN SHOPPING CENTER | BERLIN | 1994 (A) | FEE | 22.0 | 187,296 | 83% | Kmart 1999/2049 Acme 2005/2015 |
| MASSACHUSETTS CRESCENT PLAZA | BROCKTON | 1984 (A) | FEE (3) | 22.5 | 216,095 | 97% | Bradlees 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 | 98% | Food Lion 2011/2031 Consolidated Stores 2000/2005 Badcock Furniture 2000/2010 |
| MAINE AUBURN PLAZA | AUBURN | 1994 (A) | LI (1) (Partial) FEE | 28.4 | 256,459 | 65% | Hoyt Cinema 2005/2020 Service Merchandise 2011/2090 T.J. Maxx 2000/2015 |
| TOTAL OPERATING PROPERTIES | | | | | 7,190,833 | 90% | |

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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.

<F4>

(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.

</FN>

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Item 3. Legal Proceedings

On November 20, 1995, Mr. Wertheimer, the former President of the Company, filed a complaint against the Company, its Trustees including the Principal Shareholder, and the Company's in-house General Counsel and 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 1996.

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, 1996 and 1995.

| Quarter Ended | High | Low | Dividend Per Share |
|--------------------|--------|--------|--------------------|
| 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(a) |
| March 31, 1995 | 13 1/2 | 12 1/2 | .36 |
| June 30, 1995 | 14 1/8 | 12 1/4 | .36 |
| September 30, 1995 | 13 1/2 | 11 3/4 | .36 |
| December 31, 1995 | 12 3/4 | 9 3/4 | .36 |

(a) The dividend for the quarter ended December 31, 1996 was declared on March 13, 1997 and is payable April 30, 1997 to shareholders of record as of March 28, 1997.

At March 24, 1997, there were 283 holders of record of the Shares.

(b) Dividends

The Company has determined that 35.06% and 64.25% of the total dividends distributed to shareholders in fiscal years 1996 and 1995, respectively, represented ordinary income, while the remaining 64.94% and 35.75%, 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

(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 flow 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.

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. The historical selected financial data for the Company as of December 31, 1996, 1995 and 1994 have been derived from the audited financial statements of the Company. The historical selected financial data for MDG for the period from January 1, 1993 to May 31, 1993 and for the year ended December 31, 1992 have been derived from the audited financial statements of MDG.

| | MARK CENTERS TRUST | | | MARK DEVELOPMENT GROUP | | |
|--|------------------------|------------------------|------------------------|-----------------------------------|---------------------------------|------------------------|
| | 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 | Year Ended 12/31/92 |
| OPERATING DATA: | | | | | | |
| Revenue: | | | | | | |
| Minimum rents | \$33,695 | \$32,740 | \$27,543 | \$12,971 | \$ 9,267 | \$22,971 |
| Percentage rents | 2,795 | 3,340 | 2,505 | 1,644 | 1,147 | 2,325 |
| Expense reimbursements | 6,559 | 6,431 | 5,220 | 2,629 | 1,687 | 4,049 |
| Other | 747 | 821 | 1,065 | 961 | 72 | 203 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total revenue | 43,796 | 43,332 | 36,333 | 18,205 | 12,173 | 29,548 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Operating expenses | 18,260 | 16,374 | 14,797 | 7,718 | 5,182 | 12,607 |
| Interest and other financing expense | 12,733 | 10,598 | 5,763 | 2,094 | 5,172 | 13,046 |
| Depreciation and amortization | 13,398 | 11,820 | 9,066 | 3,945 | 2,934 | 7,793 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| | 44,391 | 38,792 | 29,626 | 13,757 | 13,288 | 33,446 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| (Loss) income before reorganization costs, extraordinary items, gain on sale and minority interest | (595) | 4,540 | 6,707 | 4,448 | (1,115) | (3,898) |
| Gain on sale of land | 21 | 93 | 305 | -- | -- | -- |
| Reorganization costs | -- | -- | -- | (2,629) | -- | -- |
| Extraordinary items | (190) | -- | -- | 194 | -- | -- |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Income (loss) before minority interest | (764) | 4,633 | 7,012 | 2,013 | (1,115) | (3,898) |
| Minority Interest | 40 | (833) | (1,222) | (321) | 39 | 53 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Net income (loss) | \$ (724) | \$3,800 | \$5,790 | \$1,692 | (\$1,076) | (\$3,845) |
| | ===== | ===== | ===== | ===== | ===== | ===== |

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| | MARK CENTERS TRUST | | | MARK DEVELOPMENT GROUP | | |
|--|------------------------|------------------------|------------------------|-----------------------------------|---------------------------------|------------------------|
| | 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 | Year Ended 12/31/92 |
| Net (loss) income per Common Share | \$ (.08) | \$0.44 | \$0.68 | \$0.20 | | |
| | ===== | ===== | ===== | ===== | | |
| Weighted average number of Common Shares outstanding | 8,560,415 | 8,563,466 | 8,563,529 | 8,490,114 | | |
| | ===== | ===== | ===== | ===== | | |

| | | | | |
|------------------------------------|----------|----------|----------|---------|
| Funds from Operations | \$12,372 | \$15,281 | \$14,831 | \$8,262 |
| | ===== | ===== | ===== | ===== |
| Funds from Operations per share(1) | \$1.22 | \$1.50 | \$ 1.46 | \$ 0.81 |
| | ===== | ===== | ===== | ===== |

BALANCE SHEET DATA:

| | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Real estate before accumulated depreciation | | | | | | |
| Total assets | \$307,411 | \$291,157 | \$278,611 | \$210,133 | \$163,095 | \$161,983 |
| Total mortgage indebtedness | 258,517 | 249,515 | 242,483 | 180,083 | 127,968 | 130,531 |
| Minority interest- Operating Partnership | 172,823 | 151,828 | 124,410 | 61,578 | 150,392 | 151,771 |
| Total equity (deficit) | 10,752 | 13,228 | 14,827 | 16,049 | -- | -- |
| | 56,806 | 69,779 | 78,183 | 84,606 | (32,993) | (31,790) |

<FN>
<F1>
(1) Includes OP units
</FN>

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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 and the issuance of 8,350,000 Shares to the public at a price of \$19.50 per share (the "Offering"). The proceeds of the Offering were primarily used to reduce indebtedness, establish a working capital reserve and to pay reorganization and Share issuance costs.

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. 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 2%, 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.

RESULTS OF OPERATIONS, continued

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.

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), the loss before extraordinary item (write-off of deferred financing costs) and minority interest for 1996 was \$574,000, representing a decrease of \$5.2 million from income before minority interest of \$4.6 million for 1995.

Comparison of the twelve months ended December 31, 1995 ("1995") to the twelve months ended December 31, 1994 ("1994").

Total revenue increased approximately \$7.0 million, or 19%, to \$43.3 million in 1995 compared to \$36.3 million in 1994. This increase was attributable to increases in minimum rents, percentage rents and expense reimbursements, and was partially offset by a \$244,000 decrease in other income. Minimum rents increased \$5.2 million, or 19%, in 1995 compared to 1994. This increase resulted primarily from the effect of acquiring four shopping centers (one of which was acquired in May 1994, two in October 1994 and one in July 1995), the commencement of minimum

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RESULTS OF OPERATIONS, continued

rents at three properties formerly under development in 1995 and during the end of the second quarter of 1994, and the Company's replacement of expiring leases and the renewal of existing leases at higher rents. Percentage rents, representing the Company's participation in tenants' gross sales above predetermined thresholds, increased \$835,000 or 33% to \$3.3 million in 1995 compared with \$2.5 million in 1994. The increase was primarily attributable to percentage rent at the properties acquired and developed in 1995 and 1994 and the effect of certain tenants converting from paying minimum rent to paying percentage rent only without any thresholds. The increase in expense reimbursements, which rose 23% from \$5.2 million in 1994 to \$6.4 million in 1995, were primarily attributable to the properties acquired and developed in 1995 and 1994.

Total 1995 operating expenses, including depreciation and amortization, increased approximately \$4.3 million, or 18%, to \$28.2 million compared to \$23.9 million in 1994. Of this increase, \$2.7 million is attributable to increased depreciation related to properties acquired, developed and tenant improvements placed in service, and increased amortization of deferred leasing costs offset by a decrease in amortization of deferred financing costs. Of the remaining \$1.6 million, increases of \$892,000 for real estate taxes and \$740,000 in property operating expenses are primarily due to the acquisition and development of properties in

1995 and 1994. The remaining increase of \$301,000 in property operating expenses and a corresponding decrease in general and administrative expenses relate to a reclassification of certain property-related expenses.

Net interest expense and financing fees increased \$4.8 million, or 84%, to \$10.6 million in 1995, compared to \$5.8 million in 1994. This increase is due to higher average outstanding borrowings related to the Company's acquisition, development and expansion activities and an increase in the weighted average interest rate of 8.2% for 1995, compared with 7.3% for 1994 primarily as a result of the rise in short-term interest rates during 1995 as compared with 1994.

As a result of the foregoing, offset by a \$212,000 decrease in the gain from sale of property in 1995 as compared to 1994, income before minority interest for 1995 was \$4.6 million, representing a decrease of \$2.4 million from \$7.0 million for 1994.

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LIQUIDITY AND CAPITAL RESOURCES

During 1996, the Company invested \$20.0 million in its property portfolio including \$13.2 million for new development, \$3.0 million for expansion, renovation and tenant replacement at existing centers, \$3.4 million for deferred leasing and other charges and \$415,000 for recurring capital expenditures at the properties. As a significant portion of the Company's funds from operations are distributed to shareholders in accordance with REIT requirements, 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, 1996 and 1995 was \$172.8 million and \$151.8 million, respectively. The \$21.0 million increase in debt was primarily a result of funding the 1996 investment activity.

At December 31, 1996, the Company's capitalization consisted of \$172.8 million of debt and \$103.0 million of market equity (based on a December 31, 1996 market price of \$10.125 per share). Of the outstanding debt at December 31, 1996, \$156.8 million, or 91%, was carried at a fixed rate and the remaining \$16.0 million, or 9%, at variable rates. Accordingly, interest expense on only 9% of the Company's outstanding indebtedness would be adversely impacted during a period of rising interest rates.

Mortgage Debt

On December 20, 1996, the Company obtained \$4.1 million in fixed rate financing from Anchor National Life Insurance Company. The mortgage loan is secured by one property, and requires payment of interest at 7.93% with principal amortized over a 22 year period, and matures January 1, 2004.

On October 4, 1996, the Company consummated a \$45.9 million fixed rate financing from Morgan Stanley Mortgage Capital, Inc. ("Morgan Stanley"). The non-recourse loan, which matures in November 2021, is secured by mortgages on 17 of the Company's properties, bears interest at 8.84%, requires monthly payments of interest with principal amortized over 25 years, and requires the Company to comply with certain affirmative and negative covenants. Of the loan proceeds, \$33.6 million was used to retire existing debt, \$1.1 million for financing costs, \$2.8 million was held in escrow as of December 31, 1996, and the remaining proceeds were used for property investment and working capital.

On September 27, 1996 the Company consummated a construction loan with First Western Bank, N.A. in the maximum amount of \$12.0 million. The loan is secured by a mortgage on the Union Plaza in

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Mortgage Debt, continued

New Castle, Pennsylvania. As of December 31, 1996, \$4.0 million was outstanding on this facility with an additional \$1.0 million

available upon the execution of certain additional leases. The remaining \$7.0 million will be made available upon the Company obtaining an irrevocable letter of credit for \$7.0 million. During the construction period, the loan bears interest at the lender's prime rate plus 1%. Following the construction period, the Company has the option to convert the loan from a variable rate of interest to a fixed rate, upon which principal will be amortized on a monthly basis over a 15 year period. The loan matures on March 1, 2013. The Company is subject to certain affirmative and negative covenants.

At December 31, 1996, other mortgage notes payable aggregated \$102.8 million and were collateralized by 13 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 2008. 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 the aggregate balance of \$41.0 million at December 31, 1996 without consideration from the Company.

Lines of Credit

As a result of the Morgan Stanley financing, the Company amended its existing revolving credit facilities. The Company used \$8.1 million of the proceeds of the Morgan Stanley facility to partially repay its facility with Fleet Bank of Massachusetts, N.A. ("Fleet Bank"). The Fleet Bank facility was then amended by reducing the maximum line of credit to \$12.0 million, releasing three properties formerly mortgaged as security (which properties were then used to secure the Morgan Stanley loan) and modifying certain covenants. As of December 31, 1996, the Company had \$10.2 million outstanding under the Fleet Bank facility which was secured by three properties and scheduled to mature May 31, 1997 (amounts outstanding to Fleet Bank were repaid in full in March 1997 in connection with new financing). The remaining \$1.8 million under the facility was unavailable as it was subject to certain occupancy requirements at the Ledgewood Mall property. Advances under the facility bear interest at LIBOR plus 200 basis points or the prime rate established by Fleet Bank plus 1/4% and are recourse to the Company and are guaranteed by the Principal Shareholder without consideration from the Company.

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Lines of Credit, continued

Following the repayment of \$16.6 million with proceeds from the Morgan Stanley financing, the Company's facility with Mellon Bank, N.A. ("Mellon Bank") was amended by reducing the available facility to \$3.8 million with no additional obligation by Mellon Bank to advance any additional loan amounts, releasing five properties formerly mortgaged as security (which properties were then used to secure the Morgan Stanley loan), requiring the amortization of principal through the extended maturity date of April 2, 1998 and modifying certain affirmative and negative covenants. At December 31, 1996, \$3.4 million was outstanding under the facility which bears interest at LIBOR plus 200 basis points or the prime rate established by Mellon Bank plus 1/2% and is secured by one property.

Upon the repayment of \$5.0 million, three properties formerly mortgaged as security for the Company's facility with Firsttrust Bank were released (which properties were then used to secure the Morgan Stanley loan) and the maximum loan amount was reduced to \$2.5 million. The facility bears interest at the higher of 8.75% or the prime rate established by Firsttrust Bank plus 1/2%, requires the monthly payment of principal through the maturity date of June 30, 1997 and is secured by one property.

In March 1997, the Company obtained additional working capital from two sources. On March 4, 1997, the Company consummated a

\$23.0 million fixed rate, non-recourse financing from Nomura Asset Capital Corporation ("Nomura"). The loan, which matures on March 11, 2022, bears interest at 9.02%, requires monthly payments of interest and principal amortized over 25 years, and requires the Company to comply with certain affirmative and negative covenants. \$10.2 million of the proceeds were used to retire existing debt with Fleet Bank, \$673,000 for financing costs, \$3.1 million for escrows, and the remaining proceeds are available for investment and working capital. As part of the Company's ongoing strategic evaluation and realignment of its property portfolio, the Company completed the 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 have been used to supplement working capital.

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Lines of Credit, continued

During 1996, the Company experienced a short-term cash shortfall as a result of the delay in obtaining construction financing for the Union Plaza in New Castle, Pennsylvania, and the Company's decision to continue to fund the development of the project with cash from operations in order to take advantage of certain construction cost economies and to meet certain tenant deadlines. This shortfall was significantly alleviated by the First Western and Nomura financings.

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. In addition, cash on hand, amounts currently escrowed with lenders, the use of construction financing as well as other debt and equity financing alternatives will provide the necessary capital to achieve continued growth. The Company currently estimates that capital outlays for tenant improvements, related renovations and other property improvements will require \$8.1 million during 1997.

The Company anticipates that capital outlays for property development will total \$5.5 million. Of these capital outlays \$4.7 is reflected in accounts payable and accrued expense balances at December 31, 1996.

Industry analysts generally consider Funds from Operations to be a meaningful supplement to net income and an appropriate measure of the performance of an equity REIT. Funds from Operations is defined as net income (loss), excluding gains (losses) on sales of property, non-recurring charges and extraordinary items, adjusted for certain non-cash items, primarily depreciation and amortization. Funds from Operations does not represent cash generated by operating activities in accordance with generally accepted accounting principles and is not intended as the sole measure of cash generated by the Company nor of its dividend paying capacity.

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MARK CENTERS TRUST
FUNDS FROM OPERATIONS

For the Years Ended December 31, 1996 and 1995
(in thousands except per share data)

For the year ended December 31,

| | 1996 | 1995 |
|---|----------|----------|
| Revenue | | |
| Minimum rents(a) | \$33,396 | \$32,456 |
| Percentage rents | 2,795 | 3,340 |
| Expense reimbursements | 6,559 | 6,431 |
| Other | 747 | 821 |
| | ----- | ----- |
| Total revenue | 43,497 | 43,048 |
| | ----- | ----- |
| Expenses | | |
| Property operating(b) | 9,181 | 8,614 |
| Real estate taxes | 5,285 | 4,789 |
| General and administrative | 2,796 | 2,726 |
| | ----- | ----- |
| Total operating expenses | 17,262 | 16,129 |
| | ----- | ----- |
| Operating income | 26,235 | 26,919 |
| Interest and financing expense | 12,733 | 10,598 |
| Amortization of deferred financing costs | 915 | 827 |
| Depreciation of non-real estate assets | 215 | 213 |
| | ----- | ----- |
| Funds from operations | \$12,372 | \$15,281 |
| | ===== | ===== |
| Funds from operations per share (c) | \$ 1.22 | \$ 1.50 |
| | ===== | ===== |
| Reconciliation of funds from operations to net income determined in accordance with Generally Accepted Accounting Principles (GAAP) | | |
| Funds from operations above | \$12,372 | \$15,281 |
| Depreciation or real estate and amortization of leasing costs | (12,268) | (10,780) |
| Straight-line rents and related write-offs (net) | 164 | 107 |
| Gain on sale of land | 21 | 93 |
| Reserve for environmental remediation costs | (425) | -- |
| Adjustment to carrying value of property held for sale | (392) | -- |
| Extraordinary item write-off of deferred financing costs | (190) | -- |
| Minority interest | 40 | (833) |
| Other non-cash adjustments | (46) | (68) |
| | ----- | ----- |
| Net (loss) income | (\$724) | \$3,800 |
| | ===== | ===== |
| Net (loss) income per share(d) | (\$0.08) | \$0.44 |
| | ===== | ===== |

- (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, 1996 and 1995, respectively, for a total of 10,171,817 and 10,166,452 shares, respectively.
- (d) Net income per share is computed based on the weighted average number of shares outstanding for the years ended December 31, 1996 and 1995 of 8,560,415 and 8,563,466, respectively.

Historical Cash Flow

The following discussion of historical cash flow compares the Company's cash flows for the year ended December 31, 1996 ("1996") with the year ended December 31, 1995 ("1995").

Net cash provided by operating activities decreased \$2.1 million to \$14.1 million in 1996 from \$16.2 million in 1995. This decrease was primarily attributable to a \$3.0 million decrease in cash provided by net income before depreciation and amortization partially offset by a net increase of \$770,000 in cash provided by changes in operating assets and liabilities for 1996.

Investing activities used \$20.0 million during 1996, a decrease of \$4.9 million from \$24.9 million for 1995 due primarily to an increase in accounts payable related to development costs as of December 31, 1996.

Net cash provided by financing activities was \$6.8 million for 1996, representing a \$1.9 million decrease from net cash provided by financing activities of \$8.7 million for 1995. This decrease is primarily attributable to a decrease in borrowings related to property investment in 1996.

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.

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, 1997, 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, 1997, to be filed pursuant to Regulation 14A.

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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, 1997, 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, 1997, to be filed pursuant to Regulation 14A.

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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| Consolidated Statements of Operations for the year ended December 31, 1996, 1995 and 1994 | F-4 |
| Consolidated Statements of Shareholders' Equity for the year ended December 31, 1996, 1995 and 1994 | F-5 |
| Consolidated Statements of Cash Flows for the year ended December 31, 1996, 1995 and 1994 | F-7 |
| Notes to Consolidated Financial Statements | F-10 |

2. Financial Statement Schedules
Schedule III - Real Estate and

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.

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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 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) | Amended 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 |

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| | | |
|---------|---|---|
| 10.3(d) | Amendment Number Two To 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 |
| 10.4 | 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 | Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11 |

certain properties
from the Principal
Shareholder

- 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

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- 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
- *10.6(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
- *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 Incorporated by reference

Agreement between the Company and certain executive officers to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11

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- 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

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- 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 Incorporated by reference to the copy thereof filed as an exhibit to the Company's

Company and Mellon Bank, N.A. dated November 15, 1995

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

10.18 Form of Loan Agreement together with Form of First Mortgage and Security Agreement between the Company and John Hancock Mutual Life Insurance Company dated March 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

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10.19 Construction 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

10.20(a) Loan Agreement between the Company and Firsttrust Bank dated December 21, 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

10.20(b) Amendment to Mortgage and Assignments of Rents and Leases between the Company and Firsttrust 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, 1996

10.21(a) Promissory Note Agreement between the Company and First Federal Savings Bank of New Smyrna

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

10.21(b) Mortgage Deed and Security Agreement between the Company and First Federal Savings Bank of New Smyrna

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

10.22(a) Indenture of Mortgage, Deed of Trust, Security Agreement, Financing Statement, Fixture Filing and Assignment of Leases, Rents and Security Deposits between the Company and Morgan Stanley Mortgage Capital, Inc.

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

10.22(b) Mortgage Note between the Company and Morgan Stanley Mortgage Capital, Inc.

Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q for the quarter ended September 30, 1996

- 10.23(a) Construction Loan Agreement 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
- 10.23(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
- 10.24(b) Promissory Note between the Company and Anchor National Life Insurance Company
- 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.
- 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

- 10.26(b) Promissory Note dated March 4, 1997 between Mark Northwood Associates, Limited Partnership, a Florida limited partnership, and Nomura Asset Capital Corporation
- 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
- 21 List of Subsidiaries of Mark Centers Trust
- 23 Consent of Independent Auditors to Form S-3 and Form S-8

* Constitutes a compensatory plan or arrangement required to be filed as an exhibit to this Form.

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company for the quarter ended December 31, 1996.

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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: March 24, 1997

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) | March 24, 1997 |
| /s/Joshua Kane (Joshua Kane) | Senior Vice President Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer) | March 24, 1997 |
| /s/Harvey Shanus (Harvey Shanus) | Trustee | March 24, 1997 |
| /s/Marvin J. Levine (Marvin J. Levine Esq) | Trustee | March 24, 1997 |
| /s/Joseph L.Castle,II (Joseph L. Castle, II) | Trustee | March 24, 1997 |
| /s/John Vincent Weber (John Vincent Weber) | Trustee | March 24, 1997 |
| /s/Lawrence J. Longua (Lawrence J. Longua) | Trustee | March 24, 1997 |

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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 |
|----------------|---|------|
| 10.24(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

10.24 (b) Promissory Note between
the Company and Anchor
National Life Insurance
Company

10.25 Agreement of Sale
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.

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

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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

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

21 List of Subsidiaries
of Mark Centers Trust

23 Consent of Independent
Auditors to Form S-3
and Form S-8

27 Financial Data Schedule
(EDGAR filing only)

MARK CENTERS TRUST
INDEX TO FINANCIAL STATEMENTS

I. MARK CENTERS TRUST

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|--|--------------|
| Report of Independent Auditors | F-2 |
| Consolidated Balance Sheets as of December 31, 1996 and 1995 | F-3 |
| Consolidated Statements of Operations for the years ended December 31, 1996, 1995 and 1994 | F-4 |
| Consolidated Statements of Shareholders' Equity for the years ended December 31, 1996, 1995 and 1994 | 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, 1996 and 1995, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1996. 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, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 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.

ERNST & YOUNG LLP

New York, New York
March 5, 1997

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MARK CENTERS TRUST
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except for per share amounts)

| | December 31, | |
|--|--------------|-----------|
| ASSETS | 1996 | 1995 |
| Rental property-at cost | | |
| Land | \$ 31,084 | \$ 25,270 |
| Buildings and improvements | 271,423 | 258,827 |
| Construction in progress | 4,904 | 7,060 |
| | ----- | ----- |
| | 307,411 | 291,157 |
| Less accumulated depreciation | 72,956 | 61,269 |
| | ----- | ----- |
| Net rental property | 234,455 | 229,888 |
| Cash and cash equivalents | 3,912 | 3,068 |
| Rents receivable-less allowance for doubtful accounts of \$544 and \$509, respectively | 4,956 | 5,200 |
| Prepaid expenses | 1,421 | 1,352 |
| Due from related parties | 203 | 384 |
| Furniture, fixtures, and equipment, net | 570 | 796 |
| Deferred charges, net | 9,034 | 4,905 |
| Tenant security and other deposits | 3,966 | 3,922 |
| | ----- | ----- |
| | \$258,517 | \$249,515 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities: | | |
| Mortgage notes payable | \$156,772 | \$107,975 |
| Lines of credit | 16,051 | 43,853 |
| Accounts payable and accrued expenses | 9,397 | 7,058 |
| Distributions payable | 3,662 | -- |
| Payable to Principal Shareholder | 3,050 | 6,156 |
| Rents received in advance and tenant security deposits | 2,027 | 1,466 |
| | ----- | ----- |
| Total Liabilities | 190,959 | 166,508 |
| | ----- | ----- |
| Minority interest | 10,752 | 13,228 |
| Commitments and contingencies | -- | -- |

Shareholders' Equity:
Common stock, \$.001 par value,
authorized 50,000,000 shares,
issued and outstanding, 8,548,817
and 8,543,452 shares,

| | | |
|----------------------------|-----------|-----------|
| respectively | 9 | 9 |
| Additional paid-in capital | 57,521 | 69,770 |
| Deficit | (724) | -- |
| | ----- | ----- |
| Total Shareholders' Equity | 56,806 | 69,779 |
| | ----- | ----- |
| | \$258,517 | \$249,515 |
| | ===== | ===== |

See accompanying notes

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MARK CENTERS TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
Year ended December 31,

| | 1996 | 1995 | 1994 |
|--|-----------|-----------|-----------|
| Revenue | | | |
| Minimum rents | \$ 33,695 | \$ 32,740 | \$ 27,543 |
| Percentage rents | 2,795 | 3,340 | 2,505 |
| Expense reimbursements | 6,559 | 6,431 | 5,220 |
| Other | 747 | 821 | 1,065 |
| | ----- | ----- | ----- |
| Total revenue | 43,796 | 43,332 | 36,333 |
| | ----- | ----- | ----- |
| Expenses | | | |
| Property operating | 9,772 | 8,834 | 7,793 |
| Real estate taxes | 5,285 | 4,789 | 3,897 |
| Depreciation and amortization | 13,398 | 11,820 | 9,066 |
| General and administrative | 2,811 | 2,751 | 3,107 |
| | ----- | ----- | ----- |
| Total operating expenses | 31,266 | 28,194 | 23,863 |
| | ----- | ----- | ----- |
| Operating income | 12,530 | 15,138 | 12,470 |
| Interest and financing expense | (12,733) | (10,598) | (5,763) |
| Gain on sale of land | 21 | 93 | 305 |
| Adjustment to carrying value of property held for sale | (392) | -- | -- |
| | ----- | ----- | ----- |
| (Loss) income before | | | |

| | | | |
|--|----------|----------|----------|
| extraordinary item and minority interest | (574) | 4,633 | 7,012 |
| Extraordinary item-write-off of deferred financing costs | (190) | -- | -- |
| | (764) | 4,633 | 7,012 |
| Minority interest | 40 | (833) | (1,222) |
| Net (loss) income | \$ (724) | \$ 3,800 | \$ 5,790 |
| Net (loss) income per common share: | | | |
| (Loss) income before extraordinary item | \$ (.06) | \$.44 | \$.68 |
| Extraordinary item | (.02) | -- | -- |
| Net (loss) income | \$ (.08) | \$.44 | \$.68 |

See accompanying notes

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MARK CENTERS TRUST
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars 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, 1993 | 8,530,000 | \$9 | \$84,597 | \$ -- | \$84,606 |
| Payments of additional share issuance costs | -- | -- | (29) | -- | (29) |
| Issuance of shares pursuant to the Company's restricted share plan | 6,765 | -- | 100 | -- | 100 |
| Income before minority interest | -- | -- | -- | 7,012 | 7,012 |
| Distributions paid to the limited partner of the Operating Partnership | -- | -- | -- | (2,440) | (2,440) |
| Dividends paid from accumulated earnings (\$0.39 per share) | -- | -- | -- | (3,350) | (3,350) |
| Dividends paid in excess of accumulated earnings (\$1.05 per share) | -- | -- | (8,938) | -- | (8,938) |
| Minority interest's equity | -- | -- | 2,444 | (1,222) | 1,222 |
| 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) |

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

| | Shares of Common Stock | Common Stock | Additional Paid in Capital | Retained Earnings | Total Shareholders' Equity |
|---|------------------------------|-----------------|-------------------------------|----------------------|----------------------------------|
| 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) |
| 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 |

See accompanying notes

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MARK CENTERS TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands, except per share amounts)
YEAR ENDED DECEMBER 31,

| | 1996 | 1995 | 1994 |
|--|----------|----------|----------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net (loss) income | \$ (724) | \$ 3,800 | \$ 5,790 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | | |
| Gain on sale of land | (21) | (93) | (305) |
| Depreciation and amortization of leasing costs | 12,483 | 10,993 | 8,162 |
| Amortization of deferred financing costs | 915 | 827 | 904 |
| Write-off of deferred financing costs | 190 | -- | -- |
| Adjustment to carrying value of property held for sale | 392 | -- | -- |
| Minority interest | (40) | 833 | 1,222 |
| Provision for bad debts | 972 | 721 | 495 |
| Other | 57 | 93 | 100 |
| | ----- | ----- | ----- |
| | 14,224 | 17,174 | 16,368 |
| Net changes in operating assets and liabilities: | | | |
| Rents receivable | (580) | (1,846) | (1,806) |
| Prepaid expenses | (69) | (387) | 211 |
| Due from related parties | 31 | 408 | (503) |
| Tenant security and other deposits | 645 | (820) | (84) |
| Accounts payable and accrued expenses | (756) | 1,656 | (1,193) |
| Rents received in advance and tenants security deposits | 561 | 51 | 491 |
| | ----- | ----- | ----- |
| Net cash provided by operating activities | 14,056 | 16,236 | 13,484 |
| | ----- | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Expenditures for real estate and improvements | (19,737) | (19,260) | (40,619) |
| Acquisition of properties | -- | -- | (24,049) |
| Net change in accounts payable related to construction-in-progress | 3,095 | (2,411) | 4,084 |
| Payment to Principal Shareholder for acquisition of land | -- | (1,500) | -- |
| Deferred leasing and other charges | (3,399) | (1,650) | (294) |
| Expenditures for furniture, fixtures and equipment | (4) | (139) | (535) |
| Proceeds from sale of land | 22 | 105 | 325 |
| | ----- | ----- | ----- |
| Net cash used in investing activities | (20,023) | (24,855) | (61,088) |

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MARK CENTERS TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

| | 1996 | 1995 | 1994 |
|--|-------|---------|------|
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Net payment for debt service escrow | (688) | (2,014) | -- |

| | | | |
|---|----------|----------|----------|
| Payment of underwriting fees and share issuance costs | -- | -- | (29) |
| Principal payments on mortgages | (40,622) | (49,491) | (13,280) |
| Payment of deferred finance costs | (2,415) | (770) | (1,751) |
| Proceeds received on mortgage notes | 61,617 | 75,690 | 76,112 |
| Dividends paid | (9,229) | (12,297) | (12,288) |
| Distributions paid to Principal Shareholder | (1,852) | (2,452) | (2,440) |
| | ----- | ----- | ----- |
| Net cash provided by financing activities | 6,811 | 8,666 | 46,324 |
| | ----- | ----- | ----- |
| Increase (decrease) in cash and cash equivalents | 844 | 47 | (1,280) |
| Cash and cash equivalents, beginning of period | 3,068 | 3,021 | 4,301 |
| | ----- | ----- | ----- |
| Cash and cash equivalents, end of period | \$3,912 | \$3,068 | \$ 3,021 |
| | ===== | ===== | ===== |

Supplemental Disclosures of Cash Flow Information:

| | | | |
|--|----------|----------|----------|
| Cash paid during the year for interest, net of amounts capitalized of \$897, \$978 and \$1,065, respectively | \$12,950 | \$10,172 | \$ 5,155 |
| | ===== | ===== | ===== |

Supplemental disclosures of non-cash investing and financing activities:

Distributions of \$3,078 and Operating Partnership distributions of \$584 had been declared but not paid as of December 31, 1996.

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MARK CENTERS TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)

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, | | |
|--|-------------------------|------------|----------|
| | 1996 | 1995 | 1994 |
| Contingent liability due to Principal Shareholder | \$ (6,156) | \$ (8,133) | \$ 2,331 |
| Establishment of note payable to the Principal Shareholder | 3,031 | -- | -- |
| | ----- | ----- | ----- |
| Net (decrease) increase in cost of property acquired | \$ (3,125) | \$ (8,133) | \$ 2,331 |
| | ===== | ===== | ===== |

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 and Summary of Significant Accounting Policies, Formation of the Company, Initial Public Offering and Basis of Presentation

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 to the public at an initial public offering price of \$19.50 per share (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, 1996 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.

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

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

Acquisition of Properties, continues

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.

On December 27, 1994, the Company exercised its option to acquire land in Pittston Township, Pennsylvania from the Principal Shareholder for \$1,500.

On October 6, 1994, the Company purchased two community shopping centers, the Shillington Plaza Shopping Center located in Reading, Pennsylvania, and the Auburn Plaza located in Auburn, Maine, for a total of \$17,200. On May 25, 1994, the Company acquired the Berlin Shopping Center located in Berlin, New Jersey for \$6,500. Had these properties been acquired as of January 1, 1994 the Company's net income for the year ended December 31, 1994 would have been approximately \$6,154.

On April 28, 1994, the Company exercised an option which was obtained concurrent with the Offering to acquire the Route 6 Mall in Honesdale, Pennsylvania from the Principal Shareholder. The Company had previously exercised two other options with the Principal Shareholder to acquire the Bradford Towne Centre in Towanda, Pennsylvania and the Columbia Towne Centre in Hudson, New York in 1993. In February of 1996, in an effort to eliminate

the potential conflicts of interest between the Company and the Principal Shareholder in the context of these acquisition options, the Board of Trustees and Principal Shareholder terminated all acquisition options, the Principal Shareholder repurchased the Columbia Towne Centre from the Company for \$3,065, and the Company paid a total of \$1,600 for the Bradford Towne Centre and Route 6 Mall. (See note 4)

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

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.

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.

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.

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

Revenue Recognition

Leases with tenants are accounted for as operating leases. Minimum annual rentals are generally recognized on a straight-line basis over the term of the respective lease. As of December 31, 1996 and 1995, unbilled rents receivable were \$1,476 and \$1,359, respectively. Contingent rents based on percentage rents are accrued based on historical tenant sales.

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.

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 related to 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 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.

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

Per Share Data

Primary earnings per share for the years ended December 31, 1996, 1995 and 1994 are computed based upon 8,560,415, 8,563,466 and 8,563,529 shares outstanding, respectively, which represents the weighted average number of shares outstanding during the periods.

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.

Reclassifications

Certain 1995 and 1994 amounts were reclassified to conform with the 1996 presentation.

2. Deferred Charges

Deferred charges consist of the following as of December 31, 1996 and 1995:

| | 1996 | 1995 |
|--------------------------|---------|---------|
| Deferred financing costs | \$5,822 | \$4,617 |
| Deferred leasing costs | 7,063 | 4,362 |
| | ----- | ----- |
| | 12,885 | 8,979 |
| Accumulated amortization | (3,851) | (4,074) |
| | ----- | ----- |
| | \$9,034 | \$4,905 |
| | ===== | ===== |

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

3. Mortgage Loans

Mortgage Notes Payable

At December 31, 1996, mortgage notes payable aggregated \$156,772 and were collateralized by 32 properties and related tenant leases. Interest rates ranged from 7.7% to 9.25%. 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 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, 1996 without consideration from the Company.

On December 20, 1996, the Company obtained \$4,100 in fixed rate financing from Anchor National Life Insurance Company. The mortgage loan is secured by one property, requires payment of interest at 7.93% and principal amortized over a 22 year period, and matures January 1, 2004.

On October 4, 1996, the Company closed on \$45,930 in fixed rate financing from Morgan Stanley Mortgage Capital, Inc. ("Morgan Stanley"). The non-recourse mortgage loan, which matures in November 2021, is secured by mortgages on 17 of the Company's properties, bears interest at 8.84%, requires monthly payments of interest and principal amortized over 25 years, and requires the Company to comply with certain affirmative and negative covenants. Of the proceeds from the financing, \$33,616 was used to retire existing debt, \$1,062 for financing costs, \$2,847 was held in escrow as of December 31, 1996, and the remaining proceeds were used for property investment and working capital.

On September 27, 1996 the Company completed a closing on a construction loan with First Western Bank, N.A. in the maximum amount of \$12,000 which is secured by a mortgage on the Union Plaza in New Castle, Pennsylvania. As of December 31, 1996, the Company had \$4,000 outstanding on this facility with an additional \$1,000 available upon the execution of certain additional leases. The remaining \$7,000 will be made available upon the Company issuing an irrevocable letter of credit for \$7,000. During the construction period, the loan bears interest

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

Mortgage Notes Payable, continued

at the lender's prime rate plus 1%. Following the construction period, the Company has the option to convert the loan from a

variable rate of interest to a fixed rate, upon which principal will be amortized on a monthly basis over a 15 year period. The loan matures on March 1, 2013. The Company is subject to certain affirmative and negative covenants.

Lines of Credit

As a result of the Morgan Stanley financing, the Company amended its existing revolving credit facilities. The Company used \$8,105 of the proceeds of the Morgan Stanley facility to partially repay its facility with Fleet Bank of Massachusetts, N.A. ("Fleet Bank"). The Fleet Bank facility was then amended by reducing the maximum line of credit to \$12,000, releasing three properties formerly mortgaged as security (which properties were then used to secure the Morgan Stanley loan) and modifying certain covenants. The Company currently has \$10,155 outstanding under the Fleet Bank facility which is now secured by three properties and matures May 31, 1997. The remaining \$1,845 under the facility is currently unavailable as it is subject to certain occupancy requirements at the Ledgewood Mall property. Advances under the facility bear interest at LIBOR plus 200 basis points or the prime rate established by Fleet Bank plus 1/4%, and are recourse to the Company and are guaranteed by the Principal Shareholder without consideration from the Company.

Following the repayment of \$16,555 with proceeds from the Morgan Stanley financing, the Company's facility with Mellon Bank, N.A. ("Mellon Bank") was amended by reducing the available facility to \$3,812 with no additional obligation by Mellon Bank to advance any additional loan amounts, releasing five properties formerly mortgaged as security (which properties were then used to secure the Morgan Stanley loan), requiring the amortization of principal through the extended maturity date of April 2, 1998 and modifying certain affirmative and negative covenants. The Company currently has \$3,396 outstanding under the facility which bears interest at LIBOR plus 200 basis points or the prime rate established by Mellon Bank plus 1/2% and is secured by one property.

Upon the repayment of \$5,000, three properties formerly mortgaged as security for the Company's facility with Firstrust Bank were released (which properties were then used to secure the Morgan Stanley loan) and the maximum loan amount was reduced to the current outstanding balance of \$2,500. The facility bears interest at the higher of 8.75% or the prime rate established by Firstrust Bank plus 1/2%, requires the monthly payment of principal through the maturity date of June 30, 1997 and is secured by one property.

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, 1996 and 1995:

| | December 31, 1996 | December 31, 1995 | Interest Rate | Maturity Date | Properties Encumbered | Monthly Payment Terms |
|---|----------------------|----------------------|--|------------------|--------------------------|-----------------------------|
| Lines of credit-variable rate | | | | | | |
| Fleet Bank of Massachusetts, NA | \$10,155 | \$17,808 | LIBOR + 200 basis points/Prime+1/4% | May 31, 1997 | (1) | (10) |
| Mellon Bank, NA | 3,396 | 22,295 | LIBOR + 200 basis points/Prime+1/2% | April 2, 1998 | (2) | (11) |
| Firsttrust Savings Bank | 2,500 | 3,750 | 8.750%/Prime+1/2% | June 30, 1997 | | |
| | ----- | ----- | | | | |
| Total-lines of credit | 16,051 | 43,853 | | | | |
| | ----- | ----- | | | | |
| Construction loan-variable rate | | | | | | |
| Mellon Bank, NA | -- | 2,191 | | | | |
| First Western Bank, NA | 4,000 | -- | 9.250% | March 1, 2013 | (4) | (10) |
| Mortgage notes payable-fixed rate | | | | | | |
| Metropolitan Life Insurance Company | 41,000 | 41,000 | 7.750% | June 1, 2000 | (5) | (10) |
| Morgan Stanley Mortgage Capital | 45,845 | -- | 8.840% | November 1, 2021 | (6) | \$380 (11) |
| Anchor National Life Insurance Company | 4,100 | -- | 7.930% | January 1, 2004 | (7) | \$33 (10) |
| Provident Mutual Life Insurance Company | --- | 1,075 | | | | |
| Northern Life Insurance Company | 3,829 | 4,016 | 7.700% | December 1, 2008 | (8) | \$41 (11) |
| Bankers Security Life | 2,641 | 2,770 | 7.700% | December 1, 2008 | (8) | \$28 (11) |
| John Hancock Mutual Life Insurance Co. | 55,357 | 55,754 | 9.110% | April 1, 2000 | (9) | \$455 (11) |
| Roosevelt Bank | -- | 1,169 | | | | |
| | ----- | ----- | | | | |
| Total-mortgage notes payable | 156,772 | 107,975 | | | | |
| | ----- | ----- | | | | |
| | \$172,823 | \$151,828 | | | | |
| | ===== | ===== | | | | |

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

3. Mortgage Loans, continued

<C<

Notes:

(1) Searstown Mall

(6) Midway Plaza

(7) Pittston Plaza

| | | |
|----------------------|-------------------------------------|--------------------------------|
| Wesmark Plaza | Northside Mall | |
| Northwood Centre | New Smyrna Beach | (8) Manahawkin Shopping Center |
| (2) Auburn Plaza | Cloud Springs Plaza | |
| (3) Mark Plaza | Troy Plaza | (9) New Loudon Centre |
| (4) Union Plaza | Martintown Plaza | Ledgewood Mall |
| (5) Valmont Plaza | Kings Fairgrounds | Plaza 422 |
| Luzerne Street Plaza | Shillington Plaza | Berlin Shopping Center |
| Green Ridge Plaza | Dunmore Plaza | Route 6 Mall |
| Crescent Plaza | Kingston Plaza | Tioga West |
| East End Centre | Twenty Fifth Street Shopping Center | Bradford Towne Centre |
| | Circle Plaza | |
| | Mountainville Plaza | (10) Interest only monthly |
| | Plaza 15 | |
| | Birney Plaza | (11) Monthly principal |
| | Monroe Plaza | and interest |
| | Ames Plaza | |

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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, 1996 are as follows:

| | |
|------------|-----------|
| 1997 | \$ 14,603 |
| 1998 | 4,336 |
| 1999 | 1,640 |
| 2000 | 96,139 |
| 2001 | 1,322 |
| Thereafter | 54,783 |
| | ----- |
| | \$172,823 |
| | ===== |

Of the \$14,603 scheduled to mature in 1997, \$10,155 was repaid in March of 1997 in connection with new financing (see note 18).

4. Related Party Transactions

As of December 31, 1996 and 1995 amounts due from related parties consisted of the following:

| | December 31, 1996 | 1995 |
|--|----------------------|-------|
| Accrued management fees due from the Principal Shareholder for certain operating properties owned by the Principal Shareholder | \$ -- | \$ 58 |
| Accrued ground rent and management fees due from Blackman Plaza Partners | 232 | 260 |
| Other net amounts due (to) from Principal Shareholder | (29) | 66 |
| | ----- | ----- |
| | \$203 | \$384 |
| | ===== | ===== |

Included in other income are management fees earned on properties owned by the Principal Shareholder or affiliates which for the years ended December 31, 1996, 1995 and 1994 aggregated \$36, \$166 and \$228, respectively.

Included in rental income is rent earned pursuant to a ground lease on Blackman Plaza, a limited partnership in which the Principal Shareholder is the sole general partner (owning a one percent economic interest), which for the years ended December

31, 1996, 1995 and 1994 aggregated \$0, \$140 and \$140, respectively. The Company has not recognized income in 1996 due

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

4. Related Party Transactions, continued
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. 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.

Concurrent with the Offering, the Company obtained acquisition options ("Acquisition Options") to acquire six properties under development from the Principal Shareholder (the "Development Properties"), which were in various stages of the development process. As of December 31, 1995, the Company had exercised three of these options for the Bradford Towne Centre in Towanda, Pennsylvania, the Route 6 Mall in Honesdale, Pennsylvania, and the Columbia Towne Centre in Hudson, New York. Development on the Columbia Towne Centre was suspended due to the bankruptcy of a former anchor tenant. Upon substantial completion of each Development Property the Company had agreed to pay the Principal Shareholder an amount (the "Contingent Payment Amount") equal to the (i) land acquisition costs, (ii) third-party development costs, (iii) allocated overhead expenses, (iv) leasing commissions for all tenant leases signed prior to the Offering and an incentive payment equal to 5% of construction costs (excluding engineering, architectural and other "soft costs"). The Contingent Payment Amount was to be reduced as necessary to provide the Company with a minimum 13.5% return on its investment based on the annualized operating income from the property within two years after completion of construction. The Contingent Payment Amount was to be made through the issuance of OP Units, unless such issuance would have resulted in the Company owning less than 51% of the Operating Partnership or would have jeopardized the Company's REIT status, in which case, payment was to be made in cash.

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

4. Related Party Transactions, continued
The Company also provided certain services to the Principal Shareholder with regard to the Development Properties for which the Principal Shareholder was contractually obligated to reimburse the Company \$31 quarterly per Development Property until such time as the Company exercised or declined to exercise the development options, subject to a minimum of \$125 per Development Property for one year from the date of the Offering. For the year ended December 31, 1996, the Company did not provide any services nor was reimbursed for such by the Principal Shareholder. Reimbursements totalled \$107 and \$469 for the years ended December 31, 1995 and 1994, respectively.

In February 1996, the Principal Shareholder and Board of Trustees

("Trustees") took certain actions in an effort 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. As a result, the Company and the Principal Shareholder executed the following agreements:

The Trustees of the Company and the Principal Shareholder terminated all Acquisition Options (other than the Acquisition Option pertaining to the New Castle property which had been terminated in May 1995).

The Principal Shareholder repurchased the Columbia Towne Centre from the Company for \$3,065, which represented total development costs incurred by the Company to the date of repurchase, and was greater than the value of the property as determined by an independent appraiser.

The Company purchased the Union Plaza, located in New Castle, Pennsylvania, from the Principal Shareholder for \$4,495 which represented the amount the Principal Shareholder had invested in the property less \$378 of predevelopment costs previously advanced by the Company in 1994. This purchase price was less than the value of the property as determined by an independent appraiser.

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

4. Related Party Transactions, continued

Upon completion of a review in June 1996 of the payments due the Principal Shareholder for the acquisition of the Route 6 Mall and the Bradford Towne Centre, for which development is completed and both are currently operating, the Company agreed to pay the Principal Shareholder \$1,600 which included the conveyance of approximately two acres of land by the Principal Shareholder which became part of the Route 6 Mall.

The Company and Principal Shareholder also terminated all management agreements for properties owned by the Principal Shareholder.

As a result of these transactions and to reflect the net result of the purchase and sales price for these properties, the Company issued a note payable to the Principal Shareholder for the principal sum of \$3,030. The note, which bears interest at a rate equal to that charged by Fleet Bank, N.A. on the Company's revolving line of credit 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. Since the payment to the Principal Shareholder reflects in part land acquisition costs associated with the Union Plaza, the Company has agreed with the Principal Shareholder to prepay the principal sum with any construction loan proceeds specifically allocable for land acquisition. The financing with First Western Bank, N.A. did not provide any proceeds allocable to land acquisition.

Following is a summary of the liability to the Principal Shareholder as of December 31, 1996 and 1995 related to the Development Properties:

| | |
|---|----------|
| Contingent payable to Principal Shareholder for the Bradford Towne Centre and the Route 6 Mall, December 31, 1995 | \$ 6,156 |
| Termination of the Acquisition Options | (6,156) |
| Purchase price for the Union Plaza | 4,495 |
| Purchase price for the Bradford Towne Centre and the Route 6 Mall | 1,600 |

| | |
|---|----------|
| Sale of the Columbia Towne Centre | (3,065) |
| Accrued interest | 20 |
| | ----- |
| Amount payable to Principal Shareholder, December 31, 1996 | \$ 3,050 |
| | ===== |

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

4. Related Party Transactions, continued

On December 27, 1994, the Company exercised an option to acquire a parcel of land in Pittston, Pennsylvania for \$1,500 from the Principal Shareholder which was paid in 1995.

On May 21, 1996, the Company obtained an option to purchase approximately 27 acres of land adjacent to the Plaza 15 from the Principal Shareholder. The option has a term of three years requires annual option payments of \$5 and establishes a purchase price of \$1,325 reduced by all annual option payments made by the Company.

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, excluding escalations, for the years ended December 31, 1996, 1995 and 1994 was \$104 each year.

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, 1996, 1995 and 1994 aggregated \$909, \$929 and \$635, respectively, of which \$86 and \$32 are receivable as of December 31, 1996 and 1995, respectively. Additionally, for the year ended December 31, 1995, the Company paid \$1,050 for tenant improvements at three properties for this tenant.

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 or contingent 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, 1996 are summarized as follows:

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

5. Tenant Leases, continued

| | |
|------------|-----------|
| 1997 | \$ 31,853 |
| 1998 | 29,884 |
| 1999 | 24,876 |
| 2000 | 19,598 |
| 2001 | 17,471 |
| Thereafter | 133,840 |
| | ----- |
| | \$257,522 |
| | ===== |

Minimum future rentals above include two tenants which filed for bankruptcy protection totalling \$3,768. Neither of these leases have been rejected or affirmed.

During the years ended December 31, 1996, 1995 and 1994, rental income representing 10% or more of combined annual rentals 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, 1996, 1995 and 1994 were \$4,735, \$4,389 and \$4,499, respectively. During the year ended December 31, 1996, the Company also earned greater than 10% of its rental income from the Kmart Corporation. Rents earned under leases at nine locations for this tenant totaled \$4,733, \$4,180 and \$2,190 for the years ended December 31, 1996, 1995 and 1994, 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, that expires in 1999. Six of the leases which 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:

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

6. Lease Obligations, continued

| | | | |
|------------|----|----------|--|
| 1997 | \$ | 313 | |
| 1998 | | 313 | |
| 1999 | | 313 | |
| 2000 | | 313 | |
| 2001 | | 313 | |
| Thereafter | | 13,833 | |
| | | ----- | |
| | | \$15,398 | |
| | | ===== | |

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 100,000 share options to the Principal Shareholder and 57,000 to employees of the Company which vested 20% immediately 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 (\$12.69 per share) for employees and 110% thereof (\$13.96 per share) for the Principal Shareholder for a period of ten years. The Company has also issued a total of 60,000 share options to non-employee trustees which vest 20% immediately 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 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. The options issued to non-employee trustees are exercisable at prices ranging from \$11.38 to \$12.69 per share.

Effective for the year ended December 31, 1996, the Company adopted Statement of Financial Accounting Standards No. 123, ("FASB 123"), "Accounting for Stock-Based Compensation". In accordance with the provisions of FASB 123, the Trust applies

Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations in accounting for its stock option plan and accordingly, does not recognize compensation expense. Had compensation expense for the Trust's stock option plan been determined based upon the fair value at the grant date for awards under the plan consistent with the methodology prescribed under FASB 123, the effect on reported net income and earnings per share would have been immaterial.

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

| | Year ended December 31, | | |
|-------------------------------------|-------------------------|-----------------|-----------------|
| | 1996 | 1995 | 1994 |
| Outstanding at beginning of period | 234,500 | 234,500 | 84,000 |
| Granted | 5,000 | 5,000 | 284,500 |
| Option price per share granted | \$11.38 | \$12.75 | \$12.69-\$13.96 |
| Cancelled | 22,500 | 5,000 | 134,000 |
| Exercisable at end of period | 217,000 | 234,500 | 234,500 |
| Exercised | -- | -- | -- |
| Expired | -- | -- | -- |
| Outstanding at end of period | 217,000 | 234,500 | 234,500 |
| Option prices per share outstanding | \$11.38-\$13.96 | \$12.69-\$13.96 | \$12.69-\$13.96 |

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 10,718 and 19,601 were granted, but not vested, as of December 31, 1996 and 1995, 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.

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 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, 1996. The Company contributed \$67, \$64 and \$59 for the years ended December 31, 1996, 1995 and 1994, respectively.

10. Extraordinary Item - Write-off of Deferred Financing Costs

The consolidated statement of operations for the year ended December 31, 1996 includes the write-off of \$190 in net deferred financing fees as a result of the repayment of the related debt.

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

11. Distributions payable

On November 14, 1996, the Trustees declared a cash distribution of \$0.36 per common share and OP Unit payable on January 31, 1997 to shareholders and limited partners of record as of November 26, 1996.

The Company has determined that the cash distributed to the

shareholders is characterized as follows for federal income tax purposes:

| | 1996 | 1995 | 1994 |
|-------------------|------|------|------|
| Ordinary income | 35% | 64% | 68% |
| Return of capital | 65% | 36% | 32% |
| | --- | --- | --- |
| | 100% | 100% | 100% |
| | ==== | ==== | ==== |

12. Management Agreements

The Company managed four properties in which the Principal Shareholder holds interests in and which are not owned by the Company. The Company received fees for these management services based on 4% of gross cash collections. The Company also managed a property for an unrelated party for which it receives a management fee based on 4% of the fixed minimum rents, excluding the minimum rent of the anchor tenant who is also the owner of the property. All of these management agreements were terminated in 1996. The Company continues to manage the Blackman Plaza and receives management fees based on 4% of gross cash collections.

13. Adjustment to Carrying Value of Property

As a result of the Company's ongoing strategic evaluation of its portfolio of properties, it has entered into an agreement to sell the Newberry Plaza located in Newberry, South Carolina. As the property is held for sale as of December 31, 1996, the Company has recorded a \$392 reduction in the carrying value to reflect the property at a fair value of \$1,300, (the contract sales price less direct selling costs).

14. 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.

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

14. Fair Value of Financial Instruments, continued

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, 1996 and 1995, the Company has determined the estimated fair value of its mortgage notes payable are approximately \$150,801 and \$108,859, 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.

Lines of Credit

The Company has determined the estimated fair value of its lines of credit are equal to the carrying value of such liabilities as such financial instruments provide for variable rates of interest which readjust as market conditions change.

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

15. Summary of Quarterly Financial Information

The unaudited results of operations of the Company for the years ended December 31, 1996, 1995 and 1994 are as follows:

| | 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 | \$0.02 | \$0.00 | \$(0.02) | \$(0.08) | \$(0.08) |
| Cash dividends declared per share | .36 | .36 | .36 | (a) | \$1.08 |
| Weighted average shares outstanding | 8,563,053 | 8,559,535 | 8,559,535 | 8,559,535 | 8,560,415 |

(a) The dividend for the quarter ended December 31, 1996 will be determined by the Trustees in March 1997.

| | March 31, 1995 | June 30, 1995 | Sept 30, 1995 | Dec 31, 1995 | Total for Year |
|--|----------------|---------------|---------------|--------------|----------------|
| Revenue | \$10,416 | \$10,631 | \$10,924 | \$11,361 | \$43,332 |
| Income before gain from sale and minority interest | 1,202 | 1,120 | 1,197 | 1,021 | 4,540 |
| Net income | 986 | 987 | 988 | 839 | 3,800 |
| Net income per share | \$ 0.12 | \$ 0.12 | \$ 0.12 | \$ 0.08 | \$ 0.44 |
| Cash dividends declared per share | .36 | .36 | .36 | .36 | 1.44 |
| Weighted average shares outstanding | 8,564,036 | 8,573,461 | 8,563,884 | 8,563,356 | 8,563,466 |

| | March 31, 1994 | June 30, 1994 | Sept 30, 1994 | Dec 31, 1994 | Total for Year |
|--|----------------|---------------|---------------|--------------|----------------|
| Revenue | \$ 8,610 | \$ 8,648 | \$ 8,785 | \$10,290 | \$36,333 |
| Income before gain from sale and minority interest | 1,760 | 1,718 | 1,912 | 1,317 | 6,707 |
| Net income | 1,465 | 1,405 | 1,584 | 1,336 | 5,790 |
| Net income per share | \$ 0.17 | \$ 0.16 | \$ 0.19 | \$ 0.16 | \$ 0.68 |
| Cash dividends declared per share | .36 | .36 | .36 | .36 | 1.44 |
| Weighted average shares outstanding | 8,564,121 | 8,563,816 | 8,565,502 | 8,563,686 | 8,563,529 |

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

16. Legal Proceedings

On November 20, 1995, Mr. Wertheimer, the former President of the Company, filed a complaint against the Company, its Trustees including the Principal Shareholder, and the Company's in-house General Counsel and 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 intends 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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MARK CENTERS TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

17. Contingencies

Upon conducting environmental site inspections in connection with obtaining the Morgan Stanley financing, 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 will be entering 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 \$75. 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 of December 31, 1996, the Company has reserved a total of \$425 for remediation costs at both properties for which Morgan Stanley holds \$563 of loan proceeds in escrow to be released upon final environmental remediation.

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.

18. Subsequent Events

On March 4, 1997, the Company closed on \$23,000 in fixed rate financing from Nomura Asset Capital Corporation. The mortgage loan, which matures on March 11, 2022, bears interest at 9.02%, requires monthly payments of interest and principal amortized

| | | | | | | | | | |
|--|--------|-------|-------|--------|-------|--------|--------|-------|----------|
| East End Centre Wilkes-Barre, PA | 14,200 | 1,086 | 8,661 | 3,181 | 1,086 | 11,842 | 12,928 | 3,897 | 1986 (C) |
| Green Ridge Plaza Scranton, PA | 6,700 | 1,335 | 6,314 | 596 | 1,335 | 6,910 | 8,245 | 2,154 | 1986 (C) |
| Plaza 15 Lewisburg, PA | (2) | 171 | 81 | 1,456 | 171 | 1,537 | 1,708 | 201 | 1976 (C) |
| Plaza 422 Lebanon, PA | (3) | 190 | 3,004 | 429 | 190 | 3,433 | 3,623 | 1,760 | 1972 (C) |
| Tioga West Tunkhannock, PA | (3) | 48 | 1,238 | 3,376 | 48 | 4,614 | 4,662 | 1,652 | 1965 (C) |
| Mountainville Shopping Center Allentown, PA | (2) | 420 | 2,390 | 454 | 420 | 2,844 | 3,264 | 1,207 | 1983 (A) |
| Monroe Plaza Stroudsburg, PA | (2) | 70 | 2,083 | 51 | 70 | 2,134 | 2,204 | 830 | 1964 (C) |
| Ames Plaza Shamokin, PA | (2) | 57 | 1,958 | 198 | 57 | 2,156 | 2,213 | 1,560 | 1966 (C) |
| Route 6 Mall Honesdale, PA | (3) | -- | -- | 12,696 | 1,664 | 11,032 | 12,696 | 686 | 1995 (C) |
| Pittston Plaza Pittston, PA | 4,100 | -- | -- | 7,162 | 1,521 | 5,641 | 7,162 | 174 | 1995 (C) |
| Valmont Plaza W. Hazleton, PA | 6,100 | 522 | 5,591 | 902 | 522 | 6,493 | 7,015 | 2,312 | 1985 (A) |
| Manahawkin Village Shopping Center Manahawkin, NJ | 6,470 | 2,400 | 9,396 | 394 | 2,400 | 9,790 | 12,190 | 812 | 1993 (A) |

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MARK CENTERS TRUST
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1996
(Dollars in Thousands)

| Description | INITIAL COST TO COMPANY | | | GROSS AMOUNTS AT WHICH CARRIED AT CLOSE OF PERIOD | | | Accumulated Depreciation | Date of Acquisition (A) Construction (C) | |
|---|-------------------------|----------|----------------------------|---|----------|----------------------------|-----------------------------|--|----------|
| | Encumbrances | Land | Building & Improvements | Costs Capitalized Subsequent to Acq | Land | Building & Improvements | | | Total |
| Shopping Centers | | | | | | | | | |
| 25th St. Shopping Center Easton, PA | (2) | 2,280 | 9,276 | 183 | 2,280 | 9,459 | 11,739 | 995 | 1993 (A) |
| Berlin Shopping Center Berlin, NJ | (3) | -- | -- | 6,849 | 1,332 | 5,517 | 6,849 | 467 | 1994 (A) |
| Auburn Plaza Auburn, ME | 3,396 | -- | -- | 13,287 | 2,644 | 10,643 | 13,287 | 798 | 1994 (A) |
| Shillington Plaza Reading, PA | (2) | -- | -- | 4,109 | 809 | 3,300 | 4,109 | 250 | 1994 (A) |
| Union Plaza New Castle, PA | 4,000 | -- | -- | 17,914 | 5,401 | 12,513 | 17,914 | 70 | 1996 (C) |
| Bradford Towne Centre Towanda, PA | (3) | -- | -- | 16,091 | 816 | 15,275 | 16,091 | 1,247 | 1994 (C) |
| Mixed Use Properties | | | | | | | | | |
| Northwood Centre Tallahassee, FL | (1) | 1,209 | 6,204 | 17,598 | 1,189 | 23,822 | 25,011 | 10,005 | 1985 (A) |
| Normandale Centre Montgomery, AL | -- | 287 | 2,584 | 4,138 | 287 | 6,722 | 7,009 | 2,689 | 1985 (A) |
| Construction in Progress | -- | -- | -- | 4,904 | -- | 4,904 | 4,904 | -- | |
| ----- | | | | | | | | | |
| | \$172,823 | \$16,926 | \$121,303 | \$169,182 | \$31,084 | \$276,327 | \$307,411 | \$72,956 | |
| ===== | | | | | | | | | |

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MARK CENTERS TRUST
NOTES TO SCHEDULE III
DECEMBER 31, 1996
(Dollars in thousands)

1. These three properties serve as collateral for the line of credit with Fleet Bank of Massachusetts, N.A.
2. These seventeen properties serve as collateral for the financing with Morgan Stanley Mortgage Capital, Inc.
3. These seven properties serve as collateral for the financing with John Hancock Life Insurance.
4. 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 |

5. The aggregate gross cost of property included above for Federal income tax purposes was \$322,177 as of December 31, 1996.

6. (a) Reconciliation of Real Estate Properties:

The following reconciles the real estate properties from January 1, 1994 to December 31, 1996:

| | Year ended December 31, | | |
|--|-------------------------|-----------|-----------|
| | 1996 | 1995 | 1994 |
| Balance at beginning of period | \$291,157 | \$278,611 | \$210,133 |
| Additions during period | | | |
| Acquisitions through purchase | -- | -- | 24,049 |
| Acquisition through exercise of purchase option | -- | 1,446 | 1,500 |
| Acquisitions and adjustments related to development options and establishment of note payable to the Principal Shareholder | (3,125) | (8,133) | 2,331 |
| Other improvements | 19,380 | 19,242 | 40,618 |
| Sale of land | (1) | (9) | (20) |
| | ----- | ----- | ----- |
| Balance at end of period | \$307,411 | \$291,157 | \$278,611 |
| | ===== | ===== | ===== |

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MARK CENTERS TRUST
 NOTES TO SCHEDULE III
 DECEMBER 31, 1996
 (Dollars in thousands)

(b) Reconciliation of accumulated depreciation:

The following table reconciles accumulated depreciation from January 1, 1994 to December 31, 1996:

| | | | |
|-------------------------------------|----------|----------|----------|
| Balance at beginning of period | \$61,269 | \$51,002 | \$43,318 |
| Depreciation related to real estate | 11,687 | 10,267 | 7,684 |
| | ----- | ----- | ----- |
| Balance at end of period | \$72,956 | \$61,269 | \$51,002 |
| | ===== | ===== | ===== |

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<NAME> MARK CENTERS TRUST
<MULTIPLIER> 1,000

| | | |
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| <EPS-DILUTED> | | (.08) |

OPEN-END MORTGAGE, SECURITY AGREEMENT, FIXTURE FILING,
FINANCING STATEMENT
AND ASSIGNMENT OF LEASES AND RENTS

THIS OPEN-END MORTGAGE, SECURITY AGREEMENT, FIXTURE FILING, FINANCING STATEMENT AND ASSIGNMENT OF LEASES AND RENTS (this "Mortgage") is executed as of December 23, 1996, by MARK CENTERS LIMITED PARTNERSHIP, a Delaware limited partnership ("Mortgagor") in favor of, and for the use and benefit of, ANCHOR NATIONAL LIFE INSURANCE COMPANY, an Arizona corporation ("Mortgagee").

THIS OPEN-END MORTGAGE, SECURITY AGREEMENT, FIXTURE FILING, FINANCING STATEMENT AND ASSIGNMENT OF LEASES AND RENTS SECURES FUTURE ADVANCES.

ARTICLE I.

PARTIES, PROPERTY, AND DEFINITIONS

The following terms and references shall have the meanings indicated:

1.1 Chattels: All goods, fixtures, inventory, equipment, building and other materials, supplies, and other tangible personal property of every nature now owned or hereafter acquired by Mortgagor and used, intended for use, or reasonably required in the construction, development, or operation of the Property, together with all accessions thereto, replacements and substitutions therefor, and proceeds thereof.

1.2 Default: Any matter which, with the giving of notice, passage of time, or both, would constitute an Event of Default.

1.3 Environmental Indemnity Agreement: The Environmental Indemnity Agreement of even date herewith made by Mortgagor and the Surety for the benefit of Mortgagee.

1.4 ERISA: The Employee Retirement Income Security Act of 1974, as amended, together with all rules and regulations issued thereunder.

1.5 Event of Default: As defined in Article VI.

1.6 General Partner: Mark Centers Trust, a Maryland business trust, and any other or successor general partner of Mortgagor.

1.7 Intangible Personalty: The right to use all trademarks and trade names and symbols or logos used in connection therewith, or any modifications or variations thereof, in connection with the operation of the improvements existing or to be constructed on the Property, together with all accounts, monies in the possession of Mortgagee (including without limitation proceeds from insurance, retainages and deposits for taxes and insurance), Permits, contract rights (including, without limitation, rights to receive insurance proceeds) and general intangibles (whether now owned or hereafter acquired, and including proceeds thereof) relating to or arising from Mortgagor's ownership, use, operation, leasing, or sale of all or any part of the Property, specifically including but in no way limited to any right which Mortgagor may have or acquire to transfer any development rights from the Property to other real property, and any development rights which may be so transferred.

1.8 Lease Certificate: The certificate of even date herewith made by Mortgagor to Mortgagee concerning Leases.

1.9 Leases: Any and all leases, subleases and other agreements under the terms of which any person other than Mortgagor has or acquires any right to occupy or use the Property, or any part thereof.

1.10 Loan Documents: The Note, all of the deeds of trust, mortgages and other instruments and documents securing the Note, including this Mortgage, the Environmental Indemnity Agreement, the Suretyship Agreement, the Lease Certificate and each other document executed or delivered in connection with the transaction pursuant to which the Note has been executed and delivered. The term "Loan Documents" also includes all modifications, extensions, renewals, and replacements of each document referred to above.

1.11 Mortgagee: The Mortgagee named in the introductory paragraph of this Mortgage (Taxpayer Identification No. 86-0198983), whose legal address is 1 SunAmerica Center, Century City, Los Angeles, California 90067-6022, together with any future holder of the Note.

1.12 Mortgagor: The Mortgagor named in the introductory paragraph of this Mortgage (Taxpayer Identification No. 23-2724653), whose legal address is 600 Third Avenue, Kingston, Pennsylvania 18704-1679, together with any future owner of the Property or any part thereof or interest therein.

1.13 Note: Mortgagor's promissory note of even date herewith, payable to the order of Mortgagee in the principal face amount of \$4,100,000.00, the last payment under which is due on January 1, 2004, unless such due date is accelerated, together with all renewals, substitutions, extensions and modifications of such promissory note. All terms and provisions of the Note are incorporated by this reference in this Mortgage.

1.14 Permits: All permits, licenses, certificates and authorizations necessary for the beneficial development, ownership, use, occupancy, operation and maintenance of the Property, including, but not limited to, certificates of occupancy.

