

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 1997

OR

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

For the transition period from to

Commission File Number 1-12002

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

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

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

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

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

Yes No

As of November 8, 1997, there were 8,554,177 common
shares of beneficial interest, par value \$.001
per share, outstanding.

MARK CENTERS TRUST
FORM 10-Q

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Part I. Financial Information
Item 1. Financial Statements

MARK CENTERS TRUST
CONSOLIDATED BALANCE SHEETS
(in thousands, except for per share amounts)
September 30, December 31,
1997 1996
(unaudited)

ASSETS

Rental property - at cost:		
Land	\$ 30,855	\$ 31,084
Buildings and improvements	271,474	271,423
Property under development	7,856	4,904
	-----	-----
	310,185	307,411
Less: accumulated depreciation	80,720	72,956
	-----	-----
Net rental property	229,465	234,455
Cash and cash equivalents	1,149	3,912
Restricted cash - escrows	7,613	3,578
Rents receivable - less allowance for doubtful accounts of \$773 and \$544, respectively	4,964	4,956
Prepaid expenses	1,609	1,421
Due from related parties	171	203
Deferred charges, net	9,755	9,034
Other assets	1,248	958
	-----	-----
	\$255,974	\$258,517
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:		
Mortgage notes payable	\$180,723	\$156,772
Lines of credit	2,995	16,051
Accounts payable and accrued expenses	6,721	9,397
Payable to Principal Shareholder	3,050	3,050
Distributions payable	2,035	3,662
Other liabilities	1,909	2,027
	-----	-----
Total Liabilities	197,433	190,959
	-----	-----
Minority Interest	9,314	10,752
	-----	-----

Shareholders' Equity:

Common shares, \$.001 par value, authorized 50,000,000 shares, issued and outstanding 8,554,177 and 8,548,817 shares, respectively	9	9
Additional paid-in capital	51,072	57,521
Deficit	(1,854)	(724)
	-----	-----
Total Shareholders' Equity	49,227	56,806
	-----	-----
	\$255,974	\$258,517
	=====	=====

See accompanying notes

MARK CENTERS TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS
ENDED SEPTEMBER 30, 1997 AND 1996
(in thousands except for per share amounts)

	Three months ended		Nine months ended	
	9/30/97	9/30/96	9/30/97	9/30/96
	(unaudited)		(unaudited)	
Revenue:				
Minimum rents	\$ 8,375	\$ 8,388	\$25,125	\$25,113
Percentage rents	705	581	2,230	1,797
Expense reimbursements	1,611	1,443	5,015	4,994
Other	183	85	756	547
	-----		-----	
Total revenue	10,874	10,497	33,126	32,451
	-----		-----	
Expenses:				
Property operating	2,052	2,273	6,744	7,366
Real estate taxes	1,393	1,282	4,246	3,948
Depreciation and amortization	3,547	3,487	10,236	9,957
General and administrative	538	642	1,646	2,114
	-----		-----	
Total operating expenses	7,530	7,684	22,872	23,385
	-----		-----	
Operating income	3,344	2,813	10,254	9,066
(Loss) gain on sale of property	--	21	(12)	21
Interest expense	(3,888)	(3,017)	(11,533)	(9,067)
	-----		-----	
(Loss) income before minority interest	(544)	(183)	(1,291)	20
Minority interest	72	4	161	(69)
	-----		-----	
Net loss	\$ (472)	\$ (179)	\$(1,130)	\$ (49)
	=====		=====	
Net loss per common share	\$ (.06)	\$ (.02)	\$ (.13)	\$ (.01)
	=====		=====	

See accompanying notes

MARK CENTERS TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996
(in thousands)

	Sept 30, 1997	Sept 30, 1996
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,130)	\$ (49)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of leasing costs	9,804	9,225
Amortization of deferred financing costs	432	732
Minority interest	(161)	69
Provision for bad debts	509	782
Loss (gain) on sale of property	12	(21)
Other	52	56
	-----	-----
	9,518	10,794
Changes in assets and liabilities:		
Rents receivable	(517)	(392)
Prepaid expenses	(188)	33
Due from related parties	32	173
Other assets	(447)	758
Accounts payable and accrued expenses	733	4,378
Other liabilities	(118)	322
	-----	-----
Net cash provided by operating activities	9,013	16,066
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for real estate and improvements, net of payables	(8,876)	(13,495)
Net proceeds from sale of property	1,288	22
Payment of deferred leasing charges	(751)	(3,097)
	-----	-----
Net cash used in investing activities	(8,339)	(16,570)
	-----	-----

CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgages	(14,183)	(2,751)
Proceeds received on mortgage notes	25,078	11,588
Net (increase) decrease in mortgage escrows	(4,035)