1.15 Permitted Exceptions: The matters set forth in Exhibit B attached hereto.

1.16 Property: The tract or tracts of land described in Exhibit A attached, together with the following:

(a) All buildings, structures, and improvements now or hereafter located on such tract or tracts, as well as all rights-of-way, easements, and other appurtenances thereto;

(b) All of Mortgagor's right, title and interest in any land lying between the boundaries of such tract or tracts and the center line of any adjacent street, road, avenue, or alley, whether opened or proposed;

(c) All of the rents, income, receipts, revenues, issues and profits of and from such tract or tracts and improvements;

(d) All (i) water and water rights (whether decreed or undecreed, tributary, nontributary or not nontributary, surface or underground, or appropriated or unappropriated); (ii) ditches and ditch rights; (iii) spring and spring rights; (iv) reservoir and reservoir rights; and (v) shares of stock in water, ditch and canal companies and all other evidence of such rights, which are

now owned or hereafter acquired by Mortgagor and which are appurtenant to or which have been used in connection with such tract or tracts or improvements;

(e) All minerals, crops, timber, trees, shrubs, flowers, and landscaping features now or hereafter located on, under or above such tract or tracts;

(f) All machinery, apparatus, equipment, fittings, fixtures (whether actually or constructively attached, and including all trade, domestic, and ornamental fixtures) now or hereafter located in, upon, or under such tract or tracts or improvements and used or usable in connection with any present or future operation thereof, including but not limited to all heating, air-conditioning, freezing, lighting, laundry, incinerating and power equipment; engines; pipes; pumps; tanks; motors; conduits; switchboards; plumbing, lifting, cleaning, fire prevention, fire extinguishing, refrigerating, ventilating, cooking, and communications apparatus; boilers, water heaters, ranges, furnaces, and burners; appliances; vacuum cleaning systems; elevators; escalators; shades; awnings; screens; storm doors and windows; stoves; refrigerators; attached cabinets; partitions; ducts and compressors; rugs and carpets; draperies; and all additions thereto and replacements therefor;

(g) All development rights associated with such tract or tracts, whether previously or subsequently transferred to such tract or tracts from other real property or now or hereafter susceptible of transfer from such tract or tracts to other real property;

(h) All awards and payments, including interest thereon, resulting from the exercise of any right of eminent domain or any other public or private taking of, injury to, or decrease in the value of, any of such property; and

(i) All other and greater rights and interests of every nature in such tract or tracts and in the possession or use thereof and income therefrom, whether now owned or subsequently acquired by Mortgagor.

1.17 Sale: The transfer or sale of the Property, whether by agreement, execution, foreclosure judgment or any other court order.

1.18 Secured Obligations: All present and future obligations of Mortgagor to Mortgagee evidenced by or contained in the Loan Documents, excluding the Environmental Indemnity Agreement, whether stated in the form of promises, covenants, representations, warranties, conditions, or prohibitions or in any other form. If the maturity of the Note secured by this Mortgage is accelerated, the Secured Obligations shall include an amount equal to any prepayment premium which would be payable under the terms of the Note as if the Note were prepaid in full on the date of the acceleration. If under the terms of the Note no voluntary prepayment would be permissible on the date of the such acceleration, then the prepayment fee or premium to be included in the Secured Obligations shall be equal to one hundred fifty percent (150%) of the highest prepayment fee or premium set forth in the Note, calculated as of the date of such acceleration.

1.19 Surety: Mark Centers Trust, a Maryland business trust.

1.20 Suretyship Agreement: The Suretyship Agreement of even date herewith made by the Surety for the benefit of Mortgagee.

ARTICLE II

GRANTING CLAUSE

2.1 Grant to Mortgagee. As security for the Secured Obligations, Mortgagor hereby grants, bargains, sells, conveys,

mortgages, aliens, enfeoffs, releases, confirms, assigns, transfers, sets over and warrants unto Mortgagee the entire right, title, interest and estate of Mortgagor in and to the Property, whether now owned or hereafter acquired; TO HAVE AND TO HOLD the same, together with all and singular the rights, hereditaments, and appurtenances in anywise appertaining or belonging thereto, unto Mortgagee and Mortgagee's successors, substitutes and assigns forever.

2.2 Security Interest to Mortgagee. As additional security for the Secured Obligations, and without limiting any of the other provisions of this Mortgage, Mortgagor hereby grants to Mortgagee a security interest in the Property, Chattels and Intangible Personalty. To the extent any of the Property, Chattels or the Intangible Personalty may be or have been

acquired with funds advanced by Mortgagee under the Loan Documents, this security interest is a purchase money security interest. Without limiting any of the other provisions of this Mortgage, this Mortgage constitutes a Security Agreement under the Uniform Commercial Code of the state in which the Property is located (the "Code") with respect to any part of the Property, Chattels and Intangible Personalty that may or might now or hereafter be or be deemed to be personal property, fixtures or property other than real estate (all collectively hereinafter called "Collateral"); all of the terms, provisions, conditions and agreements contained in this Mortgage pertain and apply to the Collateral as fully and to the same extent as to any other property comprising the Property, and the following provisions of this Section shall not limit the generality or applicability of any other provisions of this Mortgage but shall be in addition thereto:

(a) The Collateral shall be used by Mortgagor solely for business purposes, and all Collateral (other than the Intangible Personalty) shall be installed upon the real estate comprising part of the Property for Mortgagor's own use or as the equipment and furnishings furnished by Mortgagor, as landlord, to tenants of the Property;

(b) The Collateral (other than the Intangible Personalty) shall be kept at the real estate comprising a part of the Property, and shall not be removed therefrom without the consent of Mortgagee (being the Secured Party as that term is used in the Code); and the Collateral (other than the Intangible Personalty) may be affixed to such real estate but shall not be affixed to any other real estate;

(c) No financing statement covering any of the Collateral or any proceeds thereof is on file in any public office; and Mortgagor will, at its cost and expense, upon demand, furnish to Mortgagee such further information and will execute and deliver to Mortgagee such financing statements and other documents in form satisfactory to Mortgagee and will do all such acts and things as Mortgagee may at any time or from time to time reasonably request or as may be necessary or appropriate to establish and maintain a perfected first-priority security interest in the Collateral as security for the Secured Obligations, subject to no adverse liens or encumbrances; and Mortgagor will pay the cost of filing the same or filing or

recording such financing statements or other documents and this instrument in all public offices wherever filing or recording is deemed by Mortgagee to be necessary or desirable;

(d) The terms and provisions contained in this Section and in Section 7.6 of this Mortgage shall, unless the context otherwise requires, have the meanings and be construed as provided in the Code; and

(e) This Mortgage constitutes a financing statement under the Code with respect to the Collateral. As such, this

Mortgage covers all items of the Collateral that are or are to become fixtures. The filing of this Mortgage in the real estate records of the county where the Property is located shall also operate as a fixture filing in accordance with Sections 9-313 and 9-402 of the Code. Information concerning the security interests created hereby may be obtained from Mortgagee at the address set forth in Article I of this Mortgage. Mortgagor is the "Debtor" and Mortgagee is the "Secured Party" (as those terms are defined and used in the Code) insofar as this Mortgage constitutes a financing statement.

2.3 Environmental Indemnity Agreement Not Secured. Notwithstanding any provisions of this Mortgage or any other Loan Document, the obligations of Mortgagor and Guarantor arising from the Environmental Indemnity Agreement are not and shall not be Secured Obligations under this Mortgage.

ARTICLE III

MORTGAGOR'S REPRESENTATIONS AND WARRANTIES

3.1 Warranty of Title. Mortgagor represents and warrants to Mortgagee that:

(a) Mortgagor has good and marketable fee simple title to the Property, and such fee simple title is free and clear of all liens, encumbrances, security interests and other claims whatsoever, subject only to the Permitted Exceptions;

(b) Mortgagor is the sole and absolute owner of the Chattels and the Intangible Personalty, free and clear of all liens, encumbrances, security interests and other claims whatsoever, subject only to the Permitted Exceptions;

(c) This Mortgage is a valid and enforceable first lien and security interest on the Property, Chattels and Intangible Personalty, subject only to the Permitted Exceptions;

(d) Mortgagor, for itself and its successors and assigns, hereby agrees to warrant and forever defend, all and singular of the property and property interests granted and conveyed pursuant to this Mortgage, against every person whomsoever lawfully claiming, or to claim, the same or any part thereof; and

The representations, warranties and covenants contained in this Section shall survive foreclosure of this Mortgage, and shall inure to the benefit of and be enforceable by any person who may acquire title to the Property, the Chattels, or the Intangible Personalty pursuant to any such foreclosure.

3.2 Due Authorization. If Mortgagor is other than a natural person, then each individual who executes this document on behalf of Mortgagor represents and warrants to Mortgagee that such execution has been duly authorized by all necessary corporate, partnership, or other action on the part of Mortgagor. Mortgagor represents that Mortgagor has obtained all consents and approvals required in connection with the execution, delivery and performance of this Mortgage;

3.3 Other Representations and Warranties. Mortgagor represents and warrants to Mortgagee as follows:

(a) Mortgagor is a limited partnership, duly organized, validly existing and in good standing under the laws of the State of Delaware. The sole General Partner of Mortgagor is Mark Centers Trust, a Maryland business trust. The Mark Centers Trust is duly organized, validly existing, and in good standing under the laws of the Commonwealth of Pennsylvania;

(b) This Mortgage is, and each other Loan Document to which Mortgagor or Surety is a party will, when delivered

hereunder, be valid and binding obligations of Mortgagor and Surety enforceable against Mortgagor and Surety in accordance with their respective terms, except as limited by equitable principles and bankruptcy, insolvency and similar laws affecting creditors' rights;

(c) The execution, delivery and performance by Mortgagor and Surety of the Loan Documents will not contravene

any contractual or other restriction binding on or affecting Mortgagor, any General Partner, or any Surety, and will not result in or require the creation of any lien, security interest, other charge or encumbrance (other than pursuant hereto) upon or with respect to any of its properties;

(d) The execution, delivery and performance by Mortgagor and Surety of the Loan Documents does not contravene any applicable law;

(e) No authorization, approval, consent or other action by, and no notice to or filing with, any court, governmental authority or regulatory body is required for the due execution, delivery and performance by Mortgagor and Surety of any of the Loan Documents or the effectiveness of any assignment of any of Mortgagor's rights and interests of any kind to Mortgagee;

(f) No part of the Property, Chattels, or Intangible Personalty is in the hands of a receiver, no application for a receiver is pending with respect to any portion of the Property, Chattels, or Intangible Personalty and no part of the Property, Chattels, or Intangible Personalty is subject to any foreclosure or similar proceeding;

(g) Neither Mortgagor, any General Partner nor any Surety has made an assignment for the benefit of creditors, nor has Mortgagor, any General Partner or any Surety filed, or had filed against it, any petition in bankruptcy;

(h) There is no pending or, to the best of Mortgagor's knowledge, threatened, litigation, action, proceeding or investigation, including, without limitation, any condemnation proceeding, against Mortgagor, any General Partner, any Surety or the Property before any court, governmental or quasi-governmental, arbitrator or other authority;

(i) Mortgagor is a "non-foreign person" within the meaning of Sections 1445 and 7701 of the United States Internal Revenue Code of 1986, as amended, and the regulations issued thereunder;

(j) Access to and egress from the Property are available and provided by public streets, and Mortgagor has no knowledge of any federal, state, county, municipal or other governmental plans to change the highway or road system in the

vicinity of the Property or to restrict or change access from any such highway or road to the Property;

(k) All public utility services necessary for the operation of all improvements constituting part of the Property for their intended purposes are available at the boundaries of the land constituting part of the Property, including water supply, storm and sanitary sewer facilities, and natural gas, electric, telephone and cable television facilities;

(l) The Property is located in a zoning district designated B-2 by Pittston township, Pennsylvania. Such designation permits the development, use and operation of the Property as it is currently operated as a permitted, and not as a non-conforming use. The Property complies in all respects with all requirements, conditions and restrictions, including but not limited to deed restrictions and restrictive covenants,

applicable to the Property;

(m) There are no special or other assessments for public improvements or otherwise now affecting the Property, nor does Mortgagor know of any pending or threatened special assessments affecting the Property or any contemplated improvements affecting the Property that may result in special assessments. There are no tax abatements or exceptions affecting the Property;

(n) Mortgagor, each General Partner and each Surety have filed all tax returns which are required to be filed by them, and have paid all taxes as shown on such returns or on any assessment received pertaining to the Property;

(o) Mortgagor has not received any notice from any governmental body having jurisdiction over the Property as to any violation of any applicable law, or any notice from any insurance company or inspection or rating bureau setting forth any requirements as a condition to the continuation of any insurance coverage on or with respect to the Property or the continuation thereof at premium rates existing at present which have not been remedied or satisfied;

(p) Neither Mortgagor, any General Partner nor any Surety is in default, in any manner which would have a material adverse affect on Mortgagor (financial or otherwise) or the Property, in the performance, observance or fulfillment of any of the obligations, covenants or conditions set forth in any

agreement or instrument to which it is a party or by which it or any of its properties, assets or revenues are bound;

(q) Except as set forth in the Lease Certificate, there are no occupancy rights (written or oral), leases or tenancies presently affecting any part of the Property. The Lease Certificate contains a true and correct description of all Leases presently affecting the Property. No written or oral agreements or understandings exist between Mortgagor and the tenants under the Leases described in the Lease Certificate that grant such tenants any rights greater than those described in the Lease Certificate or that are in any way inconsistent with the rights described in the Lease Certificate;

(r) There are no options, purchase contracts or other similar agreements of any type (written or oral) presently affecting any part of the Property;

(s) There exists no brokerage agreement with respect to any part of the Property;

(t) Except as otherwise disclosed to Mortgagee in writing prior to the date hereof, (i) there are no contracts presently affecting the Property ("Contracts") having a term in excess of one hundred eighty (180) days or not terminable by Mortgagor (without penalty) on thirty (30) days' notice; (ii) Mortgagor has heretofore delivered to Mortgagee true and correct copies of each of the Contracts together with all amendments thereto; (iii) Mortgagor is not in default of any obligations under any of the Contracts; and (iv) the Contracts represent the complete agreement between Mortgagor and such other parties as to the services to be performed or materials to be provided thereunder and the compensation to be paid for such services or materials, as applicable, and except as otherwise disclosed herein, such other parties possess no unsatisfied claims against Mortgagor. Mortgagor is not in default under any of the Contracts and no event has occurred which, with the passing of time or the giving of notice, or both, would constitute a default under any of the Contracts;

(u) Mortgagor has obtained all Permits necessary or desirable for the operation, use, ownership, development, occupancy and maintenance of the Property as a retail center. None of the Permits has been suspended or revoked, and all of the

Permits are in full force and effect, are fully paid for, and

Mortgagor has made or will make application for renewals of any of the Permits prior to the expiration thereof;

(v) All insurance policies held by Mortgagor relating to or affecting the Property are in full force and effect and shall remain in full force and effect until all Secured Obligations are satisfied. Mortgagor has not received any notice of default or notice terminating or threatening to terminate any such insurance policies. Mortgagor has made or will make application for renewals of any of the insurance policies prior to the expiration thereof;

(w) Mortgagor currently complies with ERISA. Neither the making of the loan evidenced by the Note and secured by this Mortgage nor the exercise by Mortgagee of any of its rights under the Loan Documents constitutes or will constitute a non-exempt prohibited transaction under ERISA; and

(x) Neither the Property nor any of the Leases is subject to any rent control statute, rule, regulation or ordinance.

3.4 Continuing Effect. Mortgagor shall be liable to Mortgagee for any damage suffered by Mortgagee if any of the foregoing representations are inaccurate as of the date hereof, regardless of when such inaccuracy may be discovered by, or result in harm to, Mortgagee. Mortgagor further represents and warrants that the foregoing representations and warranties, as well as all other representations and warranties of Mortgagor to Mortgagee relative to the Loan Documents, shall remain true and correct during the term of the Note and shall survive termination of this Mortgage.

ARTICLE IV MORTGAGOR'S AFFIRMATIVE COVENANTS

4.1 Payment of Note. Mortgagor will pay all principal, interest, and other sums payable under the Note, on the date when such payments are due, without notice or demand, unless otherwise provided in the Note.

4.2 Performance of Other Obligations. Mortgagor will promptly and strictly perform and comply with all other covenants, conditions, and prohibitions required of Mortgagor by the terms of the Loan Documents.

4.3 Other Encumbrances. Mortgagor will promptly and strictly perform and comply with all covenants, conditions, and prohibitions required of Mortgagor in connection with any other encumbrance affecting the Property, the Chattels, or the Intangible Personalty, or any part thereof, or any interest therein, regardless of whether such other encumbrance is superior or subordinate to the lien hereof.

4.4 Payment of Taxes.

(a) Property Taxes. Mortgagor will pay, before delinquency and prior to the imposition of any late payment charge or penalty, all taxes and assessments, general or special, which may be levied or imposed at any time against Mortgagor's interest and estate in the Property, the Chattels, or the Intangible Personalty. Within ten days after each payment of any such tax or assessment, Mortgagor will deliver to Mortgagee, without notice or demand, an official receipt for such payment. At Mortgagee's option, Mortgagee may retain the services of a firm to monitor the payment of all taxes and assessments relating to the Property, the cost of which shall be borne by Mortgagor.

(b) Deposit for Taxes. On or before the date hereof, Mortgagor shall deposit with Mortgagee an amount equal to 1/12th

of the amount which Mortgagee estimates will be required to make the next annual payment of taxes, assessments, and similar governmental charges referred to in this Section, multiplied by the number of whole or partial months that have elapsed since the date one month prior to the most recent due date for such taxes, assessments and similar governmental charges. Thereafter, with each monthly payment under the Note, Mortgagor shall deposit with Mortgagee an amount equal to 1/12th of the amount which Mortgagee estimates will be required to pay the next annual payment of taxes, assessments, and similar governmental charges referred to in this Section. The purpose of these provisions is to provide Mortgagee with sufficient funds on hand to pay all such taxes, assessments, and other governmental charges thirty (30) days before the date on which they become past due. If the Mortgagee, in its sole discretion, determines that the funds escrowed hereunder are, or will be, insufficient, Mortgagor shall upon demand pay such additional sums as Mortgagee shall determine necessary and shall pay any increased monthly charges requested by Mortgagee. Provided no Default or Event of Default exists hereunder, Mortgagee will apply the amounts so deposited to the payment of such taxes, assessments, and other charges when due,

but in no event will Mortgagee be liable for any interest on any amount so deposited, and any amount so deposited may be held and commingled with Mortgagee's own funds.

(c) Intangible Taxes. If by reason of any statutory or constitutional amendment or judicial decision adopted or rendered after the date hereof, any tax, assessment, or similar charge is imposed against the Note, Mortgagee, or any interest of Mortgagee in any real or personal property encumbered hereby, Mortgagor will pay such tax, assessment, or other charge before delinquency and will indemnify Mortgagee against all loss, expense, or diminution of income in connection therewith. In the event Mortgagor is unable to do so, either for economic reasons or because the legal provisions or decisions creating such tax, assessment or charge forbid Mortgagor from doing so, then the Note will, at Mortgagee's option, become due and payable in full upon thirty (30) days' notice to Mortgagor.

(d) Right to Contest. Notwithstanding any other provision of this Section, Mortgagor will not be deemed to be in default solely by reason of Mortgagor's failure to pay any tax, assessment or similar governmental charge so long as, in Mortgagee's judgment, each of the following conditions is satisfied:

(i) Mortgagor is engaged in and diligently pursuing in good faith administrative or judicial proceedings appropriate to contest the validity or amount of such tax, assessment, or charge; and

(ii) Mortgagor's payment of such tax, assessment, or charge would necessarily and materially prejudice Mortgagor's prospects for success in such proceedings; and

(iii) Nonpayment of such tax, assessment, or charge will not result in the loss or forfeiture of any property encumbered hereby or any interest of Mortgagee therein; and

(iv) Mortgagor deposits with Mortgagee, as security for such payment which may ultimately be required, a sum equal to the amount of the disputed tax, assessment or charge plus the interest, penalties, advertising charges, and other costs which Mortgagee estimates are likely to become payable if Mortgagor's contest is unsuccessful.

If Mortgagee determines that any one or more of such conditions is not satisfied or is no longer satisfied, Mortgagor will pay the tax, assessment, or charge in question, together with any interest and penalties thereon, within ten (10) days after

Mortgagee gives notice of such determination.

4.5 Maintenance of Insurance.

(a) Coverages Required. Mortgagor shall maintain or cause to be maintained, with financially sound and reputable insurance companies or associations, insurance which insures the Property against (i) all risk of loss, damage, destruction, theft, or any other casualty or risk, covering the Property including all of Mortgagor's personal property located therein, without deduction for depreciation, in an amount approved by Mortgagee, but in no event less than the full replacement cost thereof, and builder's risk insurance throughout the period of any construction of any improvements on the Property, (ii) use and occupancy insurance covering either rental income or business interruption with coverage in an amount not less than twelve months' anticipated gross rental income, (iii) comprehensive general liability insurance covering the Property and Mortgagor, in an amount not less than \$1,000,000.00 for bodily injury and/or property damage liability per occurrence and \$2,000,000.00 in the aggregate or such higher amounts as Mortgagee may reasonably require, and (iv) worker's compensation insurance in accordance with the requirements of applicable law, which policies of insurance maintained pursuant to this Section shall provide standard mortgagee endorsements or clauses naming Mortgagee as mortgagee and as loss payee (with respect to property insurance) or additional insured (with respect to liability insurance). Each policy of insurance required hereunder shall provide that it shall not be modified or cancelled without at least thirty (30) days prior written notice to Mortgagee. The original or a certified copy of each insurance policy shall be delivered to Mortgagee, and such delivery will constitute an assignment to Mortgagee, as further security for the Secured Obligations, of all unearned premiums returnable upon cancellation of any such policy. Mortgagor shall also maintain, at the request of Mortgagee, such hazard insurance, in addition to the insurance required above, as Mortgagee may reasonably request and as shall be available, including but not limited to flood, including surface waters, and earthquake, including subsidence, all of such insurance to comply in all respects with the requirements of this Section. Coverage under a commercial blanket insurance policy will be deemed to comply with the requirements of this Section,

if such blanket policy provides coverage that is equivalent, in the reasonable judgment of Mortgagee, to the coverage that would be provided by insurance policies otherwise required under this Section.

(b) Renewal Policies. Not less than thirty (30) days prior to the expiration date of each insurance policy required pursuant to subsection 4.5(a) above, Mortgagor will deliver to Mortgagee an appropriate renewal policy (or a certified copy thereof), together with evidence satisfactory to Mortgagee that the applicable premium has been prepaid.

(c) Deposit for Premiums. Upon demand by Mortgagee following a Default or Event of Default, Mortgagor shall deposit with Mortgagee an amount equal to 1/12th of the amount which Mortgagee estimates will be required to make the next annual payments of the premiums for the policies of insurance referred to in this Section, multiplied by the number of whole and partial months which have elapsed since the date one month prior to the most recent policy anniversary date for each such policy. Thereafter, with each monthly payment under the Note, Mortgagor will deposit an amount equal to 1/12th of the amount which Mortgagee estimates will be required to pay the next required annual premium for each insurance policy referred to in this Section. The purpose of these provisions is to provide Mortgagee with sufficient funds on hand to pay all such premiums thirty (30) days before the date on which they become past due. If the Mortgagee, in its sole discretion, determines that the funds escrowed hereunder are, or will be, insufficient, Mortgagor shall upon demand pay such additional sums as Mortgagee shall determine necessary and shall pay any increased monthly charges requested

by Mortgagee. Provided no Default or Event of Default exists hereunder, Mortgagee will apply the amounts so deposited to the payment of such insurance premiums when due, but in no event will Mortgagee be liable for any interest on any amounts so deposited, and the money so received may be held and commingled with Mortgagee's own funds.

(d) Application of Hazard Insurance Proceeds.

Mortgagor shall promptly notify Mortgagee of any damage or casualty to all or any portion of the Property or Chattels. Mortgagee may participate in all negotiations and appear and participate in all judicial arbitration proceedings concerning any insurance proceeds which may be payable as a result of such casualty or damage, and, if an Event of Default has occurred or is continuing, may, in Mortgagee's sole discretion, compromise or

settle, in the name of Mortgagee, Mortgagor, or both any claim for any such insurance proceeds. Any such insurance proceeds shall be paid to Mortgagee and shall be applied first to reimburse Mortgagee for all costs and expenses, including attorneys' fees, incurred by Mortgagee in connection with the collection of such insurance proceeds. The balance of any insurance proceeds received by Mortgagee with respect to an insured casualty may, in Mortgagee's sole discretion, either (i) be retained and applied by Mortgagee toward payment of the Secured Obligations, or (ii) be paid over, in whole or in part and subject to such conditions as Mortgagee may impose, to Mortgagor to pay for repairs or replacements necessitated by the casualty; provided, however, that if all of the Secured Obligations have been performed or are discharged by the application of less than all of such insurance proceeds, then any remaining proceeds will be paid over to Mortgagor.

Notwithstanding the preceding sentence, if (A) no Default or Event of Default shall exist hereunder, and (B) the proceeds received by Mortgagee (together with any other funds delivered by Mortgagor to Mortgagee for such purpose) shall be sufficient, in Mortgagee's reasonable judgment, to pay for any restoration necessitated by the casualty, and (C) the cost of such restoration shall not exceed \$400,000.00, and (D) such restoration can be completed, in Mortgagee's judgment, at least ninety (90) days prior to the maturity date of the Note, then Mortgagee shall apply such proceeds as provided in clause (ii) of the preceding sentence. Mortgagee will have no obligation to see to the proper application of any insurance proceeds paid over to Mortgagor, nor will any such proceeds received by Mortgagee bear interest or be subject to any other charge for the benefit of Mortgagor. Mortgagee may, prior to the application of insurance proceeds, commingle them with Mortgagee's own funds and otherwise act with regard to such proceeds as Mortgagee may determine in Mortgagee's sole discretion.

(e) Successor's Rights. Any person who acquires

title to the Property or the Chattels upon foreclosure hereunder will succeed to all of Mortgagor's rights under all policies of insurance maintained pursuant to this Section.

(f) Blanket Policy. The insurance coverage required

under Section 4.5(a) may be effected under a blanket policy or policies covering the Trust Estate and other properties and assets not constituting a part of the Trust Estate; provided that any such blanket policy shall specify, except in the case of public liability insurance, the portion of the total coverage of

such policy that is allocated to the Trust Estate, and any sublimits in such blanket policy applicable to the Trust Estate, which amounts shall not be less than the amounts required pursuant to Section 4.5(a) and which shall in any case comply in all other respects with the requirements of this Section 4.5.

4.6 Maintenance and Repair of Property and Chattels.

Mortgagor will at all times maintain the Property and the Chattels in good condition and repair, will diligently prosecute the completion of any building or other improvement which is at

any time in the process of construction on the Property, and will promptly repair, restore, replace, or rebuild any part of the Property or the Chattels which may be affected by any casualty or any public or private taking or injury to the Property or the Chattels. All costs and expenses arising out of the foregoing shall be paid by Mortgagor whether or not the proceeds of any insurance or eminent domain shall be sufficient therefor. Mortgagor will comply with all statutes, ordinances, and other governmental or quasi-governmental requirements and private covenants relating to the ownership, construction, use, or operation of the Property, including but not limited to any environmental or ecological requirements; provided, that so long as Mortgagor is not otherwise in default hereunder, Mortgagor may, upon providing Mortgagee with security reasonably satisfactory to Mortgagee, proceed diligently and in good faith to contest the validity or applicability of any such statute, ordinance, or requirement. Mortgagee and any person authorized by Mortgagee may enter and inspect the Property at all reasonable times, and may inspect the Chattels, wherever located, at all reasonable times.

4.7 Leases. Mortgagor shall timely pay and perform each of its obligations under or in connection with the Leases, and shall otherwise pay such sums and take such action as shall be necessary or required in order to maintain each of the Leases in full force and effect in accordance with its terms. Mortgagor shall immediately furnish to Mortgagee copies of any notices given to Mortgagor by the lessee under any Lease, alleging the default by Mortgagor in the timely payment or performance of its obligations under such Lease and any subsequent communication related thereto. Mortgagor shall also promptly furnish to Mortgagee copies of any notices given to Mortgagor by the lessee under any Lease, extending the term of any Lease, requiring or demanding the expenditure of any sum by Mortgagor (or demanding the taking of any action by Mortgagor), or relating to any other material obligation of Mortgagor under such Lease and any

subsequent communication related thereto. Mortgagor agrees that Mortgagee, in its sole discretion, may advance any sum or take any action which Mortgagee believes is necessary or required to maintain the Leases in full force and effect, and all such sums advanced by Mortgagee, together with all costs and expenses incurred by Mortgagee in connection with action taken by Mortgagee pursuant to this Section, shall be due and payable by Mortgagor to Mortgagee upon demand, shall bear interest until paid at the Default Rate (as defined in the Note), and shall be secured by this Mortgage.

4.8 Eminent Domain; Private Damage. If all or any part of the Property is taken or damaged by eminent domain or any other public or private action, Mortgagor will notify Mortgagee promptly of the time and place of all meetings, hearings, trials, and other proceedings relating to such action. Mortgagee may participate in all negotiations and appear and participate in all judicial or arbitration proceedings concerning any award or payment which may be due as a result of such taking or damage, and, if an Event of Default has occurred or is continuing, may, in Mortgagee's reasonable discretion, compromise or settle, in the names of both Mortgagor and Mortgagee, any claim for any such award or payment. Any such award or payment is to be paid to Mortgagee and will be applied first to reimburse Mortgagee for all costs and expenses, including attorneys' fees, incurred by Mortgagee in connection with the ascertainment and collection of such award or payment. The balance, if any, of such award or payment may, in Mortgagee's sole discretion, either (a) be retained by Mortgagee and applied toward the Secured Obligations, or (b) be paid over, in whole or in part and subject to such conditions as Mortgagee may impose, to Mortgagor for the purpose of restoring, repairing, or rebuilding any part of the Property affected by the taking or damage. Notwithstanding the preceding sentence, if (i) no Default or Event of Default shall have occurred and be continuing hereunder, and (ii) the proceeds received by Mortgagee (together with any other funds delivered by Mortgagor to Mortgagee for such purpose) shall be sufficient, in

Mortgagee's reasonable judgment, to pay for any restoration necessitated by the taking or damage, and (iii) the cost of such restoration shall not exceed \$400,000.00, and (iv) such restoration can be completed, in Mortgagee's judgment, at least ninety (90) days prior to the maturity date of the Note, and (v) the remaining Property shall constitute, in Mortgagee's sole judgment, adequate security for the Secured Obligations, then Mortgagee shall apply such proceeds as provided in clause (b) of the preceding sentence. Mortgagor's duty to pay the Note in

accordance with its terms and to perform the other Secured Obligations will not be suspended by the pendency or discharged by the conclusion of any proceedings for the collection of any such award or payment, and any reduction in the Secured Obligations resulting from Mortgagee's application of any such award or payment will take effect only when Mortgagee receives such award or payment. If this Mortgage has been foreclosed prior to Mortgagee's receipt of such award or payment, Mortgagee may nonetheless retain such award or payment to the extent required to reimburse Mortgagee for all costs and expenses, including attorneys' fees, incurred in connection therewith, and to discharge any deficiency remaining with respect to the Secured Obligations.

4.9 Mechanics' Liens. Mortgagor will keep the Property free and clear of all liens and claims of liens by contractors, subcontractors, mechanics, laborers, materialmen, and other such persons, and will cause any recorded statement of any such lien to be released of record within thirty (30) days after the recording thereof. Notwithstanding the preceding sentence, however, Mortgagor will not be deemed to be in default under this Section if and so long as Mortgagor (a) contests in good faith the validity or amount of any asserted lien and diligently prosecutes or defends an action appropriate to obtain a binding determination of the disputed matter, (b) provides Mortgagee with such security as Mortgagee may require to protect Mortgagee against all loss, damage, and expense, including attorneys' fees, which Mortgagee might incur if the asserted lien is determined to be valid.

4.10 Defense of Actions. Mortgagor will defend, at Mortgagor's expense, any action, proceeding or claim which affects any property encumbered hereby or any interest of Mortgagee in such property or in the Secured Obligations, and will indemnify and hold Mortgagee harmless from all loss, damage, cost, or expense, including attorneys' fees, which Mortgagee may incur in connection therewith.

4.11 Expenses of Enforcement. Mortgagor will pay all costs and expenses, including attorneys' fees, which Mortgagee may incur in connection with any effort or action (whether or not litigation or foreclosure is involved) to enforce or defend Mortgagee's rights and remedies under any of the Loan Documents, including but not limited to all attorneys' fees, appraisal fees, consultants' fees, and other expenses incurred by Mortgagee in securing title to or possession of, and realizing upon, any

security for the Secured Obligations. All such costs and expenses (together with interest thereon at the Default Rate from the date incurred) shall constitute part of the Secured Obligations, and may be included in the computation of the amount owed to Mortgagee for purposes of foreclosing or otherwise enforcing this Mortgage.

4.12 Financial Reports. Within one hundred and twenty (120) days after the end of each fiscal year of Mortgagor, Mortgagor will furnish to Mortgagee (a) Mortgagor's operating statements for the Property as of the end of and for the preceding fiscal year, prepared against the budget for such year; (b) an annual certified rent roll signed and dated by Mortgagor detailing the names of all tenants under the Leases, the portion of the improvements on the Property occupied by each tenant, the rent and any other charges payable under each Lease and the term

of each Lease; and (c) an annual balance sheet and profit and loss statement of Mortgagor and of each Surety. The financial statements and reports described in (a) and (c) above shall be in such detail as Mortgagee may require, shall be prepared in accordance with generally accepted accounting principles consistently applied, and shall be certified as true and correct by Mortgagor or the applicable Surety (or, if required by Mortgagee, such operating statements, balance sheets, and profit and loss statements shall be certified by an independent certified public accountant acceptable to Mortgagee). Mortgagor will also furnish or cause to be furnished to Mortgagee within thirty (30) days of Mortgagee's request, any other financial reports or statements of Mortgagor, including, without limitation, balance sheets, profit and loss statements, other financial statements, and certified rent rolls, required under any of the Loan Documents, requested by any regulatory or governmental authority exercising jurisdiction over Mortgagee, or reasonably requested by Mortgagee from time to time.

4.13 Priority of Leases. To the extent Mortgagor has the right, under the terms of any Lease, to make such lease subordinate to the lien hereof, Mortgagor will, at Mortgagee's request and Mortgagor's expense, take such action as may be required to effect such subordination. Conversely, Mortgagor will, at Mortgagee's request and Mortgagor's expense, take such action as may be necessary to subordinate the lien hereof to any future Lease designated by Mortgagee.

4.14 Inventories; Assembly of Chattels. Mortgagor will, from time to time at the request of Mortgagee, supply

Mortgagee with a current inventory of the Chattels and the Intangible Personalty, in such detail as Mortgagee may require. Upon the occurrence of any Event of Default hereunder, Mortgagor will at Mortgagee's request assemble the Chattels and make them available to Mortgagee at any place designated by Mortgagee which is reasonably convenient to both parties.

4.15 Compliance with Laws, Etc. Mortgagor shall comply in all material respects with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, maintaining all Permits and paying before the same become delinquent all taxes, assessments and governmental charges imposed upon Mortgagor or the Property.

4.16 Records and Books of Account. Mortgagor shall keep accurate and complete records and books of account, in which complete entries will be made in accordance with generally accepted accounting principles consistently applied, reflecting all financial transactions relating to the Property.

4.17 Inspection Rights. At any reasonable time, and from time to time, Mortgagor shall permit Mortgagee, or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of, and visit and inspect the Property and to discuss with Mortgagor the affairs, finances and accounts of Mortgagor.

4.18 Change of Executive Offices. Mortgagor shall promptly notify Mortgagee if changes are made in the location of Mortgagor's primary executive offices.

4.19 Further Assurances; Estoppel Certificates. Mortgagor will execute and deliver to Mortgagee upon demand, and pay the costs of preparation and recording thereof, any further documents which Mortgagee may request to confirm or perfect the liens and security interests created or intended to be created hereby, or to confirm or perfect any evidence of the Secured Obligations. Mortgagor will also, within ten (10) days after any request by Mortgagee, deliver to Mortgagee a signed and acknowledged statement certifying to Mortgagee, or to any proposed transferee of the Secured Obligations, (a) the balance of principal, interest, and other sums then outstanding under the Note, and (b) whether Mortgagor claims to have any offsets or

defenses with respect to the Secured Obligations and, if so, the nature of such offsets or defenses.

4.20 Costs of Closing. Mortgagor shall on demand pay directly or reimburse Mortgagee for any costs or expenses pertaining to the closing of the loan evidenced by the Note and secured by this Mortgage, including, but not limited to, fees of counsel for Mortgagee, costs and expenses for which invoices were not available at the closing of such loan, or costs and expenses which are incurred by Mortgagee after such closing. All such costs and expenses (together with interest thereon at the Default Rate from the date incurred by Mortgagee) shall constitute a part of the Secured Obligations, and may be included in the computation of the amount owed to Mortgagee for purposes of foreclosing or otherwise enforcing this Mortgage.

4.21 Use. Mortgagor shall use the Property solely for the operation of a retail center and for no other use or purpose.

4.22 Actions by Mortgagee. If Mortgagor shall fail to make any payment or perform any covenant as and in the manner provided in any of the Loan Documents, Mortgagee, in its sole discretion, without obligation to do so and without notice to or demand upon Mortgagor and without releasing Mortgagor from any obligation, may make or perform the same in such manner and to such extent as it may deem necessary to protect the security hereof. Mortgagee shall be permitted to pay all reasonable expenses incurred in connection therewith, including, without limitation, employment of counsel and other consultants, engineers, contractors, appraisers, surveyors and other professionals. Mortgagor shall, upon demand by Mortgagee, pay all reasonable costs and expenses incurred by Mortgagee in connection with the exercise by Mortgagee of the foregoing rights, together with interest thereon at the Default Rate from the date incurred by Mortgagee.

4.23 Management. The Property shall be managed by Mortgagor.

ARTICLE V MORTGAGOR'S NEGATIVE COVENANTS

5.1 Waste and Alterations. Mortgagor will not commit or permit any waste with respect to the Property or the Chattels. Mortgagor shall not cause or permit any part of the Property, including but not limited to any building, structure, parking lot, driveway, landscape scheme, timber, or other ground

improvement, to be removed, demolished, or materially altered without the prior written consent of Mortgagee.

5.2 Zoning and Private Covenants. Mortgagor will not initiate, join in, or consent to any change in any zoning ordinance or classification, any change in the "zone lot" or "zone lots" (or similar zoning unit or units) presently comprising the Property, any transfer of development rights, any private restrictive covenant, or any other public or private restriction limiting or defining the uses which may be made of the Property or any part thereof, without the express written consent of Mortgagee. If under applicable zoning provisions the use of all or any part of the Property is or becomes a nonconforming use, Mortgagor will not cause such use to be discontinued or abandoned without the express written consent of Mortgagee, and Mortgagor will use its best efforts to prevent the tenant under any Lease from discontinuing or abandoning such use.

5.3 Interference with Leases. Mortgagor will neither do nor neglect to do anything which may cause or permit the termination of any Lease, or cause or permit the withholding or abatement of any rent payable under any Lease. Except with the

prior written consent of Mortgagee, which may be granted or withheld in Mortgagee's sole discretion, Mortgagor will not (a) collect rent from all or any part of the Property for more than one month in advance, (b) assign the rents from the Property or any part thereof, or (c) consent to the cancellation or surrender of all or any part of any such Lease, except that Mortgagor may in good faith terminate any Lease for nonpayment of rent or other material breach by the tenant. Without Mortgagee's prior written consent, Mortgagor shall not enter into or modify any Lease if such Lease or modification covers more than 2,500 square feet.

5.4 Transfer or Further Encumbrance of Property.

Without the prior written consent of Mortgagee, which may be withheld for any reason, Mortgagor will not sell, lease, convey, assign, or otherwise transfer, dispose of, or be divested of its title to, or mortgage, convey security title to, or otherwise encumber or cause to be encumbered, the Property or any part thereof or interest therein in any manner or way, whether voluntary or involuntary, or cause or permit to occur any of the following: (a) any merger, consolidation or dissolution involving the sale or transfer of the Property; (b) the transfer of any interest in any Mortgagor, or in any partnership which is a direct or indirect General Partner of any Mortgagor, which

transfer constitutes a transfer of any General Partnership interest in Mortgagor; or (c) the conversion of any such general partnership interest to a limited partnership interest. Upon the occurrence of any such transfer, encumbrance, or other event, the entire balance of the Note, plus any applicable prepayment premium, shall become immediately due and payable at the option of Mortgagee. Consent to one such transfer or encumbrance by Mortgagee shall not be deemed a waiver to require such consent to further or future transfers or encumbrances. This provision shall not apply to transfers of title or interest under any will or testament or applicable law of descent.

5.5 Further Encumbrance of Chattels.

Mortgagor will neither create nor permit any lien, security interest or encumbrance against the Chattels or Intangible Personalty or any part thereof or interest therein, other than the liens and security interests created by the Loan Documents, without the prior written consent of Mortgagee, which may be withheld for any reason.

5.6 Assessments Against Property.

Mortgagor will not, without the prior written approval of Mortgagee, which may be withheld for any reason, consent to or allow the creation of any so-called special districts, special improvement districts, benefit assessment districts or similar districts, or any other body or entity of any type, or allow to occur any other event, that would or might result in the imposition of any additional taxes, assessments or other monetary obligations or burdens on the Property, and this provision shall serve as RECORD NOTICE to any such district or districts or any governmental entity under whose authority such district or districts exist or are being formed that, should Mortgagor or any other person or entity include all or any portion of the Property in such district or districts, whether formed or in the process of formation, without first obtaining Mortgagee's express written consent, the rights of Mortgagee in the Property pursuant to this Mortgage or following any foreclosure of this Mortgage, and the rights of any person or entity to whom Mortgagee might transfer the Property following a foreclosure of this Mortgage, shall be senior and superior to any taxes, charges, fees, assessments or other impositions of any kind or nature whatsoever, or liens (whether statutory, contractual or otherwise) levied or imposed, or to be levied or imposed, upon the Property or any portion thereof as a result of inclusion of the Property in such district or districts.

5.7 Transfer or Removal of Chattels. Mortgagor will not sell, transfer or remove from the Property all or any part of the Chattels, unless the items sold, transferred, or removed are simultaneously replaced with similar items of equal or greater value.

5.8 Change of Name. Mortgagor will not change the name under which Mortgagor does business, or adopt or begin doing business under any other name or assumed or trade name, without first notifying Mortgagee of Mortgagor's intention to do so and delivering to Mortgagee such executed modifications or supplements to this Mortgage (and to any financing statement which may be filed in connection herewith) as Mortgagee may require.

5.9 Improper Use of Property or Chattels. Mortgagor will not use the Property or the Chattels for any purpose or in any manner which violates any applicable law, ordinance, or other governmental requirement, the requirements or conditions of any insurance policy, or any private covenant.

5.10 ERISA. Mortgagor shall not engage in any transaction which would cause the Note (or the exercise by Mortgagee of any of its rights under the Loan Documents) to be a non-exempt, prohibited transaction under ERISA (including for this purpose the parallel provisions of Section 4975 of the Internal Revenue Code of 1986, as amended), or otherwise result in Mortgagee being deemed in violation of any applicable provisions of ERISA. Mortgagor shall indemnify, protect, defend, and hold Mortgagee harmless from and against any and all losses, liabilities, damages, claims, judgments, costs, and expenses (including, without limitation attorneys' fees and costs incurred in the investigation, defense, and settlement of claims and in obtaining any individual ERISA exemption or state administrative exception that may be required, in Mortgagee's sole and absolute discretion) that Mortgagee may incur, directly or indirectly, as the result of the breach by Mortgagor of any warranty or representation set forth in Section 3.3(w) hereof or the breach by Mortgagor of any covenant contained in this Section. This indemnity shall survive any termination, satisfaction or foreclosure of this Mortgage or execution on the Note and shall not be subject to the limitation on personal liability described in Section 9.4 hereof. Notwithstanding Section 9.4 of this Mortgage, any non recourse provisions of the Note or any other such provision in any other Loan Document, Mortgagee shall be

entitled to bring a separate action, in addition to any proceeding to enforce this Mortgage or the Note, against Mortgagor to enforce any personal obligation and this indemnification obligation.

5.11 Use of Proceeds. Mortgagor will not use any funds advanced by Mortgagee under the Loan Documents for consumer or agricultural purposes, to acquire any margin stock, or for any purpose other than as permitted by the provisions of the Loan Documents.

ARTICLE VI EVENTS OF DEFAULT

Each of the following events will constitute an event of default (an "Event of Default") under this Mortgage and under each of the other Loan Documents:

6.1 Failure to Pay Note. Mortgagor's failure to make any payment when due under the terms of the Note or any other Loan Document;

6.2 Due on Sale or Encumbrance. The occurrence of any violation of any covenant contained in Section 5.4, 5.5 or 5.7 hereof;

6.3 Other Obligations. The failure of Mortgagor to properly perform any obligation contained herein or in any of the other Loan Documents (other than the obligation to make payments

under the Note or the other Loan Documents) and the continuance of such failure for a period of ten (10) days following written notice thereof from Mortgagee to Mortgagor; provided, however, that if such failure is not curable within such ten (10) day period, then, so long as Mortgagor commences to cure such failure within such ten (10) day period and is continually and diligently attempting to cure to completion, such failure shall not be an Event of Default unless such failure remains uncured for sixty (60) days after such written notice to Mortgagor;

6.4 Levy Against Property. The levy against any of the Property, Chattels, or Intangible Personalty of any execution, attachment, sequestration or other writ;

6.5 Liquidation. The liquidation, termination or dissolution of Mortgagor, any General Partner, any Surety, or any other party directly or indirectly liable for the payment of the

Note, whether as maker, endorser, guarantor, surety, general partner or otherwise;

6.6 Appointment of Receiver. The appointment of a trustee, liquidator or receiver for Mortgagor, any General Partner, or any Surety, or the assets, or any part thereof, of Mortgagor, any General Partner, any Surety or any other party directly or indirectly liable for the payment of the Note, whether as maker, endorser, guarantor, surety or otherwise, or the appointment of a trustee or receiver for any real or personal property, or the like, or any part thereof, representing the security for the Note;

6.7 Assignments. The making by Mortgagor, any General Partner, any Surety or any other party directly or indirectly liable for the payment of the Note, whether as maker, endorser, guarantor, surety, general partner or otherwise, of a transfer in fraud of creditors or an assignment for the benefit of creditors;

6.8 Order for Relief. The entry in bankruptcy of an order for relief for or against Mortgagor, any General Partner, any Surety or any other party directly or indirectly liable for the payment of the Note, whether as maker, endorser, guarantor, surety, general partner or otherwise;

6.9 Bankruptcy. The filing of any petition (or answer admitting the material allegations of any petition), or other pleading, seeking entry of an order for relief for or against Mortgagor, any General Partner, any Surety or any other party directly or indirectly liable for the payment of the Note, whether as maker, endorser, guarantor, surety, general partner or otherwise as a debtor or bankrupt or seeking an adjustment of any of such parties' debts, or any other relief under any state or federal bankruptcy, reorganization, debtor's relief or insolvency laws now or hereafter existing, including, without limitation, a petition or answer seeking reorganization or admitting the material allegations of a petition filed against any of such parties in any bankruptcy or reorganization proceeding, or the act of any of such parties in instituting or voluntarily being or becoming a party to any other judicial proceedings intended to effect a discharge of the debts of any such parties, in whole or in part, or a postponement of the maturity or the collection thereof, or a suspension of any of the rights or powers of a trustee or of any of the rights or powers granted to Mortgagee herein, or in any other document executed in connection herewith;

6.10 Misrepresentation. If any representation or warranty made by Mortgagor, any General Partner, any Surety or any other party directly or indirectly liable for the payment of the Note, whether as maker, endorser, guarantor, surety, general partner or otherwise, herein, or in any of the other Loan Documents or any other instrument or document modifying,

renewing, extending, evidencing, securing or pertaining to the Note is false, misleading or erroneous in any material respect;

6.11 Judgments. The failure of Mortgagor, any General Partner, any Surety or any party directly or indirectly liable for the payment of the Note, whether as maker, endorser, guarantor, surety, general partner or otherwise, to pay any money judgment in excess of \$10,000.00, against any such party before the expiration of thirty (30) days after such judgment becomes final and no longer appealable;

6.12 Admissions Regarding Debts. The admission of Mortgagor, any General Partner, any Surety or any other party directly or indirectly liable for the payment of the Note, whether as maker, endorser, guarantor, surety, general partner or otherwise, in writing of any such party's inability to pay such party's debts as they become due;

6.13 Assertion of Priority. The assertion of any claim of priority over this Mortgage, by title, lien, or otherwise, unless Mortgagor within thirty (30) days after such assertion either causes the assertion to be withdrawn or provides Mortgagee with such security as Mortgagee may require to protect Mortgagee against all loss, damage, or expense, including attorneys' fees, which Mortgagee may incur in the event such assertion is upheld;

6.14 Other Loan Documents. The occurrence of any default by Mortgagor, after the lapse of any applicable grace or cure period, or the occurrence of any event or circumstance defined as a default or an Event of Default, under any of the Loan Documents other than this Mortgage;

6.15 Other Liens. The occurrence of any default by Mortgagor, after the lapse of any applicable grace or cure period, or the occurrence of any event or circumstance defined as an Event of Default, under any other lien encumbering the Property, or any part thereof or interest therein, or any document or instrument evidencing obligations secured thereby; or

6.16 Other Indebtedness. The occurrence of any default by Mortgagor, after the lapse of any applicable grace or cure period, or the occurrence of any event or circumstance defined as an Event of Default, under any other indebtedness incurred or owing by Mortgagor, or any document or instrument evidencing any obligation to pay such indebtedness, that has a material adverse effect on Mortgagor or the Property.

ARTICLE VII

MORTGAGEE'S REMEDIES

Immediately upon or any time after the occurrence of any Event of Default hereunder, Mortgagee may exercise any remedy available at law or in equity, including but not limited to those listed below and those listed in the other Loan Documents, in such sequence or combination as Mortgagee may determine in Mortgagee's sole discretion:

7.1 Performance of Defaulted Obligations. Mortgagee may make any payment or perform any other obligation under the Loan Documents which Mortgagor has failed to make or perform, and Mortgagor hereby irrevocably appoints Mortgagee as the true and lawful attorney-in-fact for Mortgagor to make any such payment and perform any such obligation in the name of Mortgagor. All payments made and expenses (including attorneys' fees) incurred by Mortgagee in this connection, together with interest thereon at the Default Rate from the date paid or incurred until repaid, will be part of the Secured Obligations and will be immediately due and payable by Mortgagor to Mortgagee. In lieu of advancing Mortgagee's own funds for such purposes, Mortgagee may use any funds of Mortgagor which may be in Mortgagee's possession,

including but not limited to insurance or condemnation proceeds and amounts deposited for taxes, insurance premiums, or other purposes.

7.2 Specific Performance and Injunctive Relief. In the event of any breach or threatened breach by Mortgagor of any of the covenants, agreements, terms or conditions contained in this Mortgage or the Loan Documents, Mortgagee shall be entitled to enjoin such breach or threatened breach and shall have the right to invoke any right and remedy allowed at law or in equity or by statute or otherwise as though other remedies were not provided for in this Mortgage. Without limitation of the

foregoing, Mortgagee will be entitled to obtain specific performance, mandatory or prohibitory injunctive relief, or other equitable relief requiring Mortgagor to cure or refrain from repeating any Default.

7.3 Acceleration of Secured Obligations. Mortgagee may, without notice or demand, declare all of the Secured Obligations immediately due and payable in full.

7.4 Suit for Monetary Relief. Subject to the provisions of Section 9.4 of this Mortgage, with or without accelerating the maturity of the Secured Obligations, Mortgagee may sue from time to time for any payment due under any of the Loan Documents, or for money damages resulting from Mortgagor's default under any of the Loan Documents.

7.5 Possession of Property. To the extent permitted by law, Mortgagee, personally or by its agents and attorneys, may enter and take possession of the Property without seeking or obtaining the appointment of a receiver, may employ a managing agent for the Property, and may lease or rent all or any part of the Property, either in Mortgagee's name or in the name of Mortgagor, and may collect the rents, issues, and profits of the Property. Mortgagee may exclude Mortgagor, its agents and servants from the Property without liability for trespass, damages or otherwise, and Mortgagor agrees to surrender possession to Mortgagee on demand. Any revenues collected by Mortgagee under this Section will be applied first toward payment of all expenses (including attorneys' fees) incurred by Mortgagee, together with interest thereon at the Default Rate from the date incurred until repaid, and the balance, if any, will be applied against the Secured Obligations in such order and manner as Mortgagee may elect in its sole discretion.

7.6 Enforcement of Security Interests. Mortgagee may exercise all rights of a secured party under the Code with respect to the Chattels and the Intangible Personalty, including but not limited to taking possession of, holding, and selling the Chattels and enforcing or otherwise realizing upon any accounts and general intangibles. Any requirement for reasonable notice of the time and place of any public sale, or of the time after which any private sale or other disposition is to be made, will be satisfied by Mortgagee's giving of such notice to Mortgagor at least five (5) days prior to the time of any public sale or the time after which any private sale or other intended disposition is to be made. Mortgagor, upon demand by Mortgagee, shall

promptly assemble any equipment and fixtures included in the Collateral and make them available to Mortgagee at a place to be designated by Mortgagee which shall be reasonably convenient to Mortgagee and Mortgagor.

7.7 Foreclosure Against Property; Sale of Property.

(a) Mortgagee may bring an action in any court of competent jurisdiction to foreclose this Mortgage, or take such other action at law or in equity for the enforcement of this Mortgage and realization on the Property, Chattels, Intangible Personalty, or any other security herein or elsewhere provided for, as the law may allow, and proceed therein to final judgment

and execution for the entire unpaid balance of the Secured Obligations, including the principal debt, interest at the rate specified in the Note, all other sums due by Mortgagor in accordance with the provisions of the Note, all other sums due by Mortgagor in accordance with the provisions of this Mortgage and the other Loan Documents, including all sums which may have been loaned by Mortgagee to Mortgagor after the date of this Mortgage, and all sums which may have been paid, incurred or advanced by or on behalf of Mortgagee for taxes, water or sewer rents, charges or claims, payments on prior liens, insurance or repairs to the Property, appraiser's fees, outlays for documentary and expert evidence, stenographer's charges, publication costs, and costs (which may be estimated as to items to be expended after entry of judgment) of procuring all such abstracts of title, title searches and examinations, title insurance policies, and similar data and assurances with respect to title as Mortgagee may deem reasonably necessary either to prosecute such suit or to evidence to bidders at any Sale which may be had pursuant to such judgment the true condition of the title to or the value of the Property, all costs of suit, together with interest at the Default Rate on any judgment obtained by Mortgagee from and after the date of any sheriff's sale until actual payment is made by the sheriff of the full amount due Mortgagee, and a reasonable attorney's commission for collection. Any real estate sold pursuant to any writ of execution issued on a judgment obtained by virtue of the Note or this Mortgage, may be sold in one parcel, as an entirety, or in such parcels, and in such manner or order as Mortgagee, in its sole discretion may elect. Mortgagee shall have, at its sole discretion, the option of (i) seeking to collect all of the Secured Obligations in the foreclosure or execution proceedings, or (ii) bifurcating the collection of the Secured Obligations and (a) seeking to collect the non recourse obligations set forth in Section 9.4 hereof in the foreclosure or execution proceedings,

and (b) seeking to enforce and collect the recourse obligations, including but not limited to those obligations set forth in Sections 5.10 and 5.11 hereof, in a separate action. If Mortgagee seeks to bifurcate the proceedings, the Sale or recovery in one action will not act as a bar to Mortgagee's right to recover in the second action or the satisfaction in whole or in part of any indebtedness due under the second action.

(b) All fees, costs and expenses of any kind incurred by Mortgagee in connection with foreclosure of this Mortgage, including, without limitation, the costs of any appraisals of the Property obtained by Mortgagee, the cost of any title reports or abstracts, all costs of any receivership for the Property advanced by Mortgagee, and all attorneys' and consultants' fees and expenses incurred by Mortgagee, shall constitute a part of the Secured Obligations and may be included as part of the amount owing from Mortgagor to Mortgagee at any Sale.

(c) The proceeds of any Sale shall be applied first to the fees and expenses of the officer conducting the Sale, and then to the reduction or discharge of the non recourse obligations set forth in Section 9.4 hereof in such order and manner as Mortgagee may elect in its sole discretion; then to the reduction or discharge of the remaining recourse Secured Obligations in such order and manner as Mortgagee may elect in its sole discretion. If (i) recovery of all recourse obligations is not sought by Mortgagee in the foreclosure or execution proceedings in which the Sale of the Property is held, or (ii) all recourse liabilities are not satisfied/liquidated at the time of the Sale, or (iii) the Sale was not by execution or foreclosure, then any proceeds in excess of a sum equal to (A) the fees and expenses of the officer conducting the Sale and (B) the amount of the judgment obtained at the foreclosure or execution proceedings or the then liquidated Secured Obligations shall be paid to Mortgagee in trust, to be held for the benefit of Mortgagor and Mortgagee and to be used for the satisfaction of all recourse obligations that were not included in the foreclosure or execution proceedings, or were not included in the Secured Obligations liquidated and recovered from the Sale.

(d) Nothing in this Section dealing with foreclosure procedures or specifying particular actions to be taken by Mortgagee shall be deemed to contradict or add to the requirements and procedures now or hereafter specified by Pennsylvania law, and any such inconsistency shall be resolved in favor of Pennsylvania law applicable at the time of foreclosure.

7.8 Appointment of Receiver. To the extent permitted by law, Mortgagee shall be entitled, as a matter of absolute right and without regard to the value of any security for the Secured Obligations or the solvency of any person liable therefor, to the appointment of a receiver for the Property upon ex-parte application to any court of competent jurisdiction. Mortgagor waives any right to any hearing or notice of hearing prior to the appointment of a receiver. Such receiver and its agents shall be empowered to (a) take possession of the Property and any businesses conducted by Mortgagor or any other person thereon and any business assets used in connection therewith, (b) exclude Mortgagor and Mortgagor's agents, servants, and employees from the Property, (c) collect the rents, issues, profits, and income therefrom, (d) complete any construction which may be in progress, (e) do such maintenance and make such repairs and alterations as the receiver deems necessary, (f) use all stores of materials, supplies, and maintenance equipment on the Property and replace such items at the expense of the receivership estate, (g) pay all taxes and assessments against the Property and the Chattels, all premiums for insurance thereon, all utility and other operating expenses, and all sums due under any prior or subsequent encumbrance, and (h) generally do anything which Mortgagor could legally do if Mortgagor were in possession of the Property. All expenses incurred by the receiver or its agents shall constitute a part of the Secured Obligations. Any revenues collected by the receiver shall be applied first to the expenses of the receivership, including attorneys' fees incurred by the receiver and by Mortgagee, together with interest thereon at the Default Rate from the date incurred until repaid, and the balance shall be applied toward the Secured Obligations in such order or manner as Mortgagee may in its sole discretion elect or in such other manner as the court may direct. Unless sooner terminated with the express consent of Mortgagee, any such receivership will continue until the Secured Obligations have been discharged in full, or until title to the Property has passed after foreclosure sale and all applicable periods of redemption have expired.

7.9 Right to Make Repairs, Improvements. Should any part of the Property come into the possession of Mortgagee, Mortgagee may use, operate, and/or make repairs, alterations, additions and improvements to the Property for the purpose of preserving it or its value. Mortgagor covenants to promptly reimburse and pay to Mortgagee, at the place where the Note is

payable, or at such other place as may be designated by Mortgagee in writing, the amount of all reasonable expenses (including the cost of any insurance, taxes, or other charges) incurred by Mortgagee in connection with its custody, preservation, use or operation of the Property, together with interest thereon from the date incurred by Mortgagee at the Default Rate, and all such expenses, costs, taxes, interest, and other charges shall be a part of the Secured Obligations. It is agreed, however, that the risk of accidental loss or damage to the Property is undertaken by Mortgagor and Mortgagee shall have no liability whatsoever for decline in value of the Property, for failure to obtain or maintain insurance, or for failure to determine whether any insurance ever in force is adequate as to amount or as to the risks insured.

7.10 Rate After Sale. In the event the Property shall be sold upon foreclosure hereof, the sum for which the same shall have been sold shall, for purposes of redemption, bear interest at the Default Rate (as defined in the Note).

7.11 Surrender of Insurance. Mortgagee may surrender the insurance policies maintained pursuant to the terms hereof, or any part thereof, and receive and apply the unearned premiums as a credit on the Secured Obligations and, in connection therewith, Mortgagor hereby appoints Mortgagee (or any officer of Mortgagee), as the true and lawful agent and attorney-in-fact for Mortgagor (with full powers of substitution), which power of attorney shall be deemed to be a power coupled with an interest and therefore irrevocable, to collect such premiums.

7.12 Rights in Pursuit of Remedies. Mortgagee in pursuance of the foregoing remedies, or in addition thereto, (i) shall be entitled to resort to its several securities for the payment of the sums secured hereby in such order and manner as Mortgagee may think fit without impairing Mortgagee's lien in, or rights to, any of such securities and without affecting the liability of any person, firm or corporation for the sums secured hereby, except to the extent that the Secured Obligations shall have been reduced by the actual monetary consideration, if any, received by Mortgagee from the proceeds of such security; (ii) may, in Mortgagee's sole discretion, release for such consideration, or none, as Mortgagee may require, any portion of the Property without, as to the remainder of the security, in any way impairing or affecting the lien of this Mortgage, or the priority thereof, or improving the position of any subordinate lienholder with respect thereto, except to the extent that the

Secured Obligations shall have been reduced by the actual monetary consideration, if any, received by Mortgagee for such release; and/or (iii) may accept the assignment or pledge of any other property in place thereof as Mortgagee may require without being accountable for so doing to any other lienor.

7.13 Waiver. Mortgagor hereby waives and releases (i) all errors, defects and imperfections in any proceedings instituted by Mortgagee under this Mortgage, (ii) all benefit that might accrue to Mortgagor by virtue of any present or future laws exempting the Property, or any part of the proceeds arising from any sale thereof, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process, or extension of time for payment, and (iii) all notices not herein elsewhere specifically required, of Mortgagor's default or of Mortgagee's exercise, or election to exercise, any option under this Mortgage. Mortgagor further agrees to waive the issuance and service of process and enter its voluntary appearance in any action, suit or proceeding brought in connection with any Event of Default and if required by Mortgagee, to consent to the appointment of a receiver or receivers of the Property and of all the earnings, revenues, rents, issues, profits and income thereof. Mortgagor will not at any time insist upon, or plead, or in any manner whatever, claim or take any benefit or advantage of any right under any statute heretofore or hereafter enacted to redeem the property so sold, or any part thereof, and Mortgagor hereby expressly waives all benefit or advantage of any such law or laws, and covenants not to hinder, delay or impede the execution of any power herein granted or delegated to Mortgagee, but to suffer and permit the execution of every power as though no such law or laws had been made or enacted. Mortgagor, for itself and all who may claim under it, waives, to the extent that it lawfully may, all right to have the Property marshaled upon any foreclosure hereof.

7.14 Continued Lien of Mortgage. No recovery of any judgment by Mortgagee and no levy of an execution under any judgment upon the Property or upon any other property of Mortgagor shall affect in any manner or to any extent, the lien of this Mortgage upon the Property or any part thereof, or any liens, rights, powers or remedies of Mortgagee hereunder, but such liens, rights, powers and remedies of Mortgagee shall continue unimpaired as before.

7.15 Subordination of Tenants' Rights under Leases. In the event that Mortgagee shall have the right to foreclose

this Mortgage, Mortgagor authorizes Mortgagee at its option to foreclose this Mortgage, subject to the rights of any tenants of the Property if Mortgagee elects that this Mortgage shall be subordinate to rights of tenants, and the failure to make any such tenants parties defendant to any such foreclosure proceeding and to foreclose their rights will not be asserted by Mortgagor as a defense to any proceeding instituted by Mortgagee to collect the Secured Obligations or any deficiency remaining unpaid after the foreclosure sale of the Property.

ARTICLE VIII

ASSIGNMENT OF LEASES AND RENTS

8.1 Assignment of Leases and Rents. Mortgagor hereby unconditionally and absolutely grants, transfers and assigns unto Mortgagee all rents, royalties, issues, profits and income ("Rents") now or hereafter due or payable for the occupancy or use of the Property, and all Leases, whether written or oral, with all security therefor, including all guaranties thereof, now or hereafter affecting the Property; reserving unto Mortgagor, however, a license to collect and retain such Rents prior to the occurrence of any Default or Event of Default hereunder. Such license shall terminate automatically without notice to Mortgagor upon the occurrence of a Default or an Event of Default. Mortgagor represents that the Rents and the Leases have not been heretofore sold, assigned, transferred or set over by any instrument now in force and will not at any time during the life of this assignment be sold, assigned, transferred or set over by Mortgagor or by any person or persons whomsoever; and Mortgagor has good right to sell, assign, transfer and set over the same and to grant to and confer upon Mortgagee the rights, interest, powers and authorities herein granted and conferred. Failure of Mortgagee at any time or from time to time to enforce the assignment of Rents and Leases under this section shall not in any manner prevent its subsequent enforcement, and Mortgagee is not obligated to collect anything hereunder, but is accountable only for sums actually collected.

8.2 Further Assignments. Mortgagor shall give Mortgagee at any time upon demand any further or additional forms of assignment or transfer of such Rents, Leases and security as may be reasonably requested by Mortgagee, and shall deliver to Mortgagee executed copies of all such Leases and security.

8.3 Application of Rents. Mortgagee shall be entitled to deduct and retain a just and reasonable compensation from monies received hereunder for its services or that of its agents in collecting such monies. Any monies received by Mortgagee hereunder may be applied when received from time to time in payment of any taxes, assessments or other liens affecting the Property regardless of the delinquency, such application to be in such order as Mortgagee may determine. The acceptance of this Mortgage by Mortgagee or the exercise of any rights by it hereunder shall not be, or be construed to be, an affirmation by it of any Lease nor an assumption of any liability under any Lease.

8.4 Collection of Rents. Upon or at any time after a Default or an Event of Default shall have occurred and be continuing, Mortgagee may declare all sums secured hereby immediately due and payable, and may, at its option, without notice, and whether or not the Secured Obligations shall have been declared due and payable, either in person or by agent, with or without bringing any action or proceeding, or by a receiver to be appointed by a court, (a) enter upon, take possession of, manage and operate the Property, or any part thereof (including without limitation making necessary repairs, alterations and improvements to the Property); (b) make, cancel, enforce or modify Leases; (c) obtain and evict tenants; (d) fix or modify Rents; (e) do any acts which Mortgagee deems reasonably proper to

protect the security thereof; and (f) either with or without taking possession of the Property, in its own name sue for or otherwise collect and receive such Rents, including those past due and unpaid. In connection with the foregoing, Mortgagee shall be entitled and empowered to employ attorneys, and management, rental and other agents in and about the Property and to effect the matters which Mortgagee is empowered to do, and in the event Mortgagee shall itself effect such matters, Mortgagee shall be entitled to charge and receive reasonable management, rental and other fees therefor as may be customary in the area in which the Property is located; and the reasonable fees, charges, costs and expenses of Mortgagee or such persons shall be additional Secured Obligations. Mortgagee may apply all funds collected as aforesaid, less costs and expenses of operation and collection, including reasonable attorneys' and agents' fees, charges, costs and expenses, as aforesaid, upon any Secured Obligations, and in such order as Mortgagee may determine. The entering upon and taking possession of the Property, the collection of such Rents and the application thereof as aforesaid

shall not cure or waive any default or waive, modify or affect notice of default under the Note or this Mortgage or invalidate any act done pursuant to such notice.

8.5 Authority of Mortgagee. Any tenants or occupants of any part of the Property are hereby authorized to recognize the claims of Mortgagee hereunder without investigating the reason for any action taken by Mortgagee, or the validity or the amount of secured obligations owing to Mortgagee, or the existence of any default in the Note or this Mortgage, or under or by reason of this assignment of Rents and Leases, or the application to be made by Mortgagee of any amounts to be paid to Mortgagee. The sole signature of Mortgagee shall be sufficient for the exercise of any rights under this assignment and the sole receipt of Mortgagee for any sums received shall be a full discharge and release therefor to any such tenant or occupant of the Property. Checks for all or any part of the rentals collected under this assignment of Rents and Leases shall be drawn to the exclusive order of Mortgagee.

8.6 Indemnification of Mortgagee. Nothing herein contained shall be deemed to obligate Mortgagee to perform or discharge any obligation, duty or liability of any lessor under any Lease of the Property, and Mortgagor shall and does hereby indemnify and hold Mortgagee harmless from any and all liability, loss or damage which Mortgagee may or might incur under any Lease or by reason of this assignment; and any and all such liability, loss or damage incurred by Mortgagee, together with the costs and expenses, including reasonable attorneys' fees, incurred by Mortgagee in defense of any claims or demands therefor (whether successful or not), shall be additional Secured Obligations, and Mortgagor shall reimburse Mortgagee therefor on demand.

ARTICLE IX

MISCELLANEOUS PROVISIONS

9.1 Time of the Essence. Time is of the essence with respect to all provisions of the Loan Documents.

9.2 Joint and Several Obligations. If Mortgagor is more than one person or entity, then (a) all persons or entities comprising Mortgagor are jointly and severally liable for all of the Secured Obligations; (b) all representations, warranties, and covenants made by Mortgagor shall be deemed representations,

warranties, and covenants of each of the persons or entities comprising Mortgagor; (c) any breach, Default or Event of Default by any of the persons or entities comprising Mortgagor hereunder shall be deemed to be a breach, Default, or Event of Default of Mortgagor; (d) any reference herein contained to the knowledge or awareness of Mortgagor shall mean the knowledge or awareness of any of the persons or entities comprising Mortgagor; and (e) any event creating personal liability of any of the persons or

entities comprising Mortgagor shall create personal liability for all such persons or entities.

9.3 Waiver of Homestead and Other Exemptions. To the extent permitted by law, Mortgagor hereby waives all rights to any homestead or other exemption to which Mortgagor would otherwise be entitled under any present or future constitutional, statutory, or other provision of applicable state or federal law. Mortgagor hereby waives any right it may have to require Mortgagee to marshal all or any portion of the security for the Secured Obligations.

9.4 Non Recourse. Except as expressly hereinafter set forth, the recourse of Mortgagee with respect to the obligations evidenced by the Note shall be solely to the Property, Chattels and Intangible Personalty. Notwithstanding anything to the contrary contained in the Note or in any Loan Document, nothing shall be deemed in any way to impair, limit or prejudice the rights of Mortgagee (a) in foreclosure or execution proceedings or in any ancillary proceedings brought to facilitate Mortgagee's foreclosure on the Property or any portion thereof; (b) to recover from Mortgagor damages or costs (including without limitation reasonable attorneys' fees) incurred by Mortgagee as a result of waste by Mortgagor; (c) to recover from Mortgagor any condemnation or insurance proceeds attributable to the Property which were not paid to Mortgagee or used to restore the Property in accordance with the terms of this Mortgage; (d) to recover from Mortgagor any rents, profits, security deposits, advances, rebates, prepaid rents or other similar sums attributable to the Property collected by or for Mortgagor following an Event of Default under any Loan Document and not properly applied to the reasonable fixed and operating expenses of the Property, including payments of the Note and other sums due under the Loan Documents; (e) to pursue the personal liability of Mortgagor under the provisions of Section 5.10 or 5.11 of this Mortgage; (f) to exercise any specific rights or remedies afforded Mortgagee under any other provisions of the Loan Documents or by law or in equity (or to recover under any guarantee or suretyship

agreement given in connection with the Note); (g) to recover from Mortgagor the amount of any accrued taxes, assessments, and/or utility charges affecting the Property (whether or not the same have been billed to Mortgagor) that are either unpaid by Mortgagor or paid by Mortgagee under this Mortgage and to collect from Mortgagor any sums expended by Mortgagee in fulfilling the obligations of Mortgagor, as lessor, under any Leases; (h) to pursue any personal liability of Mortgagor or any Surety under the Environmental Indemnity Agreement; and (i) to recover from Mortgagor the amount of any loss suffered by Mortgagee (that would otherwise be covered by insurance) as a result of Mortgagor's failure to maintain any insurance required under the terms of any Loan Document. The agreement contained in this Section to limit the personal liability of Mortgagor shall become null and void and be of no further force and effect in the event (i) that the Property, or any part thereof or any interest therein, or any interest in Mortgagor, shall be further encumbered by a voluntary lien securing any obligation upon which Mortgagor or any General Partner, principal or affiliate of Mortgagor shall be personally liable for repayment, whether as obligor or guarantor; (ii) of any breach or violation of Sections 5.4, 5.5 or 5.7 of this Mortgage, provided that any breach or violation of said Sections is not cured within the time periods specified within Section 6.3 of this Mortgage; (iii) of any fraud or material misrepresentation by Mortgagor in connection with the Property, the Loan Documents or the application for the loan which is evidenced by the Note; or (iv) of any execution, amendment, modification or termination of any Lease without the prior written consent of Mortgagee if such consent is required under the terms of the Loan Documents. For purposes of the foregoing, "affiliate" shall mean any individual, corporation, trust, partnership or any other person or entity controlled by, controlling or under common control with Mortgagor. A person or entity of any nature shall be presumed to have control when it possesses the power, directly or indirectly

to direct, or cause the direction of, the management or policies of another person or entity, whether through ownership of voting securities, by contract, or otherwise.

9.5 Rights and Remedies Cumulative. Mortgagee's rights and remedies under each of the Loan Documents are cumulative of the rights and remedies available to Mortgagee under each of the other Loan Documents and those otherwise available to Mortgagee at law or in equity. No act of Mortgagee shall be construed as an election to proceed under any particular provision of any Loan Document to the exclusion of any other

provision in the same or any other Loan Document, or as an election of remedies to the exclusion of any other remedy which may then or thereafter be available to Mortgagee.

9.6 No Implied Waivers. Mortgagee shall not be deemed to have waived any provision of any Loan Document unless such waiver is in writing and is signed by Mortgagee. Without limiting the generality of the preceding sentence, neither Mortgagee's acceptance of any payment with knowledge of a Default by Mortgagor, nor any failure by Mortgagee to exercise any remedy following a Default by Mortgagor shall be deemed a waiver of such Default, and no waiver by Mortgagee of any particular Default on the part of Mortgagor shall be deemed a waiver of any other Default or of any similar Default in the future.

9.7 No Third Party Rights. No person shall be a third party beneficiary of any provision of any of the Loan Documents. All provisions of the Loan Documents favoring Mortgagee are intended solely for the benefit of Mortgagee, and no third party shall be entitled to assume or expect that Mortgagee will not waive or consent to modification of any such provision in Mortgagee's sole discretion.

9.8 Preservation of Liability and Priority. Without affecting the liability of Mortgagor or of any other person (except a person expressly released in writing) for payment and performance of all of the Secured Obligations, and without affecting the rights of Mortgagee with respect to any security not expressly released in writing, and without impairing in any way the priority of this Mortgage over the interests of any person acquired or first evidenced by recording subsequent to the recording hereof, Mortgagee may, either before or after the maturity of the Note, and without notice or consent: (a) release any person liable for payment or performance of all or any part of the Secured Obligations; (b) make any agreement altering the terms of payment or performance of all or any of the Secured Obligations; (c) exercise or refrain from exercising, or waive, any right or remedy which Mortgagee may have under any of the Loan Documents; (d) accept additional security of any kind for any of the Secured Obligations; (e) release or otherwise deal with any real or personal property securing the Secured Obligations; or (f) apply the proceeds of any Sale as set forth in Section 7.7(c) of this Mortgage. Any person acquiring or recording evidence of any interest of any nature in the Property, the Chattels, or the Intangible Personalty shall be deemed, by acquiring such interest or recording any evidence thereof, to

have agreed and consented to any or all such actions by Mortgagee.

9.9 Subrogation of Mortgagee. Mortgagee shall be subrogated to the lien of any previous encumbrance discharged with funds advanced by Mortgagee under the Loan Documents, regardless of whether such previous encumbrance has been released of record.

9.10 Notices. Any notice required or permitted to be given by Mortgagor or Mortgagee under this Mortgage shall be in writing and will be deemed given (a) upon personal delivery, (b) on the first business day after receipted delivery to a courier service which guarantees next-business-day delivery, or

(c) on the third business day after mailing, by registered or certified United States mail, postage prepaid, in any case to the appropriate party at its address set forth below:

If to Mortgagor:

Mark Centers Limited Partnership
600 Third Avenue
Kingston, Pennsylvania 18704-1679
Attn: Chief Financial Officer

If to Mortgagee:

Anchor National Life Insurance Company
1 SunAmerica Center
Century City
Los Angeles, California 90067-6022
Attn: Director-Mortgage Lending and Real Estate

Either party may change such party's address for notices or copies of notices by giving notice to the other party in accordance with this Section.

9.11 Defeasance. Upon payment and performance in full of all of the Secured Obligations, Mortgagee will execute and deliver to Mortgagor such documents as may be required to release this Mortgage of record.

9.12 Illegality. If any provision of this Mortgage is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Mortgage, the legality, validity, and enforceability of the remaining

provisions of this Mortgage shall not be affected thereby, and in lieu of each such illegal, invalid or unenforceable provision there shall be added automatically as a part of this Mortgage a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable. If the rights and liens created by this Mortgage shall be invalid or unenforceable as to any part of the Secured Obligations, then the unsecured portion of the Secured Obligations shall be completely paid prior to the payment of the remaining and secured portion of the Secured Obligations, and all payments made on the Secured Obligations shall be considered to have been paid on and applied first to the complete payment of the unsecured portion of the Secured Obligations.

9.13 Usury Savings Clause. It is expressly stipulated and agreed to be the intent of Mortgagee and Mortgagor at all times to comply with the applicable law governing the highest lawful interest rate. If the applicable law is ever judicially interpreted so as to render usurious any amount called for under the Note or under any of the other Loan Documents, or contracted for, charged, taken, reserved or received with respect to the loan evidenced thereby, or if acceleration of the maturity of the Note, any prepayment by Mortgagor, or any other circumstance whatsoever, results in Mortgagor having paid any interest in excess of that permitted by applicable law, then it is the express intent of Mortgagor and Mortgagee that all excess amounts theretofore collected by Mortgagee be credited on the principal balance of the Note (or, at Mortgagee's option, paid over to Mortgagor), and the provisions of the Note and other Loan Documents immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder. The right to accelerate maturity of the Note does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and Mortgagee does not intend to collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to Mortgagee for the use, forbearance or detention of the Secured Obligations evidenced hereby or by the Note shall, to the extent permitted by

applicable law, be amortized, prorated, allocated and spread throughout the full term of such Secured Obligations until payment in full so that the rate or amount of interest on account

of such Secured Obligations does not exceed the maximum rate or amount of interest permitted under applicable law. The term "applicable law" as used herein shall mean any federal or state law applicable to the loan made by Mortgagee to Mortgagor evidenced by the Note.

9.14 Obligations Binding Upon Mortgagor's Successors. This Mortgage is binding upon Mortgagor and Mortgagor's successors and assigns, and shall inure to the benefit of Mortgagee, and its successors and assigns, and the provisions hereof shall likewise be covenants running with the land. The duties, covenants, conditions, obligations, and warranties of Mortgagor in this Mortgage shall be joint and several obligations of Mortgagor and Mortgagor's successors and assigns.

9.15 Construction. All pronouns and any variations of pronouns herein shall be deemed to refer to the masculine, feminine, or neuter, singular or plural, as the identity of the parties may require. Whenever the terms herein are singular, the same shall be deemed to mean the plural, as the identity of the parties or the context requires.

9.16 Attorneys' Fees. Any reference in this Mortgage to attorneys' or counsel fees paid or incurred by Mortgagee shall be deemed to include paralegals' fees and legal assistants' fees. Moreover, wherever provision is made herein for payment of attorneys' or counsels fees or expenses incurred by Mortgagee, such provision shall include but not be limited to, such fees or expenses incurred in any and all judicial, bankruptcy, reorganization, administrative, or other proceedings, including appellate proceedings, whether such fees or expenses arise before proceedings are commenced, during such proceedings or after entry of a final judgment.

9.17 Waiver and Agreement. MORTGAGOR HEREBY EXPRESSLY WAIVES ANY RIGHT IT MAY HAVE UNDER APPLICABLE LAW TO PREPAY THE NOTE, IN WHOLE OR IN PART, WITHOUT PREPAYMENT CHARGE, UPON ACCELERATION OF THE MATURITY DATE OF THE NOTE, AND AGREES THAT, IF FOR ANY REASON A PREPAYMENT OF ALL OR ANY PART OF THE NOTE IS MADE, WHETHER VOLUNTARILY OR FOLLOWING ANY ACCELERATION OF THE MATURITY DATE OF THE NOTE BY MORTGAGEE ON ACCOUNT OF THE OCCURRENCE OF ANY EVENT OF DEFAULT ARISING FOR ANY REASON, INCLUDING, WITHOUT LIMITATION, AS A RESULT OF ANY PROHIBITED OR RESTRICTED TRANSFER, FURTHER ENCUMBRANCE OR DISPOSITION OF THE

PROPERTY OR ANY PART THEREOF SECURING THE NOTE, THEN MORTGAGOR SHALL BE OBLIGATED TO PAY, CONCURRENTLY WITH SUCH PREPAYMENT, THE PREPAYMENT PREMIUM PROVIDED FOR IN THE NOTE (OR, IN THE EVENT OF ACCELERATION WHEN THE NOTE IS CLOSED TO PREPAYMENT, AS PROVIDED IN SECTION 1.18 HEREOF). MORTGAGOR HEREBY DECLARES THAT MORTGAGEE'S AGREEMENT TO MAKE THE LOAN EVIDENCED BY THE NOTE AT THE INTEREST RATE AND FOR THE TERM SET FORTH IN THE NOTE CONSTITUTES ADEQUATE CONSIDERATION, GIVEN INDIVIDUAL WEIGHT BY MORTGAGOR, FOR THIS WAIVER AND AGREEMENT.

Mortgagor

9.18 Waiver of Jury Trial. MORTGAGEE AND MORTGAGOR KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON THIS MORTGAGE, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS MORTGAGE OR ANY LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO OR TO ANY LOAN DOCUMENT. THIS PROVISION IS A MATERIAL

INDUCEMENT FOR MORTGAGOR AND MORTGAGEE ENTERING INTO THE LOAN TRANSACTION EVIDENCED BY THE NOTE.

Mortgagor
Mortgagee

9.19 Open-End Mortgage. This Mortgage is an "Open-End" Mortgage as defined in Sub Section 8143(f) of Title 42 of the Pennsylvania Consolidated Statutes, and as such, is entitled to the benefits of Senate Bill 693, 1989 session of the General Assembly of Pennsylvania (the "Act") as codified at 42 Pa. C.S.A. Sub Section 8143 et seq. The parties to this Mortgage intend that, in addition to any other debt or obligations secured hereby, this Mortgage shall secure unpaid balances of loan advances made after this Mortgage is left for record with the Recorder's Office of Luzerne County, Pennsylvania whether such advances are made pursuant to an obligation of Mortgagee or otherwise. The maximum amount of unpaid loan indebtedness (which shall consist of unpaid balances of loan advances made either before or after, or both before and after, this Mortgage is left for record), which may be outstanding at any time is \$4,100,000), plus accrued and unpaid interest thereon. In addition to the obligations of Mortgagor secured hereby, this Mortgage secures unpaid balances of advances made with respect to the Property for the payment of taxes, assessments, maintenance charges, insurance premiums or costs incurred for the protection of the Property or

the lien of this Mortgage, and expenses, including, but not limited to, reasonable costs and attorneys' fees incurred by Mortgagee by reason of default by Mortgagor under this Mortgage or any of the other Loan Documents.

All notices as set forth in Section 9.10, given by Mortgagor to Mortgagee pursuant to 42 Pa. C.S.A. section 8143(c), shall be given to Mortgagee personally or by registered or certified mail at the address of Mortgagee as set forth in Section 9.10 hereof and such notice must be signed by all parties necessary to bind Mortgagor in accordance with applicable documents of formation of Mortgagor and all applicable laws.

9.20 Waiver of Rights to Notice or Judicial Hearing. MORTGAGOR WAIVES EXEMPTIONS AND ANY AND ALL RIGHTS OF ANY NATURE AND FROM ANY SOURCE TO NOTICE, JUDICIAL HEARING OR BOTH PRIOR TO SALE OF THE PROPERTY OR ANY PORTION THEREOF EXCEPT AS MAY BE EXPRESSLY REQUIRED BY THE STATUTES OF THE COMMONWEALTH OF PENNSYLVANIA OR BY THIS MORTGAGE.

WARRANT OF ATTORNEY FOR CONFESSION OF JUDGMENT

UPON THE OCCURRENCE OF AN EVENT OF DEFAULT HEREUNDER OR UNDER ANY OF THE OTHER LOAN DOCUMENTS, FOR THE PURPOSE OF SECURING POSSESSION OF THE PROPERTY TO MORTGAGEE, MORTGAGOR HEREBY AUTHORIZES AND EMPOWERS ANY PROTHONOTARY, CLERK OF COURT OR ATTORNEY OF ANY COURT OF RECORD IN THE COMMONWEALTH OF PENNSYLVANIA, AS ATTORNEY FOR MORTGAGOR, AS WELL AS FOR ALL PERSONS CLAIMING UNDER, BY OR THROUGH MORTGAGOR, TO ENTER JUDGMENT IN ANY COMPETENT COURT IN EJECTMENT FOR THE POSSESSION OF THE PROPERTY TOGETHER WITH THE HEREDITAMENTS AND APPURTENANCES AND ALL EQUIPMENT, PERSONAL PROPERTY AND FIXTURES NOW OR HEREAFTER INSTALLED UPON THE SAME, AGAINST MORTGAGOR, AND THEREIN TO CONFESS JUDGMENT FOR THE RECOVERY OF SUCH POSSESSION BY MORTGAGEE, FOR WHICH THIS MORTGAGE, OR A COPY THEREOF VERIFIED BY AFFIDAVIT, SHALL BE SUFFICIENT WARRANT; WHEREUPON, IF MORTGAGEE SO DESIRES, A WRIT OF POSSESSION MAY BE ISSUED FORTHWITH ON SAID JUDGMENT, WITHOUT ANY PRIOR WRIT OR PROCEEDING WHATSOEVER, MORTGAGOR HEREBY RELEASING MORTGAGEE FROM ALL ERRORS AND DEFECTS WHATSOEVER IN SAID PROCEEDINGS; AND IF FOR ANY REASON, AFTER SUCH ACTION HAS BEEN COMMENCED, THE SAME SHALL BE DISCONTINUED, MARKED SATISFIED OF RECORD OR BE TERMINATED, OR POSSESSION OF THE PROPERTY SHALL REMAIN IN OR BE RESTORED TO MORTGAGOR, MORTGAGEE SHALL HAVE THE RIGHT, FOR THE SAME EVENT OF DEFAULT OR IN THE EVENT OF ANY SUBSEQUENT EVENT OF DEFAULT OR DEFAULTS, TO BRING ONE OR MORE FURTHER ACTIONS IN EJECTMENT FOR

POSSESSION OF THE PROPERTY. THE JUDGMENT CONFERRED HEREIN IS NON-RECOURSE TO THE MORTGAGOR AND ITS PROPERTIES (OTHER THAN THE PROPERTY), EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN SECTION 9.4 OF THIS MORTGAGE.

Mortgagee may bring an action in ejectment and confess judgment therein before or after the institution of proceedings to foreclose this Mortgage or to enforce the Note, or after entry of judgment therein or on the Note, or after a Sheriff's sale of the Property in which Mortgagee is the successful bidder, it being the understanding of the parties that the authorization to pursue such proceedings for obtaining possession and confession of judgment therein is an essential part of the remedies for enforcement of this Mortgage, the Note and the other Loan Documents, and shall survive any execution sale to Mortgagee.

9.21 Governing Laws. The substantive laws of the Commonwealth of Pennsylvania shall govern the validity, construction, enforcement and interpretation of this Mortgage.

9.22 Inconsistency. In the event of any inconsistency between the terms of the Loan Documents and the terms of that certain First Mortgage Loan Application between Mortgagor and Mortgagee dated October 28, 1996, the terms of the Loan Documents shall govern and control in all respects.

IN WITNESS WHEREOF and intending to be legally bound, Mortgagor has executed and delivered this Mortgage as of the date first mentioned above.

MARK CENTERS LIMITED PARTNERSHIP,
a Delaware limited partnership

By: MARK CENTERS TRUST, a
Maryland business trust, its
General Partner

By: /s/ Joshua Kane
Name: Joshua Kane
Title: Senior Vice President and
CFO

STATE OF PENNSYLVANIA)
) ss.
COUNTY OF LUZERNE)

On this, the 20th day of December, 1996, before me, the undersigned officer, a Notary Public in and for the State and County aforesaid, personally appeared Joshua Kane, Senior Vice President and Chief Financial Officer of Mark Centers Trust, a Maryland business trust, general partner of Mark Centers Limited Partnership, a Delaware limited partnership, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledge that he executed the same for the purposes therein contained and received a true and correct copy of this instrument and of all other documents referred to therein.

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

/s/ Diane Policare
Notary Public

I certify that the address of the within-named
Mortgagee is One SunAmerica Center, Century City, Los Angeles,
California 90067-6022.

By: Rosenn, Jenkins & Greenwald
/s/ Garry Taroli
Agent for Mortgagee

PROMISSORY NOTE

U.S. \$4,100,000.00

December 23, 1996

FOR VALUE RECEIVED, and at the times hereinafter specified, MARK CENTERS LIMITED PARTNERSHIP, a Delaware limited partnership ("Maker"), whose address is 600 Third Avenue, Kingston, Pennsylvania 18604-1679, hereby promises to pay to the order of ANCHOR NATIONAL LIFE INSURANCE COMPANY, an Arizona corporation (hereinafter referred to, together with each subsequent holder hereof, as "Holder"), at 1 SunAmerica Center, Century City, Los Angeles, California 90067-6022, or at such other address as may be designated from time to time hereafter by any Holder, the principal sum of FOUR MILLION ONE HUNDRED THOUSAND AND NO/100 THS DOLLARS (\$4,100,000.00), together with interest on the principal balance outstanding from time to time, as hereinafter provided, in lawful money of the United States of America.

By its execution and delivery of this promissory note (this "Note"), Maker covenants and agrees as follows:

1. Interest Rate and Payments.

(a) The balance of principal outstanding from time to time under this Note shall bear interest at the rate of seven and ninety-three one hundredths percent (7.93%) per annum (the "Original Interest Rate"), based on a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each.

(b) Interest only shall be payable on the date hereof, in advance, for the period from and including the date hereof through and including December 31, 1996.

(c) Commencing on February 1, 1997, and on the first day of each month thereafter through and including December 1, 2003, combined payments of principal and interest shall be payable, in arrears, in the amount of \$32,870.12 each (such amount representing an amount sufficient to fully amortize the original principal amount of this Note over a twenty-two (22) year period) (the "Amortization Period").

(d) The entire outstanding principal balance, together with all accrued and unpaid interest and all other sums due hereunder, shall be due and payable in full on January 1, 2004 (the "Original Maturity Date").

2. Holder's Extension Option; Net Operating Income.

(a) If Maker shall fail to pay the outstanding principal balance of this Note and all accrued interest and other charges due hereon at the Original Maturity Date, Holder shall have the right, at Holder's sole option and discretion, to extend the term of the loan evidenced by this Note (the "Loan") for an additional period of five (5) years (the "Extension Term"). If Holder elects to extend the term of the Loan, Maker shall pay all fees of Holder incurred in connection with such extension, including, but not limited to, attorneys' fees and title insurance premiums. Maker shall execute all documents reasonably requested by Holder to evidence and secure the Loan, as extended, and shall obtain and provide to Holder any title insurance policy or endorsement requested by Holder.

(b) Should Holder elect to extend the term of the Loan

as provided above, Holder shall (i) reset the interest rate borne by the then-existing principal balance of the Loan to a rate per annum (the "New Rate") equal to the greater of (A) the Original Interest Rate, or (B) Holder's (or comparable lenders', if Holder is no longer making such loans) then-prevailing interest rate for five (5) year loans secured by properties similar to the Property (hereinafter defined), as determined by Holder in its sole discretion; (ii) re-amortize the then-existing principal balance of the Loan over the remaining portion of the Amortization Period (the "New Amortization Period"); (iii) have the right to require Maker to enter into modifications of the non-economic terms of the Loan Documents (hereinafter defined) as Holder may request (the "Non-Economic Modifications"); and (iv) notwithstanding any provision set forth in the Loan Documents to the contrary, have the right to require Maker to make monthly payments into escrow for insurance premiums and real property taxes, assessments and similar governmental charges. Hence, monthly principal and interest payments during the Extension Term shall be based upon the New Rate, and calculated to amortize fully the outstanding principal balance of the Loan over the New Amortization Period.

(c) If Holder elects to extend the term of the Loan, Holder shall advise Maker of the New Rate on or prior to the Original Maturity Date.

(d) In addition to the required monthly payments of principal and interest set forth above, commencing on the first day of the second month following the Original Maturity Date and continuing on the first day of each month thereafter during the Extension Term (each an "Additional Payment Date"), Maker shall make monthly payments to Holder in an amount equal to all Net Operating Income (hereinafter defined) attributable to the Property for the calendar month ending on the last day of the month that is two months preceding each such Additional Payment Date. For example, assuming the Original Maturity Date is January 1, then Net Operating Income for the period from January 1 through January 31 shall be payable to Holder on March 1; Net Operating Income for the period from February 1 through February 28 shall be payable to Holder on April 1, and so on.

(e) Holder shall deposit all such Net Operating Income received from Maker into an account or accounts maintained at a financial institution chosen by Holder or its servicer in its sole discretion (the "Deposit Account") and all such funds shall be invested in a manner acceptable to Holder in its sole discretion. All interest, dividends and earnings credited to the Deposit Account shall be held and applied in accordance with the terms hereof.

(f) On the third Additional Payment Date and on each third Additional Payment Date thereafter, Holder shall apply all Excess Funds (hereinafter defined), if any, to prepayment of amounts due under this Note, without premium or penalty.

(g) As security for the repayment of the Loan and the performance of all other obligations of Maker under the Loan Documents, Maker hereby assigns, pledges, conveys, delivers, transfers and grants to Holder a first priority security interest in and to: all Maker's right, title and interest in and to the Deposit Account; all rights to payment from the Deposit Account and the money deposited therein or credited thereto (whether then due or in the future due and whether then or in the future on deposit); all interest thereon; any certificates, instruments and securities, if any, representing the Deposit Account; all claims, demands,

general intangibles, choses in action and other rights or interests of Maker in respect of the Deposit Account; any monies then or at any time thereafter deposited therein; any increases,

renewals, extensions, substitutions and replacements thereof; and all proceeds of the foregoing.

(h) From time to time, but not more frequently than monthly, Maker may request a disbursement (a "Disbursement") from the Deposit Account for capital expenses, tenant improvement expenses, leasing commissions and special contingency expenses. Holder may consent to or deny any such Disbursement in its sole discretion.

(i) Upon the occurrence of any Event of Default (hereinafter defined) (i) Maker shall not be entitled to any further Disbursement from the Deposit Account; and (ii) Holder shall be entitled to take immediate possession and control of the Deposit Account (and all funds contained therein) and to pursue all of its rights and remedies available to Holder under the Loan Documents, at law and in equity.

(j) All of the terms and conditions of the Loan shall apply during the Extension Term, except as expressly set forth above, and except that no further extensions of the Loan shall be permitted.

(k) For the purposes of the foregoing:

(i) "Excess Funds" shall mean, on any Additional Payment Date, the amount of funds then existing in the Deposit Account (including any Net Operating Income due on the applicable Additional Payment Date), less an amount equal to the sum of three regularly scheduled payments of principal and interest due on this Note;

(ii) "Net Operating Income" shall mean, for any particular period of time, Gross Revenue for the relevant period, less Operating Expenses for the relevant period; provided, however, that if such amount is equal to or less than zero (0), Net Operating Income shall equal zero (0);

(iii) "Gross Revenue" shall mean all payments and other revenues (exclusive, however, of any payments attributable to sales taxes) received by or on behalf of Maker from all sources related to the ownership or operation of the Property,

including, but not limited to, rents, room charges, parking fees, interest, security deposits (unless required to be held in a segregated account), business interruption insurance proceeds, operating expense pass-through revenues and common area maintenance charges, for the relevant period for which the calculation of Gross Revenue is being made; and

(iv) "Operating Expenses" shall mean the sum of all ordinary and necessary operating expenses actually paid by Maker in connection with the operation of the Property during the relevant period for which the calculation of Operating Expenses is being made, including, but not limited to, (a) payments made by Maker for taxes and insurance required under the Loan Documents, and (b) monthly debt service payments as required under this Note.

3. Budgets.

(a) Within fifteen (15) days following the Original Maturity Date and on or before December 1 of each subsequent calendar year, Maker shall deliver to Holder a proposed revenue and expense budget for the Property for the remainder of the calendar year in which the Original Maturity Date occurs or the immediately succeeding calendar year (as applicable). Such budget shall set forth Maker's projection of Gross Revenue and Operating Expenses for the applicable calendar year, which shall be subject to Holder's reasonable approval. Once a proposed budget has been reviewed and approved by Holder, and Maker has made all revisions requested by Holder, if any, the revised budget shall be delivered to Holder and shall thereafter become the budget for

the Property hereunder (the "Budget") for the applicable calendar year. If Maker and Holder are unable to agree upon a Budget for any calendar year, the budgeted Operating Expenses (excluding extraordinary items) provided in the Budget for the Property for the preceding calendar year shall be considered the Budget for the Property for the subject calendar year until Maker and Holder agree upon a new Budget for such calendar year.

(b) During the Extension Term, Maker shall operate the Property in accordance with the Budget for the applicable calendar year, and the total of expenditures relating to the Property exceeding one hundred and five percent (105%) of the aggregate of such expenses set forth in the Budget for the applicable time period shall not be treated as Operating Expenses for the purposes of calculating "Net Operating Income," without

the prior written consent of Holder except for emergency expenditures which, in the Maker's good faith judgment, are reasonably necessary to protect, or avoid immediate danger to, life or property.

4. Reports.

(a) During the Extension Term, Maker shall deliver to Holder all financial statements reasonably required by Holder to calculate Net Operating Income, including, without limitation, a monthly statement to be delivered to Holder concurrently with Maker's payment of Net Operating Income that sets forth the amount of Net Operating Income accompanying such statement and Maker's calculation of Net Operating Income for the relevant calendar month. Such statements shall be certified by an executive officer of Maker or Maker's manager, managing member or general partner (as applicable) as having been prepared in accordance with the terms hereof and to be true, accurate and complete in all material respects.

(b) In addition, on or before February 1 of each calendar year during the Extension Term, Maker shall submit to Holder an annual income and expense statement for the Property which shall include the calculation of Gross Revenue, Operating Expenses and Net Operating Income for the preceding calendar year and shall be accompanied by Maker's reconciliation of any difference between the actual aggregate amount of the Net Operating Income for such calendar year and the aggregate amount of Net Operating Income for such calendar year actually remitted to Holder. All such statements shall be certified by an executive officer of Maker or Maker's manager, managing member or general partner (as applicable) as having been prepared in accordance with the terms hereof and to be true, accurate and complete in all material respects. If any such annual financial statement discloses any inconsistency between the calculation of Net Operating Income and the amount of Net Operating Income actually remitted to Holder, Maker shall immediately remit to Holder the amount of any underpayment of Net Operating Income for such calendar year or, in the event of an overpayment by Maker, such amount may be withheld from any subsequent payment of Net Operating Income required hereunder.

(c) Holder may notify Maker within ninety (90) days after receipt of any statement or report required hereunder that Holder disputes any computation or item contained in any portion of such statement or report. If Holder so notifies Maker, Holder and Maker shall meet in good faith within twenty (20) days after Holder's notice to Maker to resolve such disputed items. If, despite such good faith efforts, the parties are unable to

resolve the dispute at such meeting or within ten (10) days thereafter, the items shall be resolved by an independent certified public accountant designated by Holder within fifteen (15) days after such ten (10) day period. The determination of such accountant shall be final. All fees of such accountant shall be paid by Maker. Maker shall remit to Holder any additional amount of Net Operating Income found to be due for such periods within ten (10) days after the resolution of such dispute by the parties or the accountant's determination, as applicable. The amount of any overpayment found to have been made for such periods may be withheld from any required future remittance of Net Operating Income.

(d) Maker shall at all times keep and maintain full and accurate books of account and records adequate to reflect correctly all items required in order to calculate Net Operating Income.

5. Prepayment.

(a) During the first thirty (30) months after the date of this Note, Maker shall have no right to prepay all or any part of this Note.

(b) At any time after the first thirty (30) months after the date of this Note, Maker shall have the right to prepay the full principal amount of this Note and all accrued but unpaid interest hereon as of the date of prepayment, provided that (i) Maker gives not less than thirty (30) days' prior written notice to Holder of Maker's election to prepay this Note, and (ii) Maker pays a prepayment premium to Holder equal to the greater of (A) one percent (1%) of the outstanding principal amount of this Note or (B) the Present Value of this Note (hereinafter defined), less the amount of principal being prepaid, calculated as of the prepayment date.

(c) Holder shall notify Maker of the amount and basis of determination of the prepayment premium. Holder shall not be obligated to accept any prepayment of the principal balance of this Note unless such prepayment is accompanied by the applicable prepayment premium and all accrued interest and other sums due under this Note.

(d) Except for making payments of Net Operating Income as required above, in no event shall Maker be permitted to make any partial prepayments of this Note.

(e) If Holder accelerates this Note for any reason, then in addition to Maker's obligation to pay the then outstanding principal balance of this Note and all accrued but unpaid interest thereon, Maker shall pay an additional amount equal to the prepayment premium that would be due to Holder if Maker were voluntarily prepaying this Note at the time that such acceleration occurred, or if under the terms hereof no voluntary prepayment would be permissible on the date of such acceleration, Maker shall pay a prepayment premium calculated as set forth in the Mortgage (hereinafter defined).

(f) For the purposes of the foregoing:

(i) The "Present Value of this Note" with respect to any prepayment of this Note, as of any date, shall be determined by discounting all scheduled payments of principal and interest remaining to maturity of this Note, attributed to the amount being prepaid, at the Discount Rate. If prepayment occurs on a date other than a regularly scheduled payment date, the actual number of days remaining from the prepayment date to the next regularly scheduled payment date will be used to discount within such period.

(ii) The "Discount Rate" is the rate which, when compounded monthly, is equivalent to the Treasury Rate, when compounded semi-annually.

(iii) The "Treasury Rate" is the semi-annual yield on the Treasury Constant Maturity Series with maturity equal to the remaining weighted average life of this Note, for the week prior to the prepayment date, as reported in Federal Reserve Statistical Release H.15 - Selected Interest Rates, conclusively

determined by Holder on the prepayment date. The rate will be determined by linear interpolation between the yields reported in Release H.15, if necessary. In the event Release H.15 is no longer published, Holder shall select a comparable publication to determine the Treasury Rate.

(g) Holder shall not be obligated actually to reinvest the amount prepaid in any treasury obligations as a condition precedent to receiving any prepayment premium.

(h) Notwithstanding the foregoing, (i) at any time during the Extension Term, Maker shall have the right to prepay the full principal amount of this Note and all accrued but unpaid interest thereon as of the date of prepayment, without prepayment penalty or premium thereon; and (ii) no prepayment premium will be due from Maker if prepayment results from principal reductions required due to the applications of insurance proceeds or proceeds from eminent domain proceedings.

6. Payments. Whenever any payment to be made under this Note shall be stated to be due on a Saturday, Sunday or public holiday or the equivalent for banks generally under the laws of the Commonwealth of Pennsylvania (any other day being a "Business Day"), such payment may be made on the next succeeding Business Day.

7. Default Rate.

(a) The entire balance of principal, interest, and other sums due upon the maturity hereof, by acceleration or otherwise, shall bear interest from the date due until paid at the greater of (i) eighteen percent (18%) per annum and (ii) a per annum rate equal to five percent (5%) over the prime rate (for corporate loans at large United States money center commercial banks) published in The Wall Street Journal on the first business day of each month (the "Default Rate"); provided, however, that such rate shall not exceed the maximum permitted by applicable state or federal law. In the event The Wall Street Journal is no longer published or no longer publishes such prime rate, Holder shall select a comparable reference.

(b) If any payment under this Note is not made when due, interest shall accrue at the Default Rate from the date such payment was due until payment is actually made.

8. Late Charges. In addition to interest as set forth herein, Maker shall pay Holder a late charge equal to four percent (4%) of any amounts due under this Note in the event any such amount is not paid when due.

9. Application of Payments. All payments hereunder shall be applied first to the payment of late charges, if any, then to the payment of prepayment premiums, if any, then to the repayment of any sums advanced by Holder for the payment of any insurance premiums, taxes, assessments, or other charges against the property securing this Note (together with interest thereon at the Default Rate from the date of advance until repaid), then to the payment of accrued and unpaid interest, and then to the reduction of principal.

10. Immediately Available Funds. Payments under this Note shall be payable in immediately available funds without setoff, counterclaim or deduction of any kind.

11. Security. This Note is secured by an Open-End Mortgage, Security Agreement, Fixture Filing, Financing Statement and Assignment of Leases and Rents of even date herewith granted by Maker for the benefit of the named Holder hereof (the "Mortgage"), encumbering certain real property and improvements thereon commonly known as Pittston Plaza, Route 11 By-Pass, City of Pittston, Luzerne County, Pennsylvania, as more particularly described in such Mortgage (the "Property").

12. Certain Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Mortgage.

13. Event of Default. Each of the following events shall constitute an "Event of Default" hereunder and under the Mortgage and each other document securing or executed in connection with this Note (collectively, the "Loan Documents"), and any default or Event of Default under any of such documents shall constitute an Event of Default hereunder and under each other Loan Document:

(a) any failure to pay when due any sum hereunder or failure to perform any covenant or agreement herein contained; or

(b) if, at any time during the Extension Term, Gross Revenue for any calendar month shall be less than ninety-three

percent (93%) of the amount of projected Gross Revenue for such month set forth in the applicable Budget.

14. Acceleration. Upon the occurrence of any Event of Default, the entire balance of principal, accrued interest, and other sums owing hereunder shall, at the option of Holder, become at once due and payable without notice or demand. Upon the occurrence of an Event of Default described in Section 13(b), hereof, Holder shall have the option, in its sole discretion, to either (a) exercise any remedies available to it under the Loan Documents, at law or in equity, or (b) require Maker to submit a new proposed budget for Holder's approval. If Holder agrees to accept such new proposed budget, then such budget shall become the Budget for all purposes hereunder.

15. Conditions Precedent. Maker hereby certifies and declares that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Note, and to constitute this Note the legal, valid and binding obligation of Maker, enforceable in accordance with the terms hereof, have been done and performed and happened in due and strict compliance with all applicable laws.

16. Certain Waivers and Consents. Maker and all parties now or hereafter liable for the payment hereof, primarily or secondarily, directly or indirectly, and whether as endorser, guarantor, surety, or otherwise, hereby severally (a) waive presentment, demand, protest, notice of protest and/or dishonor, and all other demands or notices of any sort whatever with respect to this Note, (b) consent to impairment or release of collateral, extensions of time for payment, and acceptance of partial payments before, at, or after maturity, (c) waive any right to require Holder to proceed against any security for this Note before proceeding hereunder, (d) waive diligence in the collection of this Note or in filing suit on this Note, and (e) agree to pay all costs and expenses, including reasonable attorneys' fees, which may be incurred in the collection of this Note or any part thereof or in preserving, securing possession of, and realizing upon any security for this Note.

17. Usury Savings Clause. The provisions of this Note and of all agreements between Maker and Holder are, whether now

existing or hereinafter made, hereby expressly limited so that in no contingency or event whatever, whether by reason of acceleration of the maturity hereof, prepayment, demand for payment or otherwise, shall the amount paid, or agreed to be

paid, to Holder for the use, forbearance, or detention of the principal hereof or interest hereon, which remains unpaid from time to time, exceed the maximum amount permissible under applicable law, it particularly being the intention of the parties hereto to conform strictly to Pennsylvania and Federal law, whichever is applicable. If from any circumstance whatever, the performance or fulfillment of any provision hereof or of any other agreement between Maker and Holder shall, at the time performance or fulfillment of such provision is due, involve or purport to require any payment in excess of the limits prescribed by law, then the obligation to be performed or fulfilled is hereby reduced to the limit of such validity, and if from any circumstance whatever Holder should ever receive as interest an amount which would exceed the highest lawful rate, the amount which would be excessive interest shall be applied to the reduction of the principal balance owing hereunder (or, at Holder's option, be paid over to Maker) and shall not be counted as interest. To the extent permitted by applicable law, determination of the legal maximum amount of interest shall at all times be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of this Note, all interest at any time contracted for, charged, or received from Maker in connection with this Note and all other agreements between Maker and Holder, so that the actual rate of interest on account of the indebtedness represented by this Note is uniform throughout the term hereof.

18. Non-Recourse; Exceptions to Non-Recourse. Except as expressly hereinafter set forth, the recourse of Holder with respect to the obligations evidenced by this Note shall be solely to the Property, Chattels, and Intangible Personalty (as such terms are defined in the Mortgage). Notwithstanding anything to the contrary contained in this Note or in any Loan Document, nothing shall be deemed in any way to impair, limit or prejudice the rights of Holder (a) in foreclosure or execution proceedings or in any ancillary proceedings brought to facilitate Holder's foreclosure on the Property or any portion thereof; (b) to recover from Maker damages or costs (including without limitation reasonable attorneys' fees) incurred by Holder as a result of waste by Maker; (c) to recover from Maker any condemnation or insurance proceeds attributable to the Property which were not paid to Holder or used to restore the Property in accordance with the terms of the Mortgage; (d) to recover from Maker any rents, profits, security deposits, advances, rebates, prepaid rents or other similar sums attributable to the Property collected by or for Maker following an Event of Default under any Loan Document

and not properly applied to the reasonable fixed and operating expenses of the Property, including payments of this Note; (e) to pursue the personal liability of Maker under the provisions of Sections 5.10 or 5.11 of the Mortgage, including any indemnification provisions under such Sections; (f) to exercise any specific rights or remedies afforded Holder under any other provisions of the Loan Documents or by law or in equity (or to recover under any guarantee or suretyship agreement given in connection with this Note); (g) to recover from Maker the amount of any accrued taxes, assessments, and/or utility charges affecting the Property (whether or not the same have been billed to Maker) that are either unpaid by Maker or paid by Holder under the Mortgage and to collect from Maker any sums expended by Holder in fulfilling the obligations of Maker, as lessor, under any leases affecting the Property; (h) to pursue any personal liability of Maker and Guarantor under the Environmental Indemnity Agreement; and (i) to recover from Maker the amount of any loss suffered by Holder (that would otherwise be covered by insurance) as a result of Maker's failure to maintain any insurance required under the terms of any Loan Document. The agreement contained in this paragraph to limit the personal

liability of Maker shall become null and void and be of no further force and effect in the event (i) that the Property or any part thereof or any interest therein, or any interest in Maker, shall be further encumbered by a voluntary lien securing any obligation upon which Maker or any general partner, principal or affiliate of Maker shall be personally liable for repayment, whether as obligor or guarantor; (ii) of any breach or violation of Section 5.4, 5.5 or 5.7 of the Mortgage; (iii) of any fraud or misrepresentation by Maker in connection with the Property, the Loan Documents or the application made by Maker for the loan evidenced by this Note; or (iv) of any execution, amendment, modification or termination of any lease of any portion of the Property without the prior written consent of Holder if such consent is required under the terms of the Loan Documents. For purposes of the foregoing, "affiliate" shall mean any individual, corporation, trust, partnership or any other person or entity controlled by, controlling or under common control with Maker. A person or entity of any nature shall be presumed to have control when it possesses the power, directly or indirectly, to direct, or cause the direction of, the management or policies of another person or entity, whether through ownership of voting securities, by contract, or otherwise.

19. Severability. If any provision hereof or of any other document securing or related to the indebtedness evidenced hereby is, for any reason and to any extent, invalid or unenforceable, then neither the remainder of the document in which such provision is contained, nor the application of the provision to other persons, entities, or circumstances, nor any other document referred to herein, shall be affected thereby, but instead shall be enforceable to the maximum extent permitted by law.

20. Transfer of Note. Each provision of this Note shall be and remain in full force and effect notwithstanding any negotiation or transfer hereof and any interest herein to any other Holder or participant.

21. Governing Law. Regardless of the place of its execution, this Note shall be construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania.

22. Jurisdiction and Venue. Maker consents to the jurisdiction and venue of the Federal and State courts located in Pennsylvania with respect to any suit arising out of, relating to or mentioning this Note.

23. Time of Essence. Time is of the essence of this Note.

24. Remedies Cumulative. The remedies provided to Holder in this Note, the Mortgage and the other Loan Documents are cumulative and concurrent and may be exercised singly, successively or together against Maker, the Property, and other security, or any guarantor of this Note, at the sole and absolute discretion of the Holder.

25. No Waiver. Holder shall not by any act or omission be deemed to waive any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder and then only to the extent specifically set forth therein. A waiver of one event shall not be construed as continuing or as a bar to or waiver of any right or remedy granted to Holder hereunder in connection with a subsequent event.

26. Joint and Several Obligation. If Maker is more than one person or entity, then (a) all persons or entities comprising Maker are jointly and severally liable for all of the

Maker's obligations hereunder; (b) all representations, warranties, and covenants made by Maker shall be deemed representations, warranties, and covenants of each of the persons or entities comprising Maker; (c) any breach, Default or Event of Default by any of the persons or entities comprising Maker hereunder shall be deemed to be a breach, Default, or Event of Default of Maker; and (d) any reference herein contained to the knowledge or awareness of Maker shall mean the knowledge or awareness of any of the persons or entities comprising Maker.

27. Warrant of Attorney for Confession of Judgment.

(a) MAKER HEREBY IRREVOCABLY AUTHORIZES AND EMPOWERS ANY ATTORNEY OR ANY CLERK OF ANY COURT OF RECORD TO APPEAR FOR AND CONFESS JUDGMENT AGAINST MAKER, AS TO ANY TERM, AT ANY TIME AFTER THE OCCURRENCE OF AN EVENT OF DEFAULT UNDER THIS NOTE OR UNDER ANY OTHER LOAN DOCUMENT (i) FOR SUCH SUMS AS ARE DUE AND MAY BECOME DUE PURSUANT TO THIS NOTE OR ANY OF THE OTHER LOAN DOCUMENTS (THE "INDEBTEDNESS"), AND (ii) IN ANY ACTION OF EJECTMENT OR POSSESSION INSTITUTED BY HOLDER TO OBTAIN POSSESSION OF ANY COLLATERAL SECURING THIS NOTE OR SECURING ANY OF THE INDEBTEDNESS, IN EITHER CASE WITH OR WITHOUT DECLARATION, WITH COSTS OF SUIT, WITHOUT STAY OR EXECUTION AND WITH A REASONABLE AMOUNT AT AN HOURLY RATE NOT EXCEEDING \$250.00 PER HOUR, FOR LIEN PRIORITY PURPOSES, ADDED FOR ATTORNEYS' COLLECTION FEES. TO THE EXTENT PERMITTED BY LAW, MAKER RELEASES ALL ERRORS IN SUCH PROCEEDINGS. IF A COPY OF THIS NOTE, VERIFIED BY AFFIDAVIT BY OR ON BEHALF OF HOLDER, 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 ENTER JUDGMENT AGAINST MAKER SHALL NOT BE EXHAUSTED BY THE INITIAL EXERCISE THEREOF, AND THE SAME MAY BE EXERCISED, FROM TIME TO TIME, AS OFTEN AS HOLDER SHALL DEEM NECESSARY AND DESIRABLE, AND THIS NOTE SHALL BE SUFFICIENT WARRANT THEREFOR. HOLDER MAY ENTER ONE OR MORE JUDGMENTS IN THE SAME OR DIFFERENT COUNTIES FOR ALL OR PART OF THE SECURED OBLIGATIONS, WITHOUT REGARD TO WHETHER JUDGMENT HAS BEEN ENTERED ON MORE THAN ONE OCCASION FOR THE SAME SECURED OBLIGATIONS. IN THE EVENT ANY JUDGMENT ENTERED AGAINST MAKER IS STRICKEN OR OPENED UPON APPLICATION BY MAKER OR ON ITS BEHALF FOR ANY REASON WHATSOEVER, HOLDER IS HEREBY AUTHORIZED AND EMPOWERED TO AGAIN APPEAR FOR AND CONFESS JUDGMENT AGAINST MAKER; SUBJECT, HOWEVER, TO THE LIMITATION THAT SUCH SUBSEQUENT ENTRY OF JUDGMENT BY HOLDER SHALL HAVE THE EFFECT OF CURING ANY ERRORS IN THE PRIOR PROCEEDING, AND ONLY TO THE EXTENT THAT SUCH EFFORTS ARE SUBJECT TO CURE IN THE LATER PROCEEDINGS. THE JUDGMENT CONFERRED HEREIN IS NON-RECOURSE TO MAKER OR ITS RESPECTIVE

PROPERTIES (OTHER THAN THE PROPERTY), EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN THIS NOTE OR THE OTHER LOAN DOCUMENTS.

(b) The remedies of Holder provided herein and in the other Loan Documents and the warrant of attorney herein or therein contained, are cumulative and concurrent, and may be pursued singly, successively and together, at the sole discretion of the Holder, and may be exercised as often as occasion therefor shall occur; and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release of the same.

(c) Maker hereby releases the Holder and its attorney or attorneys from all errors, defects and imperfections whatsoever of a procedural nature in entering judgment by confession hereon as aforesaid or in issuing any process or instituting any proceedings relating thereto and hereby waives all benefit that might accrue to the Maker by virtue of any present or future laws exempting the Property, or any part of the proceeds arising from any sale of the Property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process or extension of time. Maker agrees that the Property may be sold to satisfy any judgment entered on this Note or any of the other Loan Documents, in whole or in part and in any order desired by the Holder.

(d) MAKER ACKNOWLEDGES THAT IT HAS BEEN REPRESENTED BY

COUNSEL IN CONNECTION WITH THE EXECUTION AND DELIVERY OF THIS NOTE AND THAT IT UNDERSTANDS THIS PROVISION FOR CONFESSION OF JUDGMENT, AND MAKER WAIVES ANY RIGHT TO NOTICE OR A HEARING IT MIGHT OTHERWISE HAVE BEFORE ENTRY OF JUDGMENT.

28. WAIVER OF JURY TRIAL. MAKER AND HOLDER KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON THIS NOTE, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE, THE MORTGAGE, OR ANY OTHER LOAN DOCUMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO OR TO ANY LOAN DOCUMENT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR MAKER AND HOLDER TO ENTER INTO THE LOAN TRANSACTION EVIDENCED BY THIS NOTE.

----- Maker
----- Holder

29. WAIVER OF PREPAYMENT RIGHT WITHOUT PENALTY. MAKER HEREBY EXPRESSLY WAIVES ANY RIGHT IT MAY HAVE UNDER APPLICABLE LAW TO PREPAY THIS NOTE, IN WHOLE OR IN PART, WITHOUT PREPAYMENT PREMIUM, UPON ACCELERATION OF THE MATURITY DATE OF THIS NOTE, AND AGREES THAT, IF FOR ANY REASON A PREPAYMENT OF ALL OR ANY PART OF THIS NOTE IS MADE, WHETHER VOLUNTARILY OR FOLLOWING ANY ACCELERATION OF THE MATURITY DATE OF THIS NOTE BY HOLDER ON ACCOUNT OF THE OCCURRENCE OF ANY EVENT OF DEFAULT ARISING FOR ANY REASON, INCLUDING, WITHOUT LIMITATION, AS A RESULT OF ANY PROHIBITED OR RESTRICTED TRANSFER, FURTHER ENCUMBRANCE OR DISPOSITION OF THE PROPERTY OR ANY PART THEREOF SECURING THIS NOTE, THEN MAKER SHALL BE OBLIGATED TO PAY, CONCURRENTLY WITH SUCH PREPAYMENT, THE PREPAYMENT PREMIUM PROVIDED FOR IN THIS NOTE OR, IN THE EVENT OF PREPAYMENT FOLLOWING ACCELERATION OF THE MATURITY DATE HEREOF WHEN THIS NOTE IS CLOSED TO PREPAYMENT, AS PROVIDED IN THE MORTGAGE. MAKER HEREBY DECLARES THAT HOLDER'S AGREEMENT TO MAKE THE LOAN EVIDENCED BY THIS NOTE AT THE INTEREST RATE AND FOR THE TERM SET FORTH IN THIS NOTE CONSTITUTES ADEQUATE CONSIDERATION, GIVEN INDIVIDUAL WEIGHT BY MAKER, FOR THIS WAIVER AND AGREEMENT.

IN WITNESS WHEREOF and intending to be legally bound, Maker has duly executed this Note as of the date first above written.

MARK CENTERS LIMITED PARTNERSHIP, a Delaware limited partnership

By: Mark Centers Trust, a Maryland business trust, its General Partner

By: /s/ Joshua Kane
Name: Joshua Kane
Title: Senior Vice President and CFO

AGREEMENT OF SALE

AGREEMENT made this 24th day of December, 1996, by and between MARK CENTERS LIMITED PARTNERSHIP, a Delaware limited partnership (hereinafter called "Seller"), and RONNIE W. CROMER, WILLIAM B. RUSH, EARL H. BERGEN, Jr., RODNEY S. GRIFFIN AND WILLIAM W. RISER, Jr. (hereinafter collectively called "Buyer").

WITNESSETH:

1. Sale and Premises.

(a) Seller hereby agrees to sell and convey to Buyer, and Buyer hereby agrees to purchase from Seller, upon the terms and conditions hereinafter set forth:

(i) all that certain lot or piece of ground situate in the City of Newberry, County of Newberry, State of South Carolina, commonly known as Newberry Plaza Shopping Center, which is more fully described by meets and bounds on Exhibit "A" to be attached hereto and the buildings and improvements situate thereon (the "Premises"); and

(ii) the fixtures, furnishings, equipment and other items of personal property owned by Seller and located on, and used in connection with the operation of, the Premises which are listed on Exhibit A-1, to be attached hereto (the "Personal Property").

(b) Promptly after the execution of this Agreement, Buyer may obtain, at its sole cost and expense, from a surveyor reasonably acceptable to Seller, a physical survey of the Premises, a plan thereof (the "Survey Plan") and a metes and bounds description of the Premises prepared from the Survey Plan. The Survey Plan and the metes and bounds description prepared therefrom shall be submitted by Buyer to Seller at least thirty (30) days prior to the date fixed for settlement hereunder. If the Survey Plan and the metes and bounds description prepared therefrom does not include any real property not described on Exhibit A to be attached hereto, the Deed (as defined in

Paragraph 4 below) shall describe the Premises in accordance with the Survey Plan.

(c) The seller shall deliver to the Buyer with the executed agreement all Exhibits alluded to herein.

2. Purchase Price. The purchase price to be paid by Buyer to Seller for the Premises and the Personal Property is the sum of One Million Three Hundred Thousand Dollars (\$1,300,000.00) (the "Purchase Price"). The Purchase Price shall be paid as follows:

(a) The sum of One Hundred Thousand Dollars (\$100,000.00) (the "Deposit") upon the execution of this Agreement by the delivery to Seller of Buyer's plain check, subject to collection, payable to the order of Mark Centers Limited Partnership or its designee (the "Escrowee"). The Escrowee shall immediately present Buyer's check for collection and then, pending consummation of this transaction, hold the Deposit in escrow in an interest bearing account. At settlement the deposit shall be paid to the Seller and all interest accrued thereon shall be paid to Buyer. The Escrowee shall not be liable to Buyer or to Seller for any act or omission not committed or occurring in bad faith. In the event of a dispute between Buyer and Seller as to the payment of the Deposit, or any interest accrued thereon, the Escrowee shall be entitled to pay the

Deposit, and all interest accrued thereon, into the applicable Court of record in Newberry County, South Carolina and to interplead both parties, whereupon the Escrowee shall be released from any further liability or obligation to either party hereto.

(b) The sum of One Million Two Hundred Thousand Dollars (\$1,200,000.00) at settlement by wire or debit and credit transfer of immediate United States federal funds to Seller's account at a bank designated by Seller.

3. Settlement.

(a) Settlement shall be held on the day which is sixty (60) days from the date of this Agreement, provided that if such sixtieth (60th) day is a weekend or holiday, then settlement shall be held on the next day which is not a weekend or holiday, commencing at 10:00 a.m. at the offices of the Eugene C.

Griffith, Jr. or other mutually agreeable location Newberry County, South Carolina.

(b) Buyer shall have the right, at its sole option, to cause settlement to be held on such date prior to the date specified in subparagraph (a) of this Paragraph 3, as Buyer shall hereinafter designate by at least (30) days' prior written notice to Seller.

4. Condition of Title; Commitment to Insure.

(a) Fee simple title to the Premises shall be conveyed to Buyer at the completion of settlement by a deed (the "Deed") containing Seller's special warranty as against grantor's acts only, excluding from such warranty the Permitted Encumbrances. Title to the Personal Property shall be conveyed by Seller to Buyer at the completion of settlement by a bill of sale ("Bill of Sale") containing Seller's special warranty, excluding from such warranty the Permitted Encumbrances. Title to the Premises shall be such as will be insured as good and marketable (at Buyer's sole cost and expense) by a title insurance company selected by Buyer and acceptable to Seller (the "Title Company") at regular rates pursuant to the standard stipulations and conditions of the current ALTA Policy of Owner's Title Insurance, free and clear of all encumbrances, except for Permitted Encumbrances. The term "Permitted Encumbrances" shall mean the lien of the Existing Leases (as defined in Paragraph 5 below), any lien against Buyer's interest under this Agreement, and the additional title objections set forth on Exhibit "B" to be attached hereto. Title to the Personal Property shall also be subject to the Permitted Encumbrances.

(b) Buyer's Remedy. If title to the Premises is not, at settlement, insurable as set forth in subparagraph (a) of this Paragraph 4, Buyer may elect, as its sole right and remedy, either (i) to take such title to the Premises as Seller can convey, with abatement of the Purchase Price only to the extent of monetary liens of a definite, fixed and ascertainable amount not in excess of the Purchase Price, or (ii) to receive on written demand the return of the Deposit, and all interest accrued thereon, and the ordinary costs of obtaining a title report from the title Insurance Company; and upon such payments, this Agreement shall be and become null and void, neither party

shall have any further rights or obligations hereunder, and all executed counterparts of this Agreement shall be returned to Seller for cancellation.

(c) Commitment to Insure. Within twenty (20) days after the date of this Agreement, Buyer, At Buyer's sole cost and expense, shall order a commitment to insure with respect to the Premises for the Title Insurance Company, such commitment to certify that fee simple title to the Premises is vested in

Seller, and to commit to insure title to the Premises.

5. Possession, Assignment of Agreements and Leases.

(a) Possession of the Premises and the Personal Property is to be given by Seller to Buyer at the completion of settlement by delivery of the Deed and the bill of Sale and by assignment of the presently existing leases for the Premises listed on Exhibit C to be attached hereto, subject to the rights of any brokers to be paid leasing brokerage commissions out of the rentals paid after settlement. Seller shall, prior to settlement, have the right to enter into new leases for portions of the Premises now vacant and for portions of the Premises which may, pursuant to notice given by any tenant, by reason of any tenant's default, or by reason of the expiration of the term of an existing lease be or become vacant; but rentals under such new leases shall not be at rates less than the prevailing rental rates for comparable space. All such new leases and the presently existing leases listed on Exhibit C to be attached hereto are herein called the "Existing Leases". Seller represents that, at the time of settlement, Seller shall have accepted no prepayment of rent under any of the Existing Leases (except for the current month and except for prepayments heretofore agreed to or received), that Seller shall not have terminated any of the Existing Leases by agreement with the tenant (except by reason of a default by the tenant thereunder or except for notices given to indicate the landlord's intention not to permit the term of the lease to continue or be renewed for an additional term) and the copies of the Existing Leases now in effect initialed by Buyer and by Seller's agent contemporaneously with the execution of this Agreement are true, correct and complete copies thereof. Buyer acknowledges that it has examined all copies of the Existing Leases now in effect, and that the provisions thereof conform to the data set out on Exhibit "C" hereto. The termination of any

of the Existing Leases prior to settlement by reason of the expiration of its term or by reason of the tenant's default shall not excuse Buyer from its obligation to complete settlement and to pay the full Purchase Price.

(b) Seller shall also assign to Buyer at the completion of settlement, if assignable, the existing agreements listed on Exhibit D to be attached hereto (hereinafter collectively called the "Existing Agreements"). Buyer acknowledges that it has examined all copies of the Existing Agreements now in effect and that the provisions thereof conform to the data set forth on Exhibit "D" hereto. The termination of any of the Existing Agreements prior to settlement by reason of the expiration of its term or by reason of a default thereunder shall not excuse Buyer from its obligation to complete settlement and to pay the full Purchase Price.

(c) At settlement, Buyer shall execute and acknowledge an agreement (the "Assumption Agreement") wherein Buyer shall assume all of the obligations of Seller under the Existing Leases (including, without limitation, the obligations for the return of any security deposits and the payment of brokerage commissions) and the Existing Agreements, and shall agree to indemnify, defend and save Seller harmless of and from all claims, liability, costs and expenses arising after settlement which may be asserted against Seller or which Seller may incur or suffer, arising out of or with respect to the Existing Leases or the Existing Agreements, or resulting from a default or breach by Buyer under any of its obligations under this Agreement which survive settlement hereunder. The Assumption Agreement shall also provide that Buyer shall not agree to any extension or renewal of any of the Existing Leases, but shall, instead, provide for any extensions of existing tenancies by means of new leases which will contain no reference to Seller.

(d) Seller agrees to use its reasonable efforts to cause all tenants under Existing Leases that cover space in excess of 7,500 square feet to deliver to Buyer at settlement a

written statement ("Tenant Estoppel Certificate") setting forth that to the best of such tenant's knowledge the landlord is not then in default under its lease, that such tenant has no claims against landlord which would entitle it to set-off the amount of the claim against rent due under the lease, and stating the

expiration date of the lease and the current minimum rent payable under the lease. Buyer's obligation under this Agreement shall not be relieved if Seller is unable to obtain any Tenant Estoppel Certificate, after using its reasonable efforts to obtain it. If any such tenant does have a claim which would entitle it to set-off the amount of claim against rent due under the lease and the amount of such claim is ascertainable, Seller shall have the right, as its option, to give Buyer a credit against the cash portion of the Purchase Price payable hereunder in the amount of the claim; and in such event Buyer shall complete settlement and take subject to such claim.

6. Apportionments.

(a) (i) Real estate taxes (on the basis of the actual fiscal years for which such taxes are assessed), minimum water and sewer rentals, sums paid to or paid or payable by Seller under the Existing Agreements, prepaid fees for licenses and permits to remain in effect for Buyer's benefit after settlement, prepaid premiums under fire and extended coverage insurance policies assigned to Buyer, and rentals and other sums paid to and received by Seller under the Existing Leases shall be apportioned at settlement pro rata between Buyer and Seller on a per diem basis as of the date of settlement.

(ii) Any payments received by Buyer after the date of settlement from a tenant under any of the Existing Leases on account of rentals which are applicable to periods prior to settlement and on account of sums which are attributable to expenses incurred by the lessor for periods of time prior to settlement, shall be apportioned by Buyer upon receipt and the portion thereof attributable to periods or expenses prior to settlement shall immediately be paid by Buyer to Seller. If, at settlement, any tenants are in arrears in the payment of rents or other sums, which were payable prior to settlement, all payments by such tenants after settlement will be deemed as being applicable, first, as against such arrearages to the extent of one month, then as against current rental due and, finally, as against any other such arrearages.

(iii) Any payments received by Buyer after the date of settlement under any of the Existing Agreements on account of payments which are applicable to periods prior to

settlement shall be apportioned by Buyer upon receipt and the portion thereof attributable to periods prior to settlement shall immediately be paid by Buyer to Seller.

(iv) Until such time as Seller shall have received in full all sums which are potentially payable to it on account of any of the Existing Leases or the Existing Agreements as provided in subparagraphs (ii) and (iii) above, of this subparagraph (a), Buyer shall provide to Seller after settlement a monthly accounting of all sums received by Buyer under any of the Existing Leases or Existing Agreements pursuant to which Seller might be entitled to payments as provided in said subparagraph.

(v) If, on the date of settlement, bills for the real estate taxes imposed upon the Premises for the tax fiscal years in which settlement occurs have been issued but shall not have been paid at the time of settlement. If such bills shall not have been issued on the date of settlement, the amount of the taxes shall be reasonably ascertained based upon the then current assessment and anticipated tax rate, and the

portions of such taxes to be borne by Buyer and Seller shall be deposited in escrow with the Title Insurance Company, to be disbursed by the Title Insurance Company, promptly after the real estate tax bills have been issued, for the payment of such bills. If the actual taxes are greater than the amounts estimated, Seller and Buyer shall each pay to the Title Insurance Company on demand its pro rata share of such excess.

(vi) If the Premises are not separately assessed for real estate tax purposes as of the date of settlement, the real estate tax assessment attributable to the Premises shall be deemed that portion of the total assessment of the buildings on the larger parcel with which the Premises are assessed, which bears the same ratio to such total assessment of buildings as the ground floor area of buildings on the Premises bears to the total ground floor area in buildings on such larger parcel and that portion of the assessment of the land constituting the larger parcel with which the Premises are assessed which bears the same ratio to such total assessment as the land area in the Premises bears to the total land area in the larger parcel.

(vii) If the apportionment of any percentage

rents, "escalation" payments relating to operating expenses or other payments received by Buyer after the date of settlement from a tenant under any of the Existing Leases on account of periods prior to settlement and on account of sums which are attributable to expenses incurred by the lessor for periods at time prior to settlement, cannot be precisely determined at the time of settlement, Seller shall reasonably estimate the apportionment of such sums, and such estimated sums shall be apportioned at settlement pro-rata between Buyer and Seller on a per diem basis as of the date of settlement. A Post settlement adjustment shall be made, if necessary, between Buyer and Seller for such apportioned items within thirty (30) days after the sums can be precisely determined.

(viii) Notwithstanding the provisions of this subparagraph 6(a) to the contrary, the apportionment of "percentage rent", and the amounts due Buyer to Seller, respectively, under each of the Existing Leases, shall be made and paid on or before the thirtieth day following the date when the last amount due on account of such percentage rents shall have been paid by the tenants under their respective Existing Leases with respect to the percentage rent lease year (as defined in each of the Existing Leases) in which the settlement date falls. The amount to be apportioned shall be the total of the amounts collected by both Buyer and Seller as percentage rent for such percentage rent lease year. Seller's portion thereof shall be an amount which bears the same ratio to the total percentage rent for the applicable percentage rent lease year as the number of days up to and including the date of settlement in such percentage rent lease year shall bear to the full number of days in each percentage rent lease year; and Buyer shall be entitled to the remaining portion.

(b) At settlement, Seller shall cause its agent to deliver to Buyer, without consideration, a check in the amount of all security deposits, and accrued interest, then held by or for Seller under the Existing Leases. Provided however that the obligations of Seller under this subparagraph (b) shall be conditioned upon Buyer providing to Seller proof reasonably satisfactory to Seller that Buyer will cause the security deposits to be maintained after settlement in accordance with the requirements of applicable law.

(c) Seller shall use diligent efforts to obtain readings of the water and electric meters on the Premises to a date no sooner than ten (10) days prior to the date of settlement. At or prior to settlement, Seller shall pay all charges based upon such meter readings. However, if after

diligent efforts Seller is unable to obtain readings of any meters prior to settlement, settlement shall be completed without such readings and upon the obtaining thereof after settlement, Seller shall pay the charges incurred prior to settlement as reasonably determined by Seller based upon such readings.

(d) At settlement, Buyer shall pay to Seller an equal amount to the cost to Seller for all oil, other fuel and building maintenance supplies, appliances and equipment left at the Premises.

7. Transfer Taxes. The realty transfer taxes imposed upon the Deed or upon this transaction shall be paid by Buyer.

8. Municipal Improvements Relating to the Premises.

Seller represents and warrants that there are, at present, no outstanding unpaid assessment notices against the Premises and that all municipal improvements for the cost for which the Premises can be assessed which were completed between the date of Seller's acquisition of title to the Premises and the date hereof have been paid in full. Buyer shall pay all assessments against the Premises or any part thereof for improvements or other work, construction of which shall be commenced or completed after the date hereof (including any fines, interest or penalties thereon due to the non-payment thereof), and shall indemnify, defend and exonerate and save Seller harmless from any claims therefor or any liability, loss, cost or expenses arising therefrom. Buyer shall have the same obligations to Seller with respect to any such assessment made after the date of settlement to the extent that the assessing entity claims that Seller shall have personal liability therefor.

9. Municipal Notices.

Seller represents and warrants that, at present, it has no knowledge of any outstanding written notice from any public authority concerning the existence of any presently uncorrected

violation of any ordinance, public regulation or statute. Buyer shall be responsible to comply with any such notices concerning the existence of an uncorrected violation of an ordinance, public regulation or statute issued by any public authority after the date hereof (including any fines, interest or penalties thereon due to non-compliance therewith), and shall indemnify, defend and exonerate and save Seller harmless from any claims therefor or any liability, loss, cost or expense arising therefrom, and, if such compliance must occur prior to the date of settlement to protect the Premises, or to prevent the imposition of any fine or penalty, Seller may effect such compliance, and the reasonable cost thereof shall be deemed added to the Purchase Price. Buyer shall have the same obligations to Seller with respect to any such assessment made after the date of settlement to the extent that the assessing entity claims that Seller shall have personal liability therefor.

10. Agreement Not To Be Recorded.

This Agreement shall not be filed of record by or on behalf of Buyer in any office or place of public record and, if Buyer shall fail to comply with the terms hereof by recording or attempting to record the same, such act shall not operate to bind or cloud the title to the Premises. Seller shall, nevertheless, have the right forthwith to institute appropriate legal proceedings to have the same removed from record. If Buyer or any agent, broker or counsel acting for Buyer shall cause or permit this Agreement or a copy thereof to be filed in an office or place of public record, Seller, at its option, and in addition to Seller's other rights and remedies, may treat such act as default of this Agreement on the part of the Buyer. However, the filing of this Agreement in any suit or other proceedings in which such document is relevant or material shall be deemed to be a violation of this Paragraph.

11. Buyer's Default.

(a) If Buyer defaults hereunder at or prior to settlement by failing to complete settlement in accordance with the terms of this Agreement or in any other respect, then on the date specified for settlement (or sooner in the event of an anticipatory breach) the Deposit, and all interest accrued thereon, shall be paid to Seller by the Escrowee (and Buyer

hereby agrees to direct the Escrowee to make such payment) and the Deposit, and all interest accrued thereon, shall be retained by Seller either as liquidated damages or on account of the Purchase Price, as Seller may elect. If Seller shall elect to retain the Deposit, and all interest accrued thereon, as liquidated damages, the retention of the Deposit and all interest accrued thereon shall be Seller's only remedy in the event of Buyer's default at or prior to settlement, and Seller in such event hereby waives any right, unless settlement is completed, to recover the balance of the Purchase Price. If Seller shall retain the Deposit, and all interest accrued thereon as liquidated damages, this Agreement shall be and become null and void and all copies will be surrendered to Seller for cancellation. Nothing in this Paragraph shall limit Seller's rights against Buyer and Buyer's liability to Seller by reason of a default by Buyer under this Agreement which survive settlement, and of its obligations under the Assumption Agreement and its obligation under Paragraph 21 below.

(b) The term "Permitted Event" shall mean the occurrence of the following at the date of settlement: Buyer shall be ready, willing and able to complete settlement in accordance with the Agreement; Buyer, or its authorized representative, shall have appeared at the place designated for settlement and shall have tendered the Purchase Price; and Seller, notwithstanding the foregoing, shall have failed to complete settlement in accordance with the Agreement or is otherwise in default under this Agreement. Except upon the occurrence of the Permitted Event, Buyer agrees that Buyer shall not (and hereby waives any right to) ever file or assert any lis pendens against the Premise nor commence or maintain an action against Seller for specific performance under this Agreement nor for a declaratory judgement as to Buyer's rights under this Agreement. Except as expressly provided above, nothing herein shall be deemed to limit or impair any of Buyer's rights and remedies at law, in equity or by statute.

12. Notices.

All notices given by either party to the other shall be in writing and shall be sent by United States Postal Service registered or certified mail, postage prepaid, return receipt requested, addressed to the other at the following addresses:

As to Seller:

Mark Centers Limited Partnership
600 Third Avenue
Kingston, PA 18704-1679
Attn: Steven Pomerantz, Esquire

As to Buyer:

Plaza Management Group
Post Office Box 37
Newberry, SC 29108
Attn: Ronnie W. Cromer

With a copy to:

Eugene C. Griffith, Jr., Esquire
Post Office Box 37

or to such other address as the respective parties may hereafter designate by notice in writing in the specified manner above. Any notice may be given on behalf of any party by its counsel. Notices given in the manner aforesaid shall be deemed sufficiently served or given for all purposes hereunder at the time such notices, demands or requests shall be deposited in any Post Office, or branch Post Office regularly maintained by the United States Government.

13. Fire or Other Casualty.

(a) (i) Seller agrees to maintain in effect until the date of settlement the fire and extended coverage insurance policies now in effect on the Premises.

(ii) Such policies shall, to the extent permitted by the insurers, be assigned by Seller to Buyer at settlement, the prepaid premiums shall be apportioned between Buyer and Seller on a per diem basis as of the date of settlement and Buyer's portion thereof shall be deemed added to the Purchase Price and shall be paid as provided in subparagraph 2(a) above.

(b) In the event that the Premises or the Personal

Property shall be damaged or destroyed by fire or other casualty between the date of this Agreement and the completion of settlement, Seller shall have the right to accelerate the date for settlement by giving Buyer at least ten (10) days' prior written notice of such accelerated date, the obligation of Buyer to complete settlement hereunder shall in no way be voided or impaired, and Buyer shall be required to accept the Premises and the Personal Property in their then damaged condition without abatement of the Purchase Price. In the event of any such damage or destruction after the date of this Agreement, the proceeds of all fire and extended coverage insurance policies attributable to the Premises or Personal Property received by Seller prior to the date of settlement and not used by Seller for the repair of the Premises and the Personal Property (the Buyer hereby authorizes Seller to use the proceeds for such purpose) shall be disbursed to Buyer after settlement (subject to such reasonable protective provisions as Seller shall impose) to reimburse Buyer for the reasonable cost of repairing and restoring the Premises; and all unpaid claims under such policies attributable to the Premises and Personal Property shall be assigned by Seller to Buyer on the date of settlement and there shall be no reduction in the Purchase Price by reason of such unpaid claim.

(c) Notwithstanding any of the preceding provisions of this Paragraph 13 to the contrary, in the event the buildings on the Premises shall be substantially destroyed by fire or other insured casualty prior to the date of settlement, Seller shall have the right to terminate this Agreement by written notice to Buyer, unless Buyer shall agree to complete settlement within fifteen (15) days after the occurrence of such destruction. In the event of such termination, the Deposit shall be returned by Seller to Buyer, neither party shall have any further rights or obligations hereunder except for any default by Buyer which may have occurred prior thereto, and this Agreement shall be null and void.

14. Preparation of Deed.

The Deed and Bill of Sale shall be prepared and recorded at the expense of Buyer. At least thirty (30) days prior to the date fixed for settlement, Buyer shall submit to Seller the Deed, the Bill of Sale and a title report issued by the Title Insurance Company showing the existence or non-

existence of any alleged defects in or objections to the title to

the Premises, which do not constitute encumbrances to which Buyer is obligated to accept title to the Premises pursuant to the provisions of Paragraph 4 above. Buyer shall be deemed to have waived its right to object to any encumbrance existing at the time of settlement, unless Buyer shall have given to Seller written notice of the existence thereof of at least thirty (30) days prior to the time fixed for settlement, or unless such encumbrances was not a matter of record on the date occurring thirty (30) days prior to the time fixed for settlement. Also, Seller shall have the right, at its sole option, to defer the date of settlement specified in Paragraph 3 above, for a period not exceeding thirty (30) days, to give to Seller an opportunity of removing any encumbrance.

15. Waiver of Tender of Deed and Purchase Monies.

The tender of an executed Deed by Seller and the tender by Buyer of the portion of the Purchase Price payable at settlement are hereby mutually waived, but nothing herein contained shall be construed as a waiver of Seller's obligation to deliver the Deed and/or of the concurrent obligation of Buyer to pay the portion of the Purchase Price payable at settlement.

16. Time of the Essence.

Time, wherever specified herein for the performance by Seller or Buyer of any of their respective obligations hereunder is hereby made and declared to be of the essence of this Agreement.

17. Personalty Included.

This sale includes and there shall remain upon the Premises, at settlement, in addition to the building and other improvements located thereon, the Personal Property listed on Exhibit A-1 to be attached hereto. This sale does not include, and Seller shall remove from the Premises prior to settlement, any personal property not listed on Exhibit A-1 to be attached hereto. Any personalty not so removed shall be considered abandoned and title to such property shall transfer to the Buyer.

18. Assignability.

Buyer may not assign or suffer an assignment of this Agreement and its rights hereunder, without the prior written consent of Seller. Subject to the foregoing, this Agreement shall extend to, and shall bind, the respective heirs, executors, personal representatives, successors and assigns of Seller and Buyer.

19. Buyer's Right of Entry; As Is Transfer.

(a) Buyer, and Buyer's agents and representatives, shall have the right, from time to time, for a period of forty-five (45) days after the date of this Agreement (the "Inspection Period"), during usual business hours, to enter upon the Premises for the purpose of inspection, preparation of plans, making of test borings, taking of measurements, making of surveys, for review of title to the Premises, and generally for the reasonable ascertainment of the condition of the Premises; provided, however, that Buyer shall (i) give Seller prior written notice of the time and place of such entry and permit a representative of Seller to accompany Buyer; (ii) restore any holes caused by such test borings; (iii) indemnify, defend and save Seller harmless of and from any and all liabilities which Seller may suffer by reason of such entry prior to settlement; and (iv) not communicate with any tenant without Seller's written consent. Buyer shall have the right, to be exercised by written notice received by Seller prior to the end of the Inspection Period, to terminate this Agreement as a result of Buyer's due diligence review or failure to secure reasonable financing for its purchase

not to exceed eighty percent of the purchase price. If Buyer so terminates this Agreement, Escrowee shall return the Deposit to Buyer and neither Buyer and neither party shall have any further liability under this Agreement. Buyer's failure to timely terminate this Agreement prior to the end of the Inspection Period shall constitute a waiver of Buyer's termination right.

(b) Nothing contained in this Agreement shall be deemed or construed in any way as constituting the consent or request of Seller, express or implied by inference or otherwise, to any party for the performance of any labor or the furnishing of any materials to the Premises or any part thereof, nor as giving Buyer any right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any liens against the Premises or any part thereof. Prior to permitting any party to enter the Premises prior to settlement for the purpose of performing any service or supplying any materials for which such party could claim a mechanic's lien against the Premises or any part thereof, Buyer shall procure from such party a release of mechanic's liens in form satisfactory to Seller.

(c) Buyer acknowledges that Buyer has investigated the environmental condition of the Premises and that Buyer is aware that soil and ground water under and adjoining the Premises have been contaminated by a release of petroleum products. Buyer has reviewed the Order entered on August 23, 1996 by the Court of Common Pleas for the Eighth Judicial Circuit in the matter of Mark Centers Limited Partnership v. Gate Petroleum Company. Buyer accepts the environmental condition of the Premises in its "as in" condition and agrees that Buyer hereby waives, releases, remises acquits and forever discharges Seller and its partners, and their respective directors, trustees, officers, shareholders, employees, and agents, and their respective heirs, successors, personal representatives and assigns, of and from any and all suits, causes of action, legal or administrative proceedings, claims, demands, actual damages, punitive damages, losses, costs, liabilities, interest, attorneys' fees and expenses of whatever kind and nature, in law or in equity, known or unknown, which Buyer ever had, now has, hereafter can, shall or may have or acquire or possess or arising out of or in any way connected with directly or indirectly out of, or in any way connected with, based upon, arising out of (i) Seller's use maintenance, ownership and operation of the Premises prior to settlement, or (ii) the condition, status, quality, nature, contamination or environmental state of the Premises.

20. Condemnation.

If any part or parts of the Premises shall be taken by exercise of the power of eminent domain after the date hereof, this Agreement shall continue in full force and effect and there shall be no abatement of the Purchase Price. Seller shall be relieved, however, of its duty to convey title to the portion so taken, but Seller shall, at settlement, assign to Buyer all rights and claims to any awards arising therefrom as well as any money theretofore received by Seller on account thereof, net of

any expenses to Seller, including reasonable attorney's fees of collecting the same. With respect to any such taking after the date hereof, Seller shall furnish Buyer with a copy of the declaration of taking property after Seller's receipt thereof.

21. Brokers.

Buyer represents and warrants to Seller that Buyer has dealt with no broker or other intermediary in connection with this transaction or the Premises. In the event that any broker or other intermediary claims to have dealt with Buyer in connection with this transaction or the Premises, to have introduced the Premises to Buyer for sale, or to have been the inducing cause to the sale, Buyer shall indemnify, defend and save Seller harmless of and from any claim for commission or

compensation by such broker or other intermediary.

22. Condition of Premises.

(a) The entire agreement between the Seller and Buyer with respect to the Premises and the Personal Property and the sale thereof is expressly set forth in this Agreement, and the parties are not bound by any agreement, understandings, provisions, conditions, representations or warranties other than as are expressly set forth and stipulated herein. Without in any manner limiting the generality of the foregoing, Buyer acknowledges that it and its representatives have or will have fully inspected the Premises, the Personal Property, and the Existing Leases, Buyer is or will be fully familiar with the physical and financial condition thereof, and that the Premises, the Personal Property, and the Existing Leases will be purchased by Buyer in an "as is" and "where is" condition as a result of such inspection and investigations and not in reliance on any agreement, understanding, condition, warranty or representation made by Seller or any agent or employee of Seller (except as expressly elsewhere provided in this Agreement) as to the condition thereof, as to any permitted use thereof, or as to the income or expense in connection therewith, or as to any other matter in connection therewith; and Buyer further acknowledges that neither Seller nor any party acting on behalf of Seller has made or shall be deemed to have made any such agreement, condition, representation or warranty.

(b) Buyer shall accept the Premises and the Personal Property at the time of settlement in the same condition as the same are of the date of this Agreement as such condition shall have changed by reason of wear and tear, damage by fire or other casualty and vandalism. Without limiting the generality of the foregoing, Buyer specifically acknowledges that the fact that any portion of the Premises or the Personal Property or any equipment or machinery therein or any part thereof may not be in working order of condition at settlement by reason of wear and tear or damage by fire or other casualty or vandalism, or by reason of its present condition, shall not relieve buyer of its obligation to complete settlement hereunder. Notwithstanding that Seller has no obligation to make any repairs required by reason of wear and tear, fire or other casualty, or vandalism, Seller may make such repairs prior to settlement required to protect the Premises and the Personal Property, and the reasonable cost thereof shall be added to the Purchase Price and shall be payable as provided in subparagraph 2(a) above.

(c) Seller has no obligation to deliver the Premises in a "broom clean" condition, and Seller may leave in the Premises at the time of settlement all items of personal property and equipment, partitions and debris as are now presently therein.

(d) Between the date of the execution of this Agreement and the date of settlement, Seller shall perform all repairs to the Premises and the Personal Property required to maintain them in the same condition as they are as of the date of this Agreement, as said condition shall be changed by wear and tear, damage by fire or other casualty, or vandalism.

23. Captions or Headings.

The captions or headings of the Paragraphs of this Agreement are for convenience only, and shall not control or affect the meaning or construction of any of the terms or provisions of this Agreement.

24. Changes; Survival of Settlement.

(a) No change, alteration, amendment, modification or waiver of any of the terms or provisions hereof shall be valid,

unless the same shall be in writing and signed by the parties hereto.

(b) Acceptance by Buyer of the executed Deed at settlement shall constitute an acknowledgement by Buyer of full performance by Seller of all Seller's obligations hereunder. Such if Buyer's obligations hereunder as shall possibly imply performance or observance after settlement shall survive settlement, notwithstanding any presumption to the contrary; without in any manner limiting the generality of the foregoing provisions of this sentence, the obligations of Buyer under Paragraphs 6,8,9 and 19 above shall survive settlement.

(c) The warranties and representations of Seller shall not survive settlement hereunder.

25. Applicable Law.

This Agreement shall be governed and construed according to the laws of the State of South Carolina.

26. Addendums to Agreement.

(a) Seller shall prior to its execution of this agreement provide to the Buyer all Exhibits: A, A-1, B, C, D which are attached hereto.

IN WITNESS WHEREOF, the parties hereto, intending legally to be bound hereby, have executed this Agreement as of the day and year first above written.

SELLER:

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

BUYER:

/s/ William W. Riser, Jr.
William W. Riser, Jr.

/s/ Ronnie W. Cromer
Ronnie W. Cromer

/s/ Earl H. Bergen, Jr.
Earl H. Bergen, Jr.

/s/ William B. Rush
William B. Rush

/s/ Rodney S. Griffin
Rodney S. Griffin

EXHIBIT "A"

(Legal Description)

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in Newberry, South Carolina, bounded and described as follows:

Beginning at an iron pipe marker at the Northeast intersection of Wilson Road (U.S. Highway No. 76) and Pomaria Road (S.C. Highway No. 219) and proceeding along the eastern right-of-way of Wilson Road in a direction of N32 -41'-27"W for a total distance of 705.69 feet to an iron pipe marker; thence turning and proceeding along the property of the Trustees of Net Realty Holding Trust (Hardees Hamburgers) in a direction of N27 -08'-41"E for a distance of 170.45 feet to an iron pipe marker; thence turning and continuing along the property of the Trustees of Net Realty Holding Trust in a direction of N32 -17'-37"W for a distance of 175.01 feet to an iron pipe marker; thence turning and proceeding along the eastern right-of-way of Winnsboro Road (S.C. Highway No. 34) in a direction of N27 -27'-27"E for a distance of 693.65 feet to an iron pipe marker; thence turning and proceeding along the property of Edith Larkin Matthews for the following courses and distances - S87 -22'-27"E for a distance of 66.25 feet to a point, S88 25'-26" E for a distance of 102.73 feet to a point, S89 -08'-37"E for a distance of 50.71 feet to a point, S89 -15'-07"E for a distance of 44.87 feet to a point; thence turning and continuing along the property of Edith Larkins Matthews the following courses and distances - S14 -00'-57"E for a distance of 755.52 feet to a point, S10 -41'-22"E for a distance of 817.92 feet to an iron pipe marker; thence turning and proceeding along the northern right-of-way of Pomaria Road the following courses and distances - N82 -45'-04"W for a distance of 211.37 feet to a point, N86 -05'-55"W for a distance of 54.83 feet to a point, N87 -07'-18"W for a distance of 44.77 feet to a point, S89 -39'-55"W for a distance of 112.28 feet to a point, S86 -00'-21"W for a distance of 85.56 feet to a point; thence turning and proceeding at the intersection of Pomaria Road and Wilson Road in a direction of N63 -20'-33"W for a distance of 17.21 feet to an iron pipe marker; this being the point of beginning.

EXHIBIT "B"

Permitted Title Objections

OWNERS FORM
CHICAGO TITLE INSURANCE COMPANY
SCHEDULE B

Policy Number: 41 326 106 000001

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss of damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

General Exceptions:

Special Exceptions: The mortgage, if any, referred to in Item 4 of Schedule A.

1. Restrictions of record in Deed Book 116 at Page 21 which is a corrective deed recorded to correct deed recorded in Deed Book 113 at Page 121 in the Office of the Clerk of Court for Newberry County. This policy insures, however, that the same have not been violated and a future violation will not result in the forfeiture or reversion of title.

2. Deed of Mutual Restrictions, Covenants, and Easements between Newberry Associates and A.S.C. of Newberry, Inc. of record in Miscellaneous Book 25, Page 37 in the Office of the Clerk of Court for Newberry County. This policy insures, however, that these restrictions have not been violated and a future violation will not result in forfeiture or reversion of title.

3. Easements and rights of way as shown on Plat recorded in Plat Book AD at Page 28 in the Office of the Clerk of Court for Newberry County.

5. Easements and rights of way as shown on Plat recorded in Plat Book AG at page 59 on the Office of the Clerk of Court for

Newberry County.

7. Lease from A.S.C. of Newberry, Inc. to Gate Petroleum Co. recorded in Miscellaneous Book 23 at Page 98 in the office of the Clerk of Court for Newberry County.

8. Lease from ASC of Newberry, Inc. to National Features Ltd. d/b/a HUB THEATRE recorded in the Office of the Clerk of Court for Newberry County.

EXHIBIT "C"
Existing Leases

Lease dated August 18, 1970, as amended, by and between Mark Centers Limited Partnership, as Landlord, and The Great Atlantic & Pacific Tea Company, Inc., as Tenant.

Lease dated August 21, 1991, as amended, by and between Mark Centers Limited Partnership, as Lessor, and Scott M. McLaughlin, as Lessee.

Lease dated May 18, 1988, as amended, by and between Mark Centers Limited Partnership, as Lessor, and Dwight O. Clark, as Lessee.

Lease dated December 16, 1991, as amended, by and between Mark Centers Limited Partnership, as Lessor, and William W. & John J. Riser, as Lessee.

Lease dated November 22, 1993, by and between Mark Centers Limited Partnership, as Lessor, and Dolgencorp, Inc., as Lessee.

Lease dated July 7, 1994, as amended, by and between Mark Centers Limited Partnership, as Lessor, and Midland Theatre, Inc., as Lessee.

Lease dated September 8, 1993, by and between Mark Centers Limited Partnership, as Lessor, and Gladys Stallworth, as Lessee.

Lease dated October 6, 1993, by and between Mark Centers Limited Partnership, as Lessor, and Flagstar Enterprises, Inc., as Lessee.

Lease dated September 8, 1988, as amended, by and between Mark Centers Limited Partnership, as Lessor, and Ronnie Cromer, as Lessee.

Lease dated April 24, 1989, by and between Mark Centers Limited Partnership, as Lessor, and Mickey Rayhorn, as Lessee.

Lease dated August 30, 1996, by and between Mark Centers Limited Partnership, as Lessor, and Jeanette H. Renwick, as Tenant.

Lease dated December 22, 1994, by and between Mark Centers Limited Partnership, as Lessor, and Mi-Soon Park, as Lessee.

LOAN AGREEMENT

THIS LOAN AGREEMENT, made as of March 4, 1997, is by and between NOMURA ASSET CAPITAL CORPORATION, a Delaware corporation, having an address at Two World Financial Center, Building B, New York, New York 10281-1195, Attention: Christopher Tierney, Telefax Number (212) 667-1666 (together, with its successors and assigns, "Lender") and MARK NORTHWOOD ASSOCIATES, LIMITED PARTNERSHIP, a Florida limited partnership, c/o Mark Centers Limited Partnership, 600 Third Avenue, Kingston, Pennsylvania 18704-1679, Attention: Joshua Kane, Telefax Number: (717) 258-1028 (the "Borrower").

RECITALS

WHEREAS, Borrower desires to obtain a loan (the "Loan") from Lender in the principal amount of \$23,000,000 (the "Loan Amount");

WHEREAS, Lender is willing to make the Loan on the condition that Borrower joins in the execution and delivery of this Agreement which shall establish the terms and conditions of the Loan; and

WHEREAS, Lender and Borrower contemplate that all or any portion of Lender's interest in the Loan and to the Loan Documents may be assigned, in whole or in part, by Lender to another Person, including, without limitation, to a trustee on behalf of security holders in connection with a Securitization.

NOW, THEREFORE, in consideration of the making of the Loan by Lender and the covenants, agreements, representations and warranties set forth in this Agreement, the parties hereby covenant, agree, represent and warrant as follows:

ARTICLE I

CERTAIN DEFINITIONS

Section 1.1. Definitions. For all purposes of this Agreement:

(a) the capitalized terms defined in this Article I have the meanings assigned to them in this Article I, and include the plural as well as the singular;

(b) all accounting terms have the meanings assigned to them in accordance with GAAP;

(c) the words "herein", "hereof", and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, or other subdivision; and

(d) the following terms have the following meanings:

"Account Collateral" has the meaning provided in Section 2.13(a).

"Accounts" means all of Borrower's "accounts" as such term is defined in the UCC, and, to the extent not included in such definition, any of Borrower's rights to payment for goods sold or leased or for services rendered arising from the ownership or operation of the Facility and not evidenced by an Instrument, including, without limitation, all accounts and accounts receivable arising from the ownership or operation of the Facility, now existing or hereafter coming into existence, and all proceeds thereof (whether cash or non-cash, moveable or

immovable, tangible or intangible), received from the sale, exchange, transfer, collection or other disposition or substitution thereof.

"Accrued Interest" has the meaning provided in Section 2.5(e).

"Adjusted Net Operating Income" means, for any period, the Net Operating Income for such period reduced by (i) the Capital Reserve Amount, pro rated for the applicable period, (ii) annual base management fees, pro rated for the applicable period, equal to (A) the greater of (y) actual base management fees paid pursuant to the Management Agreement and (z) five percent (5%) of Gross Revenues, reduced by (B) those costs and expenses

consisting of Operating Expenses which would ordinarily be paid by the Manager from the management fee payable under the Management Agreement, (iii) an amount necessary to reflect a minimum annual vacancy factor of the greater of (a) actual vacancy on a trailing twelve (12) month basis and (b) five percent (5%), pro rated for the applicable period, (iv) a tenant improvement and leasing commission allowance of \$1.00 multiplied by the number of square feet of gross rentable area (excluding the square footage included within the Lease to Publix and ground Lease to the U.S. Postal Service) (as approved by Lender in Lender's discretion) per annum, pro rated for the applicable period and (v) a credit loss allowance, prorated for the applicable period, equal to the greater of (y) actual credit loss and (z) five percent (5%) of Gross Revenues. Notwithstanding the foregoing part of this definition of "Adjusted Net Operating Income" to the contrary, if the period for which Adjusted Net Operating Income is being calculated includes periods prior to the Closing Date, Adjusted Net Operating Income shall be calculated for such period based on the applicable pro rata portion of Base Adjusted NOI.

"Advisor" means Nomura Securities International, Inc.

"Affiliate" of any specified Person means any other Person controlling, controlled by or under common control with such specified Person. For the purposes of this Agreement, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities or other beneficial interests, by contract or otherwise; and the terms "controls", "controlling" and "controlled" have the meanings correlative to the foregoing.

"Agreement" means this Loan Agreement, as the same may from time to time hereafter be modified, supplemented or amended.

"Annual Operating Budget" means an annual budget for the operations of the Facility (broken down on a month-by-month basis) prepared, and submitted by Borrower to Lender (i) on the Optional Prepayment Date, for the period of time commencing on the Optional Prepayment Date to and including the last day of the calendar year in which the Optional Prepayment Date occurs and (ii) on each December 1, for each succeeding calendar year, all in form and substance reasonably satisfactory to Lender and as

reasonably approved by Lender, as the same shall be amended by Borrower from time to time, with Lender's written consent. Lender's approval shall be deemed given if Lender does not respond to Borrower's proposed budget within thirty (30) days of Lender's receipt thereof.

"Appraisals" means the appraisals, if any, with respect to the Facility delivered to Lender in connection with the Loan and any more recent appraisal of the Facility delivered to Lender or Lender's servicer, as applicable, each made by an Appraiser at the request of Borrower or Lender, as any of the same may be updated by recertification from time to time (and pursuant to the terms of this Agreement) by the Appraiser performing such

Appraisal.

"Appraiser" means any Independent appraiser selected by Borrower (and reasonably satisfactory to Lender) who is (i) a member of the Appraisal Institute with a national practice and who has at least ten years experience with real estate of the same type and in the geographic area of the Facility to be appraised or (ii) otherwise acceptable to Lender.

"Appurtenant Rights" has the meaning set forth in the Mortgage.

"Assignment of Agreements" means, with respect to the Facility, a first priority Assignment of Management Agreement and Agreements Affecting Real Estate, in form and substance satisfactory to Lender in its sole discretion, dated as of the Closing Date from Borrower, as assignor, to Lender, as assignee, as the same may thereafter from time to time be supplemented, amended, modified or extended by one or more written agreements supplemental thereto.

"Assignment of Leases" means, with respect to the Facility, a first priority Assignment of Leases and Rents, in form and substance satisfactory to Lender in Lender's sole discretion, dated as of the Closing Date from Borrower, as assignor, to Lender, as assignee, assigning to Lender Borrower's interest in and to the Leases and the Rents with respect to the Facility as security for the Loan, as the same may thereafter from time to time be supplemented, amended, modified or extended by one or more written agreements supplemental thereto.

"Base Adjusted NOI" means the amount shown on Exhibit B.

"Base Payment" has the meaning provided in Section 2.5(c).

"Basic Carrying Costs" means the following costs with respect to the Facility (i) real property taxes, assessments and Impositions (including without limitation any payments due under any ground lease and any ground rents) applicable to the Facility, and (ii) insurance premiums for policies of insurance required or permitted to be maintained by Borrower pursuant to this Agreement or the other Loan Documents.

"Basic Carrying Costs Monthly Installment" means, with respect to the Facility, Lender's reasonable and good faith estimate of one-twelfth (1/12th) of the annual amount of the Basic Carrying Costs (provided, that Lender may calculate reasonably and in good faith the monthly amount to assure that funds are reserved in sufficient amounts to enable the payment of all Impositions, including, without limitation, taxes and insurance premiums thirty (30) days prior to their respective due dates). Should the Basic Carrying Costs for the then current Fiscal Year or payment period not be ascertainable by Lender at the time a monthly deposit is required to be made, the Basic Carrying Costs Monthly Installment shall be Lender's reasonable and good faith estimate based on one-twelfth (1/12th) of the aggregate Basic Carrying Costs for the prior Fiscal Year or payment period, with reasonable adjustments as reasonably determined by Lender. As soon as the Basic Carrying Costs are fixed for the then current Fiscal Year or period, the next ensuing Basic Carrying Costs Monthly Installment shall be reasonably adjusted to reflect any deficiency or surplus in prior Basic Carrying Costs Monthly Installments.

"Basic Carrying Costs Sub-Account" means the Sub-Account of the Cash Collateral Account established and maintained pursuant to Section 2.12 relating to the payment of Basic Carrying Costs.

"Borrower" has the meaning provided in the first paragraph of this Agreement.

"Business Day" means any day other than (i) a Saturday or a Sunday, and (ii) a day on which federally insured depository institutions in New York, New York, Chicago, Illinois or the State in which the Collection Account Bank is located are authorized or obligated by law, regulation, governmental decree or executive order to be closed.

"Capital Improvement Costs" means costs incurred by Borrower in connection with capital improvements to the Facility.

"Capital Reserve Amount" means with respect to the Facility, an amount equal to (i) \$0.35 multiplied by the number of square feet of gross rentable area (as approved by Lender) for the Office Space per annum and (ii) \$0.20 multiplied by the number of square feet of gross rentable area (as approved by Lender) for the Retail Space.

"Capital Reserve Monthly Installment" means, with respect to the Facility, an amount equal to one-twelfth (1/12th) of the Capital Reserve Amount.

"Capital Reserve Sub-Account" means the Sub-Account of the Cash Collateral Account established and maintained pursuant to Section 2.12 relating to the payment of Capital Improvement Costs.

"Cash Collateral Account" has the meaning provided in Section 2.12(b).

"Cash Collateral Account Agreement" has the meaning provided in Section 2.13(c).

"Cash Collateral Account Bank" means the bank chosen by Lender to hold the Cash Collateral Account, or any successor bank hereafter selected by Lender in accordance with the terms hereof.

"Closing Date" means the date of this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, and as it may be further amended from time to time, any successor statutes thereto, and applicable U.S. Department of Treasury regulations issued pursuant thereto in temporary or final form.

"Collateral" means, collectively, the Land, Leasehold Estate, Appurtenant Rights, Improvements, Equipment, Rents, Leases, Accounts, Account Collateral, General Intangibles, goods, Instruments, Inventory, Money, Permitted Investments and (to the full extent assignable) Permits and all Proceeds and products of the foregoing, all whether now owned or hereafter acquired and all other property which is or hereafter may become subject to a Lien in favor of Lender as security for the Loan.

"Collateral Security Instrument" means any right, document or instrument, other than a Mortgage, given as security for the Loan (including, without limitation, the Assignment of Leases, the Assignment of Agreements and the Manager's Subordination), as the same may hereafter from time to time be supplemented, amended, extended or modified.

"Collection Account" has the meaning provided in Section 2.12(a).

"Collection Account Agreement" has the meaning set forth in Section 2.12(b).

"Collection Account Bank" means, with respect to the Facility, the applicable collection bank for the Facility and any successor bank hereafter selected by Borrower and reasonably approved by Lender.

"Condemnation Proceeds" has the meaning provided in Section 2.12(h).

"Contingent Obligation" means any obligation of Borrower guaranteeing any indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of Borrower, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or

hold harmless the owner of such primary obligation against loss in respect thereof. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made (taking into account the non-recourse or limited recourse nature of such Contingent Obligation, if applicable) or, if not stated or determinable, the maximum anticipated liability in respect thereof (assuming that Borrower is required to perform thereunder) as determined by Lender in good faith (taking into account the non-recourse or limited recourse nature of such Contingent Obligation, if applicable).

"Current Interest Accrual Period" has the meaning provided in Section 2.12(g).

"Debt Service" means, for any period, the principal, interest payments, Default Rate interest, Late Charges and Yield Maintenance Premium that accrue or are due and payable in accordance with the Loan Documents during such period.

"Debt Service Coverage Ratio" means, for any period, the quotient obtained by dividing Adjusted Net Operating Income for the specified period by the aggregate amount of the Base Payments due for such period.

"Debt Service Payment Sub-Account" means the Sub-Account of the Cash Collateral Account established and maintained pursuant to Section 2.12 relating to the payment of Debt Service.

"Default" means the occurrence of any event which, but for the giving of notice or the passage of time, or both, would be an Event of Default.

"Default Collateral" has the meaning provided in Section 8.14.

"Default Rate" means the per annum interest rate equal to the lesser of (i) the Maximum Amount or (ii) the Interest Rate plus five percent (5%).

"Defeasance Deposit" means the following in each of the following circumstances:

(i) in the case of a total defeasance of the Loan and Facility pursuant to Section 2.11, "Defeasance Deposit" means the amount that will be sufficient to purchase U.S. Obligations (A) having maturity dates on or prior to, but as close as possible to, successive scheduled Payment Dates (after the Defeasance Release Date) upon which Payment Dates interest and principal payments would be required under the Note as though the Maturity Date of the Note was the Optional Prepayment Date and (B) in amounts sufficient to pay all scheduled principal and interest

payments on the Note as if the Maturity Date of the Note was the Optional Prepayment Date (but without any adjustment of the monthly amortization schedule); and

(ii) in the case of a partial defeasance of the Loan pursuant to Section 5.1(P), "Defeasance Deposit" means the amount that will be sufficient to purchase U.S. Obligations (A) having maturity dates on or prior to, but as close as possible to, the successive scheduled Payment Dates (after the date of such voluntary defeasance) upon which Payment Dates interest and principal payments would be required under the Note as though the Maturity Date of the Note was the Optional Prepayment Date and (B) in amounts sufficient to pay all scheduled principal and interest payments on the Note (1) as if the Maturity Date of the Note was the Optional Prepayment Date (but without any adjustment of the monthly amortization schedule) and (2) as if the outstanding principal indebtedness due under the Note was an amount equal to the amount required to be defeased pursuant to Section 5.1(P) in connection with such partial defeasance.

"Defeasance Release Date" has the meaning provided in Section 2.11(a).

"Eligible Account" means (i) an account maintained with a federal or state chartered depository institution or trust company whose (x) commercial paper, short-term debt obligations or other short-term deposits are rated at least A-1 by each Rating Agency if the deposits in such account are to be held in such account for thirty (30) days or less or (y) long-term unsecured debt obligations are rated at least AA- by each Rating Agency if the deposits in such account are to be held in such account for more than thirty (30) days; or (ii) a segregated trust account maintained with the trust department of a federal or state chartered depository institution or trust company acting in its fiduciary capacity which institution or trust company is

subject to regulations regarding fiduciary funds on deposit substantially similar to 12 C.F.R. section 9.10(b); or (iii) an account otherwise acceptable to each Rating Agency, as confirmed in writing that such account would not, in and of itself, result in a downgrade, qualification or withdrawal of the then current ratings assigned to any security issued in connection with a Securitization.

"Engineer" means any reputable Independent engineer, properly licensed in the relevant jurisdiction and approved by Lender in Lender's reasonable discretion.

"Engineering Reports" means the structural engineering reports with respect to the Facility prepared by an Engineer and delivered to Lender in connection with the Loan and any amendments or supplements thereto delivered to Lender.

"Entity" means (a) a limited partnership, if Borrower is listed as a limited partnership in the first paragraph of this Agreement or (b) a limited liability company, if Borrower is listed as a limited liability company in the first paragraph of this Agreement.

"Environmental Claim" means any written request for information by a Governmental Authority, or any written notice, notification, claim, administrative, regulatory or judicial action, suit, judgment, demand or other written communication by any Person or Governmental Authority requiring, alleging or asserting liability with respect to Borrower, or the Facility, whether for damages, contribution, indemnification, cost recovery, compensation, injunctive relief, investigatory, response, remedial or cleanup costs, damages to natural resources, personal injuries, fines or penalties arising out of, based on or resulting from (i) the presence, Use, Release or threatened Release into the environment of any Hazardous Substance originating at or from, or otherwise affecting the Facility, (ii) any fact, circumstance, condition or occurrence forming the basis of any violation, or alleged violation, of any

Environmental Law by Borrower or otherwise affecting the Facility or (iii) any alleged injury or threat of injury to health, safety or the environment by Borrower or otherwise affecting the Facility.

"Environmental Guaranty" means the Environmental Indemnity Agreement in form and substance satisfactory to Lender in Lender's sole discretion dated as of the Closing Date from the Parent to Lender, as the same may thereafter be from time to time supplemented, amended, modified or extended by one or more agreements supplemental thereto.

"Environmental Laws" means any and all applicable federal, state, local and foreign laws, rules, regulations or municipal ordinances, each as amended from time to time, any judicial or administrative orders, decrees, settlement agreements or judgments thereunder, and any Permits, approvals, licenses, registrations, filings and authorizations, in each case as in effect as of the relevant date, relating to the environment, health or safety, or the Release or threatened Release of Hazardous Substances into the indoor or outdoor environment including, without limitation, ambient air, soil, surface water, ground water, wetlands, land or subsurface strata, or otherwise relating to the presence or Use of Hazardous Substances.

"Environmental Reports" means, with respect to the Facility, the environmental audit reports delivered to Lender in connection with the Loan and any amendments or supplements thereto delivered to Lender.

"Equipment" means all of Borrower's "equipment" as such term is defined in the UCC, and, to the extent not included in such definition, any of Borrower's rights in all fixtures, appliances, machinery, furniture, furnishings, decorations, tools and supplies, now owned or hereafter acquired by Borrower, including but not limited to, all beds, linens, radios, televisions, carpeting, telephones, cash registers, computers, lamps, glassware, restaurant and kitchen equipment, and building equipment, including but not limited to, all heating, lighting, incinerating, waste removal and power equipment, engines, pipes, tanks, motors, conduits, switchboards, security and alarm systems, plumbing, lifting, cleaning, fire prevention, fire extinguishing, refrigeration, washing machines, dryers, stoves, refrigerators, ventilating, and communications apparatus, air cooling and air conditioning apparatus, escalators, elevators, ducts, and compressors, materials and supplies, and all other machinery, apparatus, equipment, fixtures and fittings now owned or hereafter acquired by Borrower, any portion thereof or any appurtenances thereto, together with all additions, replacements,

parts, fittings, accessions, attachments, accessories, modifications and alterations of any of the foregoing.

"Equity Interests" means (a) if Borrower is a limited partnership, limited partnership interests in Borrower or (b) if Borrower is a limited liability company, membership interests in Borrower; provided, however, that Equity Interests shall not include any direct or indirect legal or beneficial ownership interest, or any other interest of any nature or kind whatsoever, of the SPE Equity Owner in Borrower.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated thereunder. Section references to ERISA are to ERISA, as in effect at the date of this Agreement and, as of the relevant date, any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

"ERISA Affiliate" means any corporation or trade or business that is a member of any group of organizations (i) described in Section 414(b) or (c) of the Code of which Borrower

is a member, and (ii) solely for purposes of potential liability under Section 302(c)(11) of ERISA and Section 412(c)(11) of the Code and the lien created under Section 302(f) of ERISA and Section 412(n) of the Code, described in Section 414(m) or (o) of the Code of which Borrower is a member.

"Event of Default" has the meaning set forth in Section 7.1.

"Excess Cash Flow" has the meaning set forth in Section 2.12.

"Extra Funds" has the meaning set forth in Section 2.12.

"Facility" means the Land subject to the Mortgage and all related Appurtenant Rights, Improvements, Equipment and Inventory.

"Fifteen Year Treasury Rate" means the yield, calculated by linear interpolation (rounded to three decimal places) of the yields of United States Treasury Constant Maturities with terms (one longer and one shorter) most nearly approximating that of noncallable United States Treasury

obligations having maturities as close as possible to fifteen (15) years from the Optional Prepayment Date, as determined by Lender on the basis of Federal Reserve Statistical Release H.15-Selected Interest Rates under the heading U.S. Governmental Security/Treasury Constant Maturities, or other recognized source of financial market information selected by Lender for the week prior to the Optional Prepayment Date.

"Fiscal Year" means the 12-month period ending on December 31 of each year or such other fiscal year of Borrower as Borrower may select from time to time with the prior written consent of Lender not to be unreasonably withheld or delayed.

"GAAP" means generally accepted accounting principles consistently applied in the United States of America as of the date of the applicable financial report.

"General Intangibles" means all of Borrower's "general intangibles" as such term is defined in the UCC, and, to the extent not included in such definition, any intangible personal property of Borrower (other than Accounts, Rents, Instruments, Inventory, Money and Permits), including, without limitation, things in action, settlements, judgments, contract rights, rights to performance (including, without limitation, rights under warranties), refunds of real estate taxes and assessments and other rights to payment of Money, copyrights, trademarks, trade names and patents now existing or hereafter in existence.

"Governmental Authority" means any national or federal government, any state, regional, local or other political subdivision thereof with jurisdiction and any Person with jurisdiction exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Gross Revenue" means, with respect to the Facility, the total dollar amount of all income and receipts whatsoever received by Borrower in the ordinary course of its business with respect to the Facility, including, without limitation, all Rents (but excluding security deposits) and Money.

"Ground Lease" means that certain Lease Agreement dated as of March 1, 1997 by and between Borrower and the Parent.

"Ground Lessor Estoppel" means an estoppel certificate from the lessor under the Ground Lease in the form acceptable to Lender in its sole discretion.

"Ground Rents" means all rentals, ground rents, square

footage rents, percentage rents, annual rents or any other payments or rents owing under the Ground Lease.

"Ground Rents Sub-Account" means the Sub-Account of the Cash Collateral Account established and maintained pursuant to Section 2.12 relating to the payment of the Ground Rents.

"Hazardous Substance" means, collectively, (i) any petroleum or petroleum products or waste oils, explosives, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls ("PCBs"), lead in drinking water, and lead-based paint, the presence, generation, use, transportation, storage or disposal of or exposure to which (x) is regulated or could lead to liability under any Environmental Law or (y) is subject to notice or reporting requirements under any Environmental Law, (ii) any chemicals or other materials or substances which are now or hereafter become defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants," "pollutants" or words of similar import under any Environmental Law and (iii) any other chemical or any other material or substance, exposure to which is now or hereafter prohibited, limited or regulated under any Environmental Law.

"Impositions" means all ground rents and all taxes (including, without limitation, all real estate, ad valorem, sales (including those imposed on lease rentals), use, single business, gross receipts, value added, intangible transaction privilege, privilege, license or similar taxes), assessments (including, without limitation, to the extent not discharged prior to the Closing Date, all assessments for public improvements or benefits, whether or not commenced or completed within the term of the Mortgage), ground rents, water, sewer or other rents and charges, excises, levies, fees (including, without limitation, license, permit, inspection, authorization and similar fees), and all other governmental charges, in each

case whether general or special, ordinary or extraordinary, foreseen or unforeseen, of every character in respect of the Facility, (including all interest and penalties thereon), which at any time prior to, during or in respect of the term hereof may be assessed or imposed on or in respect of or be a lien upon (i) Borrower (including, without limitation, all income, franchise, single business or other taxes imposed on Borrower for the privilege of doing business in the jurisdiction in which the Facility, or any other Collateral is located) or Lender, (ii) the Facility, or any other Collateral or any part thereof, or (iii) any occupancy, operation, use or possession of, or sales from, or activity conducted on, or in connection with the Facility or the leasing or use of the Facility or any part thereof, or the acquisition or financing of the acquisition of the Facility by Borrower. Nothing contained in this Agreement shall be construed to require Borrower to pay any tax, assessment, levy or charge imposed on Lender, in the nature of a franchise, capital levy, estate, inheritance, succession, income or net revenue tax.

"Improvements" means, with respect to the Facility, all buildings, structures and improvements of every nature whatsoever situated on the Leasehold Estate and/or Land on the Closing Date or thereafter, including, but not limited to, to the extent of Borrower's right, title or interest therein or thereto, all gas and electric fixtures, radiators, heaters, washing machines, dryers, refrigerators, ovens, engines and machinery, boilers, ranges, elevators and motors, plumbing and heating fixtures, antennas, carpeting and other floor coverings, water heaters, awnings and storm sashes, and cleaning apparatus which are or shall be Leasehold Estate and/or attached to the Land or said buildings, structures or improvements.

"Indebtedness" means, at any given time, the Principal

Indebtedness, together with all accrued and unpaid interest thereon and all other obligations and liabilities due or to become due to Lender pursuant hereto, under the Note or in accordance with any of the other Loan Documents, and all other amounts, sums and expenses paid by or payable to Lender hereunder or pursuant to the Note or any of the other Loan Documents.

"Indemnified Party" shall have the meaning set forth in Section 8.29.

"Independent" means, when used with respect to any Person, a Person who (i) does not have any direct financial interest or any material indirect financial interest in Borrower or in any Affiliate of Borrower, and (ii) is not connected with Borrower or any Affiliate of Borrower as an officer, employee, promoter, underwriter, trustee, partner, member, manager, creditor, director or person performing similar functions.

"Independent Director" means a duly appointed member of the board of directors of the relevant entity who shall not have been, at the time of such appointment or at any time in the preceding five (5) years, (a) a direct or indirect legal or beneficial owner in such entity or any of its affiliates, (b) a creditor, supplier, employee, officer, director, manager or contractor of such entity or any of its affiliates, (c) a person who controls such entity or any of its affiliates, or (d) a member of the immediate family of a person defined in (a), (b) or (c) above.

"Initial Basic Carrying Costs Amount" means the amount shown on Exhibit B.

"Initial Capital Reserve Amount" means the amount shown on Exhibit B.

"Initial Ground Rents Deposit" means One Thousand Dollars (\$1,000).

"Initial Interest Rate" means 9.02% per annum.

"Initial Securitization Expense Amount" means the amount shown on Exhibit B.

"Initial State of Florida Lease Reserve Amount" means the amount shown on Exhibit D.

"Instruments" means all of Borrower's "instruments" as such term is defined in the UCC, and, to the extent not included in such definition, any of Borrower's rights in instruments, chattel paper, documents or other writings obtained by Borrower from or in connection with the ownership or operation of the Facility evidencing a right to the payment of Money, including, without limitation, all notes, drafts, acceptances, documents of title, and policies and certificates of insurance, including but

not limited to, liability, hazard, rental and credit insurance, guarantees and securities, now or hereafter received by Borrower or in which Borrower has or acquires an interest pertaining to the foregoing.

"Insurance Proceeds" has the meaning provided in Section 2.12(h).

"Insurance Requirements" means all material terms of any insurance policy required pursuant to the Loan Documents and all material regulations and then current standards applicable to or affecting the Facility or any part thereof or any use or condition thereof, which may, at any time, be recommended by the Board of Fire Underwriters, if any, having jurisdiction over the Facility, or such other body exercising similar functions.

"Interest Accrual Period" means each period of time

running from and including the eleventh (11th) day of a calendar month to and including the tenth (10th) day of the following calendar month during the term of the Loan. If the Closing Date shall occur prior to the tenth (10th) day of a calendar month, the first Interest Accrual Period shall commence on and include the Closing Date and end on and include the tenth (10th) day of the calendar month in which the Closing Date occurs. If the Closing Date shall occur after the tenth (10th) day of a calendar month, the first Interest Accrual Period shall commence on the Closing Date and end on and include the tenth (10th) day of the calendar month following the month in which the Closing Date occurs. If the Closing Date shall occur on the tenth (10th) day of a calendar month, the first Interest Accrual Period shall consist of a one (1) day period consisting of the Closing Date.

"Interest Rate" means, as applicable, before the Optional Prepayment Date, the Initial Interest Rate and, on and after the Optional Prepayment Date, the Revised Interest Rate.

"Inventory" means all of Borrower's "inventory" as such term is defined in the UCC, and, to the extent not included in such definition, any of Borrower's rights in goods now owned or hereafter acquired by Borrower intended for sale or lease, or to be furnished under contracts of service by Borrower in connection with the Facility, including without limitation, all inventories held by Borrower for sale or use at or from the Facility, and all other such goods, wares, merchandise, and materials and supplies

of every nature owned by Borrower and all such other goods returned to or repossessed by Borrower.

"Investor" has the meaning provided in Section 8.27.

"Issuer" means any issuer of securities issued in connection with a Securitization.

"Land" has the meaning provided in the Mortgage.

"Late Charge" means the lesser of (i) five percent (5%) of any unpaid installment and (ii) the maximum late charge permitted to be charged under the laws of the State of New York.

"Leasehold Estate" means the leasehold interest and estate of the Borrower in any real property created pursuant to the Ground Lease.

"Leases" means all leases and other agreements or arrangements affecting the use or occupancy of all or any portion of the Facility now in effect or hereafter entered into (including, without limitation, all lettings, subleases, licenses, concessions, tenancies and other occupancy agreements covering or encumbering all or any portion of the Facility), together with any guarantees, supplements, amendments, modifications, extensions and renewals of the same, and all additional remainders, reversions, and other rights and estates appurtenant thereto.

"Legal Requirements" means all statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions of Governmental Authorities affecting Borrower, the Loan Documents, the Facility or any part thereof, or the ownership, construction, use, alteration or operation thereof, or any part thereof, enacted and in force as of the relevant date, and all Permits and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Borrower, at any time in force affecting the Facility or any part thereof, including, without limitation, any which (i) may require repairs, modifications, or alterations in or to the Facility or any part thereof, or (ii) in any way limit the use and enjoyment thereof.

"Lender" has the meaning provided in the first paragraph of this Agreement.

"Liabilities" has the meaning set forth in Section 2.14.

"Lien" means any mortgage, deed of trust, lien (statutory or other), pledge, easement, restrictive covenant, hypothecation, assignment, preference, priority, security interest, or any other encumbrance or charge on or affecting the Facility or any portion thereof or any Collateral or Borrower, or any interest therein, including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, the filing of any financing statement or similar instrument under the UCC or comparable law of any other jurisdiction, domestic or foreign, and mechanic's, materialmen's and other similar liens and encumbrances.

"Loan" has the meaning provided in the Recitals hereto.

"Loan Amount" has the meaning provided in the Recitals hereto.

"Loan Documents" means, collectively, this Agreement, the Note, the Mortgage, the Assignment of Leases, the Assignment of Agreements, the Manager's Subordination, the Environmental Guaranty, the Parent's Side Letter, the Cash Collateral Account Agreement, and all other agreements, instruments, certificates and documents delivered by or on behalf of Borrower or any Affiliate to evidence or secure the Loan or otherwise in satisfaction of the requirements of this Agreement, the Mortgage or the other documents listed above.

"Losses" has the meaning provided in Section 5.1(I).

"Management Agreement" means, with respect to the Facility, the Management Agreement entered into between Manager and Borrower pertaining to the management of the Facility in the form attached to the Manager's Subordination.

"Manager" means Mark Centers Limited Partnership, a Delaware limited partnership, as Manager of the Facility, or any

successor or assignee, provided that each successor or assignee shall be acceptable to Lender in Lender's discretion.

"Manager's Subordination" means, with respect to the Facility, the Manager's Consent and Subordination of Management Agreement in form and substance satisfactory to Lender in Lender's sole discretion, dated as of the Closing Date, executed by Manager, Borrower and Lender, as the same may thereafter from time to time be supplemented, amended, modified or extended by one or more written agreements supplemental thereto.

"Material Adverse Effect" means a material adverse effect upon (i) the business or the financial position or results of operation of Borrower, (ii) the ability of Borrower to perform, or of Lender to enforce, any of the Loan Documents or (iii) the value of (x) the Collateral taken as a whole or (y) the Facility.

"Material Lease" has the meaning set forth in the Mortgage.

"Maturity Date" means March 11, 2022 or such earlier date resulting from acceleration of the Indebtedness by Lender.

"Maximum Amount" means the maximum rate of interest designated by applicable laws relating to payment of interest and usury.

"Money" means all moneys, cash, rights to deposit or

savings accounts, credit card receipts, rents or other items of legal tender obtained from or for use in connection with the ownership or operation of the Facility.

"Mortgage" means, with respect to the Facility, a first priority Leasehold Mortgage, Assignment of Rents, Security Agreement and Fixture Filing or such other comparable document which is customarily used by prudent lenders in the jurisdiction in which the Collateral is located, in form and substance satisfactory to Lender in Lender's sole discretion, dated as of the Closing Date, granted by Borrower to Lender with respect to the Facility as security for the Loan, as the same may thereafter from time to time be supplemented, amended, modified or extended by one or more written agreements supplemental thereto.

"Mortgaged Property" means, at any time, the Facility encumbered by the Mortgage.

"Multiemployer Plan" means a multiemployer plan defined as such in Section 3(37) of ERISA to which contributions have been made by Borrower or any ERISA Affiliate and which is covered by Title IV of ERISA.

"Net Operating Income" means for any period the excess, if any, of Operating Income for such period over Operating Expenses for such period.

"New State of Florida Leases" means any and all Leases for the State of Florida Space entered into after the Closing Date.

"Note" means and refers to the promissory note, in form and substance satisfactory to Lender in Lender's sole discretion, dated the Closing Date, made by Borrower to Lender pursuant to this Agreement as such note may be modified, amended, supplemented, extended or consolidated in writing, and any note(s) issued in exchange therefor or in replacement thereof.

"Officer's Certificate" means a certificate of the Borrower which is signed by the general partner of the Borrower.

"Office Space" means that portion of the Facility which is, at the relevant time, leased or designated by Borrower as office space.

"Operating Expense Certificate" means a certificate of the Borrower in the form attached hereto as Exhibit A.

"Operating Expense Monthly Installment" means, with respect to a given Interest Accrual Period, the amount shown on the Annual Operating Budget for such period.

"Operating Expense Sub-Account" means the Sub-Account of the Cash Collateral Account established and maintained pursuant to Section 2.12 relating to the payment of operating expenses, as reasonably approved by Lender.

"Operating Expenses" means, for any period, for Borrower, all expenditures by Borrower as and to the extent

required to be expensed under GAAP during such period in connection with the ownership, operation, maintenance, repair or leasing of the Facility, including, without limitation or duplication:

(i) expenses in connection with cleaning, repair, replacement, painting and maintenance;

(ii) wages, benefits, payroll taxes, uniforms, insurance costs and all other related expenses for employees of Borrower or any Affiliate engaged in repair, operation, maintenance of the Facility or service to tenants;

(iii) any management fees and expenses;

(iv) the cost of all electricity, oil, gas, water, steam, heat, ventilation, air conditioning and any other energy, utility or similar item and overtime services;

(v) the cost of cleaning supplies;

(vi) Impositions;

(vii) business interruption, liability, casualty and fidelity insurance premiums;

(viii) legal, accounting and other professional fees and expenses incurred in connection with the ownership, leasing or operation of the Facility, including, without limitation, collection costs and expenses;

(ix) costs and expenses of security and security systems;

(x) trash removal and exterminating costs and expenses;

(xi) advertising and marketing costs;

(xii) costs of environmental audits and monitoring, environmental, investigation, remediation or other response actions or any other expenses incurred with respect to compliance with Environmental Laws; and

(xiii) all other ongoing expenses which in accordance with GAAP are required to be or are included in Borrower's annual financial statements as operating expenses of the Facility.

Notwithstanding the foregoing, Operating Expenses shall not include (x) any taxes imposed on Borrower's net income, (y) depreciation or amortization of intangibles or (z) Debt Service and other payments in connection with the Indebtedness. Operating Expenses shall be calculated in accordance with GAAP.

"Operating Income" means, for any period, for Borrower, all regular ongoing income of Borrower during such period from the operation of the Facility, including, without limitation:

(i) all amounts payable as Rents (other than security deposits) and all other amounts payable under Leases or other third party agreements relating to the ownership and operation of the Facility;

(ii) business interruption proceeds; and

(iii) all other amounts which in accordance with GAAP are required to be or are included in Borrower's annual financial statements as operating income of the Facility.

"Optional Prepayment Date" means March 11, 2007.

"Other Borrowings" means, without duplication (but not including the Indebtedness or any Transaction Costs payable in connection with the Transactions), (i) all indebtedness of Borrower for borrowed money or for the deferred purchase price of property or services, (ii) all indebtedness of Borrower evidenced by a note, bond, debenture or similar instrument, (iii) the face amount of all letters of credit issued for the account of Borrower and, without duplication, all unreimbursed amounts drawn thereunder, (iv) all indebtedness of Borrower secured by a Lien on any property owned by Borrower whether or not such indebtedness has been assumed, (v) all Contingent Obligations of Borrower, and (vi) all payment obligations of Borrower under any interest rate protection agreement (including, without limitation, any interest rate swaps, caps, floors, collars or

similar agreements) and similar agreements.

"Parent" means Mark Centers Limited Partnership, a Delaware limited partnership.

"Parent's Side Letter" means the Side Letter in form and substance satisfactory to Lender dated as of the Closing Date from the Parent to Lender as the case may thereafter from time to time be supplemented, amended, modified or extended by one or more written agreements supplemental thereto.

"Payment Date" means the eleventh (11th) day of each calendar month during the term of the Loan, provided, however, that for purposes of making payments hereunder, but not for purposes of calculating interest accrual periods, if the eleventh (11th) day of a given month shall not be a Business Day, then the Payment Date for such month shall be the next succeeding Business Day.

"PBGC" means the Pension Benefit Guaranty Corporation established under ERISA, or any successor thereto.

"PCBs" has the meaning provided in the definition of "Hazardous Substance."

"Permits" means, with respect to the Facility, all licenses, registrations, permits, allocations, filings, authorizations, approvals and certificates used in connection with the ownership, operation, construction, renovation, use or occupancy of the Facility, including, without limitation, building permits, business licenses, state health department licenses, food service licenses, liquor licenses, licenses to conduct business, and all such other permits, licenses and rights, obtained from any Governmental Authority or private Person concerning ownership, operation, construction, renovation, use or occupancy of the Facility.

"Permitted Encumbrances" means, with respect to the Facility, collectively, (i) the Lien created by the Mortgage or the other Loan Documents, of record, (ii) all Liens and other matters disclosed in the Title Insurance Policy concerning the Facility, or any part thereof which have been approved by Lender in Lender's sole discretion, (iii) Liens, if any, for Impositions imposed by any Governmental Authority not yet due or delinquent or being contested in good faith and by appropriate proceedings in accordance with the Mortgage, (iv) without limiting the

foregoing, any and all governmental, public utility and private restrictions, covenants, reservations, easements, licenses or other agreements of an immaterial nature which may be granted by Borrower after the Closing Date and which do not materially and adversely affect (A) the ability of Borrower to pay any of its obligations to any Person as and when due, (B) the marketability of title to the Facility, (C) the fair market value of the Facility, or (D) the use or operation of the Facility as of the Closing Date and thereafter.

"Permitted Investments" shall have the meaning ascribed to such term in the Cash Collateral Account Agreement.

"Permitted Transfers" shall mean, provided that no Event of Default has occurred, (i) Permitted Encumbrances; (ii) all transfers of worn out or obsolete furnishings, fixtures or equipment that are replaced with equivalent property; (iii) all Leases which are not Material Leases; (iv) all Material Leases which have been approved by Lender in accordance with Section 2.13 of the Mortgage; (v) transfers of Equity Interests which in the aggregate during the term of the Loan (a) do not exceed 49% of the total interests in Borrower and (b) do not result in any partner's, member's or other Person's interest in Borrower exceeding 49% of the total interests in Borrower; (vi) any other

transfer of Equity Interests provided that (a) prior to any Securitization, Lender shall have consented to such transfer or transfers, (b) after any Securitization, Lender shall have consented to such transfer or transfers and the Rating Agencies shall have confirmed in writing that such transfer or transfers shall not result in a downgrade, withdrawal or qualification of any securities issued in connection with such Securitization, (c) acceptable opinions relating to such transfer or transfers shall have been delivered by Borrower to Lender and the Rating Agencies (including without limitation tax and bankruptcy opinions), and (d) Borrower pays all reasonable expenses incurred by Lender in connection with such transfer or transfers; (vii) a transfer of the Facility to a single purchaser not more than one time during the term of the Loan, provided that prior to such transfer (a) intentionally omitted, (b) prior to a Securitization, Lender shall have consented to such transfer, (c) after a Securitization, (i) Lender shall have consented to such transfer and (ii) the Rating Agencies shall have confirmed in writing that such transfer shall not result in a downgrade, withdrawal or qualification of any securities issued in connection with such

Securitization, (d) acceptable opinions relating to such transfer shall have been delivered by Borrower to Lender and to the Rating Agencies (including without limitation tax and bankruptcy opinions), (e) the transferee assumes in writing all obligations of the transferor under the Loan Documents and executes and delivers such other documentation as may be required by Lender or the Rating Agencies and (f) Borrower pays all reasonable expenses incurred by Lender in connection with such transfer (not to exceed 0.10% of the Loan Amount); and (viii) a Transfer in connection with a Taking (provided, however, that the disbursement and use of any Condemnation Proceeds received in connection with such Taking shall be governed by the terms of this Loan Agreement and the Mortgage).

"Person" means any individual, corporation, limited liability company, partnership, joint venture, estate, trust, unincorporated association, or any other entity, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

"Plan" means an employee benefit or other plan established or maintained by Borrower or any ERISA Affiliate and that is covered by Title IV of ERISA, other than a Multiemployer Plan.

"Principal Indebtedness" means the principal amount of the entire Loan outstanding as the same may be increased or decreased, as a result of prepayment or otherwise, from time to time.

"Proceeds" means all of Borrower's "proceeds" as such term is defined in the UCC, and, to the extent not included in such definition, any of Borrower's rights to proceeds whether cash or non-cash, movable or immovable, tangible or intangible (including Insurance Proceeds and Condemnation Proceeds), from the Collateral, including, without limitation, those from the sale, exchange, transfer, collection, loss, damage, disposition, substitution or replacement of any of the Collateral and all income, gain, credit, distributions and similar items from or with respect to the Collateral.

"Rating Agencies" means Fitch Investors Service, Inc., Moody's Investors Service, Inc., Duff & Phelps Credit Rating Co.

and S&P or any successor thereto, and any other nationally recognized statistical rating organization to the extent that any of the foregoing have been or will be engaged by Lender or its designees in connection with a Securitization (each, individually a "Rating Agency").

"Recourse Distributions" has the meaning provided in

Section 8.14.

"Release" means any release, threatened release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, including, without limitation, the movement of Hazardous Substances through ambient air, soil, surface water, ground water, wetlands, land or subsurface strata.

"Remedial Work" has the meaning provided in Section 5.1(D)(i).

"REMIC" means a real estate mortgage investment conduit as defined under Section 860 D(a) of the Code.

"Rents" means all receipts, rents (whether denoted as advance rent, minimum rent, percentage rent, additional rent or otherwise), issues, income, royalties, profits, revenues, proceeds, bonuses, deposits (whether denoted as security deposits or otherwise), lease termination fees or payments, rejection damages, buy-out fees and any other fees made or to be made in lieu of rent, any award made hereafter to Borrower in any court proceeding involving any tenant, lessee, licensee or concessionaire under any of the Leases in any bankruptcy, insolvency or reorganization proceedings in any state or federal court, and all other payments, rights and benefits of whatever nature from time to time due under any of the Leases, including, without limitation, (i) rights to payment earned under the Leases for space in the Improvements for the operation of ongoing businesses, and (ii) all other income, consideration, issues, accounts, profits or benefits of any nature arising from the ownership, possession, use or operation of the Facility.

"Required Base Debt Service Payment" means all of the Required Debt Service Payment except for that portion of the Required Debt Service Payment which consists of payments of Excess Cash Flow which may be due and payable after an Event of

Default, at Lender's sole election, or the Optional Prepayment Date.

"Required Debt Service Payment" means, on any Payment Date, the Debt Service then due and payable by Borrower.

"Retail Space" means that portion of the Facility which is, at the relevant time, leased or designated by Borrower as retail space.

"Revised Interest Rate" means the greater of (x) the sum of the Initial Interest Rate plus five hundred (500) basis points, and (y) as of the Optional Prepayment Date, the sum of the Fifteen Year Treasury Rate plus seven hundred (700) basis points, such Revised Interest Rate not to exceed the Maximum Amount.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.

"Secretary's Certificate" means, with respect to Borrower, the certificate in form and substance satisfactory to Lender in Lender's sole discretion dated as of the Closing Date.

"Securitization" shall have the meaning provided in Section 2.14.

"Securitization Closing Date" means the date on which a Securitization is effected.

"Securitization Costs" shall have the meaning set forth in Section 2.14.

"Securitization Expense Sub-Account" means the Sub-Account of the Cash Collateral Account established and maintained pursuant to Section 2.12.

"Security Agreement" has the meaning provided in Section 2.11.

"Security Deposit Account" has the meaning set forth in Section 2.12(a).

"Single-Purpose Entity" means a corporation, limited partnership, or limited liability company which, at all times since its formation and thereafter (i) was organized solely for the purpose of (x) owning the Facility or (y) acting as the managing member of the limited liability company which owns the Facility or (z) acting as the general partner of a limited partnership which owns the Facility, (ii) has not and will not engage in any business unrelated to the (x) the ownership of the Facility or (y) acting as a member of a limited liability company which owns the Facility or (z) acting as a general partner of a limited partnership which owns the Facility, (iii) has not and will not have any assets other than (x) those related to the Facility or (y) its member interest in the limited liability company which owns the Facility or (z) its general partnership interest in the limited partnership which owns the Facility, as applicable, (iv) except as otherwise expressly permitted by this Agreement, has not and will not engage in, seek or consent to any dissolution, winding up, liquidation, consolidation, merger, asset sale, transfer of partnership or membership interests, or amendment of its limited partnership agreement, articles of incorporation, articles of organization, certificate of formation or operating agreement (as applicable), (v) if such entity is a limited partnership, has as its only general partners, general partners which are Single-Purpose Entities which are corporations, (vi) if such entity is a corporation, at all relevant times will have at least one Independent Director, (vii) in connection with changing any provision of such entity's organizational documents or the taking of the actions described in clause (x), the board of directors of such entity may not take any action requiring the unanimous affirmative vote of 100% of the members of the board of directors unless all of the directors, including an Independent Director shall have participated in such vote, (viii) has not and will not fail to correct any known misunderstanding regarding the separate identity of such entity, (iv) if such entity is a limited liability company, has at least one member that is a Single-Purpose Entity which is a corporation, and such corporation is the managing member of such limited liability company, (x) without the unanimous consent of all of the partners, directors or members, as applicable, has not and will not with respect to itself or to any other entity in which it has a direct or indirect legal or beneficial ownership interest (a) file a bankruptcy, insolvency or reorganization petition or otherwise institute insolvency proceedings or otherwise seek any relief

under any laws relating to the relief from debts or the protection of debtors generally; (b) seek or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official for such entity or all or any portion of such entity's properties; (c) make any assignment for the benefit of such entity's creditors; or (d) take any action that might cause such entity to become insolvent, (xi) has maintained and will maintain its accounts, books and records separate from any other person or entity, (xii) has maintained and will maintain its books, records, resolutions and agreements as official records, (xiii) has not and will not commingle its funds or assets with those of any other entity, (xiv) has held and will hold its assets in its own name, (xv) has conducted and will conduct its business in its name, (xvi) has maintained and will maintain its financial statements, accounting records and other entity documents separate from any other person or entity, (xvii) has paid and will pay its own liabilities out of its own funds and assets, (xviii) has observed and will observe all partnership, corporate or limited liability company

formalities as applicable, (xix) has maintained and will maintain an arms-length relationship with its affiliates, (xx) (a) if such entity owns the Facility, has no indebtedness other than the Indebtedness and unsecured trade payables (exclusive of real estate taxes and insurance premiums) in the ordinary course of business relating to the ownership and operation of the Facility which (1) do not exceed, at any time, a maximum amount of three percent (3%) of the Loan Amount and (2) are paid within thirty (30) days of the date incurred, or (b) if such entity acts as the general partner of a limited partnership which owns the Facility, has no indebtedness other than unsecured trade payables in the ordinary course of business relating to acting as general partner of the limited partnership which owns the Facility which (1) do not exceed, at any time, \$10,000 and (2) are paid within thirty (30) days of the date incurred, or (c) if such entity acts as a member of a limited liability company which owns the Facility, has no indebtedness other than unsecured trade payables in the ordinary course of business relating to acting as a member of the limited liability company which owns the Facility which (1) do not exceed, at any time, \$10,000 and (2) are paid within thirty (30) days of the date incurred, (xxi) has not and will not assume or guarantee or become obligated for the debts of any other entity or hold out its credit as being available to satisfy the obligations of any other entity except for the Indebtedness, (xxii) will not acquire obligations or securities of its

partners, members or shareholders, (xxiii) has allocated and will allocate fairly and reasonably shared expenses, including, without limitation, shared office space and uses separate stationary, invoices and checks, (xxiv) except pursuant hereto, has not and will not pledge its assets for the benefit of any other person or entity, (xxv) has held and identified itself and will hold itself out and identify itself as a separate and distinct entity under its own name and not as a division or part of any other person or entity, (xxvi) has not made and will not make loans to any person or entity, (xxvii) has not and will not identify its partners, members or shareholders, or any affiliates of any of them as a division or part of it, (xxviii) if such entity is a limited liability company, its articles of organization, certificate of formation and/or operating agreement, as applicable, shall provide that such entity will dissolve only upon the bankruptcy of the managing member, (xxix) has not entered and will not enter into or be a party to, any transaction with its partners, members, shareholders or its affiliates except in the ordinary course of its business and on terms which are intrinsically fair and are no less favorable to it than would be obtained in a comparable arms-length transaction with an unrelated third party, (xxx) has paid and will pay the salaries of its own employees from its own funds, (xxxi) has maintained and will maintain adequate capital in light of its contemplated business operations and (xxxii) if such entity is a limited liability company or limited partnership, and such entity has one or more managing members or general partners, as applicable, then such entity's organizational documents shall provide that such entity shall continue (and not dissolve) for so long as a solvent managing member or general partner, as applicable, exists.

"SPE Equity Owner" means Mark Northwood Realty, Inc. a Florida corporation.

"SPE Equity Owner's Certificate" means the SPE Equity Owner's Certificate in form and substance satisfactory to Lender in Lender's sole discretion dated as of the Closing Date.

"Start-Up Day" means the "start-up day," within the meaning of Section 860G(a)(9) of the Code, of any "real estate mortgage investment conduit," within the meaning of Section 860D of the Code, that holds the Note.

"State of Florida Funds" means, on any particular date, the amount of funds on deposit in the State of Florida Lease Sub-

Account.

"State of Florida Lease Monthly Installment" means, with respect to a given Interest Accrual Period, an amount sufficient to cause funds in the amount of \$2,750,000 to be on deposit in the State of Florida Lease Sub-Account on the date of the expiration of the New State of Florida Leases.

"State of Florida Lease Sub-Account" means the Sub-Account of the Cash Collateral Account established and maintained pursuant to Section 2.12 relating to the payment of extraordinary lease-up expenses associated with the State of Florida Space, as approved by Lender.

"State of Florida Space" means the space in the Facility leased to the State of Florida and/or divisions, agencies, bureaus or corporations thereof, as of the Closing Date.

"Sub-Account" shall have the meaning provided in Section 2.12(c).

"Survey" means, with respect to the Facility, a survey of the Facility satisfactory to Lender, prepared by a registered Independent surveyor reasonably satisfactory to Lender and Title Insurer, together with a metes and bounds legal description of the land corresponding with the survey and containing the Surveyor's Certification.

"Surveyor's Certification" means a surveyor's certification in form and substance satisfactory to Lender in Lender's sole discretion.

"Taking" means a taking or voluntary conveyance during the term hereof of all or part of the Facility, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any condemnation or other eminent domain proceeding by any Governmental Authority affecting the Facility or any portion thereof whether or not the same shall have actually been commenced.

"Tax Fair Market Value" means, with respect to the Facility, the fair market value of the Facility, and (x) shall not include the value of any personal property or other property that is not an "interest in real property" within the meaning of Treasury Regulation subsection 1.860G-2 and 1.856-3(c), or is not "qualifying real property" within the meaning of Treasury Regulation section 1.593-11(b)(iv), and (y) shall be reduced by the "adjusted issue price" (within the meaning of Code section 1272(a)(4)) (the "Tax Adjusted Issue Price") of any indebtedness, other than the Loan, secured by a Lien affecting the Facility, which Lien is prior to or on a parity with the Lien created under the Mortgage.

"Title Instruction Letter" means an instruction letter in form and substance satisfactory to Lender in Lender's sole discretion.

"Title Insurance Policy" means, with respect to the Facility, the loan policy of title insurance for the Facility issued by Title Insurer with respect to the Facility in an amount acceptable to Lender and insuring the first priority lien in favor of Lender created by the Mortgage and acceptable to Lender in Lender's discretion.

"Title Insurer" means Lawyers Title Insurance Corporation and any reinsurer reasonably required by Lender and/or any other nationally recognized title insurance company acceptable to Lender in Lender's reasonable discretion, provided, however, that the reinsurer of any Title Insurance Policy may include, in amounts reasonably acceptable to Lender, Chicago Title Insurance Company, First American Title Insurance Company

and Stewart Title Insurance Company.

"Transaction Costs" means all fees, costs, expenses and disbursements paid or payable by Borrower relating to the Transactions, including, without limitation, all appraisal fees, legal fees, accounting fees and the costs and expenses described in Section 8.24.

"Transactions" means the transactions contemplated by the Loan Documents.

"Transfer" means any conveyance, transfer (including, without limitation, any transfer of any direct or indirect legal

or beneficial interest in Borrower or the SPE Equity Owner), sale, Lease (including, without limitation, any amendment, extension, modification, waiver or renewal thereof), or Lien, whether by law or otherwise, of, on or affecting any Collateral, Borrower or the SPE Equity Owner, other than a Permitted Transfer.

"UCC" means, with respect to any Collateral, the Uniform Commercial Code in effect in the jurisdiction in which the relevant Collateral is located.

"UCC Searches" has the meaning specified in Section 3.1.

"U.S. Obligations" means obligations or securities not subject to prepayment, call or early redemption which are direct obligations of, or obligations fully guaranteed as to timely payment by, the United States of America or any agency or instrumentality of the United States of America, the obligations of which are backed by the full faith and credit of the United States of America.

"Use" means, with respect to any Hazardous Substance, the generation, manufacture, processing, distribution, handling, use, treatment, recycling or storage of such Hazardous Substance or transportation to or from the property of such Person of any Hazardous Substance.

"Yield Maintenance Premium" means, in the event that all or any portion of the Note is accelerated, the amount that, when added to the amount otherwise due as a result of such acceleration, would be sufficient to purchase U.S. Obligations (A) having maturity dates on or prior to, but as close as possible to, successive scheduled Payment Dates (after the date of such acceleration of the Note) upon which Payment Dates interest and principal payments would be required under the Note as though the Maturity Date of the Note was the Optional Prepayment Date and (B) in amounts sufficient to pay all scheduled principal and interest payments on the Note as if the Maturity Date of the Note was the Optional Prepayment Date (but without any adjustment of the monthly amortization schedule); provided, however, that under no circumstances shall the Yield Maintenance Premium be less than zero.

ARTICLE II

GENERAL TERMS

Section 2.1. Amount of the Loan. Lender shall lend to Borrower a total aggregate amount equal to the Loan Amount.

Section 2.2. Use of Proceeds. Proceeds of the Loan shall be used for the following purposes: (a) to pay the refinancing costs for the Facility owned by Borrower, (b) to fund any upfront reserves or escrow amounts required hereunder, and (c) to pay any Transaction Costs. Any excess will be available to Borrower and may be used for any lawful purpose.

Section 2.3. Security for the Loan. The Note and Borrower's obligations hereunder and under the other Loan Documents shall be secured by the Mortgage, the Assignment of Leases, the Assignment of Agreements the Manger's Subordination and the security interest and Liens granted in this Agreement and in the other Loan Documents.

Section 2.4. Borrower's Note. (a) Borrower's obligation to pay the principal of and interest on the Loan (including Late Charges, Default Rate interest, and the Yield Maintenance Premium, if any), shall be evidenced by this Agreement and by the Note, duly executed and delivered by Borrower. The Note shall be payable as to principal, interest, Late Charges, Default Rate interest and Yield Maintenance Premium, if any, as specified in this Agreement, with a final maturity on the Maturity Date. Borrower shall pay all outstanding Indebtedness on the Maturity Date.

(b) Lender is hereby authorized, at its sole option, to endorse on a schedule attached to the Note (or on a continuation of such schedule attached to the Note and made a part thereof) an appropriate notation evidencing the date and amount of each payment of principal, interest, Late Charges, Default Rate interest and Yield Maintenance Premium, if any, in respect thereof, which books and records shall be made available to Borrower, at Borrower's sole cost and expense on reasonable advance notice, for examination at Lender's offices.

Section 2.5. Principal and Interest Payments.

(a) Accrual of Interest before the Optional Prepayment Date. Before the Optional Prepayment Date, interest shall accrue on the outstanding principal balance of the Note and all other amounts due to Lender under the Loan Documents at the Initial Interest Rate.

(b) Accrual of Interest on or after the Optional Prepayment Date. On and after the Optional Prepayment Date, interest shall accrue on the outstanding principal balance of the Note and all other amounts due to Lender under the Loan Documents at the Revised Interest Rate.

(c) Monthly Base Payments of Principal and Interest at the Initial Interest Rate. On each Payment Date, Borrower shall pay to Lender a monthly constant payment as indicated on Exhibit B, which payment is based on the Initial Interest Rate and an amortization schedule of three hundred (300) months. Each payment required to be made by Borrower pursuant to this Section 2.5(c) is hereinafter sometimes referred to as a "Base Payment."

(d) Payments of Excess Cash Flow. On and after the earlier to occur of (i) the Optional Prepayment Date or (ii) at Lender's sole election, upon the occurrence of an Event of Default hereunder, any date on or after the occurrence of such Event of Default, in addition to the Base Payment, Borrower shall pay to Lender all Excess Cash Flow to be applied as described in Section 2.8.

(e) Payments of Excess of Revised Interest Rate Over Initial Interest Rate. To the extent, for any period, that accrued interest at the Revised Interest Rate exceeds interest required to be paid hereunder for such period at the Initial Interest Rate (such amount, the "Accrued Interest"), Borrower shall only be required to pay such Accrued Interest after the outstanding principal balance of the Note has been paid in full. Unpaid Accrued Interest shall accrue and compound interest at the Revised Interest Rate on a monthly basis.

(f) Payment Dates. All payments required to be made pursuant to paragraphs (a) through (e) above shall be made beginning on the first Payment Date immediately after the end of

the second Interest Accrual Period; provided, however, that

Borrower shall pay interest for the first Interest Accrual Period on the Closing Date.

(g) Calculation of Interest. Interest shall accrue on the outstanding principal balance of the Loan and all other amounts due to Lender under the Loan Documents commencing upon the Closing Date. Interest shall accrue on Accrued Interest commencing on the first Payment Date following the Optional Prepayment Date. Interest shall be computed on the actual number of days elapsed, based on a 360 day year.

(h) Default Rate Interest. If an Event of Default has occurred the entire unpaid amount outstanding hereunder and under the Note will bear interest at the Default Rate.

(i) Late Charge. If Borrower fails to make any payment of any sums due under the Loan Documents after the same is due, Borrower shall pay a Late Charge.

(j) Maturity Date. On the Maturity Date Borrower shall pay to Lender all amounts owing under the Loan Documents, including without limitation, interest, principal, Late Charges, Default Rate interest, Accrued Interest and any Yield Maintenance Premium. The Yield Maintenance Premium shall only be due and payable on the date of acceleration of the Note.

Section 2.6. Voluntary Defeasance.

(a) Provided that no Event of Default has occurred then, after the earlier to occur of (i) two years after the Start-Up Day and (ii) three years after the Closing Date (but only before the Optional Prepayment Date), Borrower may voluntarily defease (A) all of the Loan or (B) a portion of the Loan, but only pursuant to Section 5.1(P); provided, that, for any defeasance, Borrower must comply with Section 2.11.

(b) In the event of any such voluntary defeasance Borrower shall give Lender written notice of its intent to defease, which notice shall be given at least ten (10) days, in the case of a defeasance pursuant to Section 5.1(P), and at least thirty (30) days, in all other cases, prior to the date upon which defeasance is to be made and shall specify the Payment Date and the amount of such defeasance. If any such notice of

defeasance is given, Borrower shall be required to defease the Loan or a portion thereof pursuant to Section 5.1(P) on the specified Payment Date (unless such notice is revoked by Borrower prior to the date specified therein in which event Borrower shall immediately reimburse Lender for any reasonable costs incurred by Lender in connection with Borrower's giving of such notice and revocation).

(c) Any voluntary defeasance of the Loan by Borrower is required to be made on a Payment Date.

(d) Borrower shall not be permitted at any time to defease all or any part of the Loan except as expressly provided in this Section 2.6.

Section 2.7. Prepayment. (a) On and after the earlier to occur of (i) the Optional Prepayment Date or (ii) at Lender's sole election, upon the occurrence of an Event of Default hereunder, any date on or after such Event of Default, in addition to all other payments required hereunder, Borrower shall pay and use all Excess Cash Flow to prepay the Loan on each Payment Date in accordance with Section 2.12(g) and Section 2.8 and, after payment in full of the Principal Indebtedness (but not Accrued Interest or interest thereon) to pay Accrued Interest and interest thereon and all other amounts then owing.

(b) If Borrower is required by Lender under the provisions of the Mortgage to prepay the Loan or any portion thereof in the event of damage, destruction or a Taking of the Facility, Borrower shall prepay the Loan to the full extent of the Insurance Proceeds or the Condemnation Proceeds, and there shall be no Yield Maintenance Premium or penalty assessed against Borrower by reason thereof.

(c) On and after the Optional Prepayment Date (provided no Event of Default has occurred), Borrower may voluntarily prepay the Loan in whole or in part, and there shall be no Yield Maintenance Premium or penalty assessed against Borrower by reason thereof.

(d) All prepayments made pursuant to this Section 2.7 shall be applied in accordance with the provisions of Section 2.8.

(e) Any prepayment of the Loan by Borrower is required to be made on a Payment Date.

(f) Borrower shall not be permitted at any time to prepay all or any part of the Loan except as expressly provided in this Section 2.7.

Section 2.8. Application of Payments. Prior to the occurrence of an Event of Default, all proceeds of any repayment, including prepayments, of the Loan shall be applied to pay: first, any costs and expenses of Lender, including, without limitation, the Lender's reasonable attorney's fees and disbursements actually arising as a result of such repayment or reasonably expended by Lender to protect the Collateral; second, accrued and unpaid interest at the Initial Interest Rate; third, to the Principal Indebtedness (but not to Accrued Interest or interest thereon); fourth, to Accrued Interest and interest accrued thereon; and fifth, any other amounts then due and owing under the Loan Documents. After the occurrence of an Event of Default, all proceeds of repayment, including any payment or recovery on the Collateral shall, unless otherwise provided in the Mortgage, be applied in such order and in such manner as Lender shall elect in its sole discretion.

Section 2.9. Payment of Debt Service, Method and Place of Payment. (a) Except as otherwise specifically provided herein, all payments and prepayments under this Agreement and the Note shall be made to Lender not later than 12:00 noon, New York City time, on the date when due and shall be made in lawful money of the United States of America in federal or other immediately available funds to an account specified to Borrower by Lender in writing, and any funds received by Lender after such time, for all purposes hereof, shall be deemed to have been paid on the next succeeding Business Day.

(b) All payments made by Borrower hereunder or by Borrower under the other Loan Documents, shall be made irrespective of, and without any deduction for, any set-offs or counterclaims.

Section 2.10. Taxes. All payments made by Borrower under this Agreement and under the other Loan Documents shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other

taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority (other than taxes imposed on the income of Lender).

Section 2.11. Defeasance Requirements. (a) Subject to Section 2.6, the Loan may be defeased (A) in whole, or (B) in part, but only pursuant to Section 5.1(P); provided that

Borrower: (i) provides, in the case of a defeasance pursuant to Section 5.1(P), not less than ten (10) days', and, in all other cases, not less than thirty (30) days prior written notice to the Lender specifying a Payment Date (the "Defeasance Release Date") on which the payments provided in clauses (ii) and (iii) below are to be made and the deposit provided in clause (iv) below is to be made, (ii) pays all interest accrued and unpaid on the Principal Indebtedness to and including the Defeasance Release Date, (iii) pays all other sums then due and payable under the Loan Documents, (iv) deposits with the Lender an amount equal to the Defeasance Deposit, (v) intentionally omitted, (vi) intentionally omitted, and (vii) delivers to the Lender (A) a security agreement, in form and substance reasonably satisfactory to Lender, creating a first priority perfected Lien on the deposits required pursuant to this Section and the U.S. Obligations purchased on behalf of Borrower in accordance with this Section (the "Security Agreement"), (B) for execution by the Lender, a release of the Mortgaged Property from the lien of the Mortgage in a form appropriate for the jurisdiction in which the Mortgaged Property is located, (C) an Officer's Certificate of Borrower certifying that the requirements set forth in this Section have been satisfied, (D) an opinion of counsel from Borrower's counsel in form and substance reasonably satisfactory to the Lender stating, among other things, (x) that, without qualification, the U.S. Obligations have been duly and validly assigned and delivered to Lender and Lender has a first priority perfected security interest on the deposits required pursuant to this Section and a first priority perfected lien on the U.S. Obligations and the proceeds thereof purchased hereunder and (y) that the defeasance will not adversely affect the status of any REMIC formed in connection with a Securitization, and (E) such other certificates, documents or instruments as the Lender may reasonably request including, without limitation, (x) written confirmation from the relevant Rating Agencies that such defeasance will not cause any Rating Agency to withdraw, qualify or downgrade the then-applicable rating on any security issued in

connection with any Securitization and (y) a certificate from an Independent certified public accountant certifying that the amounts of the U.S. Obligations comply with all of the requirements of this Loan Agreement. The U.S. Obligations shall mature on or be redeemable, or provide for payment thereon, on or prior to the Business Day preceding the date on which payments under the Note are due and payable and the proceeds thereof shall be payable directly to the Cash Collateral Account. In connection with the foregoing, Borrower appoints the Lender as its agent for the purpose of applying the amounts delivered pursuant to clause (iv) above to purchase U.S. Obligations. Notwithstanding anything in this Agreement to the contrary, in the event the Yield Maintenance Premium is due as a result of the acceleration of the Indebtedness after the occurrence of an Event of Default, Lender shall have the right to receive and collect the Yield Maintenance Premium but shall have no obligation to purchase U.S. Obligations or otherwise comply with this Section 2.11.

(b) Upon compliance with the requirements of this Section 2.11 in the event of a total defeasance of the Loan, the Mortgaged Property as to which the defeasance has been consummated shall be released from the lien of the Mortgage. In connection with a defeasance of the Loan, Borrower may be required by Lender to assign its obligations under the Note, the other Loan Documents and the Security Agreements together with the pledged U.S. Obligations to such other entity or entities established or designated by Lender (the "Successor Mortgagor"). Such Successor Mortgagor shall assume the obligations under the Note, the other Loan Documents and the Security Agreements and, upon such assignment Borrower shall be relieved of its obligations thereunder.

(c) Nothing in this Section 2.11 shall release Borrower from any liability or obligation relating to any environmental matters arising under Sections 4.1(b)(U) or 5.1(D)-(I), inclusive, hereof.

Section 2.12. Central Cash Management. (a) Collection Account and Security Deposit Account. Borrower shall open and maintain at the Collection Account Bank two trust accounts (the "Collection Account" and the "Security Deposit Account"), and the Collection Account Bank shall not commingle the amounts in either such account with any other amounts held on behalf of Lender or

any other Person. The Collection Account shall be assigned an identification number by the Collection Account Bank and shall be opened and maintained in the name "Nomura Asset Capital Corporation as Mortgagee of Mark Northwood Associates, Limited Partnership." Neither Borrower nor Manager shall have any right of withdrawal from the Collection Account. Borrower shall cause all tenants of the Facility to pay all Rents, Money or other items of Gross Revenue (other than security deposits) directly into the Collection Account for the Facility. Without in any way limiting Borrower's obligations pursuant to the preceding sentence, Borrower shall deposit all Rents, Moneys or other items of Gross Revenue (other than security deposits) received by Borrower in violation of the preceding sentence within one Business Day after receipt thereof directly into the Collection Account for the Facility. The Security Deposit Account shall be assigned an identification number by the Collection Account Bank and shall be opened and maintained in the name "Nomura Asset Capital Corporation as Mortgagee of Mark Northwood Associates, Limited Partnership." Borrower shall cause all tenants of the Facility to deposit all security deposits with respect to the Facility directly into the Security Deposit Account for the Facility. Without in any way limiting Borrower's obligations pursuant to the preceding sentence, Borrower shall deposit all security deposits received by Borrower in violation of the preceding sentence, within one Business Day after receipt thereof, directly into the Security Deposit Account for the Facility. Neither Borrower nor Manager shall have any right of withdrawal from the Security Deposit Account except that, prior to the Collection Account Bank's receipt of notice of the occurrence of an Event of Default, Borrower may withdraw funds from the Security Deposit Account to refund or apply security deposits as required by the related Leases or by applicable Legal Requirements, and, after delivery of such notice, Lender, on written request from Borrower with appropriate supporting materials, will direct the Collection Account Bank to release funds from the Security Deposit Account to refund security deposits as required by the Leases or by applicable Legal Requirements. Borrower may designate a new financial institution to serve as a Collection Account Bank hereunder as provided in Section 2.13(1). Any breach of this Section 2.12(a) by Borrower shall be an Event of Default.

(b) Cash Collateral Account. Pursuant to the Collection Account Agreement between the Collection Account Bank,

Borrower and Lender (the "Collection Account Agreement") Borrower will authorize and direct the Collection Account Bank to transfer on a daily basis all funds deposited in the Collection Account for Borrower's Facility to the cash collateral account. The cash collateral account shall be an Eligible Account established by Lender in Lender's name. Lender may elect to change the financial institution at which the cash collateral account shall be maintained. Lender shall give Borrower not fewer than thirty (30) days prior notice of each change. The cash collateral account shall be under the sole dominion and control of Lender. Borrower shall have no right of withdrawal in respect to the cash collateral account. The cash collateral account referred to in this Section 2.12(b) is referred to herein as the "Cash Collateral Account."

(c) Establishment of Sub-Accounts. The Cash Collateral Account shall contain a Ground Rents Sub-Account, a Debt Service Payment Sub-Account, a Basic Carrying Costs Sub-Account, a Capital Reserve Sub-Account, a State of Florida Lease Sub-Account, a Securitization Expense Sub-Account and an

Operating Expense Sub-Account, each of which accounts (individually, a "Sub-Account" and collectively, the "Sub-Accounts") shall be an Eligible Account to which certain funds shall be allocated and from which disbursements shall be made pursuant to the terms of this Loan Agreement.

(d) Permitted Investments. Upon the written request of Borrower, which request may be made once per Interest Accrual Period, Lender shall direct the Cash Collateral Account Bank to invest and reinvest any balance in the Cash Collateral Account from time to time in Permitted Investments as instructed by Borrower; provided, however, that (i) if Borrower fails to so instruct Lender, or if a Default or an Event of Default shall have occurred, Lender may direct the Cash Collateral Account Bank to invest and reinvest such balance in Permitted Investments as Lender shall determine in Lender's sole discretion, (ii) the maturities of the Permitted Investments on deposit in the Cash Collateral Account shall, to the extent such dates are ascertainable, be selected and coordinated to become due not later than the day before any disbursements from the Sub-Accounts must be made, (iii) all such Permitted Investments shall be held in the name and be under the sole dominion and control of Lender; (iv) no Permitted Investment shall be made unless Lender shall retain a perfected first priority Lien in such Permitted

Investment securing the Indebtedness and all filings and other actions necessary to ensure the validity, perfection, and priority of such Lien have been taken; (v) Lender shall only be required to follow the investment instructions which were most recently received by Lender and Borrower shall be bound by such last received investment instructions; and (vi) any written request from Borrower containing investment instructions shall contain an Officer's Certificate from Borrower (which may be conclusively relied upon by Lender and its agents) that any such investments constitute Permitted Investments. It is the intention of the parties hereto that all amounts deposited in the Cash Collateral Account (or as much thereof as Lender may arrange to invest) shall at all times be invested in Permitted Investments. All funds in the Cash Collateral Account that are invested in a Permitted Investment are deemed to be held in such Cash Collateral Account for all purposes of this Agreement and the other Loan Documents. All gain in investments of funds in the Cash Collateral Account shall be allocated in the same manner as any other funds in the Cash Collateral Account. Lender shall have no liability for any loss in investments of funds in the Cash Collateral Account that are invested in Permitted Investments (unless invested contrary to Borrower's request other than after the occurrence of a Default or an Event of Default) and no such loss shall affect Borrower's obligation to fund, or liability for funding, the Cash Collateral Account and each Sub-Account, as the case may be. Borrower and Lender agree that Borrower shall include all such earnings and losses (other than those for Lender's account in accordance with the immediately preceding sentence) on the Cash Collateral Account as income of Borrower for federal and applicable state tax purposes.

(e) Interest on Accounts. All interest paid or other earnings on the Permitted Investments made hereunder shall be deposited into the Cash Collateral Account and shall be subject to allocation and distribution like any other monies deposited therein.

(F) Payment of Ground Rents, Basic Carrying Costs, Debt Service, Capital Improvement Costs, State of Florida Space Lease-Up Expenses, Securitization Expenses and Operating Expenses.

(i) Payment of Basic Carrying Costs. At least five (5) Business Days prior to the due date of any Basic Carrying Cost,

and not more frequently than once each Interest Accrual Period, Borrower shall notify Lender in writing and request that Lender pay such Basic Carrying Cost on behalf of Borrower on or prior to

the due date thereof. Together with each such request, Borrower shall furnish Lender with copies of bills and other documentation as may be reasonably required by Lender to establish that such Basic Carrying Cost is then due. Lender shall make such payments out of the Basic Carrying Cost Sub-Account before the same shall be delinquent to the extent that there are funds available in the Basic Carrying Cost Sub-Account and Lender has received appropriate documentation to establish the amount(s) due and the due date(s) as and when provided above.

(ii) Payment of Debt Service. At or before 12:00 noon, New York City time, on each Payment Date during the term of the Loan, Lender shall transfer to Lender's own account from the Debt Service Payment Sub-Account an amount equal to the Required Debt Service Payment for the Payment Date. Borrower shall be deemed to have timely made the Required Debt Service Payment pursuant to Section 2.9 regardless of the time Lender makes such transfer as long as sufficient funds are on deposit in the Debt Service Payment Sub-Account at 12:00 noon, New York City time on the applicable Payment Date.

(iii) Payment of Capital Improvement Costs. Not more frequently than once each Interest Accrual Period and provided that no Default or Event of Default has occurred, Borrower may notify Lender in writing and request that Lender release to Borrower or its designee funds out of the Capital Reserve Sub-Account to the extent funds are available therein for payment of Capital Improvement Costs. Together with each such request, Borrower shall furnish Lender with copies of bills and other documentation as may be reasonably required by Lender to establish that such Capital Improvement Costs are reasonable, that the work relating thereto has been completed and that such amounts are then due or have been paid. Upon Lender's approval, which approval, if granted by Lender, shall be delivered within ten (10) Business Days of Lender's receipt of such request, Lender shall release the funds to Borrower or its designee within five (5) days of Lender's approval. Notwithstanding the foregoing, the Initial Capital Reserve Amount shall be available only to pay the deferred maintenance costs set forth on Exhibit C attached hereto. Not more frequently than once each Interest Accrual Period and provided that no Event of Default has

occurred, Borrower may notify Lender in writing and request that Lender release to Borrower or its designee funds from the Initial Capital Reserve Amount out of the Capital Reserve Sub-Account to the extent the Initial Capital Reserve Amount is available therein for payment of deferred maintenance costs set forth on Exhibit C. Together with each such request, Borrower shall furnish Lender with a certificate stating that an item of deferred maintenance listed on Exhibit C has been completed along with copies of bills and other documentation as may be reasonably required by Lender to establish that such deferred maintenance cost is reasonable, that the work relating thereto has been completed and that such amounts are then due or have been paid. Upon Lender's approval, which approval, if granted by Lender, shall be delivered within five (5) Business Days of Lender's receipt of such request, Lender shall release the funds to Borrower or its designee within five (5) days of Lender's approval. Upon satisfactory completion as determined by Lender of all repairs identified on Exhibit C attached hereto, and provided no Event of Default has occurred, Lender shall release to Borrower the remainder, if any, of the Initial Capital Reserve Amount on deposit in the Capital Reserve Sub-Account.

(iv) Payment of Securitization Expenses. To the extent funds are available therein to pay the amounts for which Borrower is responsible pursuant to Section 2.14, Lender may release funds out of the Securitization Expense Sub-Account to (a) pay such amounts or, (b) after Lender has paid all of the amounts for which Borrower is responsible pursuant to Section 2.14, provided no Event of Default has occurred, to refund to Borrower all amounts remaining in the Securitization Expense Sub-Account.

(v) Payment of Extraordinary Lease-Up Expenses for the

State of Florida Space. Subject to the terms of the last sentence of this paragraph, not more frequently than once each Interest Accrual Period and provided that no Default or Event of Default has occurred, and provided that there are any funds in the State of Florida Lease Sub-Account, Borrower may notify Lender in writing and request that Lender release to Borrower or its designee funds out of the State of Florida Lease Sub-Account, to the extent funds are available therein for payment of costs associated with extraordinary lease-up expenses attributable to the fact that any tenant as of the Closing Date with respect to the State of Florida Space elects not to renew or extend any of the Leases in effect on the Closing Date for the State of Florida

Space which expenses shall be acceptable to Lender in its reasonable discretion. Together with each such request, Borrower shall furnish Lender with copies of bills and other documentation as may be reasonably required by Lender to establish that such expenses are then due or have been paid. Upon Lender's approval, which approval may be given or denied in Lender's reasonable discretion and which approval, if granted by Lender, shall be delivered within ten (10) Business Days of Lender's receipt of such request, Lender shall release the funds to Borrower or its designee within ten (10) days of Lender's approval.

Notwithstanding the foregoing (A) in the event the Borrower enters into any Lease with respect to the State of Florida Space and the termination date of any of such Lease is after the March 11, 2009, and provided no Default or Event of Default has occurred, Borrower shall be entitled to receive on the commencement date of such Lease from the State of Florida Lease Sub-Account an amount equal to the product of the State of Florida Funds multiplied by a fraction the numerator of which is the gross square feet covered by such Lease and the denominator of which is 341,221 and, subject to the proviso at the end of clause (B), any remaining funds in such Sub-Account shall remain in such Sub-Account as additional security for the Loan; and (B) in the event that (i) the Borrower enters into any Lease for any portion of the State of Florida Space (an "Early Terminating Lease") and the termination date of any such Lease is before March 11, 2009 or (ii) any of the Leases in effect on the Closing Date for any portion of the State of Florida Space expire (an "Expiring Lease") without the execution of a Lease for such space, funds in an amount equal to the product of the State of Florida Funds multiplied by a fraction the numerator of which is the gross square feet covered by such Lease or Expiring Lease, as applicable, and the denominator of which is 341,221 shall remain in the State of Florida Lease Sub-Account as additional security for the Loan, provided, however, that if Borrower enters into any Lease or Leases covering all or any portion of the State of Florida Space covered by such Expiring Lease or Early Terminating Lease and the expiration date of any such Lease is after March 11, 2009, Borrower shall be entitled to receive funds from the State of Florida Lease Sub-Account pursuant to clause (A) of this Section 2.12(f)(v).

(vi) Payment of Ground Rents. In the event Borrower fails to pay the Ground Rents, Lender in addition to its

rights under this Agreement, may apply the funds in the Ground Rents Sub-Account to pay such Ground Rents.

(vii) Payment of Operating Expenses. On and after the Optional Prepayment Date, not more frequently than once each Interest Accrual Period and provided that no Default or Event of Default has occurred Lender shall direct the Cash Collateral Account Bank to, within five (5) Business Days of Lender's receipt of an Operating Expense Certificate from Borrower, such Operating Expense Certificate to be delivered by Borrower not more frequently than once each Interest Accrual Period, transfer funds to Borrower or its designee out of the Operating Expense Sub-Account to the extent that there are funds available therein in an amount not to exceed the amount stated in the Operating Expense Certificate up to the Operating Expense Monthly Installment. Together with each such Operating Expense

Certificate, Borrower shall furnish Lender with an Officer's Certificate stating that all operating expenses from previous periods have been paid in full and that such amounts are then due or have been paid.

(viii) Extra Funds for Operating Expenses. On and after the Optional Prepayment Date, not more frequently than once each Interest Accrual Period and provided that no Default or Event of Default has occurred if in a given Interest Accrual Period, the Borrower requires amounts in excess of the Operating Expense Monthly Installment ("Extra Funds"), Borrower, at the time it delivers the Operating Expense Certificate, may deliver a written request to Lender for a disbursement of Extra Funds stating the amount of such Extra Funds and the purpose for which such amount is intended with attachments of copies of bills and other documentation as may be required by Lender to establish that such Operating Expenses are reasonable and that such amounts are then due or expected to become due in that month. Within ten (10) days after Lender's approval, which approval, if granted by Lender, shall be delivered within ten (10) Business Days of Lender's receipt of such request, Lender shall release the funds to Borrower or its designee.

(ix) Reconciliation. Borrower shall furnish Lender monthly, on each Payment Date, a budget variance report reconciling the Operating Expenses shown on the Annual Operating Budget with requested disbursements for payment of Operating Expenses pursuant to Section 2.12(f).

(g) Monthly Funding of Sub-Accounts. During each Interest Accrual Period and except as provided below, during the term of the Loan commencing with the Interest Accrual Period in which the Closing Date occurs (each, the "Current Interest Accrual Period"), Lender shall allocate all funds then on deposit in the Cash Collateral Account among the Sub-Accounts as follows and in the following priority:

(i) first, to the Basic Carrying Costs Sub-Account, until an amount equal to the Basic Carrying Costs Monthly Installment for the Current Interest Accrual Period has been allocated to the Basic Carrying Costs Sub-Account;

(ii) second, to the Debt Service Payment Sub-Account, until an amount equal to the Required Base Debt Service Payment for the Payment Date immediately after the Current Interest Accrual Period has been allocated to the Debt Service Payment Sub-Account;

(iii) third, on and after the Optional Prepayment Date, or at Lender's sole election, upon the occurrence of an Event of Default, any date on or after the occurrence of such Event of Default, to the Operating Expense Sub-Account, until an amount equal to the Operating Expense Monthly Installment for the Current Interest Accrual Period has been allocated to the Operating Expense Sub-Account;

(iv) fourth, to the Capital Reserve Sub-Account, until an amount equal to the Capital Reserve Monthly Installment for the Current Interest Accrual Period has been allocated to the Capital Reserve Sub-Account;

(v) fifth, in the event the Borrower enters into the New State of Florida Leases and the termination date of the New State of Florida Leases is prior to March 11, 2009 to the State of Florida Lease Sub-Account until an amount equal to the State of Florida Lease Monthly Installment for the Current Interest Accrual Period has been allocated to the State of Florida Lease Sub-Account;

(vi) sixth, to the Securitization Expense Sub-Account, provided, however, that only the Initial Securitization Expense Amount shall be allocated to the Securitization Sub-Account; and

(vii) seventh, provided that (i) no Event of Default has occurred and (ii) Lender has received all financial information described in Section 5.1(Q) for the most recent periods for which the same are due, Lender agrees that in each Current Interest Accrual Period any amounts deposited into or remaining in the Cash Collateral Account after (A) the minimum amounts set forth in clauses (i) through (vi) above have been satisfied with respect to the Current Interest Accrual Period and any periods prior thereto and (B) the funding of additional reserves at levels determined by Borrower to be prudent for working capital, Capital Improvement Costs and other Borrower costs, which levels shall be satisfactory to Lender, in Lender's sole discretion, shall be disbursed by Lender on the first Payment Date after the end of the then Current Interest Accrual Period, at Borrower's expense, to such account that Borrower may request in writing. Lender and its agents shall not be responsible for monitoring Borrower's use of any funds disbursed from the Cash Collateral Account or any of the Sub-Accounts. Notwithstanding anything in this Agreement to the contrary, on and after the Optional Prepayment Date, any amounts deposited into or remaining in the Cash Collateral Account after (A) the minimum amounts set forth in clauses (i) through (vi) above have been satisfied with respect to the Current Interest Accrual Period and any periods prior thereto and (B) the funding of additional reserves at levels determined by Borrower to be prudent for working capital, Capital Improvement Costs and other Borrower costs, which levels shall be satisfactory to Lender, in Lender's sole discretion (the "Excess Cash Flow"), shall be allocated to the Debt Service Sub-Account and be applied by Lender on each Payment Date in accordance with Section 2.8 and shall not be disbursed to Borrower; and further provided, however, that if an Event of Default has occurred any amounts deposited into or remaining in the Cash Collateral Account shall be for the account of Lender and may be withdrawn by Lender to be applied in any manner as Lender may elect in Lender's sole discretion.

If an Event of Default has occurred or if on any Payment Date the balance in any Sub-Account is insufficient to make the required payment due from such Sub-Account, Lender may, in its sole discretion, in addition to any other rights and remedies available hereunder, withdraw funds from any other Sub-Account to pay such deficiency. In the event that Lender elects to apply funds of any such Sub-Account to pay any Required Base Debt Service Payment, Borrower shall, upon demand, repay to

Lender the amount of such withdrawn funds to replenish such Sub-Account, and if Borrower shall fail to repay such amounts within three (3) Business Days after notice of such withdrawal, an Event of Default shall exist hereunder.

(h) Condemnation Proceeds and Insurance Proceeds. In the event of a Taking with respect to the Facility, Borrower shall cause all the proceeds in respect of any Taking ("Condemnation Proceeds") to be paid to the Lender who shall, except as otherwise provided in the second succeeding sentence or in Section 2.12(c) of the Mortgage, apply such Condemnation Proceeds to reduce the Indebtedness in accordance with Section 2.7 and Section 2.8. In the event of a casualty with respect to the Facility, except as otherwise provided in the next sentence or in Section 2.5 of the Mortgage, Borrower shall cause all Proceeds of any insurance policy ("Insurance Proceeds") to be paid to the Lender who shall apply such Insurance Proceeds to reduce the Indebtedness in accordance with Section 2.7 and Section 2.8. All Insurance Proceeds received by Borrower or Lender in respect of business interruption coverage and all Condemnation Proceeds received in respect of a temporary Taking shall be maintained in the Cash Collateral Account, to be applied by Lender in the same manner as Rents (other than security deposits) received from Borrower with respect to the operation of the Facility; provided, further, that in the event that the Insurance Proceeds of any such business interruption insurance policy or Condemnation Proceeds of such temporary Taking are paid in a lump sum in advance, Lender shall hold such Insurance Proceeds or Condemnation Proceeds in a segregated interest-

bearing escrow account at the Cash Collateral Account Bank, and Lender shall estimate the number of months required for Borrower to restore the damage caused by the casualty to the Facility or that the Facility will be affected by such temporary Taking, as the case may be, shall divide the aggregate business interruption Insurance Proceeds or Condemnation Proceeds in connection with such casualty or temporary Taking by such number of months, and shall disburse from such escrow account into the Cash Collateral Account each month during the performance of such restoration or pendency of such temporary Taking such monthly installment of said Insurance Proceeds or Condemnation Proceeds. Any Insurance Proceeds or Condemnation Proceeds made available to Borrower for restoration or repair in accordance with the Mortgage, to the extent not used by Borrower in connection with, or to the extent

they exceed the cost of, such restoration, shall be paid to Borrower.

(i) Payment of Basic Carrying Costs. Except to the extent that Lender is obligated to pay Basic Carrying Costs from the Basic Carrying Costs Sub-Account pursuant to the terms of Section 2.12(f), Borrower shall pay all Basic Carrying Costs with respect to itself and the Facility in accordance with the provisions of the Mortgage, subject, however, to Borrower's rights to contest payment of same in accordance with the Mortgage. Borrower's obligation to pay (or cause Lender to pay) Basic Carrying Costs pursuant to this Agreement shall include, to the extent permitted by applicable law, Impositions resulting from future changes in law which impose upon Lender an obligation to pay any property taxes or other Impositions or which otherwise adversely affect Lender's interests. (In the event such a change in law prohibits Borrower from assuming liability for payment of any such Imposition, the outstanding Indebtedness shall, at the sole option of Lender, become due and payable on the date that is 120 days after such change in law; and failure to pay such amounts on the date due shall be an Event of Default.) Should an Event of Default have occurred, the proceeds on deposit in the Basic Carrying Costs Sub-Account may be applied by Lender in any manner as Lender in its sole discretion may determine.

(j) Payment of Ground Rents. Borrower shall cause the Ground Rents to be paid as required under the Ground Lease. Should an Event of Default have occurred, the proceeds on deposit in the Ground Rents Sub-Account may be applied by Lender in any manner as Lender in its sole discretion may determine.

Section 2.13. Security Agreement. (a) Pledge of Accounts. To secure the full and punctual payment and performance of all of the Indebtedness, Borrower hereby sells, assigns, conveys, pledges and transfers to Lender and grants to Lender a first and continuing security interest in and to, the following property, whether now owned or existing or hereafter acquired or arising and regardless of where located (collectively, the "Account Collateral"):

(i) all of Borrower's right, title and interest in the Cash Collateral Account (including all Sub-Accounts) and all Money

and Permitted Investments, if any, from time to time deposited or held in the Cash Collateral Account;

(ii) all of Borrower's right, title and interest in the Collection Account and Security Deposit Account and all Money, if any, from time to time deposited or held in the Collection Account and Security Deposit Account;

(iii) all interest, dividends, Money, Instruments and other property from time to time received, receivable or otherwise payable in respect of, or in exchange for, any of the foregoing; and

(iv) to the extent not covered by clauses (i), (ii), or (iii) above, all Proceeds and products of any or all of the foregoing.

(b) Covenants. Borrower covenants that (i) all Rents and Money received from Accounts shall be deposited by Borrower directly into the Collection Account or the Security Deposit Account, as applicable and (ii) so long as any portion of the Indebtedness is outstanding, Borrower shall not open (nor permit Manager or any Person to open) any other account for the collection of Rents and Money received from Accounts, other than such replacement Collection Accounts and Security Deposit Accounts as may be established pursuant to Section 2.13(1).

(c) Instructions and Agreements. On or before the Closing Date, Borrower will submit to the Collection Account Bank for the Facility a Collection Account Agreement to be executed by the Collection Account Bank. On or before the Closing Date, Borrower and the Cash Collateral Account Bank will execute and deliver a Cash Collateral Account Agreement in form and substance satisfactory to Lender in Lender's sole discretion (the "Cash Collateral Account Agreement"). Borrower agrees that prior to the payment in full of the Indebtedness, the Cash Collateral Account Agreement shall be irrevocable by Borrower without the prior written consent of Lender.

(d) Financing Statements; Further Assurances. Borrower will execute and deliver to Lender for filing a financing statement or statements in connection with the Account Collateral in the form required to properly perfect Lender's security interest in the Account Collateral to the extent that it may be

perfected by such a filing. Borrower agrees that at any time and from time to time, at the expense of Borrower, Borrower shall promptly execute and deliver all further instruments, and take all further action, that Lender may request, in order to perfect and protect the pledge and security interest granted or purported to be granted hereby, or to enable Lender to exercise and enforce Lender's rights and remedies hereunder with respect to, the Account Collateral.

(e) Transfers and Other Liens. Borrower agrees that it will not sell or otherwise dispose of any of the Account Collateral other than pursuant to the terms hereof and of the other Loan Documents, or create or permit to exist any Lien upon or with respect to all or any of the Account Collateral, except for the Lien granted to Lender under this Agreement.

(f) Lender's Reasonable Care. Beyond the exercise of reasonable care in the custody thereof, Lender shall not have any duty as to any Account Collateral or any income thereon in its possession or control or in the possession or control of any agents for, or of Lender, or the preservation of rights against any Person or otherwise with respect thereto. Lender shall be deemed to have exercised reasonable care in the custody of the Account Collateral in its possession if the Account Collateral is accorded treatment substantially equal to that which Lender accords its own property, it being understood that Lender shall not be liable or responsible for (i) any loss or damage to any of the Account Collateral, or for any diminution in value thereof from a loss of, or delay in Lender's acknowledging receipt of, any wire transfer from the Collection Account Bank or (ii) any loss, damage or diminution in value by reason of the act or omission of Lender, or Lender's agents, employees or bailees.

(g) Lender Appointed Attorney-In-Fact. Borrower hereby irrevocably constitutes and appoints Lender as Borrower's true and lawful attorney-in-fact, with full power of substitution, at any time after the occurrence of an Event of Default to execute, acknowledge and deliver any instruments and to exercise and enforce every right, power, remedy, option and privilege of Borrower with respect to the Account Collateral, and do in the name, place and stead of Borrower, all such acts, things and deeds for and on behalf of and in the name of Borrower with

respect to the Account Collateral, which Borrower could or might do or which Lender may deem necessary or desirable to more fully vest in Lender the rights and remedies provided for herein with respect to the Account Collateral and to accomplish the purposes

of this Agreement. The foregoing powers of attorney are irrevocable and coupled with an interest.

(h) Continuing Security Interest; Termination. This Section 2.13 shall create a continuing pledge of and security interest in the Account Collateral and shall remain in full force and effect until payment in full of the Indebtedness. Upon payment in full of the Indebtedness, Borrower shall be entitled to the return, upon its request and at its expense, of such of the Account Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof, and Lender shall execute such instruments and documents as may be reasonably requested by Borrower to evidence such termination and the release of the pledge and Lien hereof, provided, however, that Borrower shall pay on demand all of Lender's expenses in connection therewith.

Section 2.14. Securitization. Borrower hereby acknowledges that Lender, its successors or assigns, may sell or securitize the Loan or portions thereof in one or more transactions through the issuance of securities, which may be rated by the Rating Agencies (each, a "Securitization"; collectively, the "Securitized Securities"). Borrower agrees that it shall reasonably cooperate with Lender and use its best efforts to facilitate the consummation of each Securitization including, but not limited to, by (a) amending or causing the amendment of this Agreement and the other Loan Documents, and executing such additional documents including amendments to Borrower's organizational documents and preparing financial statements as requested by the Rating Agencies to conform the terms of the Loan to the terms of similar loans underlying completed or pending securitized transactions having or seeking ratings the same as those then being sought in connection with the relevant Securitization; (b) promptly and reasonably providing such information as may be requested in connection with the preparation of a private placement memorandum or a registration statement required to privately place or publicly distribute the securities in a manner which does not conflict with federal or state securities laws; (c) providing in connection with each of (i) a preliminary and a private placement memorandum or (ii) a preliminary and final prospectus, as applicable, an indemnification certificate (x) certifying that Borrower has carefully examined such memorandum or prospectus, as applicable, including, without limitation, the sections entitled "Special Considerations", "Description of the Mortgage Loan" and "The

Underlying Mortgaged Property", "The Manager", "Borrower" and "Certain Legal Aspects of the Mortgage Loan", and such sections (and any other sections reasonably requested) insofar as they relate to Borrower, its Affiliates, the Loan or the Facility do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, provided, however, that Borrower shall not be required to indemnify Lender for any losses relating to untrue statements or omissions which Borrower identified to Lender in writing at the time of Borrower's examination of such memorandum or prospectus as applicable, and (y) indemnifying Lender (and its officers, directors, partners, employees, affiliates and agents and each other person, if any, controlling Lender or any of its affiliates within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended), the Issuer and the Advisor for any losses, claims, damages, expenses or liabilities (including, without limitation, all liabilities under all applicable federal and state securities laws) (collectively, the "Liabilities") to which any of them may become subject (i) insofar as the Liabilities arise out of or are based upon any untrue statement or alleged untrue statement of any material fact

relating to Borrower, its Affiliates, the Loan, Facility, the Manager or any aspect of the subject financing or the parties directly involved therein contained in such sections or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated in such sections or necessary in order to make the statements in such sections, in light of the circumstances under which they were made, not misleading or (ii) as a result of any untrue statement of material fact in any of the financial statements of Borrower incorporated into any placement memorandum, prospectus, registration statement or other document connected with the issuance of securities or the failure to include in such financial statements or in any placement memorandum, prospectus, registration statement or other document connected with the issuance of securities any material fact relating to Borrower, its Affiliates, the Facility, the Loan, the Manager and any aspect of the subject financing necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided that Borrower shall have had an opportunity to review and comment upon the relevant portions of such documents; and (z) agreeing to reimburse Lender,

the Issuer and the Advisor for any legal or other expenses reasonably incurred by Lender, the Issuer and the Advisor in connection with investigating or defending the Liabilities; (d) causing to be rendered such customary opinion letters as shall be reasonably requested by the Rating Agencies for other securitizations having or seeking ratings comparable to that then being sought for the relevant Securitization; (e) making such representations, warranties and covenants, as may be reasonably requested by the Rating Agencies and comparable to those required in other securitized transactions having or seeking the same rating as is then being sought for the Securitization; (f) providing such information regarding the Collateral as may be reasonably requested by the Rating Agencies or otherwise required in connection with the formation of a REMIC; and (g) providing any other information and materials required in the Securitization process. Subject to Lender's application of funds in the Securitization Expense Sub-Account, Borrower agrees to pay on the Securitization Closing Date and, if earlier, within thirty (30) days after the incurrence thereof, upon demand, all reasonable out-of-pocket costs of Lender (and not previously reimbursed by Borrower) in connection with the Securitization (or any attempt to securitize the Loan), including, without limitation, the cost of preparing a private placement memorandum or prospectus, Rating Agency fees and expenses (including ongoing surveillance fees), legal fees and disbursements (including, without limitation, in connection with the rendering of legal opinions), third party due diligence expenses, including appraisals, engineering reports and environmental reports, the fees and expenses of any trustee, servicer or special servicer, including any ongoing servicing or special servicing fees, and the cost of market studies and SEC filing fees (collectively, "Securitization Costs"), provided, however, that Borrower's liability for Securitization Costs shall not exceed the Initial Securitization Expense Amount. Borrower acknowledges and agrees that the Lender may, at any time on or after the Closing Date, assign its duties, rights or obligations hereunder or under any Loan Document in whole, or in part, to a servicer and/or a trustee in Lender's discretion. Nothing herein shall in any way limit Lender's right to sell all or a portion of the Loan in a transaction which is not a Securitization.

Section 2.15. Supplemental Mortgage Affidavits. The Liens to be created by the Mortgage are intended to encumber the Facility described therein to the full extent of Borrower's

obligations under the Loan Documents. As of the Closing Date, Borrower shall have paid all state, county and municipal recording and all other taxes imposed upon the execution and recordation of the Mortgage.

ARTICLE III
CONDITIONS PRECEDENT

Section 3.1. Conditions Precedent to the Making of the Loan. (a) As a condition precedent to the making of the Loan, Borrower shall have satisfied the following conditions (unless waived by Lender in accordance with Section 8.4) with respect to the Facility on or before the Closing Date:

(A) Loan Documents.

(i) Loan Agreement. Borrower shall have executed and delivered this Agreement to Lender.

(ii) Note. Borrower shall have executed and delivered to Lender the Note.

(iii) Mortgage. Borrower shall have executed and delivered to Lender the Mortgage and such Mortgage shall have been filed of record in the appropriate filing offices in the jurisdiction in which the Facility is located or irrevocably delivered to a title agent for such recordation.

(iv) Assignment of Leases. Borrower shall have executed and delivered to Lender the Assignment of Leases and the Assignment of Leases shall have been filed of record in the appropriate filing offices in the jurisdiction in which the Facility is located or irrevocably delivered to a title agent for such recordation.

(v) Assignment of Agreements. Borrower shall have executed and delivered to Lender the Assignment of Agreements and the Assignment of Agreements shall, to the extent prudent pursuant to local practice, have been filed of record in the appropriate filing offices in the jurisdiction in which the Facility is located or irrevocably delivered to a title agent for such recordation.

(vi) Financing Statements. Borrower and its partners or members (and their shareholders), as applicable, shall have executed and delivered to Lender all financing statements required by Lender and such financing statements shall have been filed of record in the appropriate filing offices in each of the appropriate jurisdictions or irrevocably delivered to a title agent for such recordation.

(vii) Manager's Subordination. Manager and Borrower shall have executed and delivered to Lender the Manager's Subordination.

(viii) Cash Collateral Account Agreement. Borrower and Cash Collateral Account Bank shall have executed and delivered the Cash Collateral Account Agreement and shall have delivered an executed copy of such agreement to Lender.

(ix) Environmental Guaranty. The Parent shall have executed and delivered to Lender the Environmental Guaranty.

(x) Parent's Side Letter. The parent shall have executed and delivered to Lender the Parent's Side Letter.

(xi) Collection Account Agreement. Borrower and the Collection Account Bank shall have executed and delivered the Collection Account Agreement and shall have delivered an executed copy of such agreement to Lender.

(B) Opinions of Counsel. Lender shall have received from counsel satisfactory to Lender, legal opinions in form and substance satisfactory to Lender in Lender's sole discretion

(including without limitation, a bankruptcy opinion). All such legal opinions will be addressed to Lender and the Rating Agencies, dated as of the Closing Date, and in form and substance satisfactory to Lender, the Rating Agencies and their counsel. Borrower hereby instructs any of the foregoing counsel, to the extent that such counsel represents Borrower, to deliver to Lender such opinions addressed to Lender and the Rating Agencies.

(C) Secretary's Certificates and SPE Equity Owner's Certificate. Lender shall have received a Secretary's Certificate with respect to Borrower's managing equity owner and Manager and the SPE Equity Owner's Certificate with respect to Borrower.

(D) Insurance. Lender shall have received certificates of insurance demonstrating insurance coverage in respect of the Facility of types, in amounts, with insurers and otherwise in compliance with the terms, provisions and conditions set forth in the Mortgage. Such certificates shall indicate that Lender is an additional insured as its interests may appear and shall contain a loss payee endorsement in favor of Lender with respect to the property policies required to be maintained under the Mortgage. All insurance policies required to be maintained hereunder shall be maintained from the Closing Date throughout the term of this Agreement in the types and amounts required under the Mortgage.

(E) Lien Search Reports. Lender shall have received satisfactory reports of UCC (collectively, the "UCC Searches"), federal tax lien, bankruptcy, state tax lien, judgment and pending litigation searches conducted by a search firm reasonably acceptable to Lender. Such searches shall have been received in relation to Borrower, Manager and the owner of the Facility immediately prior to its transfer to the Borrower and each equity owner in Borrower, Manager and the owner of the Facility immediately prior to its transfer to the Borrower. Such searches shall have been conducted in each of the locations designated by Lender in Lender's reasonable discretion and shall have been dated not more than fifteen (15) days prior to the Closing Date.

(F) Title Insurance Policy. Lender shall have received (i) a Title Insurance Policy or a marked up commitment (in form and substance reasonably satisfactory to Lender in Lender's reasonable discretion) from Title Insurer to issue the Title Insurance Policy and (ii) a fully executed copy of the Title Instruction Letter from the Title Insurer.

(G) Environmental Matters. Lender shall have received an Environmental Report with respect to the Facility, addressed to Lender, which Environmental Report shall be (i) prepared by a firm approved by Lender in Lender's sole discretion, (ii) prepared based on a scope of work determined by Lender in Lender's sole discretion and (iii) in form and content acceptable to Lender in Lender's sole discretion, such Environmental Report to be conducted by an Independent environmental Engineer.

(H) Consents, Licenses, Approvals. Lender shall have received copies of all consents, licenses and approvals, if any, required in connection with the execution, delivery and

performance by Borrower under, and the validity and enforceability of, the Loan Documents, and such consents, licenses and approvals shall be in full force and effect.

(I) Additional Matters. Lender shall have received such other Permits, certificates (including certificates of occupancy reflecting the use of the Facility as of the Closing Date), opinions, documents and instruments (including without limitation, written proof from the appropriate Governmental Authority regarding the zoning of the Facility in form and substance satisfactory to Lender in Lender's sole discretion) relating to the Loan as may have been requested by Lender and all

other documents and all legal matters in connection with the Loan shall be satisfactory in form and substance to Lender. Borrower shall provide Lender with information reasonably satisfactory to Lender regarding the Basic Carrying Costs on or before the Closing Date.

(J) Representations and Warranties. The representations and warranties herein and in the other Loan Documents shall be true and correct in all material respects.

(K) Accounting Review. Lender shall have received an accounting review satisfactory to Lender in Lender's sole discretion showing no anticipated decrease in cash flow. Such review shall be (i) prepared by a firm approved by Lender in Lender's sole discretion, (ii) prepared based on a scope of work determined by Lender in Lender's sole discretion and (iii) in form and content acceptable to Lender in Lender's sole discretion.

(L) No Injunction. No law or regulation shall have been adopted, no order, judgment or decree of any Governmental Authority shall have been issued, and no litigation shall be pending or threatened, which in the good faith judgment of Lender would enjoin, prohibit or restrain, or impose or result in an adverse effect upon the making or repayment of the Loan or the consummation of the Transactions.

(M) Survey. Lender shall have received a Survey with respect to the Facility which Survey shall be (i) prepared by a firm approved by Lender in Lender's sole discretion, (ii) prepared based on a scope of work determined by Lender in Lender's sole discretion and (iii) in form and content acceptable

to Lender in Lender's sole discretion.

(N) Engineering Report. Lender shall have received an Engineering Report with respect to the Facility prepared by an Engineer (addressed to Lender) and which reports shall be (i) prepared by a firm approved by Lender in Lender's sole discretion, (ii) prepared based on a scope of work determined by Lender in Lender's sole discretion and (iii) in form and content acceptable to Lender in Lender's sole discretion.

(O) Appraisal. Lender shall have received an Appraisal satisfactory to Lender with respect to the Facility which shall be (i) prepared by a firm approved by Lender in Lender's sole discretion, (ii) prepared based on a scope of work determined by Lender in Lender's sole discretion and (iii) in form and content acceptable to Lender in Lender's sole discretion.

(P) Security Deposits. All security deposits with respect to the Facility on the Closing Date shall have been transferred to the Security Deposit Account, and Borrower shall be in compliance with all applicable Legal Requirements relating to such security deposits.

(Q) Service Contracts and Permits. Borrower shall have delivered to Lender a copy of all material contracts and Permits relating to the Facility.

(R) Site Inspection. Unless waived by Lender in accordance with Section 8.4, Lender shall have performed, or caused to be performed on its behalf, an on-site due diligence review of the Facility to be acquired or refinanced with the Loan satisfactory to Lender in Lender's sole discretion.

(S) Use. The Facility shall be operating only as a mixed use office/retail property.

(T) Financial Information. Lender shall have received all financial information (which financial information shall be satisfactory to Lender in Lender's sole discretion) relating to the Facility including, without limitation, audited financial statements of Borrower and other financial reports requested by

Lender in Lender's sole discretion. Such financial information shall be (i) prepared by a firm approved by Lender in Lender's sole discretion, (ii) prepared based on a scope of work

determined by Lender in Lender's sole discretion and (iii) in form and content acceptable to Lender in Lender's sole discretion.

(U) Management Agreement. With respect to the Facility, Lender shall have received the Management Agreement.

(V) Leases; Tenant Estoppels; Subordination, Nondisturbance and Attornment Agreements. With respect to the Facility, Borrower shall have delivered a true, complete and correct rent roll and a copy of each of the Leases identified in such rent roll, and each Lease shall be satisfactory to Lender in Lender's sole discretion. Borrower shall, among other things and without limitation, provide (i) evidence that each Lease is in full force and effect and (ii) originally executed tenant estoppel certificates and subordination, nondisturbance and attornment agreements from tenants with leases which in the aggregate account for at least 100% of the total square footage of the Facility in form and substance satisfactory to Lender in Lender's sole discretion.

(W) Subdivision. Evidence satisfactory to Lender (including title endorsements) that the Land with respect to the Facility constitutes a separate lot for conveyance and real estate tax assessment purposes.

(X) Transaction Costs. Borrower shall have paid or caused to be paid all Transaction Costs.

(Y) Ground Lease and Ground Lease Estoppel. Borrower shall have delivered a true and correct copy of the Ground Lease, together with all amendments and modifications thereto and evidence satisfactory to Lender that the Ground Lease is in full force and effect, including, but not limited to an originally executed Ground Lessor Estoppel from the landlord under the Ground Lease in form and substance satisfactory to Lender.

(b) Lender shall not make the Loan unless and until each of the applicable conditions precedent set forth in Section 3.1 is satisfied and until Borrower provides any other information reasonably required by Lender.

(c) In connection with the Loan, Borrower shall execute and/or deliver to Lender all additions, amendments,

modifications and supplements to the items set forth in this Article III, including without limitation, amendments, modifications and supplements to the Note, Mortgage, Assignment of Leases, Assignment of Agreements and Manager's Subordination if reasonably requested by Lender to effectuate the provisions hereof, and to provide Lender with the full benefit of the security intended to be provided under the Loan Documents. Without in any way limiting the foregoing, such additions, modifications and supplements shall include those deemed reasonably desirable by Lender's counsel in the jurisdiction in which the Facility is located.

(d) The making of the Loan shall constitute, without the necessity of specifically containing a written statement to such effect, a confirmation, representation and warranty by Borrower to Lender that all of the applicable conditions to be satisfied in connection with the making of the Loan have been satisfied (unless waived by Lender in accordance with Section 8.4,) and that all of the representations and warranties of Borrower set forth in the Loan Documents are true and correct as of the date of the making of the Loan.

Section 3.2. Form of Loan Documents and Related Matters. The Loan Documents and all of the certificates,

agreements, legal opinions and other documents and papers referred to in this Article III, unless otherwise specified, shall be delivered to Lender, and shall be reasonably satisfactory in form and substance to Lender.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1. Representations and Warranties of Borrower. (a) Closing Date Representations and Warranties of Borrower. Borrower represents and warrants that, as of the Closing Date:

(A) Organization. Borrower (i) is a duly organized and validly existing Entity in good standing under the laws of the State of its formation, (ii) has the requisite Entity power and authority to carry on its business as now being conducted, and (iii) has the requisite Entity power to execute and deliver, and perform its obligations under, the Loan Documents.

(B) Authorization. The execution and delivery by Borrower of the Loan Documents, Borrower's performance of its obligations thereunder and the creation of the security interests and Liens provided for in the Loan Documents (i) have been duly authorized by all requisite Entity action on the part of Borrower, (ii) will not violate any provision of any applicable Legal Requirements, any order of any court or other Governmental Authority, any organizational document of Borrower or any indenture or agreement or other instrument to which Borrower is a party or by which Borrower is bound, (iii) will not be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under, or result in the creation or imposition of any Lien of any nature whatsoever upon any of the property or assets of Borrower pursuant to, any such indenture or agreement or instrument and (iv) have been duly executed and delivered by Borrower. Other than those obtained or filed on or prior to the Closing Date Borrower is not required to obtain any consent, approval or authorization from, or to file any declaration or statement with, any Governmental Authority or other agency in connection with or as a condition to the execution, delivery or performance of the Loan Documents.

(C) Single-Purpose Entity.

(i) Borrower has been, and will continue to be, a duly formed and existing Entity, and a Single-Purpose Entity.

(ii) The SPE Equity Owner at all times since its formation has been, and will continue to be, a duly formed and existing corporation in good standing and a Single-Purpose Entity, and Borrower will take no action to cause such SPE Equity Owner not to be a duly formed and existing corporation in good standing and a Single-Purpose Entity.

(iii) Borrower at all times since its formation has complied, and will continue to comply, with the provisions of all of its organizational documents, and the laws of the state in which Borrower was formed relating to the Entity.

(iv) All customary formalities regarding the Entity existence of Borrower have been observed at all times since its formation and will continue to be observed.

(v) Borrower has been at all times since its formation and will continue to be adequately capitalized in light of the

nature of its business.

(b) Additional Closing Date Borrower Representations and Warranties. Borrower represents and warrants that, as of the Closing Date:

(A) Litigation. There are no actions, suits or proceedings at law or in equity by or before any Governmental Authority or other agency now pending and served or, to the knowledge of Borrower, threatened against Borrower or the Facility.

(B) Agreements. Borrower is not a party to any agreement or instrument or subject to any restriction which is likely to have a Material Adverse Effect. Borrower is not in default in any respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which it is a party or by which Borrower or the Facility is bound.

(C) No Bankruptcy Filing. Borrower is not contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency laws or the liquidation of all or a major portion of Borrower's assets or property, and Borrower has no knowledge of any Person contemplating the filing of any such petition against it.

(D) Full and Accurate Disclosure. No statement of fact made by or on behalf of Borrower in the Loan Documents or in any other document or certificate delivered to Lender by Borrower contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained herein or therein not misleading. There is no fact presently known to Borrower which has not been disclosed to Lender which materially adversely affects, nor as far as Borrower can foresee, might materially adversely affect the business, operations or condition (financial or otherwise) of Borrower.

(E) Location of Chief Executive Offices. The location of Borrower's principal place of business and the location of Borrower's chief executive office is 600 Third Avenue, Kingston, Pennsylvania 18704-1679.

(F) Compliance. Borrower, the Facility and Borrower's use thereof and operations thereat comply in all material respects with all applicable Legal Requirements, including without limitation, building and zoning ordinances and codes. Borrower is not in default or violation of any order, writ, injunction, decree or demand of any Governmental Authority, the violation of which is reasonably likely to have a Material Adverse Effect.

(G) Other Debt and Obligations. Borrower has no financial obligation under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Borrower is a party, or by which Borrower or its Facility is bound, other than unsecured trade payables incurred in the ordinary course of business relating to the ownership and operation of its Facility which do not exceed, at any time, a maximum amount of one percent (1%) of the Loan Amount and are paid within thirty (30) days of the date incurred, and other than obligations under the Mortgage and the other Loan Documents. Borrower has not borrowed or received other debt financing that has not been heretofore repaid in full and Borrower has no known material contingent liabilities.

(H) ERISA. Each Plan and, to the knowledge of Borrower, each Multiemployer Plan, is in compliance in all material respects with, and has been administered in all material respects in compliance with, its terms and the applicable provisions of ERISA, the Code and any other federal or state law, and no event or condition has occurred as to which Borrower would be under an obligation to furnish a report to Lender under Section 5.1(T).

(I) Solvency. Borrower (i) has not entered into this Loan

Agreement or any Loan Document with the actual intent to hinder, delay, or defraud any creditor, and (ii) has received reasonably equivalent value in exchange for its obligations under the Loan Documents. Giving effect to the transactions contemplated hereby, the fair saleable value of Borrower's assets exceeds and will, immediately following the execution and delivery of this Agreement, exceed Borrower's total liabilities, including, without limitation, subordinated, unliquidated, or disputed

liabilities or Contingent Obligations. The fair saleable value of Borrower's assets is and will, immediately following the execution and delivery of this Agreement, be greater than Borrower's probable liabilities, including the maximum amount of its Contingent Obligations or its debts as such debts become absolute and matured. Borrower's assets do not and, immediately following the execution and delivery of this Agreement, will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. Borrower does not intend to, and does not believe that it will, incur debts and liabilities (including, without limitation, Contingent Obligations and other commitments) beyond its ability to pay such debts as they mature (taking into account the timing and amounts to be payable on or in respect of obligations of Borrower).

(J) Not Foreign Person. Borrower is not a "foreign person" within the meaning of section 1445(f)(3) of the Code.

(K) Enforceability. The Loan Documents are the legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with their terms, subject to bankruptcy, insolvency and other limitations on creditors' rights generally and to equitable principles.

(L) Investment Company Act; Public Utility Holding Company Act. Borrower is not (i) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended, (ii) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or (iii) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money.

(M) No Defaults. No Default or Event of Default exists under or with respect to any Loan Document.

(N) Labor Matters. Borrower is not a party to any collective bargaining agreements.

(O) Title to the Mortgaged Property. Borrower owns good, indefeasible, marketable and insurable leasehold title to the Facility, free and clear of all Liens, other than the Permitted

Encumbrances applicable to the Facility. There are no outstanding options to purchase or rights of first refusal affecting the Facility. The Permitted Encumbrances do not and will not materially and adversely affect (i) the ability of Borrower to pay in full all sums due under the Note or any of its other obligations in a timely manner or (ii) the use of Borrower's Facility for the use currently being made thereof, the operation of the Facility as currently being operated or the value of the Facility.

(P) Use of Proceeds; Margin Regulations. Borrower will use the proceeds of the Loan for the purposes described in Section 2.2. No part of the proceeds of the Loan will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose which would be inconsistent with such Regulation U or any other Regulations of such Board of Governors, or for any purposes prohibited by applicable Legal Requirements.

(Q) Financial Information. All historical financial data concerning Borrower and its Facility that has been delivered by Borrower to Lender is true, complete and correct in all material respects. Since the delivery of such data, except as otherwise disclosed in writing to Lender, there has been no material adverse change in the financial position of Borrower or the Facility, or in the results of operations of Borrower. Borrower has not incurred any obligation or liability, contingent or otherwise, not reflected in such financial data which might materially adversely affect its business operations or the Facility.

(R) Condemnation. No Taking has been commenced or, to Borrower's knowledge, is contemplated with respect to all or any portion of the Facility or for the relocation of roadways providing access to the Facility.

(S) Intentionally Omitted.

(T) Utilities and Public Access. The Facility has adequate rights of access to public ways and is served by adequate water, sewer, sanitary sewer and storm drain facilities as are adequate for full utilization of the Facility for its current purpose. Except as otherwise disclosed by the Surveys, all public

utilities necessary to the continued use and enjoyment of the Facility as presently used and enjoyed are located in the public right-of-way abutting the premises, and all such utilities are connected so as to serve the Facility either (i) without passing over other property or, (ii) if such utilities pass over other property, pursuant to valid easements. All roads necessary for the full utilization of the Facility for its current purpose have been completed and dedicated to public use and accepted by all Governmental Authorities or are the subject of access easements for the benefit of the Facility.

(U) Environmental Compliance. Borrower represents, warrants and covenants, as to itself and its Facility:

(i) Borrower and the Facility are in compliance with all applicable Environmental Laws, which compliance includes, but is not limited to, the possession by Borrower of and compliance with all environmental, health and safety Permits, licenses and other governmental authorizations required in connection with the ownership and operation of the Facility under all Environmental Laws, except where the failure to comply with such laws is not reasonably likely to result in a Material Adverse Effect.

(ii) There is no Environmental Claim pending or, to Borrower's knowledge, threatened, and no penalties arising under Environmental Laws have been assessed, against Borrower, the Facility or against any Person whose liability for any Environmental Claim Borrower has or may have retained or assumed either contractually or by operation of law, and no investigation or review is pending or, to the knowledge of Borrower, threatened by any Governmental Authority, citizens group, employee or other Person with respect to any alleged failure by Borrower, or the Facility to have any environmental, health or safety permit, license or other authorization required under, or to otherwise comply with, any Environmental Law or with respect to any alleged liability of Borrower for any Use or Release of any Hazardous Substances or the presence, Use, or Release of any Hazardous Substances at, on, in, under, or from any Facility.

(iii) To the knowledge of Borrower after due inquiry, there have been and are no past or present Releases or threats of Release of any Hazardous Substance that are likely to form the basis of any Environmental Claim against Borrower, the Facility or, to Borrower's knowledge, against any Person whose

liability for any Environmental Claim Borrower has or may have retained or assumed either contractually or by operation of law.

(iv) To the knowledge of Borrower after due inquiry and except as disclosed in the Environmental Reports, without limiting the generality of the foregoing, there is not present at, on, in or under the Facility, PCB-containing equipment, asbestos or asbestos containing materials, underground or aboveground storage tanks or surface impoundments for Hazardous Substances, lead in drinking water (except in concentrations that comply with all Environmental Laws), or lead-based paint (nor have there been any underground storage tanks present at, on, in, or under the Facility).

(v) No Liens are presently recorded with the appropriate land records under or pursuant to any Environmental Law with respect to Borrower's Facility and, to Borrower's knowledge, no Governmental Authority has been taking or is in the process of taking any action that could subject the Facility to Liens under any Environmental Law.

(vi) There have been no environmental investigations, studies, audits, reviews or other analyses conducted by or on behalf of Borrower that are in the possession or control of Borrower in relation to the Facility which have not been provided to Lender.

(vii) No conditions exist which would require Borrower under any Environmental Laws to place a notice on any deed to the Facility with respect to the presence, Use or Release of Hazardous Substances at, on, in, under or from the Facility and the Facility has no such notice in its deed.

(V) No Joint Assessment; Separate Lots. Borrower has not and shall not suffer, permit or initiate the joint assessment of the Facility (i) with any other real property constituting a separate tax lot, and (ii) with any portion of the Facility which may be deemed to constitute personal property, or any other procedure whereby the lien of any taxes which may be levied against such personal property shall be assessed or levied or charged to the Facility as a single lien. The Facility is comprised of one or more parcels, each of which constitutes a separate tax lot and none of which constitutes a portion of any other tax lot.

(W) Assessments. Except as disclosed in the Title Insurance Policy, there are no pending or, to the knowledge of Borrower, proposed special or other assessments for public improvements or otherwise affecting the Facility, nor, to the knowledge of Borrower, are there any contemplated improvements to the Facility that may result in such special or other assessments.

(X) Mortgage and Other Liens. The Mortgage creates a valid and enforceable first mortgage Lien on the Facility as security for the repayment of the Indebtedness, subject only to the Permitted Encumbrances applicable to the Facility. Each Collateral Security Instrument establishes and creates a valid, subsisting and enforceable Lien on and a security interest in, or claim to, the rights and property described therein. All property covered by such Collateral Security Instrument is subject to a UCC financing statement filed and/or recorded, as appropriate, (or irrevocably delivered to an agent for such recordation or filing) in all places necessary to perfect a valid first priority Lien with respect to the rights and property that are the subject of such Collateral Security Instrument to the extent governed by the UCC. All continuations and any assignments of any such financing statements have been or will be timely filed or refiled, as appropriate, in the appropriate recording offices.

(Y) Enforceability. The Loan Documents executed by Borrower in connection with the Loan, including, without limitation, any Collateral Security Instrument, are the legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with their terms, subject to bankruptcy,

insolvency and other limitations on creditors' rights generally and to equitable principles. Such Loan Documents are, as of the Closing Date, not subject to any right of rescission, set-off, counterclaim or defense by Borrower, including the defense of usury, nor will the operation of any of the terms of the Note, the Mortgage, or such other Loan Documents, or the exercise of any right thereunder, render the Mortgage unenforceable against Borrower, in whole or in part, or subject to any right of rescission, set-off, counterclaim or defense by Borrower, including the defense of usury, and Borrower has not asserted any right of rescission, set-off, counterclaim or defense with respect thereto.

(Z) No Liabilities. Borrower has no liabilities or obligations including without limitation Contingent Obligations, (and including, without limitation, liabilities or obligations in tort, in contract, at law, in equity, pursuant to a statute or regulation, or otherwise) other than those liabilities and obligations expressly permitted by this Agreement.

(AA) No Prior Assignment. As of the Closing Date, (i) Lender is the assignee of Borrower's interest under the Leases, and (ii) there are no prior assignments of the Leases or any portion of the Rent due and payable or to become due and payable which are presently outstanding.

(AB) Certificate of Occupancy. Borrower has obtained (in its own name) all Permits necessary to use and operate Borrower's Facility for the use described in Section 3.1(S). The use being made of the Facility is in conformity in all respects with the certificate of occupancy and/or Permits for the Facility and any other restrictions, covenants or conditions affecting the Facility.

(AC) Flood Zone. Except as shown on the Survey, the Facility is not located in a flood hazard area as defined by the Federal Insurance Administration.

(AD) Physical Condition. Except as disclosed in the Engineering Reports, the Facility is free of material structural defects and all building systems contained therein are in good working order in all material respects subject to ordinary wear and tear.

(AE) Intellectual Property. All trademarks, trade names and service marks that Borrower owns or has pending, or under which it is licensed, are in good standing and uncontested. There is no right under any trademark, trade name or service mark necessary to the business of Borrower as presently conducted or as Borrower contemplates conducting its business. Borrower has not infringed, is not infringing, and has not received notice of infringement with respect to asserted trademarks, trade names and service marks of others. To Borrower's knowledge, there is no infringement by others of trademarks, trade names and service marks of Borrower.

(AF) Security Deposits. All security deposits with respect to the Facility on the Closing Date have been transferred to the Security Deposit Account on or prior to the Closing Date, and Borrower is in compliance with all applicable Legal Requirements relating to such security deposits.

(AG) Conduct of Business. Borrower does not conduct its business "also known as", "doing business as" or under any other name.

(AI) Title Insurance. The Facility is covered by either an American Land Title Association (ALTA) mortgagee's title insurance policy, or a commitment to issue such a title insurance policy, insuring a valid first lien on the Facility, which is in

full force and effect and is freely assignable to and will inure to the benefit of Lender and any successor or assignee of Lender, including but not limited to the trustee in a Securitization, subject only to the Permitted Encumbrances.

(AK) Tax Fair Market Value. The Loan Amount with respect to the Facility does not exceed the Tax Fair Market Value of the Facility. If a Note with respect to the Facility is significantly modified prior to the closing date of a Securitization so as to result in a taxable exchange under Code Section 1001, Borrower will, if requested by Lender, represent that the amount of such Note does not exceed the Tax Fair Market Value of the Facility as of the date of such significant modification.

(AL) Leases. (a) Borrower is the sole owner of the entire lessor's interest in the Leases; (b) the Leases are valid and enforceable; (c) the terms of all alterations, modifications and amendments to the Leases are reflected in the certified rent roll statement delivered to and approved by Lender; (d) none of the Rents reserved in the Leases have been assigned or otherwise pledged or hypothecated; (e) none of the Rents have been collected for more than one (1) month in advance; (f) the premises demised under the Leases have been completed and the tenants under the Leases have accepted the same and have taken possession of the same on a rent-paying basis; (g) there exist no offsets or defenses to the payment of any portion of the Rents; (h) no Lease contains an option to purchase, right of first refusal to purchase, or any other similar provision; (i) no Person has any possessory interest in, or right to occupy, the

Facility except under and pursuant to a Lease; (j) each Lease is subordinate to the Loan Documents, either pursuant to its terms or a recorded subordination agreement; and (k) no Lease has the benefit of a non-disturbance agreement that would be considered unacceptable to prudent institutional lenders.

Section 4.2. Survival of Representations and Warranties. Borrower agrees that (i) all of the representations and warranties of Borrower set forth in this Agreement and in the other Loan Documents delivered on the Closing Date are made as of the Closing Date (except as expressly otherwise provided) and (ii) all representations and warranties made by Borrower shall survive the delivery of the Note and continue for so long as any amount remains owing to Lender under this Agreement, the Note or any of the other Loan Documents; provided, however, that the representations, warranties and covenants set forth in Section 4.1(b)(U) and Sections 5.1(D) through 5.1(I) inclusive shall survive in perpetuity and shall not be subject to the exculpation provisions of Section 8.14. All representations, warranties, covenants and agreements made in this Agreement or in the other Loan Documents shall be deemed to have been relied upon by Lender notwithstanding any investigation heretofore or hereafter made by Lender or on its behalf.

ARTICLE V

AFFIRMATIVE COVENANTS

Section 5.1. Borrower Covenants. Borrower covenants and agrees that, from the date hereof and until payment in full of the Indebtedness:

(A) Existence; Compliance with Legal Requirements; Insurance. Borrower shall do or cause to be done all things necessary to preserve, renew and keep in full force and effect its Entity existence, rights, licenses, Permits and franchises necessary for the conduct of its business and comply in all respects with all applicable Legal Requirements and Insurance Requirements applicable to it and the Facility. Borrower shall notify Lender promptly of any written notice or order that Borrower receives from any Governmental Authority relating to Borrower's failure to comply with such applicable Legal

Requirements relating to Borrower's Facility and promptly take

any and all actions necessary to bring its operations at the Facility into compliance with such applicable Legal Requirements (and shall fully comply with the requirements of such Legal Requirements that at any time are applicable to its operations at the Facility) provided, that Borrower at its expense may, after prior notice to the Lender, contest by appropriate legal, administrative or other proceedings conducted in good faith and with due diligence, the validity or application, in whole or in part, of any such applicable Legal Requirements as long as (i) neither the applicable Collateral nor any part thereof or any interest therein, will be sold, forfeited or lost if Borrower pays the amount or satisfies the condition being contested, and Borrower would have the opportunity to do so, in the event of Borrower's failure to prevail in the contest, (ii) Lender would not, by virtue of such permitted contest, be exposed to any risk of any civil liability for which Borrower has not furnished additional security as provided in clause (iii) below, or to any risk of criminal liability, and neither the applicable Collateral nor any interest therein would be subject to the imposition of any Lien as a result of the failure to comply with such Legal Requirement or of such proceeding and (iii) Borrower shall have furnished to the Lender additional security in respect of the claim being contested or the loss or damage that may result from Borrower's failure to prevail in such contest in such amount as may be reasonably requested by Lender but in no event less than one hundred and twenty five percent (125%) of the amount of such claim. Borrower shall at all times maintain, preserve and protect all franchises and trade names and preserve all the remainder of its property necessary for the continued conduct of its business and keep the Facility in good repair, working order and condition, except for reasonable wear and use, and from time to time make, or cause to be made, all necessary repairs, renewals, replacements, betterments and improvements thereto, all as more fully provided in the Mortgage. Borrower shall keep the Facility insured at all times, by financially sound and reputable insurers, to such extent and against such risks, and maintain liability and such other insurance, as is more fully provided herein and in the Mortgage.

(B) Impositions and Other Claims. Borrower shall pay and discharge or cause to be paid and discharged all Ground Rents and Impositions, as well as all lawful claims for labor, materials and supplies or otherwise, which could become a Lien, all as more

fully provided in, and subject to any rights to contest contained in, the Mortgage.

(C) Litigation. Borrower shall give prompt written notice to Lender of any litigation or governmental proceedings pending or threatened against Borrower which is reasonably likely to have a Material Adverse Effect.

(D) Environmental Remediation.

(i) If any investigation, site monitoring, cleanup, removal, abatement, restoration remedial work or other response action of any kind or nature is required pursuant to an order or directive of any Governmental Authority or under any applicable Environmental Law (collectively, the "Remedial Work"), because of or in connection with the (x) past, present or future presence, suspected presence, Release or threatened Release of a Hazardous Substance at, on, in, under or from the Facility or any portion thereof or (y) violation of or compliance with applicable Environmental Laws, Borrower shall promptly commence and diligently prosecute to completion all such Remedial Work. In all events, such Remedial Work shall be commenced within the time period ordered or directed by such Governmental Authority or such shorter period as may be required under any applicable Environmental Law; provided, however, that Borrower shall not be required to commence such Remedial Work within the above specified time periods: (x) if prevented from doing so by any

Governmental Authority, (y) if commencing such Remedial Work within such time periods would result in Borrower or such Remedial Work violating any Environmental Law or (z) if Borrower, at its expense and after prior notice to Lender, is contesting by appropriate legal, administrative or other proceedings, conducted in good faith and with due diligence, the need to perform Remedial Work, as long as (1) Borrower is permitted by the applicable Environmental Laws to delay performance of the Remedial Work pending such proceedings, (2) neither Borrower's Facility nor any part thereof or interest therein will be sold, forfeited or lost if Borrower performs the Remedial Work being contested, and Borrower would have the opportunity to do so, in the event of Borrower's failure to prevail in the contest, (3) Lender would not, by virtue of such permitted contest, be exposed to any risk of any civil liability for which Borrower has not furnished additional security as provided in clause (4) below, or to any risk of criminal liability, and neither the Facility nor any interest therein would be subject to the imposition of any

Lien for which Borrower has not furnished additional security as provided in clause (4) below, as a result of the failure to perform such Remedial Work and (4) Borrower shall have furnished to Lender additional security in respect of the Remedial Work being contested and the loss or damage that may result from Borrower's failure to prevail in such contest in such amount as may be reasonably requested by Lender but in no event less than 125% of the cost of such Remedial Work and any loss or damage that may result from Borrower's failure to prevail in such contest.

(ii) All Remedial Work under clause (i) above shall be performed by contractors, and under the supervision of a consulting environmental Engineer, each approved in advance by Lender which approval will not be unreasonably withheld or delayed. All costs and expenses incurred in connection with such Remedial Work shall be paid by Borrower. If Borrower does not timely commence and diligently prosecute to completion the Remedial Work, Lender may (but shall not be obligated to), upon sixty (60) days prior written notice to Borrower of its intention to do so, cause such Remedial Work to be performed. Borrower shall pay or reimburse Lender on demand for all Advances (as defined in the Mortgage) and expenses (including reasonable attorneys' fees and disbursements) relating to or incurred by Lender in connection with monitoring, reviewing or performing any Remedial Work in accordance herewith.

(iii) Unless otherwise required by law, Environmental Laws or any Governmental Authority, Borrower shall not commence any Remedial Work under clause (i) above, nor enter into any settlement agreement, consent decree or other compromise relating to any Hazardous Substances or Environmental Laws which is reasonably likely to have a Material Adverse Effect. Notwithstanding the foregoing, if the presence or threatened presence or Release of Hazardous Substances at, on, in, under, from or about Borrower's Facility poses an immediate threat to the health, safety or welfare of any Person or the environment, or is of such a nature that an immediate response is necessary, Borrower may complete all necessary Remedial Work. In such events, Borrower shall notify Lender as soon as practicable and, in any event, within three Business Days, of any action taken.

(E) Environmental Matters; Inspection.

(i) Borrower shall not cause, allow or authorize a Hazardous Substance to be present at, on, in, under or to emanate from the Facility, or migrate from adjoining property controlled by Borrower onto or into the Facility, except under conditions permitted by applicable Environmental Laws and, in the event that such Hazardous Substances are present at, on, in, under or emanate from the Facility, or migrate onto or into the Facility, Borrower shall cause the performance of Remedial Work, removal or remediation of such Hazardous Substances, in accordance with this

Agreement and Environmental Laws. Borrower shall use best efforts to prevent, and to seek the remediation of, any migration of Hazardous Substances onto or into Borrower's Facility from any adjoining property.

(ii) Upon prior written notice to Borrower, Lender shall have the right at all reasonable times to enter upon and inspect all or any portion of the Facility. If Lender has reason to believe that Remedial Work may be required, Lender may select or may require Borrower to select a consulting environmental Engineer reasonably satisfactory to Lender to conduct and prepare environmental reports assessing the environmental condition of the Facility. Lender shall be given a reasonable opportunity to review any reports, data and other documents or materials reviewed or prepared by the environmental Engineer. The inspection rights granted to Lender in this Section 5.1(E) shall be in addition to, and not in limitation of, any other inspection rights granted to Lender in the Loan Documents, and shall expressly include the right (if Lender suspects that Remedial Work may be required) to conduct or require Borrower to conduct soil borings, establish ground water monitoring wells and conduct other customary environmental tests, assessments and audits.

(iii) Borrower agrees to bear and shall pay or reimburse Lender on demand for all sums advanced and expenses incurred (including reasonable attorneys' fees and disbursements, but excluding internal overhead, administrative and similar costs of Lender) relating to, or incurred by Lender in connection with, the inspections and reports described in this Section 5.1(E) in the following situations:

(x) If Lender has grounds to believe, at the time any such inspection is ordered, that there exists an occurrence or condition that could lead to an Environmental Claim;

(y) If any such inspection reveals an occurrence or condition that could lead to an Environmental Claim; or

(z) If an Event of Default with respect to the Facility exists at the time any such inspection is ordered, and such Event of Default relates to any representation, covenant or other obligation pertaining to Hazardous Substances, Environmental Laws or any other environmental matter.

(F) Environmental Notices. Borrower shall promptly provide notice to Lender of:

(i) any Environmental Claim asserted or threatened (in writing) by any Governmental Authority or other Person with respect to any Hazardous Substance at, on, in, under or emanating from Borrower's Facility, which could reasonably be expected to impair the value of Lender's interests hereunder or have a Material Adverse Effect;

(ii) any Environmental Claim or proceeding, investigation or inquiry commenced or threatened in writing by any Person or Governmental Authority, against Borrower, with respect to the presence, suspected presence, Release or threatened Release of Hazardous Substances from or onto, in or under any property not owned by Borrower, including, without limitation, proceedings under the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. Sub Section 9601, et seq., which could reasonably be expected to impair the value of Lender's security interests hereunder or have a Material Adverse Effect;

(iii) all Environmental Claims asserted or threatened against Borrower, against any other party occupying any Facility or any portion thereof which become known to Borrower, or against the Facility, which could reasonably be expected to impair the value of Lender's security interests hereunder or have a Material Adverse Effect;

(iv) the discovery by Borrower of any occurrence or condition on any Facility or on any real property adjoining or in the vicinity of the Facility which could reasonably be expected to lead to an Environmental Claim against Borrower or Lender which such Environmental Claim is reasonably likely to have a Material Adverse Effect; and

(v) the commencement or completion of any Remedial Work.

(G) Copies of Notices. Borrower shall immediately transmit to Lender copies of any citations, orders, notices or other written communications received from any Person or any Governmental Authority and any notices, reports or other written communications submitted to any Governmental Authority with respect to the matters described in Section 5.1(F).

(H) Environmental Claims. Lender may join and participate in, as a party if Lender so determines, any legal or administrative proceeding or action concerning the Facility or any portion thereof under any Environmental Law, if, in Lender's reasonable judgment, the interests of Lender will not be adequately protected by Borrower. Borrower agrees to bear and shall pay or reimburse Lender on demand for all reasonable sums advanced and reasonable expenses incurred (including reasonable attorneys' fees and disbursements), incurred by Lender in connection with any such action or proceeding.

(I) Indemnification. Borrower agrees to indemnify, reimburse, defend (with counsel satisfactory to Lender, at Lender's election) and hold harmless Lender, for, from, and against all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses, including, without limitation, interest, penalties, consequential damages, attorneys' fees, disbursements and expenses, and consultants' fees, disbursements and expenses, including costs of Remedial Work (collectively, "Losses") asserted against, resulting to, imposed on, or incurred by Lender, directly or indirectly, in connection with any of the following:

(i) events, circumstances, or conditions which are alleged to, or do, form the basis for an Environmental Claim;

(ii) the presence, Use or Release of Hazardous Substances at, on, in, under or from the Facility, which presence, Use or Release requires or could require Remedial Work;

(iii) any Environmental Claim against Borrower, Lender or any Person whose liability for such Environmental Claim Borrower has or may have assumed or retained either contractually or by operation of law; or

(iv) the breach of any representation, warranty or covenant set forth in Section 4.1(b)(U) and Sections 5.1(D) through 5.1(I), inclusive.

The indemnity provided in this Loan Agreement shall not be included in any exculpation of Borrower from personal liability provided in this Loan Agreement or in any of the other Loan Documents. Nothing in this Section 5.1(I) shall be deemed to deprive Lender of any rights or remedies provided to it elsewhere in this Agreement or the other Loan Documents or otherwise available to it under law. Borrower waives and releases Lender from any rights or defenses Borrower may have under common law or Environmental Laws for liability arising from or resulting from the presence, Use or Release of Hazardous Substances except to the extent directly and solely caused by the fraud or willful misconduct of Lender.

(J) Access to Facility. Borrower shall permit agents, representatives and employees of Lender to inspect the Facility or any part thereof at such reasonable times as may be requested

by Lender upon advance notice.

(K) Notice of Default. Borrower shall promptly advise Lender of any material adverse change in Borrower's condition, financial or otherwise, or of the occurrence of any Default or Event of Default.

(L) Cooperate in Legal Proceedings. Except with respect to any claim by Borrower against Lender, Borrower shall cooperate with Lender with respect to any proceedings before any Governmental Authority which may in any way affect the rights of Lender hereunder or any rights obtained by Lender under any of the Loan Documents and, in connection therewith, not prohibit Lender, at its election, from participating in any such proceedings.

(M) Perform Loan Documents. Borrower shall observe, perform and satisfy all the terms, provisions, covenants and conditions required to be observed, performed or satisfied by it, and shall pay when due all costs, fees and expenses required to be paid by it, under the Loan Documents executed and delivered by Borrower.

(N) Insurance Benefits. Borrower shall cooperate with Lender in obtaining for Lender the benefits of any Insurance Proceeds lawfully or equitably payable to Lender in connection with the Facility, and Lender shall be reimbursed for any expenses incurred in connection therewith (including reasonable attorneys' fees and disbursements and the payment by Borrower of the expense of an Appraisal on behalf of Lender) in case of a fire or other casualty affecting the Facility or any part thereof out of such Insurance Proceeds, all as more specifically provided in the Mortgage.

(O) Further Assurances. Borrower shall, at Borrower's sole cost and expense:

(i) upon Lender's request therefor given from time to time after the occurrence of any Default pay for (a) reports of UCC, federal tax lien, state tax lien, judgment and pending litigation searches with respect to Borrower and (b) searches of title to the Facility, each such search to be conducted by search firms reasonably designated by Lender in each of the locations reasonably designated by Lender.

(ii) furnish to Lender all instruments, documents, boundary surveys, footing or foundation surveys, certificates, plans and specifications, Appraisals, title and other insurance reports and agreements, and each and every other document, certificate, agreement and instrument required to be furnished pursuant to the terms of the Loan Documents;

(iii) execute and deliver to Lender such documents, instruments, certificates, assignments and other writings, and do such other acts necessary, to evidence, preserve and/or protect the Collateral at any time securing or intended to secure the Note, as Lender may require in Lender's discretion; and

(iv) do and execute all and such further lawful acts, conveyances and assurances for the better and more effective carrying out of the intents and purposes of this Agreement and the other Loan Documents, as Lender shall require from time to time in its discretion.

(P) Management of Mortgaged Property. The Facility will be managed at all times by a Manager pursuant to a Management Agreement unless terminated as herein provided. Pursuant to the

Manager's Subordination, Manager will agree that the Management Agreement is subject and subordinate in all respects to the Lien of the Mortgage. The Management Agreement shall be terminated

by Borrower, at Lender's request, upon thirty (30) days prior written notice to Borrower and Manager (i) upon the occurrence of an Event of Default, (ii) if Manager commits any act which would permit termination by Borrower under the Management Agreement or (iii) in the event that, as of the last day of a calendar quarter, the Debt Service Coverage Ratio for the Facility, computed on the basis of the prior twelve (12) calendar months, is less than eighty-five percent (85%) of the Base Adjusted NOI. Lender shall not have the right to terminate the Management Agreement pursuant to clause (iii) above, if on the first Payment Date after Lender made the determination that Lender had the right to terminate Manager pursuant to clause (iii) above, Borrower defeases the Loan in accordance with the terms of Sections 2.6 and 2.11 in an amount sufficient to cause the Debt Service Coverage Ratio (calculated as if such amount was actually applied to reduce the Principal Indebtedness upon which Debt Service was paid and calculated as if the Principal Indebtedness was reamortized on a straight-line basis (as if the reduction had occurred) over the remaining number of months until the Maturity Date) for the Facility, computed on the basis of the prior twelve (12) calendar months, to be at least equal to [1.35]. In the event that a manager is terminated pursuant hereto, Borrower shall immediately seek to appoint a replacement manager acceptable to Lender in Lender's sole discretion, and Borrower's failure to appoint such an acceptable manager within 30 days of Lender's request of Borrower to terminate the Management Agreement shall constitute an immediate Event of Default. Borrower may from time to time appoint a successor manager to manage the Facility which successor manager shall be approved in writing by Lender in Lender's discretion. Notwithstanding the foregoing, any successor manager selected hereunder by Lender or Borrower to serve as Manager shall (i) be a reputable management company having at least seven years' experience in the management of commercial properties with similar uses as the Facility and in the jurisdiction in which the Facility is located and (ii) shall not be paid management fees in excess of fees which are market fees for comparable managers of comparable properties in the same geographic area.

(Q) Financial Reporting.

(i) Borrower shall keep and maintain or shall cause to be kept and maintained on a Fiscal Year basis, in accordance with GAAP, books, records and accounts reflecting in reasonable detail all of the financial affairs of Borrower and all items of income and expense in connection with the operation of the Facility and in connection with any services, equipment or furnishings provided in connection with the operation of the Facility. Lender, at Lender's cost and expense, whether such income or expense may be realized by Borrower or by any other Person whatsoever, shall have the right from time to time and at all times during normal business hours upon reasonable prior written notice to Borrower to examine such books, records and accounts at the office of Borrower or other Person maintaining such books, records and accounts and to make such copies or extracts thereof as Lender shall desire. After the occurrence of an Event of Default, with respect to the Facility, Borrower shall pay any costs and expenses incurred by Lender to examine any and all of Borrower's books, records and accounts as Lender shall determine in Lender's sole discretion to be necessary or appropriate in the protection of Lender's interest.

(ii) Borrower shall furnish to Lender annually within ninety (90) days following the end of each Fiscal Year, a true, complete and correct copy of a consolidated report including Mark Center Trust's financial statement audited by a Big Six Accounting Firm or other firm acceptable to Lender in Lender's sole discretion which shall (a) be in form and substance acceptable to Lender in Lender's sole discretion, (b) be prepared in accordance with GAAP, (c) include, without limitation, a statement of operations (profit and loss), a statement of cash flows, a calculation of Net Operating Income, a consolidated balance sheet, an aged accounts receivable report and such other information or reports as shall be reasonably requested by Lender

or any applicable Rating Agency, (d) be accompanied by an Officer's Certificate from a senior executive of Borrower certifying as of the date thereof (x) that such statement is true, correct, complete and accurate and fairly reflects the results of operations and financial condition of Borrower for the relevant period, and (y) notice of whether there exists an Event of Default or Default, and if such Event of Default or Default exists, the nature thereof, the period of time it has existed and the action then being taken to remedy same and (e) be accompanied by an opinion from an Independent certified public accountant acceptable to Lender in Lender's sole discretion.

(iii) Borrower shall furnish to Lender annually within thirty (30) days following the end of each Fiscal Year, a true, complete and correct copy of Borrower's unaudited financial statement which shall (a) be in form and substance acceptable to Lender in Lender's sole discretion, (b) be prepared in accordance with GAAP, (c) include, without limitation, a statement of operations (profit and loss), a statement of cash flows, a calculation of Net Operating Income, a consolidated balance sheet, an aged accounts receivable report and such other information or reports as shall be reasonably requested by Lender or any applicable Rating Agency and (d) be accompanied by an Officer's Certificate from a senior executive of Borrower certifying as of the date thereof (x) that such statement is true, correct, complete and accurate and fairly reflects the results of operations and financial condition of Borrower for the relevant period, and (y) notice of whether there exists an Event of Default or Default, and if such Event of Default or Default exists, the nature thereof, the period of time it has existed and the action then being taken to remedy same.

(iv) Borrower shall furnish to Lender within twenty (20) days following the end of each calendar month, a true, correct and complete monthly unaudited operating statement which shall (a) be in form and substance acceptable to Lender in Lender's sole discretion, (b) be prepared in accordance with GAAP, (c) include, without limitation, a statement of operations (profit and loss), a statement of cash flows, a calculation of Net Operating Income, a consolidated balance sheet, an aged accounts receivable report and such other information or reports as shall be reasonably requested by Lender or any applicable Rating Agency and (d) be accompanied by an Officer's Certificate from a senior executive of Borrower certifying as of the date thereof (x) that such statement is true, correct, complete and accurate and fairly reflects the results of operations and financial condition of Borrower for the relevant period, and (y) notice of whether there exists an Event of Default or Default, and if such Event of Default or Default exists, the nature thereof, the period of time it has existed and the action then being taken to remedy same.

(v) Borrower shall furnish to Lender, within twenty (20) days following the end of each calendar month, a true, complete and correct rent roll and occupancy report and such other occupancy and rate statistics as Lender shall request in

Lender's discretion. Each such document shall (a) be in form and substance acceptable to Lender in Lender's sole discretion, and (b) be accompanied by an Officer's Certificate from a senior executive of Borrower certifying as of the date thereof (x) that such statement is true, correct, complete and accurate and (y) notice of whether there exists an Event of Default or Default, and if such Event of Default or Default exists, the nature thereof, the period of time it has existed and the action then being taken to remedy same.

(vi) Borrower shall furnish to Lender, within ten (10) Business Days after request, such further information with respect to the operation of the Facility and the financial affairs of Borrower as may be requested by Lender, including without limitation all business plans prepared for Borrower.

(vii) Borrower shall furnish to Lender, within ten (10) Business Days after request, such further information regarding any Plan or Multiemployer Plan and any reports or other information required to be filed under ERISA as may be requested by Lender.

(viii) Borrower shall, concurrently with Borrower's delivery to Lender, provide a copy of the items required to be delivered to Lender under this Section 5.1(Q) to the Rating Agencies, the trustee, and any servicer and/or special servicer that may be retained in conjunction with the Loan or any Securitization. Borrower shall furnish to Lender written notice, within two Business Days after receipt by Borrower, of any Rents, Money or other items of Gross Revenue that Borrower is not required by this Agreement to deposit in the Collection Account, Cash Collateral Account or the Security Deposit Account, together with such other documents and materials relating to such Rents, Money or other items of Gross Revenue as Lender requests in Lender's discretion.

(ix) Borrower shall provide Lender with updated information (satisfactory to Lender in Lender's discretion) concerning the Basic Carrying Costs for the next succeeding Fiscal Year prior to the termination of each Fiscal Year.

(x) Borrower shall furnish to Lender such other financial information with respect to Borrower or Manager as Lender may request (including, without limitation, in the case

of a defeasance pursuant to Section 2.11, a review by a third party acceptable to Lender, of the calculations required to be made pursuant to Section 2.11).

(R) Conduct of Business. Borrower shall cause the operation of the Facility to be conducted at all times in a manner consistent with at least the level of operation of the Facility as of the Closing Date, including, without limitation, the following:

(i) to maintain or cause to be maintained the standard of operations at Borrower's Facility at all times at a level necessary to insure a level of quality for the Facility consistent with similar facilities in the same competitive market;

(ii) to operate or cause to be operated the Facility in a prudent manner in compliance in all respects with applicable Legal Requirements and Insurance Requirements relating thereto and cause all licenses, Permits, and any other agreements necessary for the continued use and operation of the Facility to remain in effect; and

(iii) to maintain or cause to be maintained sufficient Inventory and Equipment of types and quantities at the Facility to enable Borrower or Manager to operate the Facility.

(S) Intentionally Omitted.

(T) ERISA. Borrower shall deliver to Lender as soon as possible, and in any event within ten days after Borrower knows or has reason to believe that any of the events or conditions specified below with respect to any Plan or Multiemployer Plan has occurred or exists, a statement signed by a senior financial officer of Borrower setting forth details respecting such event or condition and the action, if any, that Borrower or its ERISA Affiliate proposes to take with respect thereto (and a copy of any report or notice required to be filed with or given to PBGC by Borrower or an ERISA Affiliate with respect to such event or condition):

(i) any reportable event, as defined in Section 4043(b) of ERISA and the regulations issued thereunder, with respect to a Plan, as to which PBGC has not by regulation

waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event (provided that a failure to meet the minimum funding standard of Section 412 of the Code or Section 302 of ERISA, including, without limitation, the failure to make on or before its due date a required installment under Section 412(m) of the Code or Section 302(e) of ERISA, shall be a reportable event regardless of the issuance of any waivers in accordance with Section 412(d) of the Code); and any request for a waiver under Section 412(d) of the Code for any Plan;

(ii) the distribution under Section 4041 of ERISA of a notice of intent to terminate any Plan or any action taken by Borrower or an ERISA Affiliate to terminate any Plan;

(iii) the institution by PBGC of proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by Borrower or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by PBGC with respect to such Multiemployer Plan;

(iv) the complete or partial withdrawal from a Multiemployer Plan by Borrower or any ERISA Affiliate that results in liability under Section 4201 or 4204 of ERISA (including the obligation to satisfy secondary liability as a result of a purchaser default) or the receipt by Borrower or any ERISA Affiliate of notice from a Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under Section 4041A of ERISA;

(v) the institution of a proceeding by a fiduciary of any Multiemployer Plan against Borrower or any ERISA Affiliate to enforce Section 515 of ERISA, which proceeding is not dismissed within 30 days;

(vi) the adoption of an amendment to any Plan that, pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA, would result in the loss of tax-exempt status of the trust of which such Plan is a part if Borrower or an ERISA Affiliate fails to timely provide security to the Plan in accordance with the provisions of said Sections; and

(vii) the imposition of a lien or a security interest in connection with a Plan.

(U) Single Purpose Entity. Borrower shall at all times be a Single Purpose Entity.

(V) Trade Indebtedness. Borrower will pay its trade payables within thirty (30) days of the date incurred, unless Borrower is in good faith contesting Borrower's obligation to pay such trade payables in a manner satisfactory to Lender (which may include Lender's requirement that Borrower post security with respect to the contested trade payable).

(W) Capital Improvements and Environmental Remediation. Borrower shall, within six months of the date hereof, perform the repairs and environmental remediation to the Facility itemized on Exhibit C hereto.

(X) Annual Operating Budgets. Borrower shall submit to Lender Annual Operating Budgets at those times and in such form and substance as set forth in the definition of "Annual Operating Budget" in this Agreement.

ARTICLE VI

NEGATIVE COVENANTS

Section 6.1. Borrower Negative Covenants. Borrower

covenants and agrees that, until payment in full of the Indebtedness, it will not do, directly or indirectly, any of the following unless Lender consents thereto in writing:

(A) Liens on the Mortgaged Property. Incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any Lien with respect to Borrower's Facility, except: (i) Liens in favor of Lender, and (ii) the Permitted Encumbrances.

(B) Transfer. Except as expressly permitted by or pursuant to this Agreement or the Mortgage, or except as otherwise approved by Lender in writing in Lender's sole discretion, allow any Transfer to occur, terminate or modify the Management Agreement, or enter into a Management Agreement with respect to

Borrower's Facility.

(C) Other Borrowings. Incur, except for unsecured trade payables incurred in the ordinary course of business relating to the ownership and operation of Borrower's Facility which do not exceed, at any time, a maximum amount of three percent (3%) of the Loan Amount and are paid within ninety (90) days of the date incurred, create, assume, become or be liable in any manner with respect to Other Borrowings.

(D) Intentionally Omitted.

(E) Change In Business. Cease to be a Single-Purpose Entity or make any material change in the scope or nature of its business objectives, purposes or operations, or undertake or participate in activities other than the continuance of its present business.

(F) Debt Cancellation. Cancel or otherwise forgive or release any material claim or debt owed to Borrower by any Person, except for adequate consideration or in the ordinary course of Borrower's business.

(G) Affiliate Transactions. Enter into, or be a party to, any transaction with an Affiliate of Borrower, except in the ordinary course of business and on terms which are no less favorable to Borrower or such Affiliate than would be obtained in a comparable arm's length transaction with an unrelated third party, and, if the amount to be paid to the Affiliate pursuant to the transaction or series of related transactions is greater than \$50,000 (determined annually on an aggregate basis) fully disclosed to Lender in advance.

(H) Creation of Easements. Create, or permit Borrower's Facility or any part thereof to become subject to, any easement, license or restrictive covenant, other than a Permitted Encumbrance.

(I) Misapplication of Funds. Distribute any Rents or Money received from Accounts in violation of the provisions of Section 2.12.

(J) Certain Restrictions. Enter into any agreement which expressly restricts the ability of Borrower to enter into amendments, modifications or waivers of any of the Loan Documents.

(K) Issuance of Equity Interests. Issue or allow to be created any stocks or shares or partnership or membership interests, as applicable, or other ownership interests other than the stocks, shares, partnership or membership interests and other ownership interests which are outstanding or exist on the Closing Date or any security or other instrument which by its terms is convertible into or exercisable or exchangeable for ownership interests in Borrower. Borrower shall not allow to be issued or created any stock in Borrower's general partner or managing member, as applicable, other than the stock which is outstanding or existing on the Closing Date or any security or other instrument which by its terms is convertible into or exercisable

or exchangeable for any stock in Borrower's general partner or managing member, as applicable..

(L) Assignment of Licenses and Permits. Assign or transfer any of its interest in any Permits pertaining to Borrower's Facility, or assign, transfer or remove or permit any other Person to assign, transfer or remove any records pertaining to the Facility without Lender's prior written consent which consent may be granted or refused in Lender's sole discretion.

(M) Place of Business. Change its chief executive office or its principal place of business or place where its books and records are kept without giving Lender at least thirty (30) days' prior written notice thereof and promptly providing Lender such information as Lender may reasonably request in connection therewith.

ARTICLE VII

DEFAULTS

Section 7.1. Event of Default. The occurrence of one or more of the following events shall be an "Event of Default" hereunder:

(i) if on any Payment Date the funds in the Debt Service Payment Sub-Account are insufficient to pay the Required Debt Service Payment due on such Payment Date;

(ii) if on any Payment Date Borrower fails to pay the Required Debt Service Payment due on such Payment Date;

(iii) if Borrower fails to pay the outstanding Indebtedness on the Maturity Date;

(iv) if on any Payment Date Borrower fails to pay the Basic Carrying Costs Monthly Installment or the Capital Reserve Monthly Installment due on such Payment Date;

(v) if on the date any payment of a Basic Carrying Cost would become delinquent, the funds in the Basic Carrying Costs Sub-Account required to be reserved pursuant to Section 2.12(g) together with any funds in the Cash Collateral Account not allocated to another Sub-Account are insufficient to make such payment;

(vi) the occurrence of the events identified elsewhere in the Loan Documents as constituting an "Event of Default" hereunder or thereunder;

(vii) a Transfer, unless the prior written consent of Lender is obtained (which consent may be withheld with or without cause in Lender's discretion);

(viii) if Borrower fails to pay any other amount payable pursuant to this Agreement or any other Loan Document, including, but not limited to, Ground Rents when due and payable in accordance with the provisions hereof or thereof, as the case may be;

(ix) if any representation or warranty made herein or in any other Loan Document, or in any report, certificate, financial statement or other Instrument, agreement or document furnished by Borrower in connection with this Agreement, the Note or any other Loan Document executed and delivered by Borrower, shall be false in any material respect as of the date such representation or warranty was made or remade;

(x) if Borrower, any of Borrower's partners or members, as applicable, or the SPE Equity Owner makes an

assignment for the benefit of creditors;

(xi) if a receiver, liquidator or trustee shall be appointed for Borrower, any of Borrower's partners or members, as applicable, or the SPE Equity Owner or if Borrower, any of Borrower's partners or members, as applicable, or the SPE Equity Owner shall be adjudicated as bankrupt or insolvent, or if any petition for bankruptcy, reorganization or arrangement pursuant to federal bankruptcy law, or any similar federal or state law, shall be filed by or against, consented to, or acquiesced in by Borrower, any of Borrower's partners or members, as applicable, or the SPE Equity Owner or if any proceeding for the dissolution or liquidation of Borrower, any of Borrower's partners or members, as applicable, or the SPE Equity Owner shall be instituted; provided, however, that if such appointment, adjudication, petition or proceeding was involuntary and not consented to by Borrower, any of Borrower's partners or members, as applicable, or the SPE Equity Owner as the case may be, upon the same not being discharged, stayed or dismissed within 90 days; or if Borrower, any of Borrower's partners or members, as applicable, or the SPE Equity Owner shall generally not be paying its debts as they become due;

(xii) if Borrower attempts to delegate its obligations or assign its rights under this Agreement, any of the other Loan Documents or any interest herein or therein;

(xiii) if any provision of any organizational document of Borrower is amended or modified in any respect which may adversely affect Lender, or if Borrower or any of its partners or members, as applicable, fails to perform or enforce the provisions of such organizational documents or attempts to dissolve Borrower; or if Borrower or any of its partners or members, as applicable, breaches any of its covenants set forth in Sections 5.1(U), or 6.1(E);

(xiv) if Borrower fails to (A) notify Lender of the occurrence of a Default under any of the Loan Documents within ten (10) days of the day on which Borrower first has knowledge of such Default or (B) give any notice due to any Person under any Loan Document (a) within two (2) days after such notice was due or (b) in accordance with the applicable procedural requirements set forth in the Loan Documents;

(xv) if Borrower shall be in default under any of the other obligations, agreements, undertakings, terms, covenants,

provisions or conditions of this Agreement, the Note, the Mortgage or the other Loan Documents, not otherwise referred to in this Section 7.1, for ten (10) days after written notice to Borrower from Lender or its successors or assigns, in the case of any default which can be cured by the payment of a sum of money or for thirty (30) days after written notice from Lender or its successors or assigns, in the case of any other default (unless otherwise provided herein or in such other Loan Document); provided, however, that if such non-monetary default under this subparagraph is susceptible of cure but cannot reasonably be cured within such thirty (30) day period and provided further that Borrower shall have commenced to cure such default within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for such time as is reasonably necessary for Borrower in the exercise of due diligence to cure such default, but in no event shall such period exceed ninety (90) days after the original notice from Lender;

(xvi) if an event or condition specified in Section 5.1(T) shall occur or exist with respect to any Plan or Multiemployer Plan and, as a result of such event or condition, together with all other such events or conditions, Borrower or any ERISA Affiliate shall incur or in the opinion of Lender shall

be reasonably likely to incur a liability to a Plan, a Multiemployer Plan or PBGC (or any combination of the foregoing) which would constitute, in the determination of Lender, a Material Adverse Effect; and

(xvii) if without Lender's prior written consent (A) any Manager resigns or is removed, (B) the management or control of such Manager is transferred or (C) any Management Agreement is entered into for the Facility or (D) there is any change in or termination of any Management Agreement for any Facility.

Section 7.2. Remedies. (a) Upon the occurrence of an Event of Default, all or any one or more of the rights, powers and other remedies available to Lender against Borrower under this Agreement, the Note, the Mortgage or any of the other Loan Documents, or at law or in equity may be exercised by Lender at any time and from time to time (including, without limitation, the right to accelerate and declare the outstanding principal amount, unpaid interest, Default Rate interest, Late Charges, Yield Maintenance Premium and any other amounts owing by Borrower

to be immediately due and payable), without notice or demand, whether or not all or any portion of the Indebtedness shall be declared due and payable, and whether or not Lender shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Loan Documents with respect to the Facility or all or any portion of the Collateral. Any such actions taken by Lender shall be cumulative and concurrent and may be pursued independently, singly, successively, together or otherwise, at such time and in such order as Lender may determine in its sole discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of Lender permitted by law, equity or contract or as set forth herein or in the other Loan Documents. Notwithstanding anything contained to the contrary herein, the outstanding principal amount, unpaid interest, Default Rate interest, Late Charges, Yield Maintenance Premium and any other amounts owing by Borrower shall be accelerated and immediately due and payable, without any election by Lender upon the occurrence of an Event of Default described in Section 7.1(x) or Section 7.1 (xi).

Section 7.3. Remedies Cumulative. The rights, powers and remedies of Lender under this Agreement shall be cumulative and not exclusive of any other right, power or remedy which Lender may have against Borrower pursuant to this Agreement or the other Loan Documents executed by or with respect to Borrower, or existing at law or in equity or otherwise. Lender's rights, powers and remedies may be pursued singly, concurrently or otherwise, at such time and in such order as Lender may determine in Lender's sole discretion. No delay or omission to exercise any remedy, right or power accruing upon an Event of Default shall impair any such remedy, right or power or shall be construed as a waiver thereof, but any such remedy, right or power may be exercised from time to time and as often as may be deemed expedient. A waiver of any Default or Event of Default shall not be construed to be a waiver of any subsequent Default or Event of Default or to impair any remedy, right or power consequent thereon. Any and all of Lender's rights with respect to the Collateral shall continue unimpaired, and Borrower shall be and remain obligated in accordance with the terms hereof, notwithstanding (i) the release or substitution of Collateral at any time, or of any rights or interest therein or (ii) any delay, extension of time, renewal, compromise or other indulgence granted by Lender in the event of any Default or Event of Default

with respect to the Collateral or otherwise hereunder. Notwithstanding any other provision of this Agreement, Lender reserves the right to seek a deficiency judgment or preserve a deficiency claim, in connection with the foreclosure of the Mortgage on the Facility, to the extent necessary to foreclose on other parts of the Mortgaged Property.

Section 7.4. Lender's Right to Perform. If Borrower fails to perform any covenant or obligation contained herein and such failure shall continue for a period of five Business Days after Borrower's receipt of written notice thereof, without in any way limiting Section 7.1 hereof, from Lender, Lender may, but shall have no obligation to, itself perform, or cause performance of, such covenant or obligation, and the expenses of Lender incurred in connection therewith shall be payable by Borrower to Lender upon demand. Notwithstanding the foregoing, Lender shall have no obligation to send notice to Borrower of any such failure.

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Survival. Subject to Section 4.2, this Agreement and all covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the execution and delivery of this Agreement and the execution and delivery by Borrower to Lender of the Note, and shall continue in full force and effect so long as any portion of the Indebtedness is outstanding and unpaid. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party. All covenants, promises and agreements in this Agreement contained, by or on behalf of Borrower, shall inure to the benefit of the respective successors and assigns of Lender. Nothing in this Agreement or in any other Loan Document, express or implied, shall give to any Person other than the parties and the holder(s) of the Note, the Mortgage and the other Loan Documents, and their legal representatives, successors and assigns, any benefit or any legal or equitable right, remedy or claim hereunder.

Section 8.2. Lender's Discretion. Whenever pursuant to this Agreement, Lender exercises any right given to it to approve or disapprove, or any arrangement or term is to be satisfactory to Lender, the decision of Lender to approve or disapprove or to decide whether arrangements or terms are satisfactory or not satisfactory shall (except as is otherwise specifically herein provided) be in the sole discretion of Lender.

Section 8.3. Governing Law. (a) The proceeds of the Note delivered pursuant hereto were disbursed from New York, which State the parties agree has a substantial relationship to the parties and to the underlying transaction embodied hereby, and in all respects, including, without limitation, matters of construction, validity and performance, this Agreement and the obligations arising hereunder shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and performed in such State and any applicable law of the United States of America. To the fullest extent permitted by law, Borrower hereby unconditionally and irrevocably waives any claim to assert that the law of any other jurisdiction governs this Agreement and the Note, and this Agreement and the Note shall be governed by and construed in accordance with the laws of the State of New York pursuant to section 5-1401 of the New York General Obligations Law.

(b) ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST BORROWER ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE INSTITUTED IN ANY FEDERAL OR STATE COURT IN NEW YORK, NEW YORK, PURSUANT TO SECTION 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW OR IN ANY FEDERAL OR STATE COURT IN THE JURISDICTION IN WHICH THE COLLATERAL IS LOCATED AND BORROWER WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING, AND BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUIT, ACTION OR PROCEEDING. BORROWER DOES HEREBY DESIGNATE AND APPOINT THE

PRENTICE HALL CORPORATION SYSTEM, INC., CURRENTLY LOCATED AT 500 CENTRAL AVENUE, ALBANY, NEW YORK 12206-2290 AS ITS AUTHORIZED AGENT TO ACCEPT AND ACKNOWLEDGE ON ITS BEHALF SERVICE OF ANY AND ALL PROCESS WHICH MAY BE SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY FEDERAL OR STATE COURT AND AGREES THAT SERVICE OF PROCESS UPON SAID AGENT AT SAID ADDRESS (OR AT SUCH OTHER OFFICE AS MAY BE DESIGNATED BY BORROWER FROM TIME TO TIME IN ACCORDANCE WITH THE TERMS HEREOF) WITH A COPY TO BORROWER AT ITS

PRINCIPAL EXECUTIVE OFFICES, ATTENTION: GENERAL COUNSEL AND WRITTEN NOTICE OF SAID SERVICE OF BORROWER MAILED OR DELIVERED TO BORROWER IN THE MANNER PROVIDED HEREIN SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON BORROWER, IN ANY SUCH SUIT, ACTION OR PROCEEDING. BORROWER (I) SHALL GIVE PROMPT NOTICE TO LENDER OF ANY CHANGED ADDRESS OF ITS AUTHORIZED AGENT HEREUNDER, (II) MAY AT ANY TIME AND FROM TIME TO TIME DESIGNATE A SUBSTITUTE AUTHORIZED AGENT (WHICH OFFICE SHALL BE DESIGNATED AS THE ADDRESS FOR SERVICE OF PROCESS), AND (III) SHALL PROMPTLY DESIGNATE SUCH A SUBSTITUTE IF ITS AUTHORIZED AGENT CEASES TO HAVE AN OFFICE OR IS DISSOLVED WITHOUT LEAVING A SUCCESSOR.

Section 8.4. Modification, Waiver in Writing. No modification, amendment, extension, discharge, termination or waiver of any provision of this Agreement, the Note or any other Loan Document, or consent to any departure by Borrower therefrom, shall in any event be effective unless the same shall be in a writing signed by the party against whom enforcement is sought, and then such waiver or consent shall be effective only in the specific instance, and for the purpose, for which given. Except as otherwise expressly provided herein, no notice to or demand on Borrower shall entitle Borrower to any other or future notice or demand in the same, similar or other circumstances.

Section 8.5. Delay Not a Waiver. Neither any failure nor any delay on the part of Lender in insisting upon strict performance of any term, condition, covenant or agreement, or exercising any right, power, remedy or privilege hereunder, or under the Note, or of any other Loan Document, or any other instrument given as security therefor, shall operate as or constitute a waiver thereof, nor shall a single or partial exercise thereof preclude any other future exercise, or the exercise of any other right, power, remedy or privilege. In particular, and not by way of limitation, by accepting payment after the due date of any amount payable under this Agreement, the Note or any other Loan Document, Lender shall not be deemed to have waived any right either to require prompt payment when due of all other amounts due under this Agreement, the Note or the other Loan Documents, or to declare a default for failure to effect prompt payment of any such other amount.

Section 8.6. Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Loan Document shall be given in writing and shall be

effective for all purposes if hand delivered or sent by (a) hand delivery, with proof of attempted delivery, (b) certified or registered United States mail, postage prepaid, (c) expedited prepaid delivery service, either commercial or United States Postal Service, with proof of attempted delivery, or (d) by telecopier (with answerback acknowledged) provided that such telecopied notice must also be delivered by one of the means set forth in (a), (b) or (c) above, addressed if to Lender at its address set forth on the first page hereof, and if to Borrower at its designated address set forth on the first page hereof, or at such other address and Person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section 8.6. A copy of all notices, consents, approvals and requests directed to Lender shall be delivered concurrently to each of the following: Joseph B. Heil, Esquire, Dechert Price & Rhoads, 1717 Arch Street, 4000 Bell Atlantic Tower, Philadelphia, PA 19103, Telefax Number 215/994-2222; Christopher Tierney, Two World Financial Center, Building B, New York, New York 10281-

1195, (212) 667-1666; Two World Financial Center, Building B, New York, NY 10281-1198, Attention: Sheryl McAfee, Telefax Number (212) 667-1206; and Two World Financial Center, Building B, New York, NY 10281-1198, Attention: Legal Counsel, Telefax Number (212) 667-1022. A notice shall be deemed to have been given: (a) in the case of hand delivery, at the time of delivery; (b) in the case of registered or certified mail, when delivered or the first attempted delivery on a Business Day; (c) in the case of expedited prepaid delivery upon the first attempted delivery on a Business Day; or (d) in the case of telecopier, upon receipt of answerback confirmation, provided that such telecopied notice was also delivered as required in this Section 8.6. A party receiving a notice which does not comply with the technical requirements for notice under this Section 8.6 may elect to waive any deficiencies and treat the notice as having been properly given.

SECTION 8.7. TRIAL BY JURY. BORROWER AND LENDER, TO THE FULLEST EXTENT THAT THEY MAY LAWFULLY DO SO, HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING, INCLUDING, WITHOUT LIMITATION, ANY TORT ACTION, BROUGHT BY ANY PARTY HERETO WITH RESPECT TO THIS AGREEMENT, THE NOTE OR THE OTHER LOAN DOCUMENTS.

Section 8.8. Headings. The Article and Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 8.9. Assignment. Lender shall have the right to assign in whole or in part this Agreement and/or any of the other Loan Documents and the obligations hereunder or thereunder to any Person and to participate all or any portion of the Loan evidenced hereby, including without limitation, any servicer or trustee in connection with a Securitization. Lender shall provide Borrower with written notice of any such assignment; provided, however, that such notice shall not be a condition of Lender's right to assign this Agreement and/or any of the Loan Documents and the failure to deliver such notice shall not constitute a default under this Loan Agreement.

Section 8.10. Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Section 8.11. Preferences. Lender shall have no obligation to marshal any assets in favor of Borrower or any other party or against or in payment of any or all of the obligations of Borrower pursuant to this Agreement, the Note or any other Loan Document. Lender shall have the continuing and exclusive right to apply or reverse and reapply any and all payments by Borrower to any portion of the obligations of Borrower hereunder. To the extent Borrower makes a payment or payments to Lender for Borrower's benefit, which payment or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the obligations hereunder or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by Lender.

Section 8.12. Waiver of Notice. Borrower shall not be entitled to any notices of any nature whatsoever from Lender

except with respect to matters for which this Agreement or the other Loan Documents specifically and expressly provide for the

giving of notice by Lender to Borrower and except with respect to matters for which Borrower is not, pursuant to applicable Legal Requirements, permitted to waive the giving of notice. Borrower hereby expressly waives the right to receive any notice from Lender with respect to any matter for which this Agreement or the other Loan Documents does not specifically and expressly provide for the giving of notice by Lender to Borrower.

Section 8.13. Remedies of Borrower. In the event that a claim or adjudication is made that Lender or its agents, has acted unreasonably or unreasonably delayed acting in any case where by law or under this Agreement, the Note, the Mortgage or the other Loan Documents, Lender or such agent, as the case may be, has an obligation to act reasonably or promptly, Borrower agrees that neither Lender nor its agents, shall be liable for any monetary damages, and Borrower's sole remedies shall be limited to commencing an action seeking injunctive relief or declaratory judgment. The parties hereto agree that any action or proceeding to determine whether Lender has acted reasonably shall be determined by an action seeking declaratory judgment.

Section 8.14. Exculpation. Except as otherwise set forth in this Section 8.14 and Section 4.2 to the contrary, Lender shall not enforce the liability and obligation of Borrower to perform and observe the obligations contained in this Agreement, the Note, the Mortgage or any of the other Loan Documents executed and delivered by Borrower except that Lender may pursue any power of sale, bring a foreclosure action, action for specific performance, action for money judgment, or other appropriate action or proceeding (including, without limitation, to obtain a deficiency judgment) against Borrower or any other Person solely for the purpose of enabling Lender to realize upon (a) the Collateral, (b) the Rents and Accounts arising from Borrower's Facility to the extent (x) received by Borrower or Manager (or any of their affiliates), after the occurrence of an Event of Default or (y) distributed to Borrower or the Manager, or their respective shareholders, or partners or members, as applicable, or affiliates during or with respect to any period for which Lender did not receive the full amounts it was entitled to receive as prepayments of the Loan pursuant to Section 2.7 (all Rents and Accounts covered by clauses (x) and (y) being hereinafter referred to as the "Recourse Distributions") and (c)

any other collateral given to Lender under the Loan Documents ((a), (b), and (c) collectively, the "Default Collateral"); provided, however, that any judgment in any such action or proceeding shall be enforceable only to the extent of any such Default Collateral. The provisions of this Section 8.14 shall not, however, (a) impair the validity of the Indebtedness evidenced by the Loan Documents or in any way affect or impair the Liens of the Mortgage or any of the other Loan Documents or the right of Lender to foreclose the Mortgage following an Event of Default; (b) impair the right of Lender to name any Person as a party defendant in any action or suit for judicial foreclosure and sale under the Mortgage; (c) affect the validity or enforceability of the Note, the Mortgage or the other Loan Documents; (d) impair the right of Lender to obtain the appointment of a receiver; (e) impair the right of Lender to bring suit for any damages, losses, expenses, liabilities or costs resulting from fraud, material misrepresentation, intentional misrepresentation, physical waste of all or any portion of the Facility, or wrongful removal or disposal of all or any portion of the Facility by any Person in connection with this Agreement, the Note, the Mortgage or the other Loan Documents; (f) impair the right of Lender to obtain the Recourse Distributions received by any Person; (g) impair the right of Lender to bring suit with respect to any misappropriation of security deposits or Rents collected more than one month in advance; (h) impair the right of Lender to obtain Insurance Proceeds or Condemnation Proceeds due to Lender pursuant to the Mortgage; (i) impair the right of Lender to enforce the provisions of Sections 4.1(b)(U) or 5.1(D)-(I) of this Agreement, Section 2.8 of the Mortgage or the Environmental Guaranty even after repayment in full by Borrower of the Indebtedness; (j)

prevent or in any way hinder Lender from exercising, or constitute a defense, or counterclaim, or other basis for relief in respect of the exercise of, any other remedy against any or all of the Collateral securing the Note as provided in the Loan Documents; (k) impair the right of Lender to bring suit with respect to any misapplication of any funds; or (l) impair the right of Lender to sue for, seek or demand a deficiency judgment against any Person solely for the purpose of foreclosing the Mortgaged Property or any part thereof, or realizing upon the Default Collateral; provided, however, that any such deficiency judgment referred to in this clause (l) shall be enforceable only to the extent of any of the Default Collateral. The provisions of this Section 8.14 shall be inapplicable to any Person if (i)

any petition for bankruptcy, reorganization or arrangement pursuant to federal or state law against Borrower shall be filed by or against Borrower or consented to or acquiesced to by Borrower, (ii) if Borrower shall institute any proceeding for the dissolution or liquidation of Borrower, (iii) if Borrower shall make an assignment for the benefit of creditors or (iv) if Borrower shall breach the representation and warranty in Section 4.1(b)(2).

Section 8.15. Exhibits Incorporated. The information set forth on the cover, heading and recitals hereof, and the Exhibits attached hereto, are hereby incorporated herein as a part of this Agreement with the same effect as if set forth in the body hereof.

Section 8.16. Offsets, Counterclaims and Defenses. Any assignee of Lender's interest in and to this Agreement, the Note, the Mortgage and the other Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses which are unrelated to the Loan, this Agreement, the Note, the Mortgage and the other Loan Documents which Borrower may otherwise have against any assignor, and no such unrelated counterclaim or defense shall be interposed or asserted by Borrower in any action or proceeding brought by any such assignee upon this Agreement, the Note, the Mortgage and other Loan Documents and any such right to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by Borrower.

Section 8.17. No Joint Venture or Partnership. Borrower and Lender intend that the relationship created hereunder be solely that of borrower and lender. Nothing herein is intended to create a joint venture, partnership, tenancy-in-common, or joint tenancy relationship between Borrower and Lender nor to grant Lender any interest in the Mortgaged Property other than that of mortgagee or lender.

Section 8.18. Waiver of Marshalling of Assets Defense. To the fullest extent that Borrower may legally do so, Borrower waives all rights to a marshalling of the assets of Borrower, and others with interests in Borrower, and of the Mortgaged Property, or to a sale in inverse order of alienation in the event of foreclosure of the interests hereby created, and agrees not to assert any right under any laws pertaining to the marshalling of

assets, the sale in inverse order of alienation, homestead exemption, the administration of estates of decedents, or any other matters whatsoever to defeat, reduce or affect the right of Lender under the Loan Documents to a sale of the Facility for the collection of the Indebtedness without any prior or different resort for collection, or the right of Lender to the payment of the Indebtedness in preference to every other claimant whatsoever.

Section 8.19. Waiver of Counterclaim. Borrower hereby waives the right to assert a counterclaim, other than compulsory counterclaim, in any action or proceeding brought against Borrower by Lender or Lender's agents.

Section 8.20. Conflict; Construction of Documents. In the event of any conflict between the provisions of this Agreement and the provisions of the Note, the Mortgage or any of the other Loan Documents, the provisions of this Agreement shall prevail. The parties hereto acknowledge that they were represented by counsel in connection with the negotiation and drafting of the Loan Documents and that the Loan Documents shall not be subject to the principle of construing their meaning against the party which drafted same.

Section 8.21. Brokers and Financial Advisors. Borrower and Lender hereby represent that they have dealt with no financial advisors, brokers, underwriters, placement agents, agents or finders in connection with the transactions contemplated by this Agreement except MCA of New York, Inc. and Advisor. Borrower hereby agrees to indemnify and hold Lender harmless from and against any and all claims, liabilities, costs and expenses of any kind in any way relating to or arising from a claim by any Person (other than Advisor), that such Person acted on behalf of Borrower in connection with the transactions contemplated herein. The provisions of this Section shall survive the expiration and termination of this Agreement and the repayment of the Indebtedness.

Section 8.22. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument.

Section 8.23. Estoppel Certificates. Borrower and Lender each hereby agree at any time and from time to time upon not less than fifteen (15) days prior written notice by Borrower or Lender to execute, acknowledge and deliver to the party specified in such notice, a statement, in writing, certifying that this Agreement is unmodified and in full force and effect (or if there have been modifications, that the same, as modified, is in full force and effect and stating the modifications hereto), and stating whether or not, to the knowledge of such certifying party, any Default or Event of Default has occurred, and, if so, specifying each such Default or Event of Default; provided, however, that it shall be a condition precedent to Lender's obligation to deliver the statement pursuant to this Section, that Lender shall have received, together with Borrower's request for such statement, an Officer's Certificate stating that no Default or Event of Default exists as of the date of such certificate (or specifying such Default or Event of Default).

Section 8.24. Payment of Expenses. Borrower shall, whether or not the Transactions are consummated, pay all Transaction Costs, which shall include, without limitation, reasonable out-of-pocket fees, costs, expenses, and disbursements of Lender and its attorneys, local counsel, accountants and other contractors in connection with (i) the negotiation, preparation, execution and delivery of the Loan Documents and the documents and instruments referred to therein, (ii) the creation, perfection or protection of Lender's Liens in the Collateral (including, without limitation, fees and expenses for title and lien searches and filing and recording fees, intangibles taxes, personal property taxes, mortgage recording taxes, due diligence expenses, travel expenses, accounting firm fees, costs of the Appraisals, Environmental Reports (and an environmental consultant), Surveys and the Engineering Reports), (iii) the negotiation, preparation, execution and delivery of any amendment, waiver or consent relating to any of the Loan Documents, and (iv) the preservation of rights under and enforcement of the Loan Documents and the documents and instruments referred to therein, including any restructuring or rescheduling of the Indebtedness.

Section 8.25. Bankruptcy Waiver. Borrower hereby agrees that, in consideration of the recitals and mutual

covenants contained herein, and for other good and valuable

consideration, the receipt and sufficiency of which are hereby acknowledged, in the event Borrower shall (i) file with any bankruptcy court of competent jurisdiction or be the subject of any petition under Title 11 of the U.S. Code, as amended, (ii) be the subject of any order for relief issued under Title 11 of the U.S. Code, as amended, (iii) file or be the subject of any petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or law relating to bankruptcy, insolvency or other relief of debtors, (iv) have sought or consented to or acquiesced in the appointment of any trustee, receiver, conservator or liquidator or (v) be the subject of any order, judgment or decree entered by any court of competent jurisdiction approving a petition filed against such party for any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future federal or state act or law relating to bankruptcy, insolvency or other relief for debtors, the automatic stay provided by the Federal Bankruptcy Code shall be modified and annulled as to Lender, so as to permit Lender to exercise any and all of its remedies, upon request of Lender made on notice to Borrower and any other party in interest but without the need of further proof or hearing. Neither Borrower nor any Affiliate of Borrower shall contest the enforceability of this Section.

Section 8.26 Entire Agreement. This Agreement, together with the Exhibits hereto and the other Loan Documents constitutes the entire agreement among the parties hereto with respect to the subject matter contained in this Agreement, the Exhibits hereto and the other Loan Documents and supersedes all prior agreements, understandings and negotiations between the parties.

Section 8.27 Dissemination of Information. If Lender determines at any time to sell, transfer or assign the Note, this Loan Agreement and any other Loan Document and any or all servicing rights with respect thereto, or to grant participations therein or issue mortgage pass-through certificates or other securities evidencing a beneficial interest in a rated or unrated public offering or private placement, Lender may forward to each purchaser, transferee, assignee, servicer, participant or investor in such securities (collectively, the "Investor") or any Rating Agency rating such securities and each prospective Investor, all documents and information which Lender now has or

may hereafter acquire relating to the Loan, Borrower, any guarantor, any indemnitor and the Facility, which shall have been furnished by Borrower, any guarantor, any indemnitor, or any party to any Loan Document, or otherwise furnished in connection with the Loan, as Lender in its sole discretion determines necessary or desirable.

Section 8.28. Limitation of Interest. It is the intention of Borrower and Lender to conform strictly to applicable usury laws. Accordingly, if the transactions contemplated hereby would be usurious under applicable law, then, in that event, notwithstanding anything to the contrary in any Loan Document, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is taken, reserved, contracted for, charged or received under any Loan Document or otherwise in connection with the Loan shall under no circumstances exceed the maximum amount of interest allowed by applicable law, and any excess shall be credited to principal by Lender (or if the Loan shall have been paid in full, refunded to Borrower); and (ii) in the event that maturity of the Loan is accelerated by reason of an election by Lender resulting from any default hereunder or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest may never include more than the maximum amount of interest allowed by applicable law, and any interest in excess of the maximum amount of interest

allowed by applicable law, if any, provided for in the Loan Documents or otherwise shall be cancelled automatically as of the date of such acceleration or prepayment and, if theretofore prepaid, shall be credited to principal (or if the principal portion of the Loan and any other amounts not constituting interest shall have been paid in full, refunded to Borrower.)

In determining whether or not the interest paid or payable under any specific contingency exceeds the maximum amount allowed by applicable law, Lender shall, to the maximum extent permitted under applicable law (a) exclude voluntary prepayments and the effects thereof, and (b) amortize, prorate, allocate and spread, in equal parts, the total amount of interest throughout the entire contemplated term of the Loan so that the interest rate is uniform throughout the entire term of the Loan; provided, that if the Loan is paid and performed in full prior to the end of the full contemplated term hereof, and if the interest received for the actual period of existence thereof exceeds the

maximum amount allowed by applicable law, Lender shall refund to Borrower the amount of such excess, and in such event, Lender shall not be subject to any penalties provided by any laws for contracting for, charging or receiving interest in excess of the maximum amount allowed by applicable law.

Section 8.29. Indemnification. Borrower shall indemnify and hold Lender and each of its affiliates (including its officers, directors, partners, employees and agents and each other person, if any, controlling Lender or any of its affiliates within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended) (each, including Lender, an "Indemnified Party") harmless against any and all losses, claims, damages, costs, expenses (including the fees and disbursements of outside counsel retained by any such person) or liabilities in connection with, arising out of or as a result of the transactions and matters referred to or contemplated by this Agreement, except to the extent that it is finally judicially determined that any such loss, claim, damage, cost, expense or liability resulted solely from the gross negligence or bad faith of such Indemnified Party. In the event that any Indemnified Party becomes involved in any action, proceeding or investigation in connection with any transaction or matter referred to or contemplated in this Agreement, Borrower shall periodically reimburse any Indemnified Party upon demand therefor in an amount equal to its reasonable legal and other expenses (including the costs of any investigation and preparation) incurred in connection therewith to the extent such legal or other expenses are the subject of indemnification hereunder.

Section 8.30. Borrower Acknowledgments. Borrower hereby acknowledges to and agrees with Lender that (i) the scope of Lender's business is wide and includes, but is not limited to, financing, real estate financing, investment in real estate and other real estate transactions which may be viewed as adverse to or competitive with the business of Borrower or its Affiliates and (ii) Borrower has been represented by competent legal counsel and has consulted with such counsel prior to executing this Loan Agreement and any of the other Loan Documents.

Section 8.31. Publicity. Lender shall have the right to issue press releases, advertisements and other promotional materials describing Lender's participation in the origination of

the Loan or the Loan's inclusion in any Securitization effectuated or to be effectuated by Lender.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be duly executed by their duly authorized representatives, all as of the day and year first above written.

LENDER:

NOMURA ASSET CAPITAL CORPORATION, a
Delaware corporation

By: /s/ Christopher Tierney
Christopher Tierney
Vice President

MARK NORTHWOOD ASSOCIATES,
LIMITED PARTNERSHIP, a
Florida limited partnership

By: Mark Northwood Realty, Inc. a
Florida corporation, its
general partner

By: /s/ Joshua Kane
Joshua Kane
Senior Vice President

EXHIBIT A

Operating Expense Certificate

Nomura Asset Capital Corporation
Two World Financial Center, Building B
New York, New York 10281-1195

Re: Loan Agreement (the "Loan Agreement") dated as of March
_____, 1997 between Mark Northwood Associates, Limited
Partnership ("Borrower") and Nomura Asset Capital Corporation
(together with its successors and assigns "Lender")

Ladies and Gentlemen:

This certificate is delivered in accordance with
Section 2.12(f) of the Loan Agreement. All capitalized terms not
defined herein shall have the meanings ascribed to them in the
Loan Agreement.

Borrower hereby certifies that the Operating Expenses
for the Interest Accrual Period from _____, ____ to
_____, ____ are _____ Dollars
(\$_____) and that such Operating Expenses are equal to or
less than the Operating Expenses for such period set forth on the
Operating Budget.

MARK NORTHWOOD ASSOCIATES, LIMITED
PARTNERSHIP, a Florida limited
partnership

By: Mark Northwood Realty, Inc. a
Florida corporation, its general
partner

By: _____
Joshua Kane
Senior Vice President

EXHIBIT B

Additional Definitions

| | |
|---|----------------|
| Base Adjusted NOI | \$3,125,000.00 |
| Base Payment | \$193,330.26 |
| Initial Basic Carrying Costs Amount | \$89,367.00 |
| Initial Capital Reserve Amount | \$224,217.00 |
| Initial Securitization Expense Amount | \$ 25,000 |
| Initial State of Florida Lease Reserve Amount | \$2,750,000 |

EXHIBIT C

Capital Improvement and Repair and Environmental Remediation
Exhibit

PROMISSORY NOTE

\$23,000,000

March 4, 1997
New York, New York

AS VALUE RECEIVED, the undersigned, MARK NORTHWOOD ASSOCIATES, LIMITED PARTNERSHIP, a Florida limited partnership with an address of c/o Mark Centers Limited Partnership, 600 Third Avenue, Kingston, Pennsylvania 18704-1679 Attention: Joshua Kane, Telefax Number (717) 288-1028 ("Maker"), promises to pay to the order of NOMURA ASSET CAPITAL CORPORATION, a Delaware corporation (together with any subsequent holder of this Note, "Holder") at its office located at Two World Financial Center, Building B, New York, New York 10281-1195, Attention: Christopher Tierney, Telefax Number (212) 667-1666, or at such other address as Holder may from time to time designate in writing, the principal sum of TWENTY THREE MILLION DOLLARS (\$23,000,000) together with interest thereon, Late Charges, Default Rate interest, Yield Maintenance Premium, if any, and other sums to be calculated and payable as provided in that certain Loan Agreement of even date herewith between Maker and Holder (as modified and supplemented and in effect from time to time, the "Loan Agreement"). Capitalized terms used herein without definition shall have the meanings ascribed to such terms in the Loan Agreement.

All payments made hereunder shall be applied as provided in Section 2.8 of the Loan Agreement.

The Loan Agreement provides for, among other things:

(1) a payment of interest only for the first Interest Accrual Period on March 4, 1997;

(2) a monthly constant payment of \$193,330.26 (which payment is calculated by using the Initial Interest Rate and an amortization schedule of 300 months) to be made beginning on April 11, 1997 and on the eleventh (11th) day of each and every calendar month thereafter; provided, however, that for purposes of making payments hereunder, but not for purposes of calculating interest accrual periods, if the eleventh (11th) day of a given month is not a Business Day then the Payment Date for such month shall be the next Business Day;

(3) a maturity date of March 11, 2022;

(4) an Initial Interest Rate of 9.02% per annum;

(5) a Revised Interest Rate equal to the greater of (x) the sum of the Initial Interest Rate plus five hundred (500) basis points, and (y) as of the Optional Prepayment Date, the sum of the Fifteen Year Treasury Rate plus seven hundred (700) basis points, such Revised Interest Rate not to exceed the Maximum Amount;

(6) an Optional Prepayment Date of March 11, 1007;

(7) a Default Rate equal to the lessor of (i) the Maximum Amount or (ii) the Interest Rate plus five percent (5%);

(8) the Loan cannot be voluntarily prepaid prior to the Optional Prepayment date; on and after the Optional Prepayment Date, (a) the Loan may be prepaid in whole or in part and (b) Section 2.7 of the Loan Agreement requires mandatory prepayment of all Excess Cash Flow; and

(9) interest shall accrue on the outstanding principal balance of the Loan and all other amounts due to Lender under the Loan Documents commencing on the Closing Date, and such interest shall accrue (a) before the Optional Prepayment Date, at the Initial Interest Rate and (b) on and after the Optional Prepayment Date, at the Revised Interest Rate. Interest shall be

computed on the actual number of days elapsed, based on a 360 day year.

The obligations of Maker under this Note are secured by, among other things, the following:

- (1) the Mortgage; and
- (2) the other Loan Documents and Liens executed and delivered by Maker and/or encumbering or affecting Maker's Facility.

Documentary stamp taxes payable on this Note, in the proper amount, are being paid in connection with the recordation of the Mortgage securing this Note.

The principal sum evidenced by this Note, together with accrued interest, Default Rate interest, Late Charges and Yield Maintenance Premium, if any, and all other sums due under and secured by the Mortgage or by any other Loan Document shall become immediately due and payable at the option of Holder upon the occurrence of any Event of Default, which such "Events of Default" are incorporated by reference as if set forth in full herein.

If Maker fails to make (i) the payment due on Maturity Date or (ii) any other payment of principal or interest, the Yield Maintenance Premium, if any, Late Charge or other sum due on any date on which such payment is due, all amounts due hereunder will bear interest at the Default Rate. Maker will also pay to Holder, after the occurrence of an Event of Default, in addition to the amount due, all reasonable costs of collecting, securing, or attempting to collect or secure this Note or any other Loan Document, including, without limitation, court costs and reasonable attorney's fees (including reasonable attorneys' fees on any appeal by either Marker or Holder and in any bankruptcy proceeding).

With respect to the amounts due pursuant to this Note, Maker waives the following:

- (1) All rights of exemption of property from levy or sale under execution or other process for the collection of debts under the Constitution or laws of the United States or any State thereof;
- (2) Demand, presentment, protest, notice of dishonor, notice of nonpayment, notice of protest, notice of intent to accelerate, notice of acceleration, suit against any party, diligence in collection of this Note and in the handling of securities at any time existing in connection herewith, and all other requirements necessary to enforce this Note except for notices required by Governmental Authorities and notices required by the Loan Agreement; and
- (3) Any further receipt by Holder or acknowledgement by Holder of any collateral now or hereafter deposited as security for the Loan.

It is the intention of Maker and Holder to conform strictly to applicable usury laws. Accordingly, if the transactions contemplated hereby would be usurious under applicable law, then, in that event, notwithstanding anything to the contrary in any agreement entered into in connection with or as security for this Note, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is taken, reserved, contracted for, charged or received under this Note or under any of the other aforesaid agreements or otherwise in connection with this Note shall under no circumstances exceed the maximum amount of interest allowed by

applicable law, and any excess shall be credited on this Note by the holder hereof (or if this Note shall have been paid in full, refunded to Maker); and (ii) in the event that maturity of this Note is accelerated by reason of an election by the Holder resulting from any default hereunder or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest may never include more than the maximum amount of interest allowed by applicable law, and any interest in excess of the maximum amount of interest allowed by applicable law, if any, provided for in this Note or otherwise shall be cancelled automatically as of the date of such acceleration or prepayment and, if theretofore prepaid, shall be credited on this Note (or if this Note shall have been paid in full, refunded to Marker).

In determining whether or not the interest paid or payable under any specific contingency exceeds the maximum amount allowed by applicable law, the Holder shall, to the maximum extent permitted under applicable law (a) exclude voluntary prepayments and the effects thereof, and (b) amortize, prorate, allocate and spread, in equal parts, the total amount of interest throughout the entire contemplated term of this Note so that the interest rate is uniform throughout the entire term of this Note; provided, that if this Note is paid and performed in full prior to the end of the full contemplated term hereof, and if the interest received for the actual period of existence thereof exceeds the maximum amount allowed by applicable law, Holder shall refund to Maker the amount of such excess, and in such event, Holder shall not be subject to any penalties provided by any laws for contracting for, changing or receiving interest in excess of the maximum amount allowed by applicable law.

Holder shall not by any act, delay, omission or otherwise be deemed to have modified, amended, waived, extended, discharged or terminated any of its rights or remedies, and no modification, amendment, waiver, extension, discharge or termination of any kind shall be valid unless in writing and signed by Holder and Maker. All rights and remedies of Holder under the terms of this Note and applicable statutes or rules of law shall be cumulative, and may be exercised successively or concurrently. Maker agrees that there are no defenses, equities or setoffs with respect to the obligations set forth herein, and to the extent any such defenses, equities, or setoffs may exist, the same are hereby expressly released, forgiven, waived and forever discharged.

Whenever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable Legal Requirements, but if any provision of this Note shall be prohibited by or invalid under applicable Legal Requirements, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note.

Holder may, at its option, release any Collateral given to secure the indebtedness evidenced hereby, and no such release shall impair the obligations of Maker to Holder.

The proceeds of this Note were disbursed from New York, which State the parties agree has a substantial relationship to the parties and to the underlying transaction embodied hereby, and in all respects, including, without limitation, matters of construction, validity and performance, this Note and the obligations arising hereunder shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and performed in such State and any applicable law of the United States of America. To the fullest permitted by law, Maker hereby unconditionally and irrevocably waives any claim to assert that the law of any other jurisdiction governs this Note, and this Note shall be governed by and construed in accordance with the laws of the State of New York pursuant to Subsection 5-1401 of the New York General Obligations Law.

Any legal suit, action or proceeding against Holder or Maker arising out of or relating to this Note shall be instituted in any federal court in New York, New York, pursuant to Subsection 5-1402 of the New York General Obligations Law, or in any federal or state court in the jurisdiction in which any Collateral is located, and Maker waives any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding, and Maker hereby irrevocably submits to the jurisdiction of any such court in any suit, action or proceeding. Maker does hereby designate and appoint The Prentice Hall Corporation System, Inc., currently located at 500 Central Avenue, Albany, New York 12206-2290 as its authorized agent to accept and acknowledge on its behalf service of any and all process which may be served in any such suit, action or proceeding in any such federal or state court, and agrees that service of process upon said agent at said address (or at such other office in New York, New York as may be designated by such agent in accordance with the terms hereof) with copies to Maker at the address set forth in the first paragraph of this Note and written notice of said service of Maker mailed or delivered to Maker in the manner provided in the Loan Agreement shall be deemed in every respect effective service of process upon Maker, in any such suit, action or proceeding. Maker (i) shall give prompt notice to Holder of any changed address of its authorized agent hereunder, (ii) may at any time and from time to time designate a substitute authorized agent (which office shall be designated as the address for service of process). and (iii) shall promptly designate such a substitute if its authorized agent ceases to have an office or is dissolved without leaving a successor.

MAKER AND HOLDER TO THE FULLEST EXTENT THAT THEY MAY LAWFULLY DO SO, WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING, INCLUDING, WITHOUT LIMITATION, ANY TORT ACTION, BROUGHT BY ANY PARTY HERETO WITH RESPECT TO THIS NOTE OR THE OTHER LOAN DOCUMENTS. EACH OF MAKER AND HOLDER AGREES THAT THE OTHER MAY FILE A COPY OF THIS WAIVER WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED AGREEMENT OF THE OTHER IRREVOCABLY TO WAIVE ITS RIGHT TO TRIAL BY JURY, AND THAT, TO THE FULLEST EXTENT THAT IT MAY LAWFULLY DO SO, ANY DISPUTE OR CONTROVERSY WHATSOEVER BETWEEN MAKER AND HOLDER SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

IN WITNESS WHEREOF, Maker has caused this Promissory Note to be properly executed as of the date first written and has authorized this Promissory Note to be dated as of the day and year first above written .

MAKER:

MARK NORTHWOOD ASSOCIATES LIMITED
PARTNERSHIP, a Florida limited
partnership

By: Mark Northwood Realty, Inc., a
Florida corporation, its
general partner

By: /s/ Joshua Kane
Joshua Kane
Senior Vice President

LEASEHOLD MORTGAGE, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING

THIS LEASEHOLD MORTGAGE, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING (as modified and supplemented and in effect from time to time, this "Mortgage") is made as of the 4th day of March, 1997 by MARK NORTHWOOD ASSOCIATES, LIMITED PARTNERSHIP, a Florida limited partnership, having an address at c/o Mark Centers Limited Partnership, 600 Third Avenue, Kingston, Pennsylvania 18704-1679, Attention: Joshua Kane, Telefax Number (717) 288-1028 (the "Mortgagor"), in favor of NOMURA ASSET CAPITAL CORPORATION, a Delaware corporation having an address at Two World Financial Center, Building B, New York, New York 10281-1195, Attention: Christopher Tierney, Telefax Number (212) 667-1666 (together with its successors and assigns, the "Mortgagee").

W I T N E S E T H:

WHEREAS, the Mortgagor and the Mortgagee are parties to a Loan Agreement of even date herewith (said Loan Agreement, as modified and supplemented and in effect from time to time, the "Loan Agreement"), which Loan Agreement provides for a loan (the "Loan") in the principal amount of \$23,000,000 to be made by the Mortgagee to the Mortgagor. The maturity date of the Loan is March 11, 2022. The Loan is to be evidenced by, and repayable with interest thereon, Default Rate interest, and Late Charges, together with the Yield Maintenance Premium, if any, in accordance with a promissory note executed and delivered to the order of the Mortgagee in the form attached hereto as Exhibit C (such note, as modified and supplemented and in effect from time to time, the "Note");

WHEREAS, Mortgagor contemplates that Mortgagee's interest in and to, inter alia, the Loan (or a portion thereof), the Note, this Mortgage and the Loan Documents may be assigned by Mortgagee to

another Person, including without limitation to a trustee on behalf of security holders in connection with a Securitization;

WHEREAS, the Mortgagor is the owner of a leasehold interest in certain land (the "Land") located as more particularly described on Exhibit A attached hereto and made a part hereof (such leasehold interest in the Land, the "Leasehold Estate") and all buildings and improvements constructed thereon pursuant to the ground lease more particularly described on Exhibit B attached hereto and made a part hereof (as amended, the "Ground Lease");

WHEREAS, it is a condition to the obligation of the Mortgagee to extend credit to the Mortgagor pursuant to the Loan Agreement that the Mortgagor execute and deliver this Mortgage;

NOW, THEREFORE, in consideration of the making of the Loan by the Mortgagee to the Mortgagor and the covenants, agreements, representations and warranties set forth in the Loan Documents, and for the purpose of securing the following (collectively, the "Loan Obligations"):

(a) all principal (including, without limitation, any advance to the Mortgagor now or hereafter made), interest, Default Rate interest, Late Charges, the Yield Maintenance Premium, if any, owing from time to time under the Note, and all obligations owing

by the Mortgagor under the Loan Documents and amendments, modifications, extensions, substitutions, exchanges and renewals of the Loan Documents (each of which amendment, modification, extension, substitution, exchange and renewal shall enjoy the same priority as the advance made on the Closing Date as evidenced by the Note), and all amounts from time to time owing by the Mortgagor under this Mortgage or any of the other Loan Documents; and

(b) all covenants, agreements and other obligations of Mortgagor under the Loan Documents;

the Mortgagor hereby irrevocably grants, bargains, sells, releases, conveys, warrants, assigns, transfers, mortgages, pledges, sets over and confirms unto the Mortgagee, its successors and assigns, to have and to hold forever, subject to all of the terms, conditions, covenants and agreements herein set forth, for the security and benefit of Mortgagee and its respective successors and assigns, all Mortgagor's interest now owned or hereafter acquired in the following described land, real estate, leasehold estate, buildings, improvements, equipment, fixtures, furniture, and other personal property (which together with the Security Interest Property and any additional such property and interests hereafter acquired by the Mortgagor and subjected to the lien of this Mortgage, or intended to be so, as the same may be from time to time constituted, is hereafter referred to as the "Mortgaged Estate") to-wit:

(a) the Leasehold Estate and all right, title and interest of Mortgagor in, to and under the Ground Lease, together with all rights of use, occupancy and enjoyment and in and to all rents, income and profits arising from or pursuant to the Ground Lease together with all amendments, extensions, renewals or modifications thereof and all credits, deposits, options, claims, rights and privileges of Mortgagor as tenant under the Ground Lease, including, without limitation, all rights, interests and claims to any and all insurance proceeds and condemnation proceeds and the right to renew or extend the Ground Lease for a succeeding term or terms and all rights of Mortgagor as tenant under the Ground Lease in connection with any bankruptcy or insolvency proceeding of the Fee Owner;

(b) All Improvements and Equipment (the Leasehold Estate, Improvements and Equipment collectively, the "Facility");

(c) All Appurtenant Rights;

(d) All Rents;

(e) All Accounts, Account Collateral, General Intangibles, Instruments, Inventory, goods, money Leases, Money, Permitted Investments, investment properties, the rights to proceeds of written letters of credit, and Permits;

(f) All insurance proceeds, including Insurance Proceeds, and all condemnation proceeds, including Condemnation

Proceeds; and

(g) All products and Proceeds.

AND, as additional security, Mortgagor, as debtor, hereby grants to Mortgagee a continuing security interest in the foregoing property and in the Accounts, the Account Collateral, the Equipment, the General Intangibles, the Instruments, the Inventory, the goods, the Leases, the Money, the Permitted Investments, the investment properties, the rights to proceeds of written letters of credit, the Permits, the Rents, and all products and Proceeds, and in any property as to which a security interest can be created or perfected, now existing or hereafter coming into existence, and all substitutions replacements, renewals and additions to the foregoing (collectively, the "Security Interest Property"). This Mortgage shall be effective as a security agreement pursuant to the UCC.

TO HAVE AND TO HOLD the Mortgaged Estate and all parts thereof unto the Mortgagee, its successors and assigns forever, subject however to the Permitted Encumbrances and the terms and conditions herein;

PROVIDED, HOWEVER, that these presents are upon the condition that, if the Mortgagor (i) shall pay or cause to be paid to the Mortgagee the principal, interest, Default Rate interest, Late Charges, and the Yield Maintenance Premium, if any, payable in respect to the Note, at the times and in the manner stipulated

therein and herein, all without any deduction or credit for taxes or other similar charges paid by the Mortgagor, and shall keep, perform, and observe all and singular the covenants and promises in each of the Loan Documents and in the Loan Agreement expressed to be kept, performed, and observed by and on the part of the Mortgagor, all without fraud or delay or (ii) shall comply with the provisions of Section 2.11 of the Loan Agreement, then this Mortgage, and all the properties, interests, and rights hereby granted, bargained, and sold shall cease, terminate and be void.

TO PROTECT THE SECURITY OF THIS MORTGAGE, THE MORTGAGOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

ARTICLE I

Definitions

Section 1.01. Certain Defined Terms. For all purposes of this Mortgage all capitalized terms shall have the meaning ascribed thereto in the Loan Agreement unless defined herein, and:

"Accounts" means all of Mortgagor's "accounts," as such term is defined in the UCC, and to the extent not included in such definition, any of Mortgagor's rights to payment for goods sold or leased or for services rendered arising from the ownership or operation of the Facility and not evidenced by an Instrument, including, without limitation, all accounts and accounts receivable arising from the ownership or operation of the Facility, now existing or hereafter coming into existence, and all proceeds thereof (whether cash or non cash, movable or immovable, tangible or intangible) received from the sale, exchange, transfer, collection or other disposition or substitution thereof.

"Appurtenant Rights" means all easements, rights-of-way, strips and gores of land, vaults, streets, ways, alleys, passages,

sewer rights, waters, water courses, water rights, air rights, development rights and powers, and, to the extent now or hereafter owned by the Mortgagor, all minerals, flowers, shrubs, crops, trees, timber and other emblements now or hereafter appurtenant to, or used in connection with, or located on, under or above the Leasehold Estate and or any part or parcel thereof, and all ground leases, subleases, estates, rights, titles, interests, privileges, liberties, tenements, hereditaments and appurtenances, reversions, and remainders whatsoever, in any way belonging, relating or appertaining to the Leasehold Estate or any part thereof.

"Collateral" shall have the meaning set forth in the Loan Agreement to the extent such Collateral relates to the Facility.

"Condemnation Proceeds" shall have the meaning set forth in the Loan Agreement.

"Equipment" means all of Mortgagor's "equipment," as such term is defined in the UCC, and to the extent not included in such definition, all fixtures, appliances, machinery, furniture, furnishings, decorations, tools and supplies, now owned or hereafter acquired by Mortgagor, including but not limited to, all beds, linens, radios, televisions, carpeting, telephones, cash registers, computers, lamps, glassware, restaurant and kitchen equipment, and building equipment, including but not limited to, all heating, lighting, incinerating, waste removal and power equipment, engines, pipes, tanks, motors, conduits, switchboards, security and alarm systems, plumbing, lifting, cleaning, fire prevention, fire extinguishing, refrigeration, washing machines, dryers, stoves, refrigerators, ventilating, and communications apparatus, air cooling and air conditioning apparatus, escalators, elevators, ducts, and compressors, materials and supplies, and all other machinery, apparatus, equipment, fixtures and fittings now owned or hereafter acquired by Mortgagor, any portion thereof or any appurtenances thereto, together with all additions, replacements, parts, fittings, accessions, attachments,

accessories, modifications and alterations of any of the foregoing.

"Equity Interests means (a) if Mortgagor is a limited partnership, limited partnership interests in Mortgagor or (b) if Mortgagor is a limited liability company, membership interests in Mortgagor; provided, however, that Equity Interests shall not include any direct or indirect legal or beneficial ownership interest, or any other interest of any nature or kind whatsoever, of the SPE Equity Owner in Mortgagor.

"Event of Default" has the meaning provided in Section 5.01.

"Facility" has the meaning provided in the recitals of this Mortgage.

"Fee Owner" has the meaning set forth in Exhibit B to this Mortgage.

"General Intangibles" means all of Mortgagor's "general intangibles," as such term is defined in the UCC, and to the extent not included in such definition, any intangible personal property

of Mortgagor (other than Accounts, Rents, Instruments, Inventory, Money and Permits), including, without limitation, things in action, settlements, judgments, contract rights, rights to performance (including, without limitation, rights under warranties) refunds of real estate taxes and assessments and other rights to payment of Money, copyrights, trademarks, trade names and patents now existing or hereafter in existence.

"Ground Lease" has the meaning provided in the recitals to this Mortgage.

"Improvements" means all buildings, structures and improvements of every nature whatsoever situated on the Leasehold Estate and/or Land on the Closing Date or thereafter, including, but not limited to, to the extent of Mortgagor's right, title or

interest therein or thereto, all gas and electric fixtures, radiators, heaters, washing machines, dryers, refrigerators, ovens, engines and machinery, boilers, ranges, elevators and motors, plumbing and heating fixtures, antennas, carpeting and other floor coverings, water heaters, awnings and storm sashes, and cleaning apparatus which are or shall be attached to the Leasehold Estate and/or Land or said buildings, structures or improvements.

"Instruments" means all of Mortgagor's "instruments," as such term is defined in the UCC and, to the extent not included in such definition, any of Mortgagor's rights in instruments, chattel paper, documents or other writings obtained by Mortgagor from or in connection with the ownership or operation of the Facility evidencing a right to the payment of Money, including, without limitation, all notes, drafts, acceptances, documents of title, and policies and certificates of insurance, including but not limited to, liability, hazard, rental and credit insurance, guarantees and securities, now or hereafter received by Mortgagor or in which Mortgagor has or acquires an interest pertaining to the foregoing.

"Insurance Proceeds" shall have the meaning set forth in the Loan Agreement to the extent such Insurance Proceeds relate to the Facility.

"Inventory" means all of Mortgagor's "inventory," as such term is defined in the UCC, and to the extent not included in such definition, any of Mortgagor's rights in goods now owned or hereafter acquired by Mortgagor intended for sale or lease, or to be furnished under contracts of service by such Mortgagor in connection with the Facility, including without limitation, all inventories held by Mortgagor for sale or use at or from the Facility, and all other such goods, wares, merchandise, and materials and supplies of every nature owned by Mortgagor and all such other goods returned to or repossessed by Mortgagor.

"Land" has the meaning provided in the recitals to this Mortgage.

"Leasehold Estate" has the meaning provided in the recitals to

this Mortgage.

"Leases" means all leases and other agreements or arrangements affecting the use or occupancy of all or any portion of the Facility (other than the Ground Lease) now in effect or hereafter entered into (including, without limitation, all lettings, subleases, licenses, concessions, tenancies and other occupancy agreements covering or encumbering all or any portion of the Facility), together with any guarantees, supplements, amendments, modifications, extensions and renewals of the same, and all additional remainders, reversions, and other rights and estates appurtenant thereto.

"Loan" has the meaning provided in the recitals to this Mortgage.

"Loan Agreement" has the meaning provided in the recitals to this Mortgage.

"Loan Obligations" has the meaning provided in the recitals to this Mortgage.

"Material Lease" means all Leases except those Leases of space for less than 20,000 gross square feet.

"Money" means all moneys, cash, rights to deposit or savings accounts, credit card receipts, rents or other items of legal tender obtained from or for the use in connection with the ownership or operation of the Facility.

"Mortgaged Estate" has the meaning provided in the recitals to this Mortgage.

"Mortgagee" has the meaning provided in the heading of this Mortgage.

"Mortgagor" has the meaning provided in the heading of this Mortgage.

"Note" has the meaning provided in the recitals to this Mortgage.

"Permitted Encumbrances" means, with respect to the Facility, collectively, (i) the Lien created by this Mortgage or the other Loan Documents of record, (ii) all Liens and other matters disclosed in the Title Insurance Policy concerning the Facility, or any part thereof which have been approved by Mortgagee in Mortgagee's sole discretion, (iii) Liens, if any, for Impositions imposed by any Governmental Authority not yet due or delinquent or being contested in good faith and by appropriate proceedings in accordance with this Mortgage (iv) without limiting the foregoing, any and all governmental, public utility and private restrictions, covenants, reservations, easements, licenses or other agreements of an immaterial nature which may be granted by Mortgagor after the Closing Date and which do not materially and adversely affect (A) the ability of Mortgagor to pay any of its obligations to any Person as and when due, (B) the marketability of title to the Facility, (C) the fair market value of the Facility, or (D) the use or operation of the Facility as of the Closing Date and thereafter.

"Permitted Transfers" shall mean provided that no Event of Default has occurred (i) Permitted Encumbrances; (ii) all transfers of worn out or obsolete furnishings, fixtures or equipment that are replaced with equivalent property; (iii) all Leases which are not Material Leases; (iv) all Material Leases which have been approved by Mortgagee in accordance with Section 2.13(d) hereof; (v)

transfers of Equity Interests in Mortgagor which in the aggregate during the term of the Loan (a) do not exceed 49% of the total interests in Mortgagor and (b) do not result in any partner's,

member's or other Person's interest in Mortgagor exceeding 49% of the total interests in Mortgagor and (vi) any other transfer of Equity Interests provided that (a) prior to any Securitization, Mortgagee shall have consented to such transfer or transfers, (b) after any Securitization, Mortgagee shall have consented to such transfer or transfers and the Rating Agencies shall have confirmed in writing that such transfer or transfers shall not result in a downgrade, withdrawal or qualification of any securities issued in connection with such Securitization, (c) acceptable opinions relating to such transfer or transfers shall have been delivered by Mortgagor to Mortgagee and the Rating Agencies (including without limitation tax and bankruptcy opinions) and (d) Mortgagor pays all reasonable expenses incurred by Mortgagee in connection with such transfer or transfers and (vii) a transfer of the Facility to a single purchaser not more than one time during the term of the Loan, provided that prior to such transfer (a) intentionally omitted, (b) prior to a Securitization, Mortgagee shall have consented to such transfer, (c) after a Securitization, (i) Mortgagee shall have consented to such transfer and (ii) the Rating Agencies shall have confirmed in writing that such transfer shall not result in a downgrade, withdrawal or qualification of any securities issued in connection with such Securitization, (d) acceptable opinions relating to such transfer shall have been delivered by Mortgagor to Mortgagee and to the Rating Agencies (including without limitation tax and bankruptcy opinions), (e) the transferee assumes in writing all obligations of the transferor under the Loan Documents and executes and delivers such other documentation as may be required by Mortgagee or the Rating Agencies and (f) Mortgagor pays all reasonable expenses incurred by Mortgagee in connection with such transfer (not to exceed 0.10% of the Loan Amount); (viii) a Transfer in connection with a Taking (provided, however, that the disbursement and use of any Condemnation Proceeds received in connection with such Taking shall be governed by the terms of the Loan Agreement and this Mortgage).

"Permits" means all licenses, registrations, permits, allocations, filings, authorizations, approvals and certificates used in connection with the ownership, operation, construction, renovation, use or occupancy of the Facility, including, without limitation, building permits, business licenses, state health department licenses, food service licenses, liquor licenses, licenses to conduct business and all such other permits, licenses and rights, obtained from any Governmental Authority or private Person concerning the ownership, construction, operation, renovation, use or occupancy of the Facility.

"Proceeds" means all of Mortgagor's "proceeds," as such term is defined in the UCC, and, to the extent not included in such definition, all proceeds, whether cash or non-cash, movable or immovable, tangible or intangible (including Insurance Proceeds and Condemnation Proceeds), from the Collateral, including, without

limitation, those from the sale, exchange, transfer, collection, loss, damage, disposition, substitution or replacement of any of the Collateral and all income, gain, credit, distributions and similar items from or with respect to the Collateral.

"Rating Agencies" means Fitch Investors Service, Inc., Moody's Investors Service, Inc., Duff & Phelps Credit Rating Co. and S&P, or any successor thereto, and any other nationally recognized statistical rating organization to the extent that any of the foregoing have been or will be engaged by Mortgagee or its designees in connection with a Securitization (each, individually, a "Rating Agency").

"Rents" means, with respect to the Facility, all receipts, rents, (whether denoted as advance rent, minimum rent, percentage rent, additional rent or otherwise), issues, income, royalties, profits, revenues, proceeds, bonuses, deposits (whether denoted as security deposits or otherwise), lease termination fees or payments, rejection damages, buy-out fees and any other fees made or to be made in lieu of rent, any award made hereafter to

Mortgagor in any court proceeding involving any tenant, lessee, licensee or concessionaire under any of the Leases in any bankruptcy, insolvency or reorganization proceedings in any state or federal court, and all other payments, rights and benefits of whatever nature from time to time due under any of the Leases, including, without limitation, (i) rights to payment earned under any of the Leases for space in the Improvements for the operation of ongoing businesses and (ii) all other income, consideration, issues, accounts, profits or benefits of any nature arising from the ownership, possession, use or operation of the Facility.

"S&P" means Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"SPE Equity Owner" means Mark Northwood Realty, Inc., a Florida corporation.

"Transfer" means any conveyance, transfer (including, without limitation, any transfer of any direct or indirect legal or beneficial interest in Mortgagor or the SPE Equity Owner), sale, Lease (including, without limitation, any amendment, extension, modification, waiver or renewal thereof) or Lien, whether by law or otherwise, of, on or affecting any Collateral, Mortgagor or the SPE Equity Owner, other than a Permitted Transfer.

"UCC" means the Uniform Commercial Code in effect in the jurisdiction in which the Facility is located.

Section 1.02. Interpretation of Defined Terms.

Singular terms shall include the plural forms and vice versa, as applicable, of the terms defined.

All references to other documents or instruments shall be deemed to refer to such documents or instruments as they may

hereafter be extended, renewed, modified or amended, and all replacements and substitutions therefor.

ARTICLE II

Particular Covenants and Agreements of the Mortgagor

Section 2.01. Payment of Secured Loan Obligations. The Mortgagor shall pay when due the principal, the interest, Default Rate interest, Late Charges, and the Yield Maintenance Premium, if any, owing from time to time under the Note and all charges, fees and other Loan Obligations as provided in the Loan Documents.

Section 2.02. Title, etc.

(a) The Mortgagor represents and warrants that it has good, marketable and insurable leasehold title in and to the Leasehold Estate, free and clear of all covenants, liens, encumbrances, restrictions, easements and other matters affecting title other than the Permitted Encumbrances. There are no outstanding options to purchase or rights of first refusal affecting the Leasehold Estate.

(b) The Mortgagor represents and warrants that it has good and absolute title to all existing personal property and fixtures hereby mortgaged, subject to the Permitted Encumbrances. The personal property and fixtures hereby mortgaged are free and clear of all liens, charges and encumbrances whatsoever, including conditional sales contracts, chattel mortgages, security agreements, financing statements and everything of a similar nature other than the Permitted Encumbrances.

(c) The Mortgagor represents and warrants that it has the full power and lawful authority to grant, bargain, sell, release, convey, warrant, assign, transfer, mortgage, pledge, set over and

confirm unto the Mortgagee the Mortgaged Estate as hereinabove provided and warrants that it will forever defend the title to the Mortgaged Estate and the validity and priority of the lien or estate hereof against the claims and demands of all Persons whomsoever.

Section 2.03. Further Assurances; Filing; Re-Filing; etc.

(a) The Mortgagor shall execute, acknowledge and deliver, from time to time, such further instruments as Mortgagee may reasonably require to accomplish the purposes of this Mortgage.

(b) The Mortgagor, immediately upon the execution and delivery of this Mortgage, and thereafter from time to time, shall cause this Mortgage, any security agreement or mortgage supplemental hereto and each instrument of further assurance to be filed, registered or recorded and refiled, re-registered or re-recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and perfect the lien or estate of this Mortgage upon the Mortgaged Estate.

(c) The Mortgagor shall pay all documentary stamp taxes, intangible personal property taxes, recording taxes, filing, registration and recording fees, all refiling, re-registration and re-recording fees, and all expenses incident to the execution, filing, recording and acknowledgment of this Mortgage, any security agreement or mortgage supplemental hereto and any instrument of further assurance, and all federal, state, county and municipal

stamp taxes and other taxes, duties, imposts, assessments and charges arising out of the execution, delivery, filing, registration and recording of the Note, this Mortgage or any of the other Loan Documents, any security agreement or mortgage supplemental hereto or any instruments of further assurance.

(d) In the event of the passage of any state, federal, municipal or other governmental law, order, rule or regulation, subsequent to the date hereof, in any manner changing or modifying the laws now in force governing the taxation of mortgages or security agreements or debts secured thereby or the manner of collecting such taxes so as to adversely affect the Mortgagee, the Mortgagor will pay any such tax on or before the due date thereof. If the Mortgagor fails to make such prompt payment or if, in the reasonable opinion of the Mortgagee, any such state, federal, municipal, or other governmental law, order, rule or regulation prohibits the Mortgagor from making such payment or would penalize the Mortgagee if the Mortgagor makes such payment or if, in the opinion of the Mortgagee, the making of such payment might result in the imposition of interest beyond the Maximum Amount, then the entire balance of the Loan Obligations shall, at the option of the Mortgagee, become due and payable on the date that is one hundred and twenty (120) days after the passage of such law, order, rule or regulation.

(e) The Mortgagor hereby indemnifies and holds the Mortgagee harmless from any sales or use tax that may be imposed on the Mortgagee by virtue of the Loan from the Mortgagee to the Mortgagor other than taxes imposed on the income, stock or assets of the Mortgagee.

Section 2.04. Liens. Without limiting the obligations of the Mortgagor under Section 2.06, the Mortgagor shall not create or suffer to be created any mortgage, deed of trust, lien, security interest, charge or encumbrance upon the Mortgaged Estate prior to, on a parity with, or subordinate to the lien of this Mortgage other than a Permitted Encumbrance. The Mortgagor shall pay and promptly discharge at the Mortgagor's cost and expense, any such mortgages, deeds of trust, liens, security interests, charges or encumbrances upon the Mortgaged Estate or any portion thereof or interest therein.

Section 2.05. Insurance and Casualty Events.

(a) At all times while the Mortgagor is indebted to the Mortgagee, the Mortgagor shall maintain the following insurance:

(i) During any period of repair or restoration, builder's "all risk" insurance in an amount equal to not less than the full insurable value of the Facility and Equipment against such risks (including, without limitation, fire and extended coverage and collapse of the Improvements to agreed limits) as Mortgagee may request, in form and substance acceptable to Mortgagee.

(ii) Insurance with respect to the Improvements, Equipment and Inventory against any peril included within the classification "All Risks of Physical Loss" with extended coverage in amounts at all times sufficient to prevent the Mortgagor from becoming a co-insurer within the terms of the applicable policies, but in any event such insurance shall be maintained in an amount equal to the full insurable value of the Improvements, Equipment and Inventory located on the Facility, the term "full insurable value" to mean the actual replacement cost of the Improvements, Equipment and Inventory (without taking into account any depreciation), determined annually by an insurer or by the Mortgagor or, at the request of the Mortgagee, by an independent insurance broker (subject to the Mortgagee's reasonable approval) including an endorsement covering acts of municipal authorities including increased cost of construction and demolition;

(iii) Comprehensive general liability insurance, including contractual injury, bodily injury, broad form death and property damage liability, and umbrella liability insurance against any and all claims, including all legal liability to the extent insurable imposed upon the Mortgagor and all court costs and attorneys' fees and expenses, arising out of or connected with the possession, use, leasing, operation, maintenance or condition of the Facility in such amounts as are generally required by

institutional lenders for properties comparable to the Facility but in no event with limits for the Facility of less than \$1,000,000 per occurrence with combined single limit coverage for bodily injury or property damage and excess (umbrella) liability coverage for the Facility of no less than \$30,000,000 per occurrence;

(iv) Statutory workers' compensation insurance (to the extent the risks to be covered thereby are not already covered by other policies of insurance maintained by the Mortgagor), with respect to any work on or about the Facility;

(v) Business interruption and/or loss of "rental value" insurance for the Facility in an amount equal to not less than eighteen (18) months estimated Gross Revenue attributable to the Facility and based on the Gross Revenue for the immediately preceding year and otherwise sufficient to avoid any co-insurance penalty;

(vi) If all or any portion of the Improvements, or any portion of the Leasehold Estate is located within a federally designated flood hazard zone, flood insurance in an amount equal to the lesser of the full insurable value of the Facility or the maximum amount available;

(vii) Insurance against loss or damage from (A) leakage of sprinkler systems and (B) explosion of steam boilers, air conditioning equipment, pressure vessels or similar apparatus now or hereafter installed at the Facility, in such amounts as the Mortgagee may from time to time require and which are customarily required by institutional mortgagees with respect to similar properties similarly situated; and

(viii) Such other insurance with respect to the Improvements, Equipment and Inventory located on the Facility against loss or damage as is requested by the Mortgagee (including without limitation liquor/dram insurance and earthquake insurance)

provided such insurance is of the kind from time to time customarily insured against and in such amounts as are generally required by institutional lenders for properties comparable to the Facility or which Mortgagee may deem necessary in its reasonable discretion.

(b) The Mortgagor will maintain the insurance coverage described in Section 2.05 with companies acceptable to Mortgagee and with a claims paying ability of not less than "AA" by S&P and AA or its equivalent by any one of the other Rating Agencies. All insurers providing insurance required by this Mortgage shall be authorized to issue insurance in the state where the Facility is located.

The insurance coverage required under Section 2.05(a) may be effected under a blanket policy or policies covering the Mortgaged Estate and other property and assets not constituting a part of the Mortgaged Estate; provided that any such blanket policy shall specify, except in the case of public liability insurance, the portion of the total coverage of such policy that is allocated to the Facility and Equipment and Inventory located thereon, and any sublimits in such blanket policy applicable to the Mortgaged Estate, which amounts shall not be less than the amounts required pursuant to Section 2.05(a) and which shall in any case comply in all other respects with the requirements of this Section 2.05.

(c) All insurance policies shall be in such form and with such endorsements and in such amounts as shall be satisfactory to Mortgagee (and Mortgagee shall be entitled to approve amounts, form, risk coverage, deductibles, loss payees and insureds). The policy referred to in Section 2.05(a)(ii) shall contain a replacement cost endorsement and a waiver of depreciation. Certified copies of all of the above-mentioned insurance policies have been delivered to and shall be held by the Mortgagee. All such policies shall name the Mortgagee as an additional insured/loss payee, shall provide that all Insurance Proceeds be

payable to the Mortgagee as set forth in Section 2.05(d), and shall contain: (i) "Non Contributory Standard Lender Clause" and a Lender's Loss Payable Endorsement (Form 438 BFUNS) or their equivalents naming Mortgagee as the person to which all payments shall be paid and a provision that payment of Insurance Proceeds in excess of \$400,000 shall be made by a check payable only to Mortgagee; (ii) a waiver of subrogation endorsement as to the Mortgagee and its assigns providing that no policy shall be impaired or invalidated by virtue of any act, failure to act, negligence of, or violation of declarations, warranties or conditions contained in such policy by the Mortgagor, the Mortgagee or any other named insured, additional insured or loss payee, except for the willful misconduct of the Mortgagee knowingly in violation of the conditions of such policy; (iii) an endorsement indicating that neither the Mortgagee nor the Mortgagor shall be or be deemed to be a co-insurer with respect to any risk insured by such policies and shall provide for a deductible per loss not in excess of five percent (5%) of replacement cost of the Facility; (iv) a provision that such policies shall not be canceled or amended, including, without limitation, any amendment reducing the scope or limits of coverage, without at least thirty (30) days' prior written notice to the Mortgagee in each instance; and (v) include effective waivers by the insurer of all claims for insurance premiums against any loss payees, additional insureds and named insureds (other than the Mortgagor). Certificates of insurance with respect to all renewal and replacement policies

shall be delivered to the Mortgagee not less than ten (10) days prior to the expiration date of any of the insurance policies required to be maintained hereunder which certificates shall bear notations evidencing payment of applicable premiums and certified copies of such insurance policies shall be delivered to the Mortgagee promptly after the Mortgagor's receipt thereof. If the Mortgagor fails to maintain and deliver to the Mortgagee the certified copies of the original policies or certificates of insurance required by this Mortgage, the Mortgagee may, at its option, after written notice to Mortgagor, procure such insurance,

and the Mortgagor shall reimburse the Mortgagee for the amount of all premiums paid by the Mortgagee thereon promptly, after demand by the Mortgagee, with interest thereon at the Default Rate from the date paid by the Mortgagee to the date of repayment, and such sum shall be a part of the Loan Obligations secured by this Mortgage.

The Mortgagee shall not by the fact of approving, disapproving, accepting, preventing, obtaining or failing to obtain any insurance, incur any liability for or with respect to the amount of insurance carried, the form or legal sufficiency of insurance contracts, solvency of insurance companies, or the carriers' or the Mortgagor's payment or defense of lawsuits, and the Mortgagor hereby expressly assumes full responsibility therefor and all liability, if any, with respect thereto.

(d) The Mortgagee shall be entitled to receive and collect all Insurance Proceeds and all of the Insurance Proceeds are hereby assigned to the Mortgagee. The Mortgagor shall execute such further assignments of the Insurance Proceeds as the Mortgagee may from time to time reasonably require. Without limiting the generality of the foregoing, following the occurrence of any casualty or damage involving the Mortgaged Estate or any part thereof, the Mortgagor shall give prompt notice thereof to the Mortgagee and shall cause all Insurance Proceeds payable as a result of such casualty or damage to be paid to the Mortgagee as additional collateral security hereunder subject to the lien of this Mortgage, to be applied by Mortgagee to the Loan Obligations.

(e) Notwithstanding anything to the contrary set forth in Section 2.05(d), the Mortgagee agrees that the Mortgagee shall make the Insurance Proceeds (other than business interruption insurance proceeds, which shall be held and disbursed as provided in Section 2.12(h) of the Loan Agreement), available to the Mortgagor for the Mortgagor's repair, restoration and replacement of the Improvements, Equipment and Inventory damaged or taken on the

following terms and subject to the Mortgagor's satisfaction of the following conditions:

(i) At the time of such loss or damage and at all times thereafter while the Mortgagee is holding any portion of such Insurance Proceeds, there shall exist no Default or Event of Default;

(ii) The Improvements, Equipment and Inventory for which loss or damage has resulted shall be capable of being restored (including replacements) to their pre-existing condition and

utility as existed immediately prior to the occurrence of the loss or damage then in question in all material respects with a value equal to or greater than prior to such loss or damage and shall be capable of being completed six months prior to the Maturity Date and prior to the expiration of business interruption insurance;

(iii) The Mortgagor shall demonstrate to the Mortgagee's reasonable satisfaction the Mortgagor's ability to pay the Loan Obligations relating to the Facility coming due during such restoration period;

(iv) Within 30 days from the date of such loss or damage the Mortgagor shall have given the Mortgagee a written notice electing to have the Insurance Proceeds applied for such purpose;

(v) Within 60 days following the date of notice under the preceding subparagraph (iv) and prior to any Insurance Proceeds being disbursed to the Mortgagor, the Mortgagor shall have provided to the Mortgagee all of the following:

(1) if loss or damage exceeds \$400,000, complete plans and specifications for restoration, repair and replacement of the Improvements, Equipment and Inventory damaged to the condition, utility and value required by the preceding subparagraph (ii),

(2) if loss or damage exceeds \$400,000, fixed-price or guaranteed maximum cost construction contracts for completion of the repair and restoration work in accordance with such plans and specifications,

(3) if loss or damage exceeds \$400,000, builder's risk insurance for the full cost of construction with the Mortgagee named under a standard mortgagee loss-payable clause,

(4) if loss or damage exceeds \$400,000 such additional funds (if any) as in the Mortgagee's reasonable opinion are necessary to complete the repair, restoration and replacement, and

(5) if loss or damage exceeds \$400,000, copies of all permits and licenses necessary to complete the work in accordance with the plans and specifications;

(vi) If loss or damage exceeds \$400,000, the Mortgagee may, at the Mortgagor's expense to the extent such expenses and fees are reasonable, retain an independent inspector to review and approve plans and specifications and completed construction and to approve all requests for disbursement, which approvals shall be conditions precedent to release of the Insurance Proceeds as work progresses;

(vii) The Mortgagor shall commence such work within 120 days after such loss or damage and shall diligently pursue such work to completion;

(viii) If loss or damage exceeds \$400,000, each disbursement by the Mortgagee of such Insurance Proceeds shall be funded subject to conditions and in accordance with disbursement procedures which a commercial construction lender would typically establish in the exercise of sound banking practices and shall be made only upon receipt of disbursement requests on an AIA G702/703

form (or similar form approved by the Mortgagee) signed and certified by the Mortgagor and its architect and general contractor with appropriate invoices, lien waivers and any other documents, instruments or items which may be required by the Mortgagee; and

(ix) The Mortgagee shall have a first lien and security interest in all building materials and completed repair and restoration work and in all fixtures and equipment acquired with such Insurance Proceeds, and the Mortgagor shall execute and deliver such mortgages, deeds of trust, security agreements, financing statements and other instruments as the Mortgagee shall reasonably request to create, evidence, or perfect such lien and security interest.

(f) In the event and to the extent such Insurance Proceeds are not required to be made available to Mortgagor to be used for the repair, restoration and replacement of the Improvements, Equipment and Inventory for which a loss or damage has occurred, or in the event the Mortgagor fails to timely make such election or having made such election fails to timely comply with or is otherwise unable to satisfy the terms and conditions set forth herein, upon five Business Days prior notice to the Mortgagor, the Mortgagee shall be entitled without consent from the Mortgagor to apply such Insurance Proceeds, or the balance thereof, at the Mortgagee's option either (x) to the full or partial payment or prepayment of the Loan Obligations in accordance with Section 2.7 of the Loan Agreement, or (y) to the repair, restoration and/or replacement of all or any part of such Improvements, Equipment and Inventory for which a loss or damage has occurred.

(g) Subject to Mortgagee's rights under Section 2.05(f), provided no Event of Default then exists, and so long as all repairs, restorations and replacements to the Facility have been completed in accordance with this Mortgage, any Insurance Proceeds available to Mortgagor for replacement, restoration or repair, to

the extent not used by Mortgagor in connection with, or to the extent they exceed the cost of such replacement, restoration or repair shall be paid to Mortgagor.

(h) The Mortgagor appoints the Mortgagee to act after the occurrence of an Event of Default as the Mortgagor's attorney-in-fact, coupled with an interest, to cause the issuance of or an endorsement of any policy to bring the Mortgagor into compliance herewith and, as limited above, at the Mortgagee's sole option, to make any claim for, receive payment for, and execute and endorse any documents, checks or other instruments in payment for loss, theft, or damage covered under any such insurance policy; however, in no event will the Mortgagee be liable for failure to collect any amounts payable under any insurance policy.

(i) The Mortgagee shall be entitled at its option to participate in any compromise, adjustment or settlement in connection with any claims for loss, damage or destruction under any policy or policies of insurance, in excess of \$400,000, and the Mortgagor shall within ten Business Days after request therefor reimburse the Mortgagee for all reasonable out-of-pocket expenses (including reasonable attorneys' fees and disbursements) incurred by the Mortgagee in connection with such participation. The

Mortgagor shall not make any compromise, adjustment or settlement in connection with any such claim in excess of \$400,000, without the prior written approval of the Mortgagee.

(j) In the event of foreclosure of the lien of this Mortgage or other transfer of title or assignment of the Mortgaged Estate in extinguishment, in whole or in part, of the Loan Obligations, all right, title and interest of the Mortgagor in and to all policies of casualty insurance covering all or any part of the Mortgaged Estate shall inure to the benefit of and pass to the successors in interest to the Mortgagee or the purchaser or grantee of the Mortgaged Estate or any part thereof.

Section 2.06. Impositions.

(a) The Mortgagor shall pay or cause to be paid, before any fine, penalty, interest or cost attaches thereto, all of the Ground Rents and Impositions, including, without limitation, any sales tax due in connection with the Ground Rents, as well as all claims for labor, materials or supplies that, if unpaid, might by law become a lien on the Mortgaged Estate, and shall submit to Mortgagee such evidence of the due and punctual payment of all such Impositions and claims as may be required by law; provided, however, that if by law any such Imposition may be paid in installments (whether or not interest shall accrue on the unpaid balance thereof), the Mortgagor may pay the same in installments (together with accrued interest on the unpaid balance thereof) as the same respectively become due, before any fine, penalty, interest or cost attaches thereto.

(b) The Mortgagor at its expense may, after prior notice to the Mortgagee, contest by appropriate legal, administrative or other proceedings conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of any Imposition or lien therefor or any claims of mechanics, materialmen, suppliers or vendors or liens thereof, and may withhold payment of the same pending such proceedings if permitted by law, as long as (i) in the case of any Impositions or lien therefor or any claims of mechanics, materialmen, suppliers or vendors or liens thereof, such proceedings shall suspend the collection thereof from the Mortgaged Estate, (ii) neither the Mortgaged Estate nor any part thereof or interest therein will be sold, forfeited or lost if the Mortgagor pays the amount or satisfies the condition being contested, and the Mortgagor would have the opportunity to do so, in the event of the Mortgagor's failure to prevail in the contest, (iii) the Mortgagee would not, by virtue of such permitted contest, be exposed to any risk of any civil liability for which the Mortgagor has not furnished additional security as provided in clause (iv) below, or to any risk of criminal liability, and neither the Mortgaged Estate nor

any interest therein would be subject to the imposition of any lien for which the Mortgagor has not furnished additional security as provided in clause (iv) below, as a result of the failure to comply with such law or of such proceeding and (iv) the Mortgagor shall have furnished to the Mortgagee additional security in respect of the claim being contested or the loss or damage that may result

from the Mortgagor's failure to prevail in such contest in such amount as may be reasonably requested by the Mortgagee, but in no event less than one hundred and twenty five percent (125%) of the amount of such claim.

(c) The Mortgagor shall fund the Ground Rents Sub-Account and the Basic Carrying Costs Sub-Account to the extent required pursuant to the Loan Agreement and the real property taxes and assessments applicable to the Facility shall be paid from the relevant Basic Carrying Costs Sub-Account and the Ground Rents shall be paid from the Ground Rents Sub-Account, all in accordance with the Loan Agreement.

Section 2.07. Maintenance of the Improvements and Equipment. The Mortgagor shall not permit the Improvements or Equipment to be removed or demolished or otherwise altered (provided, however, that, the Mortgagor may remove, demolish or alter such Improvements and Equipment that become obsolete in the usual conduct of the Mortgagor's business and the removal or alteration of which do not materially detract from the operation of the Mortgagor's business); shall maintain the Mortgaged Estate in good repair, working order and condition, except for reasonable wear and use; shall not commit or suffer any waste; shall not do or suffer to be done anything which would or could increase the risk of fire or other hazard to the Mortgaged Estate or which would or could result in the cancellation of any insurance policy carried with respect to the Mortgaged Estate; and shall, subject to receipt of the Insurance Proceeds or the Condemnation Proceeds, restore and repair the Improvements and Equipment or any part thereof now or hereafter damaged or destroyed by any fire or other casualty or

affected by any Taking; provided, however, that if the fire or other casualty is not insured against or insurable, the Mortgagor shall so restore and repair even though no Insurance Proceeds are received.

Section 2.08. Compliance With Laws.

(a) The Mortgagor represents and warrants that the Facility and the Mortgagor's operations at and use of the Facility currently comply in all material respects with all Legal Requirements, including but not limited to, the Americans with Disabilities Act, and the orders, rules and regulations of the American Insurance Association or any other body now constituted exercising similar functions. The Mortgagor shall maintain the Facility in compliance with all future Legal Requirements.

(b) The Mortgagor hereby confirms the representations, warranties and covenants set forth in Section 4.1(b)(U) and Section 5.1(D) through (I) of the Loan Agreement (relating to liabilities of the Mortgagor under applicable Environmental Laws) insofar as such representations, warranties and covenants apply to the Mortgaged Estate.

(c) The Mortgagor shall notify the Mortgagee promptly of any written notice or order that the Mortgagor receives from any Governmental Authority with respect to the Mortgagor's compliance with any Legal Requirements, including, without limitation, the Americans with Disabilities Act and the Environmental Laws, relating to the Facility and promptly take any and all actions necessary to bring its operations at the Facility into compliance with such Legal Requirements, including, without limitation, the Americans with Disabilities Act and the Environmental Laws, (and shall fully comply with the requirements of such Legal Requirements, including, without limitation, the Americans with Disabilities Act and the Environmental Laws, that at any time are

applicable to its operations at the Facility) all to the extent

required under the applicable provisions of the Loan Agreement; provided, that, subject to Section 5.1 (D) of the Loan Agreement, the Mortgagor at its expense may, after prior notice to the Mortgagee, contest by appropriate legal, administrative or other proceedings conducted in good faith and with due diligence, the validity or application, in whole or in part, of any such Legal Requirements, including, without limitation, Environmental Laws, as long as (i) neither the Mortgaged Estate nor any part thereof or any interest therein, will be sold, forfeited or lost if the Mortgagor pays the amount or satisfies the condition being contested, and the Mortgagor would have the opportunity to do so, in the event of the Mortgagor's failure to prevail in the contest, (ii) the Mortgagee would not, by virtue of such permitted contest, be exposed to any risk of any civil liability for which the Mortgagor has not furnished additional security as provided in clause (iii) below, or to any risk of criminal liability, and neither the Mortgaged Estate nor any interest therein would be subject to the imposition of any lien for which the Mortgagor has not furnished additional security as provided in clause (iii) below as a result of the failure to comply with such Legal Requirement or Environmental Law or the Americans with Disabilities Act or of such proceeding and (iii) the Mortgagor shall have furnished to the Mortgagee additional security in respect of the claim being contested or the loss or damage that may result from the Mortgagor's failure to prevail in such contest in such amount as may be reasonably requested by the Mortgagee in light of the risk attendant to such contest, but in no event less than one hundred and twenty five percent (125%) of the amount of such claim.

(d) After 30 days' prior written notice (except in the case of a bona fide emergency in which no such prior written notice shall be required, but in which event notice shall be given as soon as practicable) and the Mortgagor's failure to so comply, but subject to subparagraph (c) above, the Mortgagee, at its election and in its sole discretion may (but shall not be obligated to) cure any failure on the part of the Mortgagor to comply with any Legal

Requirements, including Environmental Laws, and without limitation, may take any of the following actions:

(i) arrange for the prevention of any Release or threat of Release of Hazardous Substances at the Facility in violation of, or potentially requiring clean up under, Environmental Laws, and pay any costs associated with such prevention;

(ii) arrange for the removal or remediation of Hazardous Substances that may be Released or result from a Release at the Facility in violation of, or potentially requiring clean up under, Environmental Laws, and pay any costs associated with such removal and/or remediation;

(iii) pay, on behalf of the Mortgagor, any costs, fines or penalties imposed on the Mortgagor by any Governmental Authority in connection with such Release or threat of Release of Hazardous Substances in violation of, or potentially requiring clean up under, Environmental Laws; or

(iv) make any other payment or perform any other act intended to prevent a lien in favor of any Governmental Authority from attaching to the Mortgaged Estate.

Any partial exercise by the Mortgagee of the remedies hereinafter set forth, or any partial undertaking on the part of the Mortgagee to cure the Mortgagor's failure to comply with such Legal Requirements, including Environmental Laws, shall not obligate the Mortgagee to complete the actions taken or require the Mortgagee to expend further sums to cure the Mortgagor's noncompliance; nor shall the exercise of any such remedies operate to place upon the Mortgagee any responsibility for the operation, control, care, management or repair of the Facility or make the Mortgagee the "operator" of the Facility within the meaning of any Environmental Laws. Any amount paid or costs incurred by the Mortgagee as a result of the exercise by the Mortgagee of any of the rights

hereinabove set forth, together with interest thereon at the Default Rate from the date paid by the Mortgagee, shall be due and payable by the Mortgagor to the Mortgagee within ten (10) days after demand therefor, and until paid shall be added to and become a part of the Loan Obligations secured hereby; and the Mortgagee, by making any such payment or incurring any such costs, shall be subrogated to any rights of the Mortgagor to seek reimbursement from any third parties, including, without limitation, a predecessor-in-interest to the Mortgagor's title who may be a "responsible party" or otherwise liable under any Environmental Law in connection with any such Release or threat of Release of Hazardous Substances.

(e) If the Mortgagee suspects that Remedial Work may be required, the Mortgagee may request that an environmental survey and risk assessment with respect to the Mortgaged Estate be prepared and the Mortgagor agrees to supply, at its cost, such a survey and risk assessment by an independent engineering firm selected by the Mortgagor and satisfactory to the Mortgagee, in form and detail satisfactory to the Mortgagee (including, if the Mortgagee reasonably suspects that Remedial Work may be required, test borings of the ground and chemical analyses of air, water and waste discharges), estimating current liabilities and assessing potential sources of future liabilities of the Mortgagor or any other owner or operator of the Facility under applicable Environmental Laws.

(f) The Mortgagor agrees to indemnify, reimburse, defend (with counsel satisfactory to Mortgagee at Mortgagee's election), and hold harmless the Mortgagee for, from, and against all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses, including, without limitation, interest, penalties, consequential damages, attorneys' fees, disbursements and expenses, and consultants' fees, disbursements and expenses, including costs of Remedial Work, asserted against,

resulting to, imposed on, or incurred by the Mortgagee, directly or indirectly, in connection with any of the following:

(i) events, circumstances, or conditions which are alleged to, or do, form the basis for an Environmental Claim;

(ii) the presence, Use or Release of Hazardous Substances at, on, in, under or from any Facility which presence, Use or Release requires or could require Remedial Work;

(iii) any Environmental Claim against Mortgagor, Mortgagee or any Person whose liability for such Environmental Claim the Mortgagor has or may have assumed or retained either contractually or by operation of law; or

(iv) the breach of any representation, warranty or covenant set forth in Section 4.1(b)(U) and Sections 5.1(D) through 5.1(I), inclusive, of the Loan Agreement.

The indemnity provided in this Section 2.08(f) shall not be included in any exculpation of the Mortgagor or its partners, members, shareholders or any other Person from personal liability provided in this Mortgage or in any of the other Loan Documents. Further, Mortgagor's obligations under this Section 2.08(f) shall survive (in perpetuity) the closing and disbursement of the funds evidenced by the Note, payment of the Note, payment and performance of the Loan Obligations, any release, reconveyance, discharge or foreclosure of this Mortgage, conveyance by deed in lieu of foreclosure, and any subsequent conveyance of the Mortgaged Estate. Nothing in this Section 2.08(f) shall be deemed to deprive the Mortgagee of any rights or remedies provided to it elsewhere in this Mortgage or the other Loan Documents or otherwise available to it under law. Mortgagor waives and releases Mortgagee from any rights or defenses Mortgagor may have under common law or Environmental Laws for liability arising or resulting from the presence, Use or Release of Hazardous Substances except to the

extent directly and solely caused by the fraud or willful misconduct of Mortgagee.

Section 2.09. Limitations of Use. The Facility is used exclusively as set forth in Section 3.1(S) of the Loan Agreement and uses ancillary thereto. The Mortgagor shall not, without the prior written consent of the Mortgagee (a) materially change the use of the Facility or (b) initiate, join in or consent to any change in any private restrictive covenant, zoning ordinance or other public or private restrictions limiting or defining the uses that may be made of the Facility or any part thereof, except as may be necessary in connection with the uses permitted pursuant to this Section 2.09. The Mortgagor shall comply with the provisions of all Leases, licenses, agreements and private covenants, conditions and restrictions that at any time are applicable to the Facility.

Section 2.10. Inspection of the Property. The Mortgagor shall keep adequate records, accounts and books in accordance with GAAP and shall permit the Mortgagee and its authorized representatives to enter the Facility and inspect the Mortgaged Estate and examine the records, accounts and books of the Mortgagor with respect thereto and make copies or extracts thereof, at Mortgagee's cost and expense, all upon reasonable advance notice and at such reasonable times as may be requested by the Mortgagee, subject, however, to the rights of the tenants or occupants of the Facility. Notwithstanding the foregoing, after the occurrence and continuation of an Event of Default, Mortgagor shall pay any costs and expenses incurred by Mortgagee to examine Mortgagor's records, and accounts relating to the Mortgaged Estate as Mortgagee shall determine to be necessary or appropriate in the protection of Mortgagee's interest.

Section 2.11. Actions to Protect Mortgaged Estate. If

the Mortgagor shall fail to (a) effect the insurance required by Section 2.05, or (b) make the payments required by Section 2.06, the Mortgagee may, without obligation to do so, and upon notice to

the Mortgagor (except in an emergency) effect or pay the same. If the Mortgagor shall fail to perform or observe any of its other covenants or agreements hereunder, the Mortgagee may, without obligation to do so, and upon 30 days' prior written notice to the Mortgagor (except in an emergency) effect the same. To the maximum extent permitted by law, all sums, including reasonable attorneys' fees and disbursements, so expended or expended to sustain the lien or estate of this Mortgage or its priority, or to protect or enforce any of the rights hereunder, or to recover any of the Loan Obligations, shall be a lien on the Mortgaged Estate, shall be deemed to be added to the Loan Obligations secured hereby, and shall be paid by the Mortgagor within ten days after demand therefor, together with interest thereon at the Default Rate.

Section 2.12. Condemnation.

(a) Should the Mortgaged Estate or any part thereof be taken or damaged by reason of a Taking, or should the Mortgagor receive any written notice regarding any such proceeding, the Mortgagor shall give prompt notice thereof to the Mortgagee.

(b) The Mortgagee shall be entitled to receive and collect all Condemnation Proceeds, and all such compensation, awards, damages and other payments or relief, together with all rights and causes of action relating thereto or arising out of any Taking, are hereby assigned to the Mortgagee. The Mortgagor shall execute such further assignments of the Condemnation Proceeds as the Mortgagee may from time to time require. Without limiting the generality of the foregoing, following the occurrence of any Taking involving the Mortgaged Estate or any part thereof, the Mortgagor shall give prompt notice thereof to the Mortgagee and shall cause all Condemnation Proceeds payable as a result of such Taking to be paid to the Mortgagee as additional collateral security hereunder subject to the lien of this Mortgage and applied in accordance with Section 2.12(c).

(c) Notwithstanding anything to the contrary in subparagraph (b) above, the Mortgagee agrees that the Mortgagee shall make the Condemnation Proceeds (other than Condemnation Proceeds in respect of a temporary Taking, which shall be held and disbursed in accordance with Section 2.12(h) of the Loan Agreement) available to the Mortgagor for the Mortgagor's repair, restoration and replacement of the Improvements, Equipment and Inventory affected by the Taking on the following terms and subject to the Mortgagor's satisfaction of the following conditions:

(i) At the time of such Taking and at all times thereafter while the Mortgagee is holding any portion of such Condemnation Proceeds, there shall exist no continuing Default or Event of Default;

(ii) The Improvements, Equipment and Inventory affected by the Taking shall be capable of being restored to their

pre-existing condition and utility in all material respects with a value equal to or greater than prior to such Taking and shall be capable of being completed six months prior to the Maturity Date and prior to the expiration of business interruption insurance;

(iii) The Mortgagor shall demonstrate to the Mortgagee's reasonable satisfaction the Mortgagor's ability to pay the Loan Obligations relating to the Facility coming due during such restoration period;

(iv) Within 30 days from the date of such Taking the Mortgagor shall have given the Mortgagee a written notice electing to have the Condemnation Proceeds applied for such purpose;

(v) Within 60 days following the date of notice under the preceding subparagraph (iv) and prior to any Condemnation Proceeds being disbursed to the Mortgagor, the Mortgagor shall have provided to the Mortgagee all of the following:

(1) if loss or damage exceeds \$400,000, complete plans and specifications for restoration, repair and replacement of the Improvements, Equipment and Inventory damaged to the condition, utility and value required by the preceding subparagraph (ii),

(2) if loss or damage exceeds \$400,000, fixed-price or guaranteed maximum cost construction contracts for completion of the repair and restoration work in accordance with such plans and specifications,

(3) if loss or damage exceeds \$400,000, builder's risk insurance for the full cost of construction with the Mortgagee named under a standard mortgagee loss-payable clause,

(4) if loss or damage exceeds \$400,000 such additional funds (if any) as in the Mortgagee's reasonable opinion are necessary to complete the repair, restoration and replacement, and

(5) if loss or damage exceeds \$400,000, copies of all permits and licenses (if any) necessary to complete the work in accordance with the plans and specifications;

(vi) If loss or damage exceeds \$400,000, the Mortgagee may, at the Mortgagor's expense to the extent such expenses and fees are reasonable, retain an independent inspector to review and approve plans and specifications and completed construction and to approve all requests for disbursement, which approvals shall be conditions precedent to release of the Condemnation Proceeds as work progresses;

(vii) The Mortgagor shall commence such work within 120 days after such Taking and shall diligently pursue such work to completion;

(viii) If loss or damage exceeds \$400,000, each disbursement by the Mortgagee of such Condemnation Proceeds shall

be funded subject to conditions and in accordance with disbursement procedures which a commercial construction lender would typically establish in the exercise of sound banking practices and shall be made only upon receipt of disbursement requests on an AIA G702/703 form (or similar form reasonably approved by the Mortgagee) signed and certified by the Mortgagor and its architect and general contractor with appropriate invoices, lien waivers and any other documents, instruments and items as may be required by the Mortgagee; and

(ix) The Mortgagee shall have a first lien and security interest in all building materials and completed repair and restoration work and in all fixtures and equipment acquired with such Condemnation Proceeds, and the Mortgagor shall execute and deliver such mortgages, deeds of trust, security agreements, financing statements and other instruments as the Mortgagee shall reasonably request to create, evidence, or perfect such lien and security interest.

(d) In the event and to the extent such Condemnation Proceeds are not required to be made available to Mortgagor to be used for the repair, restoration and replacement of the Improvements, Equipment and Inventory affected by the Taking or in the event the Mortgagor fails to timely make such election or having made such election fails to timely comply with or is otherwise unable to satisfy the terms and conditions set forth herein, upon five Business Days prior notice to the Mortgagor, the Mortgagee shall be entitled without consent from the Mortgagor to apply such Condemnation Proceeds, or the balance thereof, at the Mortgagee's option either (x) to the full or partial payment or prepayment of the Loan Obligations in accordance with Section 2.7 of the Loan Agreement, or (y) to the repair, restoration and/or replacement of all or any part of such Improvements, Equipment and Inventory affected by the Taking.

(e) Subject to Mortgagee's rights under Section 2.12(d), provided no Event of Default has occurred and the replacement, restoration or repair has been completed in accordance with this Mortgage, any Condemnation Proceeds, available to Mortgagor for replacement, restoration or repair, to the extent not used by Mortgagor in connection with, or to the extent they exceed the cost of, such replacement, restoration or repair, shall be paid to the Mortgagor.

(f) The Mortgagee shall be entitled at its option to participate in any compromise, adjustment or settlement in connection with any Taking involving an amount in controversy in excess of \$400,000, and the Mortgagor shall within ten Business Days after request therefor reimburse the Mortgagee for all reasonable out-of-pocket expenses (including reasonable attorneys' fees and disbursements) incurred by the Mortgagee in connection with such participation. The Mortgagor shall not make any compromise, adjustment or settlement in connection with any such claim in excess of \$400,000 without the prior written approval of the Mortgagee.

Section 2.13. Leases; Management Agreements. (a) Mortgagor shall timely perform all of its obligations under the terms and conditions of any Leases (including ground leases) and shall not accept rent therefor in advance for a period of more than one (1) month. Mortgagor represents that there are no Leases or agreements to lease all or any part of the Mortgaged Estate now in effect, except those specifically assigned to Mortgagee by, the Assignment of Leases. There is no assignment or pledge of any Rents now in effect, except pursuant to the Assignment of Leases. Mortgagor shall not make any assignment or pledge thereof to anyone

other than Mortgagee until the Loan Obligations are paid in full.

(b) Mortgagor shall not enter into any Lease after the date hereof that does not contain terms to the effect as follows:

(i) such Lease and the rights of the tenant thereunder (including, without limitation, any options to purchase or rights of first offer or refusal) shall be subject and subordinate to the rights of Mortgagee under and the Lien of this Mortgage and Mortgagee's rights under all Loan Documents, and any renewals, modifications and amendments thereto and thereof;

(ii) such Lease has been assigned as collateral security by Mortgagor as landlord thereunder to Mortgagee under this Mortgage;

(iii) in the case of any foreclosure hereunder or the giving or granting of a deed in lieu thereof, the rights and remedies of the tenant in respect of any obligations of any successor landlord thereunder shall be limited to the equity interest of such successor landlord in the Trust Estate and any successor landlord shall in no event and to no extent (1) be liable for any act, omission or default of any prior landlord under the Lease or (2) be required to make or complete any tenant improvements or capital improvements or repair, restore, rebuild or replace the demised premises or any part thereof in the event of damage, casualty or condemnation or (3) be required to pay any amounts to tenant arising under the Lease prior to such successor landlord taking possession;

(iv) the tenant's obligation to pay rent and any additional rent shall not be subject to any abatement, deduction, counterclaim or setoff as against any mortgagee or purchaser upon the foreclosure of any of the Mortgaged Estate or the giving or granting of a deed in lieu thereof by reason of a landlord default occurring prior to such foreclosure and such mortgagee or purchaser will not be bound by any advance payments of rent in excess of one month or any security deposit unless such security deposit was actually received (or in the case of a letter of credit, was properly transferred in negotiable form);

(v) the tenant agrees to attorn to Mortgagee or any purchaser of the Mortgaged Estate upon a foreclosure of the Mortgaged Estate or the giving or granting of a deed in lieu thereof, at the option of Mortgagee or such purchaser;

(vi) the tenant agrees to give notice to Mortgagee of any default by landlord under the Lease and Mortgagee shall have a reasonable time to cure, should Mortgagee so elect, any default of landlord prior to tenant exercising any rights of tenant to terminate or cancel such Lease; and

(vii) all lease payments shall be due on or before the fifth day of each calendar month.

(c) The Mortgagor shall not, without the prior consent

of the Mortgagee enter into, amend or terminate any management agreements. The Mortgagor shall diligently perform all terms and covenants of any and all Management Agreements.

(d) The Mortgagor shall not enter into any Material Leases unless (i) Mortgagor has requested in writing Mortgagee's consent to such Material Lease and has provided with such request a written term sheet describing the material terms of such proposed Material Lease including, but not limited to, the name of the proposed tenant, the use to be made of the premises to be covered by the proposed Material Lease, the rental payable under the proposed Material Lease, the term of the proposed Material Lease and any material changes from the Mortgagor's standard form Lease, together with such information regarding the proposed tenant as Mortgagee reasonably requests, and (ii) Mortgagee has consented in writing to such proposed Material Lease, such consent not to be unreasonably withheld; provided, however, if Mortgagee fails either to consent in writing or to reject in writing such proposed Material Lease within ten (10) days of Mortgagee's receipt of such written request, Mortgagee shall be deemed to have consented to such Material Lease.

Section 2.14. Mortgagee Reliance. Mortgagor acknowledges that Mortgagee has examined and relied on the experience of Mortgagor and its partners, shareholders and members (including, without limitation, the direct and indirect legal and beneficial owners of Mortgagor), in owning and operating properties such as the Facility in agreeing to make the Loan, and will continue to rely on Mortgagor and such experience of such persons as a means of maintaining the value of the Facility as security for repayment of the Loan and performance of all of Mortgagor's obligations under the Loan Documents. Mortgagor acknowledges that Mortgagee has a valid interest in maintaining the value of the Facility so as to insure that, should Mortgagor allow a Transfer to occur without Mortgagee's prior written consent, Mortgagee may exercise all of its rights hereunder.

Section 2.15. No Transfer. Mortgagor shall not and shall not cause, allow, or permit, and shall prevent from occurring, a Transfer, without the prior written consent of Mortgagee, which consent may be withheld or conditioned in Mortgagee's sole and absolute discretion. Consent to any such Transfer by Mortgagee shall not be deemed a waiver of Mortgagee's right to require such consent to any further or future Transfers. In the event of any violation of this Section 2.15, Mortgagee may, at its option, accelerate and declare the outstanding principal amount, unpaid interest (including without limitation Default Rate interest), Late Charges, Yield Maintenance Premium and any other amounts owing by Mortgagor to be immediately due and payable), without notice or demand, whether or not all or any portion of the Indebtedness shall be declared due and payable, and whether or not Mortgagee shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Loan Documents with respect to any Facility or all or any portion of the Collateral.

ARTICLE III

Assignment of Rents, Issues and Profits

Section 3.01. Assignment of Rents, Issues and Profits. The Mortgagor does hereby absolutely and unconditionally assign to the Mortgagee the Mortgagor's right, title and interest in all current and future Leases and Rents, it being intended by the Mortgagor that this assignment constitutes a present, absolute assignment and

not an assignment for additional security only. This Section 3.01 presently gives Mortgagee the right to collect the Rents and to apply the Rents in partial payment of the Note and Loan Obligations. Mortgagor intends that the Rents and Leases be absolutely assigned as provided in this Section 3.01 and that they no longer be, during the term of this Section, property of the Mortgagor or property of the estate of Mortgagor, as defined by 11 U.S.C. subsection 541. If any law exists requiring Mortgagee to take actual possession of the Mortgaged Estate (or some action equivalent to taking possession of the Mortgaged Estate, such as securing the appointment of a receiver) in order for Mortgagee to "perfect" or "activate" the rights and remedies of Mortgagee as provided in this Section, Mortgagor waives the benefit of such law. Such assignment to the Mortgagee shall not be construed to bind the Mortgagee to the performance of any of the covenants, conditions or provisions contained in any such Leases or otherwise impose any obligation upon the Mortgagee and notwithstanding the assignment, Mortgagor shall remain liable for any obligations undertaken by Mortgagor pursuant to any Lease. Mortgagor agrees that, further to evidence and reflect the assignment granted herein, Mortgagor shall execute, acknowledge and deliver to Mortgagee such additional instruments in form and substance reasonably satisfactory to Mortgagee as may hereafter be requested by Mortgagee and shall record such leases or memoranda thereof, and all assignments thereof, all at Mortgagor's expense. Subject to the terms of this Section 3.01 and the Loan Agreement, the Mortgagee grants to the Mortgagor a license, revocable as hereinafter provided, to operate

and manage the Mortgaged Estate and to collect and use the Rents subject to the requirements of the Loan Agreement. Upon the occurrence of an Event of Default, the license granted to Mortgagor herein shall, at Mortgagee's election, be revoked by the Mortgagee, and the Mortgagee shall immediately be entitled to possession of all Rents then or thereafter in the Collection Account and in the Cash Collateral Account or wherever they may be and all Rents collected thereafter (including Rents past due and unpaid), whether or not the Mortgagee enters upon or takes control of the Mortgaged Estate. Upon such a revocation of the license granted herein, Mortgagee shall provide Mortgagor with written notice of same. Any Rents collected by the Mortgagor from and after the date on which an Event of Default occurred shall be held by Mortgagor in trust for Mortgagee. The Mortgagee is hereby granted and assigned by the Mortgagor the right, at its option, upon revocation of the license granted herein, to enter upon the Mortgaged Estate in person, by agent or by court appointed receiver to collect Rents with or without taking the actual possession of the Mortgaged Estate or any equivalent action. Any Rents collected after the revocation of the license may be applied by Mortgagee in its sole and absolute discretion toward payment of the Loan Obligations in accordance with Section 2.8 of the Loan Agreement.

ARTICLE IV

Security Agreement

Section 4.01. Security Agreement. This Mortgage creates a lien on and a security interest in the Security Interest Property, and shall constitute a security agreement and "fixture filing" under the UCC or other law applicable to the creation of liens on and security interests in personal property and fixtures. As further security for the payment and performance of the Loan Obligations, this Mortgage shall constitute a financing statement under the UCC with the Mortgagor as the "debtor" and the Mortgagee as the "secured party". To the extent permitted by law, Mortgagor

hereby authorizes Mortgagee to file financing and continuation statements necessary to continue the lien of and security interest evidenced by this Mortgage with respect to the Security Interest Property without the signature of Mortgagor, and Mortgagor hereby irrevocably appoints Mortgagee as attorney-in-fact (which appointment shall be deemed coupled with an interest) for the purposes of executing and filing such financing and continuation statements.

Section 4.02. Rights Upon Default. If an Event of Default occurs, the Mortgagee, in addition to the rights and remedies granted to the Mortgagee by applicable law and this Mortgage, shall have all rights and remedies of a secured party under the UCC. Any notice of sale, disposition or other intended action by the Mortgagee with respect to the Mortgagee's rights under the UCC sent to the Mortgagor in accordance with the notice provision hereof at least ten days prior to such action shall constitute reasonable notice to the Mortgagor. The proceeds of any such sale or disposition, or any part thereof, may be applied by the Mortgagee to the payment of the Loan Obligations in accordance with Section 2.8 of the Loan Agreement.

Section 4.03. Warranties, Representations and Covenants. The Mortgagor hereby warrants, represents and covenants that: (a) the Equipment and Inventory will be kept on or at the Facility and the Mortgagor will not remove any Equipment or Inventory from the Facility, except such portions or items of the Equipment or Inventory that are consumed or worn out in ordinary usage, all of which shall be promptly replaced by the Mortgagor, except as otherwise expressly provided in Section 2.07 with respect to Equipment, (b) all covenants and obligations of the Mortgagor contained herein relating to the Mortgaged Estate shall be deemed to apply to the Equipment and Inventory whether or not expressly referred to herein and (c) this Mortgage constitutes a security agreement and "fixture filing" as those terms are used in the UCC. Information relative to the security interest created hereby may be

obtained by application to the Mortgagee (secured party). The mailing addresses of the Mortgagor and the Mortgagee are set forth on Page 1.

ARTICLE V

Events of Default; Remedies

Section 5.01. Events of Default. The term "Event of Default" wherever used in this Mortgage, shall mean any one of the following events: (a) if Mortgagor fails to pay any amount payable hereunder when due and payable; (b) if any representation or warranty made herein shall be false in any material respect as of the date such representation or warranty was made or remade; (c) the occurrence of a default on the part of Mortgagor under any Lease (subject, however, to any applicable notice and cure periods required under the applicable Lease) provided that such default adversely affects the value of the Mortgaged Estate or in any way impairs Mortgagor's ability to perform its obligations under the Loan Documents; (d) the failure of Mortgagor to maintain the insurance required in this Mortgage; (e) if a Transfer shall occur without Mortgagee's prior written consent, which consent may be withheld in Mortgagee's sole and absolute discretion; (f) the

occurrence of any "Event of Default" under any of the Loan Documents, including, without limitation, the Loan Agreement; or (g) if Mortgagor shall be in default under any of the other obligations, agreements, undertakings, terms, covenants, provisions or conditions of this Mortgage, not otherwise referred to in this Section 5.01, for ten (10) days after written notice to Mortgagor from Mortgagee, in the case of any default which can be cured by the payment of a sum of money or for thirty (30) days after written notice from Mortgagee, in the case of any other default (unless otherwise provided herein); provided, however, that if such non-monetary default is susceptible of cure but cannot reasonably be cured within such thirty (30) day period and provided further that Mortgagor shall have commenced to cure such default within such

thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for such time as is reasonably necessary for Mortgagor in the exercise of due diligence to cure such default but in no event shall such period exceed ninety (90) days after the original notice from Mortgagee.

Section 5.02. Acceleration of Maturity. If an Event of Default shall have occurred, then the entire principal amount of the indebtedness secured hereby with interest accrued thereon shall, at the option of the Mortgagee, become immediately due and payable without notice or demand, time being of the essence; and any omission on the part of the Mortgagee to exercise such option when entitled to do so shall not be considered as a waiver of such right. Mortgagor hereby expressly waives presentment, demand for payment, notice of protest, notice of dishonor, notice of intent to accelerate the maturity of the indebtedness secured hereby and notice of acceleration of the maturity of the indebtedness secured hereby. Notwithstanding anything contained to the contrary herein, the outstanding principal amount, unpaid interest, Default Rate interest, Late Charges, Yield Maintenance Premium and any other amounts owing by Mortgagor shall be accelerated and immediately due and payable, without any election by Mortgagee upon the occurrence of an Event of Default described in Section 7.1(x) or Section 7.1(xi) of the Loan Agreement.

Section 5.03. Default Remedies.

(a) If an Event of Default shall have occurred and be continuing, this Mortgage may, to the maximum extent permitted by law, be enforced, and the Mortgagee may exercise any right, power or remedy permitted to it hereunder, under the Loan Agreement or under any of the other Loan Documents or by law or in equity, and, without limiting the generality of the foregoing, the Mortgagee may, personally or by its agents or by court appointed receiver, to the maximum extent permitted by law:

(i) enter into and take possession of the Mortgaged Estate or any part thereof, exclude the Mortgagor and all Persons claiming under the Mortgagor whose claims are junior to this Mortgage, wholly or partly therefrom, and use, operate, manage and control the same either in the name of the Mortgagor or otherwise as the Mortgagee shall deem best, and upon such entry, from time to time at the expense of the Mortgagor and the Mortgaged Estate, make all such repairs, replacements, alterations, additions or

improvements to the Facility or any part thereof as the Mortgagee may deem proper and, whether or not the Mortgagee has so entered and taken possession of the Mortgaged Estate or any part thereof, collect and receive all Rents and apply the same to the payment of all expenses that the Mortgagee may be authorized to make under this Mortgage, the remainder to be applied to the payment of the Loan Obligations until the same shall have been repaid in full; if the Mortgagee demands or attempts to take possession of the Mortgaged Estate or any portion thereof in the exercise of any rights hereunder, the Mortgagor shall promptly turn over and deliver complete possession thereof to the Mortgagee; and

(ii) personally or by agents, with or without entry, if the Mortgagee shall deem it advisable:

(x) pursuant to the procedures prescribed by law as a result thereof, sell the Mortgaged Estate or cause the Mortgaged Estate to be sold at a sale or sales held at such place or places and time or times and upon such notice and otherwise in such manner and in such order as may be required by law, or, in the absence of any such requirements, as the Mortgagee may deem appropriate and from time to time adjourn any such sale by announcement at the time and place specified for such sale or for such adjourned sale without further notice, except such as may be required by law;

(y) proceed to protect and enforce its rights under this Mortgage, by suit for specific performance of any covenant contained herein or in the Loan Documents or in aid of the

execution of any power granted herein or in the Loan Documents, or for the foreclosure of this Mortgage (as a mortgage or otherwise) and the sale of the Mortgaged Estate under the judgment or decree of a court of competent jurisdiction, or for the enforcement of any other right as the Mortgagee shall deem most effectual for such purpose, provided, that in the event of a sale, by foreclosure or otherwise, of less than all of the Mortgaged Estate, this Mortgage shall continue as a lien on, and security interest in, the remaining portion of the Mortgaged Estate; or

(z) exercise any or all of the remedies available to a secured party under the UCC, including, without limitation:

(1) either personally or by means of a court appointed receiver, take possession of all or any of the Security Interest Property and exclude therefrom the Mortgagor and all Persons claiming under the Mortgagor, and thereafter hold, store, use, operate, manage, maintain and control, make repairs, replacements, alterations, additions and improvements to and exercise all rights and powers of the Mortgagor in respect of the Security Interest Property, or any part thereof; if the Mortgagee demands or attempts to take possession of the Security Interest Property in the exercise of any rights hereunder, the Mortgagor shall promptly turn over and deliver complete possession thereof to the Mortgagee;

(2) without further notice to or demand upon the Mortgagor (except those otherwise required hereby or by the Loan Agreement), make such payments and do such acts as the Mortgagee may deem necessary to protect its security interest in the Security Interest Property, including, without limitation, paying, purchasing, contesting or compromising any encumbrance that is prior to or superior to the security interest granted hereunder, and in exercising any such powers or authority paying all expenses incurred in connection therewith;

(3) require the Mortgagor to assemble the Security Interest Property or any portion thereof, at a place designated by the Mortgagee and reasonably convenient to both parties, and promptly to deliver the Security Interest Property to the Mortgagee, or an agent or representative designated by the Mortgagee, and its agents and representatives, shall have the right to enter upon the premises and property of the Mortgagor to exercise the Mortgagee's rights hereunder;

(4) sell, lease or otherwise dispose of the Security Interest Property, with or without having the Security Interest Property at the place of sale, and upon such terms and in such manner as the Mortgagee may determine (and the Mortgagee may be a purchaser at any such sale, provided, however, that Mortgagee may dispose of the Security Interest Property in accordance with the Mortgagee's rights and remedies in respect of the Mortgaged Estate pursuant to the provisions of this Mortgage in lieu of proceeding under the UCC); and

(5) unless the Security Interest Property is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Mortgagee, as the case may be, shall give the Mortgagor at least ten days' prior notice of the time and place of any sale of the Security Interest Property or other intended disposition thereof.

(b) If an Event of Default shall have occurred, the Mortgagee, to the maximum extent permitted by law, shall be entitled, as a matter of right, to the appointment of a receiver of the Mortgaged Estate, without notice or demand, and without regard to the adequacy of the security for the Loan Obligations or the solvency of the Mortgagor. The Mortgagor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of the Mortgagee in case of entry and shall

continue as such and exercise all such powers until the date of confirmation of sale of the Mortgaged Estate, unless such receivership is sooner terminated.

(c) In any sale under any provision of this Mortgage or pursuant to any judgment or decree of court, the Mortgaged Estate, to the maximum extent permitted by law, may be sold in one or more parcels or as an entirety and in such order as the Mortgagee may elect, without regard to the right of the Mortgagor or any Person claiming under the Mortgagor to the marshalling of assets. The purchaser at any such sale shall take title to the Mortgaged Estate or the part thereof so sold free and discharged of the estate of the Mortgagor therein, the purchaser being hereby discharged from all liability to see to the application of the purchase money. Upon the completion of any such sale by virtue of this Section 5.03 the Mortgagee shall execute and deliver to the purchaser an appropriate instrument that shall effectively transfer all of the Mortgagor's estate, right, title, interest, property, claim and demand in and to the Mortgaged Estate or portion thereof so sold, but without any covenant or warranty, express or implied. The Mortgagee is hereby irrevocably appointed the attorney-in-fact of the Mortgagor in its name and stead to make all appropriate

transfers and deliveries of the Mortgaged Estate or any portions thereof so sold and, for that purpose, the Mortgagee may execute all appropriate instruments of transfer, and may substitute one or more Persons with like power, the Mortgagor hereby ratifying and confirming all that said attorneys or such substitute or substitutes shall lawfully do by virtue hereof. Nevertheless, the Mortgagor shall ratify and confirm, or cause to be ratified and confirmed, any such sale or sales by executing and delivering, or by causing to be executed and delivered to the Mortgagee or to such purchaser or purchasers all such instruments as may be advisable, in the judgment of the Mortgagee, for such purpose, and as may be designated in such request. Any sale or sales made under or by virtue of this Mortgage, to the extent not prohibited by law, shall operate to divest all the estate, right, title, interest, property,

claim and demand whatsoever, whether at law or in equity, of the Mortgagor in, to and under the Mortgaged Estate, or any portions thereof so sold, and shall be a perpetual bar both at law and in equity against the Mortgagor and against any and all Persons claiming or who may claim the same, or any part thereof, by, through or under the Mortgagor. The powers and agency herein granted are coupled with an interest and are irrevocable.

(d) All rights of action under the Loan Documents and this Mortgage may be enforced by the Mortgagee without the possession of the original Loan Documents and without the production thereof at any trial or other proceeding relative thereto.

Section 5.04. Application of Proceeds.

Prior to the occurrence and continuance of an Event of Default, any amounts received or collected by Mortgagee under this Mortgage shall be applied in accordance with Section 2.8 of the Loan Agreement. After the occurrence and continuance of an Event of Default, any amounts received or collected by the Mortgagee under this Mortgage may be applied to any one or more of the following in such order and in such amounts as the Mortgagee may elect in its sole discretion:

(i) To the payment of all costs, expenses and advances incurred by the Mortgagee, or made by the Mortgagee, in the enforcement of this Mortgage or any of the other Loan Documents, the protection of the Lien and security afforded thereby, and the preservation of the Mortgaged Estate, including, without limitation, all expenses of managing the Facility, including, without limitation, the salaries, fees and wages of any managing agent and such other employees as Mortgagee may deem necessary and all expenses of operating and maintaining the Facility, including, without limitation, all taxes, charges, claims, assessments, water rents, sewer rents and any other liens, and premiums for all insurance which are due and payable and the cost of all

alterations, renovations, repairs or replacements, and all costs and expenses incident to taking and retaining possession of the Facility and the enforcement of any of Mortgagee's rights and remedies hereunder; and

(ii) To the payment of the Loan Obligations.

(b) No sale or other disposition of all or any part of the Mortgaged Estate pursuant to Section 5.03 shall be deemed to relieve the Mortgagor of its obligations under the Loan Agreement or any other Loan Document except to the extent the proceeds thereof are applied to the payment of such obligations. If the proceeds of sale, collection or other realization of or upon the Mortgaged Estate are insufficient to cover the costs and expenses of such realization and the payment in full of the Loan Obligations, the Mortgagor shall remain liable for any deficiency subject to Section 7.14 hereof.

(c) Intentionally deleted.

Section 5.05. Right to Sue. Subject to Section 7.14, the Mortgagee each shall have the right from time to time to sue for any sums required to be paid by the Mortgagor under the terms of this Mortgage as the same become due, without regard to whether or not the Loan Obligations shall be, or have become, due and without prejudice to the right of the Mortgagee thereafter to bring any action or proceeding of foreclosure or any other action upon the occurrence and continuance of any Event of Default existing at the time such earlier action was commenced.

Section 5.06. Powers of the Mortgagee. The Mortgagee may at any time or from time to time renew or extend this Mortgage or (with the agreement of the Mortgagor) alter or modify the same in any way, or waive any of the terms, covenants or conditions hereof or thereof, in whole or in part, and may release or reconvey any portion of the Mortgaged Estate or any other security, and

grant such extensions and indulgences in relation to the Loan Obligations, or release any Person liable therefor as the Mortgagee may determine without the consent of any junior lienor or encumbrancer, without any obligation to give notice of any kind thereto, without in any manner affecting the priority of the lien and estate of this Mortgage on or in any part of the Mortgaged Estate, and without affecting the liability of any other Person liable for any of the Loan Obligations.

Section 5.07. Remedies Cumulative.

(a) No right or remedy herein conferred upon or reserved to the Mortgagee is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy under this Mortgage, or under applicable law, whether now or hereafter existing; the failure of the Mortgagee to insist at any time upon the strict observance or performance of any of the provisions of this Mortgage or to exercise any right or remedy provided for herein or under applicable law, shall not impair any such right or remedy nor be construed as a waiver or relinquishment thereof.

(b) To the fullest extent permitted by applicable law, the Mortgagee shall each be entitled to enforce payment and performance of any of the obligations of the Mortgagor and to exercise all rights and powers under this Mortgage or under any Loan Document or any laws now or hereafter in force, notwithstanding that some or all of the Loan Obligations may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise; neither the acceptance of this Mortgage nor its enforcement, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect the Mortgagee's right to realize upon or enforce any other security now or hereafter held by the Mortgagee, it being stipulated that the Mortgagee shall be entitled to enforce

this Mortgage and any other security now or hereafter held by the

Mortgagee in such order and manner as the Mortgagee, in its sole discretion, may determine; every power or remedy given by the Loan Agreement, this Mortgage or any of the other Loan Documents to the Mortgagee, or to which the Mortgagee is otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Mortgagee, and the Mortgagee may pursue inconsistent remedies.

Section 5.08. Waiver of Stay, Extension, Moratorium Laws; Equity of Redemption. To the maximum extent permitted by law, the Mortgagor shall not at any time insist upon, or plead, or in any manner whatever claim or take any benefit or advantage of any applicable present or future stay, extension or moratorium law, that may affect observance or performance of the provisions of this Mortgage; nor claim, take or insist upon any benefit or advantage of any present or future law providing for the valuation or appraisal of the Mortgaged Estate or any portion thereof prior to any sale or sales thereof that may be made under or by virtue of Section 5.03; and the Mortgagor, to the extent that it lawfully may, hereby waives all benefit or advantage of any such law or laws. The Mortgagor, for itself and all who may claim under it, hereby waives, to the maximum extent permitted by applicable law, any and all rights and equities of redemption from sale under the power of sale created hereunder or from sale under any foreclosure of this Mortgage and (if an Event of Default shall have occurred) all notice or notices of seizure, and all right to have the Mortgaged Estate marshalled upon any foreclosure hereof. The Mortgagee shall not be obligated to pursue or exhaust its rights or remedies as against any other part of the Mortgaged Estate and the Mortgagor hereby waives any right or claim of right to have the Mortgagee proceed in any particular order.

Section 5.09. Waiver of Homestead. The Mortgagor hereby waives and renounces all homestead and exemption rights provided for by the Constitution and the laws of the United States and of

any state, in and to the Mortgaged Estate as against the collection of the Loan Obligations, or any part thereof.

Section 5.10. Discontinuance of Proceedings. In case the Mortgagee shall have proceeded to enforce any right, power or remedy under this Mortgage by foreclosure, power of sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Mortgagee, then in every such case, the Mortgagor and the Mortgagee shall be restored to their former positions and rights hereunder, and all rights, powers and remedies of the Mortgagee shall continue as if no such proceedings had occurred.

ARTICLE VI

Ground Lease

Section 6.1. Representations and Warranties. The

Mortgagor hereby represents and warrants as follows: (i) the Ground Lease is in full force and effect in accordance with its terms, unmodified by any writing or otherwise except as specifically set forth herein; (ii) all base rent, additional rent (if any) and other charges reserved in or payable under the Ground Lease have been paid in full to the extent that they are payable to the date hereof; (iii) the Mortgagor is the owner of the Leasehold Estate and the Mortgagor enjoys the quiet, peaceful and undisturbed possession of such Leasehold Estate; (iv) neither the Mortgagor nor the Fee Owner is in default under any of the terms of the Ground Lease and there are no circumstances that with the passage of time, the giving of notice, or both, would constitute a default by either party thereunder; (v) the Leasehold Estate is not subject to any encumbrances or other matters except for the Permitted Encumbrances; (vi) this Mortgage is and shall remain a valid and enforceable first lien on the Leasehold Estate subject only to the Permitted Encumbrances; (vii) the Mortgagor has full power and

authority to encumber the Leasehold Estate in the manner and form herein provided or intended hereafter to be provided; and (viii) the Mortgagor has delivered to the Mortgagee a true, accurate and complete copy of the Ground Lease.

Section 6.2. Covenants. The Mortgagor covenants and agrees as follows: (i) to promptly and faithfully observe, perform and comply with all of the terms, covenants and provisions of the Ground Lease; (ii) to refrain from doing anything, as a result of which, there could likely be a default under or breach of any of the terms of the Ground Lease; (iii) not to do or permit any act, event or omission, as a result of which, there is likely to occur a default or breach under the Ground Lease; (iv) to immediately give the Mortgagee notice of any default by any party under the Ground Lease upon learning of such default and immediately deliver to the Mortgagee a copy of each notice of default and all responses to such notice of default and all other such instruments, notices or demands received or delivered by Mortgagor under or in connection with the Ground Lease; (v) to immediately notify the Mortgagee in writing in the event of the initiation of any litigation or arbitration proceeding under or in connection with the Ground Lease upon learning of same; (vi) to furnish to the Mortgagee copies of such information and such other evidence as the Mortgagee may reasonably request from time to time concerning the Mortgagor's due observance, performance and compliance with the terms, covenants and provisions of the Ground Lease; and (vii) the occurrence of a default on the part of the Mortgagor as tenant under the Ground Lease, which default is continuing beyond the expiration of any cure period applicable thereto under such Ground Lease, shall constitute an immediate Event of Default by the Mortgagor under this Mortgage.

Section 6.3. Additional Covenants. The Mortgagor further covenants and agrees that it will not voluntarily or involuntarily, directly or indirectly, assign, transfer or convey the Leasehold Estate, nor surrender, terminate or cancel the Ground

Lease nor, without the prior written consent of the Mortgagee, fail to exercise in a timely manner any renewal option(s) contained in the Ground Lease nor, without the prior written consent of

Mortgagee, modify, alter or amend the Ground Lease either orally or in writing. Any assignment, transfer, conveyance, surrender, termination, cancellation, modification, alteration or amendment of the Ground Lease in contravention of the foregoing sentence shall be an Event of Default hereunder.

Section 6.4. No Release. The Mortgagor acknowledges and agrees that no release or forbearance of any of the Mortgagor's obligations under the Ground Lease or otherwise shall release the Mortgagor from any of its obligations under this Mortgage, including without limitation the performance of all of the terms, provisions, covenants, conditions and agreements contained in the Ground Lease, to be kept, performed and complied with by the Mortgagor therein.

Section 6.5. Defaults. In the event of a default by the Mortgagor under the Ground Lease or the occurrence of an event that, with the giving of notice, the passage of time, or both, would constitute a default by the Mortgagor under the Ground Lease (including, without limitation, any default in the payment of any sums payable thereunder) then, in each and every such case, the Mortgagee may (but shall not be obligated to), in its sole discretion, cause such default or defaults by the Mortgagor to be remedied and otherwise take or perform such other actions as the Mortgagee may deem necessary or desirable as a result thereof or in connection therewith. The Mortgagor shall, on demand, reimburse the Mortgagee for all advances made and expenses incurred by the Mortgagee in curing any such default(s) (including, without limitation, reasonable attorneys' fees), together with interest thereon from the date the same is paid in full to the Mortgagee and all such sums so advanced shall be secured hereby. The provisions of this subsection are in addition to any other right or remedy

given to or allowed the Mortgagee under the Ground Lease or otherwise.

Section 6.6. Cancellation or Termination. If the Ground Lease is cancelled or terminated and the Mortgagee or its nominee shall acquire an interest in any new lease of the Facility, the Mortgagor shall have no right, title or interest in or to the new lease or the leasehold estate created by such new lease.

Section 6.7. Estoppel Certificate. Subject to the fact that the Fee Owner under the Ground Lease may not have an obligation to deliver an estoppel certificate, the Mortgagor shall, from time to time, use reasonable efforts to obtain and deliver (or cause to be delivered) to the Mortgagee, within fifteen (15) days after written demand therefor by the Mortgagee, an estoppel certificate from the Fee Owner certifying to such matters as the Mortgagee may require, including without limitation, the following: (1) the name of the tenant entitled to possession of the Leasehold Estate under the Ground Lease; (2) that the Ground Lease is in full force and effect and has not been modified or, if it has been modified, the date of each such modification (together with copies of each modification); (3) the date to which the fixed (or base) rent has been paid under the Ground Lease, (4) the dates to which all other fees or charges have been paid under the Ground Lease; (5) whether any notice of default has been sent to the Mortgagor, as tenant, under the Ground Lease which has not been cured, and if such notice has been sent, the date it was sent and the nature of the default; (6) to the best of the Fee Owner's knowledge, whether the Mortgagor, as tenant, under the Ground Lease is in default in keeping, observing or performing any term, covenant, agreement, provision, condition or limitation contained in the Ground Lease and (7) if the Mortgagor, as tenant, under the Ground Lease shall

be in default, the nature of the default in reasonable detail.

Section 6.8. No Liability. Notwithstanding anything contained herein or otherwise to the contrary, the Mortgagee shall

not have any liability or obligation under the Ground Lease by virtue of its acceptance of this Mortgage. The Mortgagor acknowledges and agrees that the Mortgagee shall be liable for the obligations of the tenant arising under the Ground Lease for only that period of time, if any, during which the Mortgagee is in possession of the Leasehold Estate or has acquired, by foreclosure, or otherwise, and is holding, all of the Mortgagor's right, title and interest as tenant therein.

Section 6.9. Bankruptcy. Notwithstanding anything contained herein or otherwise to the contrary, the Mortgagor hereby assigns, transfers and sets over to the Mortgagee any and all rights and interests that may arise in favor of the Mortgagor in connection with or as a result of the bankruptcy or insolvency of the Fee Owner, including, without limitation, all of the Mortgagor's right, title and interest in, to and under section 365 of the Bankruptcy Code (11 U.S.C. section 365), as the same may be amended, supplemented or modified from time to time.

Section 6.10. No Merger. It is hereby agreed by the parties that the fee title currently vested in the Fee Owner and the Leasehold Estate currently held by the Mortgagor shall not merge but shall always be kept separate and distinct, notwithstanding the union of such estates in either the Fee Owner (or its successors and assigns), the Mortgagor or a third party, whether by purchase or otherwise. If the Mortgagor acquires such fee title or any other estate, title or interest in such property, or any part thereof, the lien of this Mortgage shall automatically spread and attach to, cover and be a first lien upon such acquired estate, title or interest and the same shall thereupon and thereafter be and become a part of the premises encumbered hereby with the same force and effect as if specifically encumbered herein. The Mortgagor agrees to execute all instruments and documents which the Mortgagee may reasonably require to ratify, confirm and further evidence the Mortgagee's first lien on the acquired estate, title or interest. Furthermore, the Mortgagor

hereby appoints the Mortgagee its true and lawful attorney-in-fact to execute and deliver all such instruments and documents in the name and on behalf of the Mortgagor. This power, being coupled with an interest, shall be irrevocable as long as the indebtedness secured hereby remains unpaid.

Section 6.11. Taxes. In the event that it is claimed by any governmental agency, authority or subdivision that any tax or governmental charge or imposition is due, unpaid or payable by the Mortgagor or the Mortgagee upon or in connection with the obligations secured hereby or the Ground Lease, the Mortgagor shall promptly either (i) pay such tax, charge or imposition when due and deliver to the Mortgagee satisfactory proof of payment thereof or (ii) deposit with the Mortgagee the amount of such claimed tax, together with interest and penalties thereon, pending an application for a review of the claim for such tax, and within a

reasonable time, deliver to the Mortgagee either (a) evidence satisfactory to the Mortgagee that such claim of taxability has been withdrawn or defeated, in which event any such deposit shall be returned to the Mortgagor or (b) a direction from the Mortgagor to the Mortgagee to pay the same out of the deposit above mentioned, any excess due over the amount of said deposit to be paid by the Mortgagor directly to the taxing authority and any excess of such deposit over such payment by the Mortgagee to be returned to the Mortgagor. If liability for such tax is asserted against the Mortgagee, the Mortgagee will give to the Mortgagor prompt notice of such claim, and the Mortgagor, upon complying with the provisions of this subsection shall have full right and authority to contest such claim of taxability.

ARTICLE VII

Miscellaneous

Section 7.01. Reconveyance by Mortgagee. Upon payment in full of the Loan Obligations or a complete defeasance with respect to the Mortgaged Estate which complies with the Loan Agreement (if the Loan Agreement provides for defeasance), the Mortgagee shall release the lien of this Mortgage, or upon the request of the Mortgagor, and at the Mortgagor's expense, assign this Mortgage without recourse to the Mortgagor's designee, or to the Person or Persons legally entitled thereto, by an instrument duly acknowledged in form for recording.

Section 7.02. Notices. All notices, demands, consents, requests or other communications that are permitted or required to be given by any party to the other hereunder shall be in writing and given in the manner specified in Section 8.06 of the Loan Agreement.

Section 7.03. Amendments; Waivers; etc. This Mortgage cannot be modified, changed or discharged except by an agreement in writing, duly acknowledged in form for recording, signed by the Mortgagor and the Mortgagee.

Section 7.04. Successors and Assigns. This Mortgage applies to, inures to the benefit of and binds the Mortgagor, the Mortgagee and the Mortgagee and their respective successors and assigns and shall run with the Land.

Section 7.05. Captions. The captions or headings at the beginning of each Article and Section hereof are for the

convenience of the parties hereto and are not a part of this Mortgage.

Section 7.06. Severability. If any term or provision of this Mortgage or the application thereof to any Person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Mortgage, or the application of such term or provision to Persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Mortgage shall be valid and enforceable to the maximum extent permitted by law. If any portion of the Loan Obligations shall for any reason not be secured by a valid and enforceable lien upon any part of the Mortgaged Estate, then any payments made in respect of the Loan Obligations (whether voluntary or under foreclosure or other enforcement action or procedure or otherwise) shall, for purposes of this Mortgage (except to the extent otherwise required by applicable law) be deemed to be made (a) first, in respect of the portion of the Loan Obligations not secured by the lien of this Mortgage, (b) second, in respect of the portion of the Loan Obligations secured by the lien of this Mortgage, but which lien is on less than all of the Mortgaged Estate, and (c) last, to the portion of the Loan Obligations secured by the lien of this Mortgage, and which lien is on all of the Mortgaged Estate.

Section 7.07. Indemnity; Expenses. Except for actions by the Mortgagor against the Mortgagee where the Mortgagor is the successful party, the Mortgagor will pay or reimburse the Mortgagee for all reasonable attorneys' fees, costs and expenses incurred by the Mortgagee in any suit, action, legal proceeding or dispute of any kind in which the Mortgagee is made a party or appears as party plaintiff or defendant, affecting the Loan Obligations, this Mortgage or the interest created herein, or the Mortgaged Estate, or any appeal thereof, including, but not limited to, activities related to enforcement of the remedies of Mortgagee, activities related to protection of Mortgagee's collateral, any foreclosure

action or exercise of the power of sale, any action commenced under Section 5.03(a)(iii), any condemnation action involving the Mortgaged Estate or any action to protect the security hereof, any bankruptcy or other insolvency proceeding commenced by or against the Mortgagor, or any lessee of the Mortgaged Estate (or any part thereof), and any such amounts paid or incurred by the Mortgagee shall be added to the Loan Obligations and shall be secured by this Mortgage. The Mortgagor will indemnify, defend and hold each of the Mortgagee harmless from and against all claims, damages, and expenses, including reasonable attorneys' fees and court costs, resulting from any action by a third party against the Mortgagee relating to this Mortgage or the interest created herein, or the Mortgaged Estate, including, but not limited to, any action or proceeding claiming loss, damage or injury to person or property, or any action or proceeding claiming a violation of or liability under any Legal Requirements, including applicable Environmental Laws, provided the Mortgagor shall not be required to indemnify the Mortgagee for matters to the extent caused by willful misconduct or fraud by either of them, respectively. The Mortgagor acknowledges that it has undertaken the obligation to pay all intangibles taxes and documentary taxes now or hereafter due in connection with the Loan Obligations and the Loan Documents, and the Mortgagor agrees to indemnify and hold the Mortgagee harmless from any intangibles taxes and documentary stamp taxes, and any interest or penalties, which the Mortgagee may hereafter be required to pay in connection with the Loan Obligations or Loan Documents. The agreements of this Section 7.07 shall expressly survive in perpetuity satisfaction of this Mortgage and repayment of the Loan Obligations, any release, reconveyance, discharge or foreclosure of

this Mortgage, conveyance by deed in lieu of foreclosure, sale, and any subsequent transfer by Mortgagee's conveyance of the Mortgaged Estate.

Section 7.08. Estoppel Certificates. The Mortgagor and the Mortgagee each hereby agree at any time and from time to time upon not less than fifteen (15) days prior written notice from the

other party to execute, acknowledge and deliver to the party specified in such notice, a statement, in writing, certifying that this Mortgage is unmodified and in full force and effect (or if there have been modifications, that the same, as modified, is in full force and effect and stating the modifications hereto), and stating whether or not, to the best knowledge of such certifying party, any Default or Event of Default has occurred, and, if so, specifying each such Default or Event of Default; provided, however, that it shall be a condition precedent to the Mortgagee's obligation to deliver the statement pursuant to this Section 7.08, that the Mortgagee shall have received, together with the Mortgagor's request for such statement, an Officer's Certificate stating that no Default or Event of Default exists as of the date of such certificate (or specifying such Default or Event of Default).

Section 7.09. Applicable Law. This Mortgage shall be governed by and construed in accordance with the laws of the State in which the Facility is located.

Section 7.10. Limitation of Interest. It is the intention of Mortgagor and Mortgagee to conform strictly to applicable usury laws. Accordingly, if the transactions contemplated hereby would be usurious under applicable law, then, in that event, notwithstanding anything to the contrary in any Loan Document, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is taken, reserved, contracted for, charged or received under any Loan Document or otherwise in connection with the Loan shall under no circumstances exceed the maximum amount of interest allowed by applicable law, and any excess shall be credited to principal by Mortgagee (or if the Loan shall have been paid in full, refunded to Mortgagor); and (ii) in the event that maturity of the Loan is accelerated by reason of an election by Mortgagee resulting from any default hereunder or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes

interest may never include more than the maximum amount of interest allowed by applicable law, and any interest in excess of the maximum amount of interest allowed by applicable law, if any, provided for in the Loan Documents or otherwise shall be cancelled automatically as of the date of such acceleration or prepayment and, if theretofore prepaid, shall be credited to principal (or if the principal portion of the Loan and any other amounts not constituting interest shall have been paid in full, refunded to Mortgagor.)

In determining whether or not the interest paid or payable under any specific contingency exceeds the maximum amount

allowed by applicable law, Mortgagee shall, to the maximum extent permitted under applicable law (a) exclude voluntary prepayments and the effects thereof, and (b) amortize, prorate, allocate and spread, in equal parts, the total amount of interest throughout the entire contemplated term of the Loan so that the interest rate is uniform throughout the entire term of the Loan; provided, that if the Loan is paid and performed in full prior to the end of the full contemplated term hereof, and if the interest received for the actual period of existence thereof exceeds the maximum amount allowed by applicable law, Mortgagee shall refund to Mortgagor the amount of such excess, and in such event, Mortgagee shall not be subject to any penalties provided by any laws for contracting for, charging or receiving interest in excess of the maximum amount allowed by applicable law.

Section 7.11. Assignment. The Mortgagee shall have the right to assign this Mortgage and the obligations hereunder to any Person in accordance with the Loan Agreement. The parties hereto acknowledge that following the execution and delivery of this Mortgage, the Mortgagee may sell, transfer and assign this Mortgage and all or any of the other Loan Documents to the trustee or servicer in connection with a Securitization. All references to "Mortgagee" hereunder shall be deemed to include the assigns of the Mortgagee including the trustee or servicer in any Securitization.

Section 7.12. Time of the Essence. Time is of the essence with respect to each and every covenant, agreement and obligation of the Mortgagor under this Mortgage, the Note and all other Loan Documents.

SECTION 7.13. WAIVER OF JURY TRIAL. THE MORTGAGOR AND MORTGAGEE HEREBY WAIVE ANY RIGHT THAT EITHER OF THEM MAY HAVE TO A TRIAL BY JURY ON ANY CLAIM, COUNTERCLAIM, SETOFF, DEMAND, ACTION OR CAUSE OF ACTION (A) ARISING OUT OF OR IN EITHER WAY RELATED TO THIS MORTGAGE OR THE LOAN, OR (B) IN ANY WAY CONNECTED WITH OR PERTAINING OR RELATED TO OR INCIDENTAL TO ANY DEALINGS OF MORTGAGOR AND/OR THE MORTGAGEE WITH RESPECT TO THE LOAN DOCUMENTS OR IN CONNECTION WITH THIS MORTGAGE OR THE EXERCISE OF ANY PARTY'S RIGHTS AND REMEDIES UNDER THIS MORTGAGE OR OTHERWISE, OR THE CONDUCT OR THE RELATIONSHIP OF THE PARTIES HERETO, IN ALL OF THE FOREGOING CASES WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. EACH OF THE MORTGAGOR AND THE MORTGAGEE AGREE THAT THE OTHER MAY FILE A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY, AND BARGAINED AGREEMENT OF THE MORTGAGOR AND MORTGAGEE IRREVOCABLY TO WAIVE ITS RIGHTS TO TRIAL BY JURY AS AN INDUCEMENT OF THE MORTGAGEE TO MAKE THE LOAN, AND THAT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY DISPUTE OR CONTROVERSY WHATSOEVER (WHETHER OR NOT MODIFIED HEREIN) BETWEEN THE MORTGAGOR AND THE MORTGAGEE SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

Section 7.14. Exculpation. This Mortgage and the obligations of Mortgagor hereunder are and shall be subject to and limited by the exculpation provisions of Section 8.14 of the Loan Agreement.

Section 7.15. Exhibits. The information set forth on the cover, heading and recitals hereof, and the Exhibits attached hereto, are hereby incorporated herein as a part of this Mortgage with the same effect as if set forth in the body hereof.

/s/Richard A. Bendit
Signature

By: /s/Joshua Kane
Joshua Kane
Senior Vice President

Richard A. Bendit
Printed Signature

[SEAL]

Address: 600 Third Avenue
Kingston, Pennsylvania
18704-1679

STATE OF NEW YORK)
) SS:
COUNTY OF NEW YORK)

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State aforesaid and in the County aforesaid to take acknowledgments, the foregoing instrument was acknowledged before me by Joshua Kane the Senior Vice President of MARK NORTHWOOD REALTY, INC., a Florida corporation as the general partner of MARK NORTHWOOD ASSOCIATES, LIMITED PARTNERSHIP, a Florida limited partnership, freely and voluntarily under authority duly vested in him/her by said corporation on behalf of said limited partnership. He/She is personally known to me or who has produced driver's license as identification.

WITNESS my hand and official seal in the County and State last aforesaid this 4th day of March, 1997.

/s/Grace M. Selkow
Grace M. Selkow
Notary Public

Grace M. Selkow
Typed, printed or stamped
name of Notary Public

My Commission Expires: 5/31/98

STATE OF NEW YORK)
) SS:
COUNTY OF NEW YORK)

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State aforesaid and in the County aforesaid to take acknowledgments, the foregoing instrument was acknowledged before me by Joshua Kane the Senior Vice President of MARK CENTERS TRUST, a Maryland real estate trust, as the general partner of MARK CENTERS LIMITED PARTNERSHIP, a Delaware limited partnership, freely and voluntarily under authority duly vested in him/her by said corporation on behalf of said limited partnership. He/She is personally known to me or who has produced driver's license as identification.

WITNESS my hand and official seal in the County and State last aforesaid this 4th day of March, 1997.

/s/Grace M. Selkow
Grace M. Selkow
Notary Public

Grace M. Selkow
Typed, printed or stamped
name of Notary Public

My Commission Expires: 5/31/98

DESCRIPTION OF LAND

SCHEDULE A - LEGAL DESCRIPTION

Parcel No. 1:

Commence at the Southeast corner of the Southwest Quarter of Section 24, Township 1 North, Range 1 West, Leon County, Florida, and run North 02 degrees 40 minutes West 40.04 feet to a point on the North right-of-way boundary of Tharpe Street as shown on the plat of Parkview Estates Unit No.1 as recorded in Plat Book 3, page 10 of the Public Records of Leon County, Florida, thence South 89 degrees 54 minutes West 647.08 feet to an iron pin, thence North 00 degrees 06 minutes West 0.62 feet to an iron pin, thence North 89 degrees 54 minutes East 2.0 feet to an iron pin, thence North 00 degrees 00 minutes 22 seconds East 29.38 feet to an iron pin for the Point of Beginning. From said point of beginning continue North 00 degrees 00 minutes 22 seconds East 444.38 feet to a point in a concrete power pole, thence South 89 degrees 58 minutes 26 West 352.75 feet to a concrete monument, thence North 02 degrees 35 minutes 36 seconds West 408.39 feet to a concrete monument, thence North 70 degrees 39 minutes 36 seconds East 639.44 feet to a nail and cap, thence North 46 degrees 49 minutes 36 seconds East 162.60 feet to a concrete monument lying on a curve concave to the Southwesterly on the Southwesterly right of way boundary of North Monroe Street (State Road No. 63), thence from a tangent bearing of South 45 degrees 12 minutes 49 seconds East run Southeasterly along said right of way curve with a radius of 5708.21 feet, through a central angle of 03 degrees 32 minutes 27 seconds, for an arc distance of 352.77 feet to a concrete monument marking the Southeast corner of property described in Official Records Book 363, pages 276 and 277 of the Public Records of Leon County, Florida, thence North 89 degrees 31 minutes 25 seconds West along the South boundary of said property 107.15 feet to a concrete monument on the Northwesterly boundary of Lot 6, Block "F" of said Parkview Estates Unit No. 1, thence South 49 degrees 08 minutes 11 seconds West along the Northwesterly boundary of said Lot 6 and a projection thereof a distance of 171.52 feet to a concrete monument, thence South 40 degrees 51 minutes 49 seconds East 559.57

feet to an iron pin, thence South 56 degrees 50 minutes 42 seconds West 10.08 feet to a concrete monument, thence South 41 degrees 08 minutes 37 seconds East 51.05 feet to a concrete monument on the Northwesterly right of way boundary of Martin Luther King, Jr. Boulevard (formerly Boulevard Street) (80 feet right of way), thence South 56 degrees 50 minutes 42 seconds West along said right of way boundary 79.88 feet to a concrete monument lying on a curve concave to the Southeasterly, thence from a tangent bearing of South 56 degrees 36 minutes 58 seconds West run Southwesterly along said right of way curve with a radius of 340.00 feet, through a central angle of 56 degrees 16 minutes 32 seconds, for an arc distance of 333.94 feet to a concrete monument, thence South 00 degrees 02 minutes 00 seconds East (bearing base) along said right of way boundary of said Tharpe Street as described in Official Records Book 333, pages 238-240 of the Public Records of Leon County, Florida, thence South 89 degrees 54 minutes 00 seconds West along said North right of way boundary 606.52 feet to the Point of Beginning.

Less and Except right of way described in Official Records Book 264, page 477 of the Public Records of Leon County, Florida.

Also Less and Excepting that part thereof described in Official Records Book 1644, page 1613 of the Public Records of Leon County, Florida.

Also Less and Excepting that part thereof described in Official Records Book 1344, page 737 of the Public Records of Leon County, Florida.

Parcel No. 2:

Commence at the Southeast corner of the Southwest Quarter of the Southwest Quarter of the Southeast Quarter of Section 24, Township 1 North, Range 1 West, Leon County, Florida, and run North 00 degrees 41 minutes West 40.0 feet, thence South 89 degrees 54 minutes West 621.48 feet to a point on the South boundary of Parkview Estates Unit No. 1 as recorded in Plat Book 3, page 10 of the Public Records of Leon County, Florida, thence North 00 degrees 06 minutes West 3.29 feet to the intersection of the North right of way boundary of Tharpe Street with the East right of way boundary

of old right of way of Boulevard Street, said Intersection being 36.7 feet West of the West boundary of Lot 17, Block "C" of said Parkview Estates Unit No. 1, thence North 00 degrees 02 minutes 00 seconds West (bearing base) (along the Easterly right of way boundary of Boulevard Street) 24.00 feet to the existing North right of way boundary of Tharpe Street as described in Official Book 351, pages 16 and 17 of the Public Records of Leon County, Florida, thence continue North 00 degrees 02 minutes 00 seconds West along the East right of way boundary of Martin Luther King, Jr., Boulevard (formerly Boulevard Street) (80 foot right of way) a distance of 175.00 feet to a concrete monument marking the Northwest corner of property deeded to Standard Oil Company and recorded in Official Records Book 356, pages 287 and 288 of the Public Records of Leon County, Florida, for the Point of Beginning. From said Point of Beginning continue thence North 00 degrees 02 minutes 00 seconds West along said East right of way boundary 50.93 feet to a concrete monument, thence South 89 degrees 58 minutes 14 seconds East 350.16 feet to a concrete monument (formerly a 1/2" rebar), thence North 00 degrees 03 minutes 27 seconds East 200.00 feet to a concrete monument, thence North 89 degrees 58 minutes 14 seconds West 350.48 feet to a concrete monument on the Easterly right of way boundary of said Martin Luther King, Jr., Boulevard (formerly Boulevard Street) (80 foot right of way), said point lying on a curve concave to the Easterly, thence from a tangent bearing of North 00 degrees 18 minutes 57 seconds East run Northerly along said right of way curve with a radius of 260.00 feet, through a central angle of 11 degrees 11 minutes 46 seconds, for an arc distance of 50.81 feet to a nail and cap set in an iron pipe marking the Southwest corner of property described in Official Records Book 506, page 748 and 750 of the Public Records of Leon County, Florida, thence South 89 degrees 53 minutes 38 seconds East along the South boundary of said property 345.31 feet to a concrete monument marking the Southeast corner of said property, thence North 00 degrees 02 minutes 00 seconds West along the East boundary of said property 87.08 feet to a concrete monument on the Southwesterly boundary of a 30 foot driveway adjacent to the Block "E" of said Parkview Estates Unit No. 1, thence South 39 degrees 21 minutes 30 seconds East along the Southwesterly boundary of said drive 161.37 feet to a concrete monument, thence North 56 degrees 22 minutes 21 seconds East along the Southeasterly boundary of a 15 foot drive adjacent to said Block "E" a distance of 157.63 feet to an iron pin lying on a curve concave to the Southwesterly on the Southwesterly right of way boundary of North Monroe Street (State

Road No. 63), thence from a tangent bearing of South 31 degrees 35 minutes 18 seconds East run Southeasterly along said right of way curve with a radius of 5708.21 feet, through a central angle of 00 degrees 03 minutes 01 seconds, for an arc distance of 5.00 feet to an iron pin on the Southeasterly boundary of said Parkview Estates Unit No. 1, thence South 56 degrees 22 minutes 21 seconds West along said Southeasterly boundary 166.93 feet to a concrete monument, thence South 00 degrees 08 minutes 21 seconds West along the Easterly boundary of said Parkview Estates Unit No. 1 a distance of 432.24 feet to a concrete monument of the Northerly right of way boundary of Tharpe Street as described in Official Records Book 351, pages 16 and 17, thence North 89 degrees 07 minutes 11 seconds West along said Northerly right of way boundary

271.42 feet to a concrete monument marking the Southeast corner of said property deeded to Standard Oil Company, thence North 00 degrees 02 minutes 00 seconds West along the East boundary of said property 175.00 feet to a concrete monument, thence South 89 degrees 48 minutes 40 seconds West along the North boundary of said property 175.00 feet to the Point of Beginning.

LESS AND EXCEPT that portion of the above described property set forth in that Special Warranty Deed recorded in Official Records Book 1784, Page 2368.

Parcel No. 3:

Begin at the Westerly corner of Lot 6, Block "F" of Parkview Estates Unit No. 1 as per plat recorded in Plat Book 3, page 10 of the Public Records of Leon County, Florida, thence South 50 degrees 50 minutes 46 seconds West 50.00 feet to the most Westerly corner of that parcel of property described in Official Records Book 359, pages 288-289 of the Public Records of Leon County, Florida, thence South 39 degrees 10 minutes 54 seconds East along the Southwesterly boundary of said parcel 252.62 feet to the Westerly right of way boundary of the proposed Martin Luther King Boulevard Extension (100 foot right of way), said point also being a point on a curve concave to the Southeasterly with a radius of 425.00 feet, thence Northeasterly along said curve an arc distance of 240.63 feet, through a central angle of 32 degrees 26 minutes 25 seconds (the chord of said arc bears North 24 degrees 26 minutes 27 seconds East with a length of 237.43 feet) to a point of reverse curve concave to the West having a radius of 30.00 feet, thence Northerly

along said curve an arc distance of 41.99 feet, through a central angle of 80 degrees 11 minutes 13 seconds (the chord of said arc bears North 00 degrees 34 minutes 03 seconds East with a length of 38.64 feet) to a point on a curve concave to the Southwesterly with a radius of 5693.21 feet, said point also being on the proposed South boundary of State Road No. 63 (U.S. 27, North Monroe Street), thence Northwesterly along said curve an arc distance of 59.94 feet, through a central angle of 00 degrees 36 minutes 12 seconds (the chord of said curve bears North 39 degrees 49 minutes 40 seconds West with a length of 59.94 feet) to a point on the Southerly boundary of that parcel of property recorded in Official Records Book 363, page 276 of said Public Records, thence North 87 degrees 51 minutes 08 seconds West along said Southerly boundary 86.94 feet to the Northwesterly boundary of said Lot 6, thence South 50 degrees 50 minutes 46 seconds West along said Northerly boundary 121.52 feet to the Point of Beginning.

The above parcel is also described as:

Begin at a concrete monument #1254 marking the most Westerly corner of that parcel of land described in Official Records Book 1210, page 1457 of the Public Records of Leon County, Florida, and run thence North 49 degrees 08 minutes 11 seconds East along the Northerly boundary of Lot 6 and the projection thereof Block "F" of Parkview Estates Unit No. 1, a subdivision as per map or plat thereof recorded in Plat Book 3, page 10 of the Public Records of Leon County, Florida, a distance of 171.52 feet to a concrete monument, thence South 89 degrees 31 minutes 25 seconds East 86.90 feet to a City of Tallahassee iron pin on the proposed Southwesterly right of way boundary of State Road No. 63 (North Monroe Street - U.S. Highway No. 27), said iron pin lying on a curve concave to the Southwesterly, thence Southeasterly along said proposed right of way boundary and said curve with a radius of 5693.21 feet, through a central angle of 00 degrees 36 minutes 13 seconds, for an arc distance of 59.97 feet (the chord of said arc being South 41 degrees 47 minutes 57 seconds East 59.97 feet) to a City of Tallahassee iron pin marking a point of compound curve on the Northwesterly right of way boundary of the proposed relocation of Martin Luther King Boulevard, thence Southerly and Southwesterly along said right of way boundary and said curve with a radius of 30.00 feet, through a central angle of 80 degrees 11 minutes 17 seconds, for an arc distance of 41.99 feet (the chord of said arc

being South 01 degree 06 minutes 45 seconds East 38.64 feet) to a City of Tallahassee iron pin marking a point of reverse curve, thence Southwesterly along said right of way boundary and said curve with a radius of 425.00 feet, through a central angle of 32 degrees 26 minutes 33 seconds, for an arc distance of 240.65 feet to a City of Tallahassee iron pin, thence North 40 degrees 51 minutes 49 seconds West along the Southwesterly boundary of property described in Official Records Book 1210, page 1457 of said Public Records of Leon County, Florida, a distance of 252.50 feet to the Point of Beginning.

Less and Excepting the following parcel:

Commence at the Westerly corner of Lot 6, Block "F" of Parkview Estates Unit No. 1 as per plat recorded in Plat Book 3, page 10 of the Public Records of Leon County, Florida, thence South 50 degrees 50 minutes 46 seconds West 50.00 feet to the most Northwesterly corner, also the most Westerly corner of that parcel of property described in Official Records Book 359, pages 288-289 of said Public Records, thence leaving said Northwesterly corner South 39 degrees 10 minutes 54 seconds East along the Southwesterly boundary of said parcel 252.62 feet to the Point of Beginning; said point also being on the Westerly right of way boundary of the proposed Martin Luther King Boulevard Extension (100 foot right of way). From said Point of Beginning continue South 39 degrees 10 minutes 54 seconds East along the Southwesterly boundary of said parcel 306.95 feet, thence South 58 degrees 45 minutes 18 seconds West 10.08 feet; thence South 39 degrees 10 minutes 56 seconds East 51.05 feet to a point on the Northwesterly right of way boundary of the existing Martin Luther King Boulevard, thence along the Northwesterly right of way boundary of the existing Martin Luther King Boulevard, South 58 degrees 44 minutes 27 seconds West 80.82 feet to the beginning of a curve concave to the Southeasterly with a radius of 340.00 feet, thence Southwesterly 334.22 feet along said curve, through a central angle of 56 degrees 10 minutes 18 seconds (the chord of said arc bears South 29 degrees 50 minutes 45 seconds West with a length of 320.92 feet), thence leaving said Northwesterly right of way boundary North 88 degrees 18 minutes 54 seconds 9.72 feet to a point on the Westerly right of way boundary of said proposed right of way boundary, thence North 01 degree 43 minutes 18 seconds East along said proposed right of way boundary 554.91 feet to a point on a curve concave to the Southeasterly with a radius of 425.00 feet, thence Northeasterly 48.21 feet along said

curve, through a central angle of 06 degrees 29 minutes 56 seconds (the chord of said arc being North 04 degrees 48 minutes 17 seconds East with a length of 48.18 feet) to the Point of Beginning.

The above parcel is also described as follows:

Commence at a concrete monument #1254 marking the most Westerly corner of that parcel of property described in Official Records Book 1210, page 1457 of the Public Records of Leon County, Florida, and run thence South 40 degrees 51 minutes 49 seconds East 252.50 feet to a City of Tallahassee iron pin for the Point of Beginning. From said Point of Beginning continue South 40 degrees 51 minutes 49 seconds East 307.07 feet to an iron pin with a cap, thence South 56 degrees 50 minutes 42 seconds West 10.08 feet to a concrete monument, thence South 41 degrees 08 minutes 37 seconds East 51.05 feet to a concrete monument on the Northwesterly right of way boundary of the existing 80 foot right of way boundary of Martin Luther King Boulevard, thence South 56 degrees 50 minutes 42 seconds West along said Northwesterly right of way boundary 79.88 feet to a concrete monument on a curve concave to the Southeasterly, thence Southwesterly along said right of way boundary and said curve with a radius of 340.00 feet, through a central angle of 56 degrees 16 minutes 32 seconds, for an arc distance of 333.94 feet (the chord of said arc being South 28

degrees, 28 minutes 42 seconds West 320.68 feet) to a concrete monument, thence South 82 degrees 13 minutes 06 seconds West 9.58 to a City of Tallahassee iron pin on the Westerly right of way boundary of a proposed 80 foot right of way of a proposed relocated Martin Luther King Boulevard, thence North 00 degree 02 minutes 50 seconds East along said Westerly right of way boundary 554.92 feet to a City of Tallahassee iron pin with a cap and a point of curve to the right, thence Northeasterly along said right of way boundary and said curve with a radius of 425.00 feet, through a central angle of 06 degrees 30 minutes 10 seconds, for an arc distance of 48.23 feet (the chord of said arc being North 03 degrees 17 minutes 16 seconds East 48.21 feet) to the Point of Beginning.

Parcel No. 4:

A tract of land located in Section 24, Township 1 North, Range 1 West, Leon County, Florida, more particularly described as follows:

Commence at the Northwest corner of Lot 16, Block "L" of the Parkside Unit No. 4, a subdivision recorded in Plat Book 3, page 126 of the Public Records of Leon County, Florida, and run South 35 degrees 21 minutes 20 seconds East 452.39 feet, thence run North 40 degrees 14 minutes 40 seconds East 260.69 feet to a concrete monument on the Northeasterly right of way of Boone Boulevard, thence run along said right of way Southeasterly along a curve concave to the Southwest with a radius of 1728.26 feet, through a central angle of 06 degrees 24 minutes 20 seconds, for an arc distance of 193.22 feet (the chord bears South 37 degrees 54 minutes 10 seconds East 193.12 feet), thence continue along said right of way South 34 degrees 42 minutes 00 seconds East 630.19 feet, thence Southeasterly along a curve concave to the Northeasterly with a radius of 108.60 feet, through a central angle of 44 degrees 32 minutes 00 seconds, for an arc distance of 84.41 feet (the chord bearing South 56 degrees 58 minutes 00 seconds East 82.30 feet), thence South 79 degrees 14 minutes 00 seconds East 157.14 feet, thence leaving said right of way run North 09 degrees 55 minutes 40 seconds East 50.00 feet, thence run North 70 degrees 02 minutes 45 seconds East 49.25 feet to the Point of Beginning. From said Point of Beginning continue North 70 degrees 02 minutes 45 seconds East 566.30 feet, thence run North 47 degrees 08 minutes 37 seconds West 170.79 feet, thence run South 39 degrees 03 minutes 46 seconds West 202.18 feet, thence run North 49 degrees 42 minutes 20 seconds West 632.12 feet to the Southeasterly right of way of Universal Drive, thence run along said right of way Southwesterly along a curve concave to the Northwest with a radius of 530.96 feet, through a central angle of 15 degrees 00 minutes 20 seconds, for an arc distance of 139.06 feet (the chord bears South 47 degrees 47 minutes 50 seconds West 138.66 feet), thence continue along said right of way South 55 degrees 18 minutes 00 seconds West 15.60 feet, thence leaving said right of way run South 34 degrees 42 minutes 00 seconds East along the Northeasterly boundary of the property recorded in Official Records Book 1344, pages 737-740 of the Public Records of Leon County, Florida, for 558.56 feet to the Point of Beginning.

Exhibit B

Lease Agreement dated as of March 1, 1997 between Mark Centers Limited Partnership (the "Fee Owner") and Mark Northwood Associates, Limited Partnership, a memorandum of which was recorded immediately prior to the recordation of this Mortgage.

EXHIBIT C

Attach copy of Note

EXHIBIT 21
SUBSIDIARIES

Mark Centers Limited Partnership

Mark Manahawkin Realty Corp.
Mark Manahawkin, L.P.

Mark 25th Street Realty Corp.
Mark 25th Street, L.P.

Mark Shillington Realty Corp.
Mark Shillington, L.P.

Mark Berlin Realty Corp.
Mark Berlin, L.P.

Mark Four Realty Corp.
Mark Four Realty, L.P.

Mark Kings Fairground Realty Inc.
Mark Kings Fairground, L.P.

Mark M.P.N.M. Realty Inc.
Mark M.P.N.M., L.P.

Mark Martintown Realty Inc.
Mark Martintown, L.P.

Mark New Smyrna Realty Inc.
Mark New Smyrna, L.P.

Mark Northwood Realty Inc.
Mark Northwood Associates, L.P.

Mark Park Plaza Realty Inc.
Mark Park Plaza, L.P.

Mark Shillington Realty Corp.
Mark Shillington, L.P.

Mark Three Realty Corp.
Mark Three Realty, L.P.

Mark Troy Realty Inc.
Mark Troy, L.P.

Mark Twelve Associates, L.P.

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 and in the Registration Statement (Form S-3 No. 33-85190) of Mark Centers Trust of our report dated March 5, 1997 with respect to the consolidated financial statements and schedule of Mark Centers Trust included in this annual report (Form 10-K) for the year ended December 31, 1996.

/s/ ERNST & YOUNG LLP

New York, New York
March 27, 1997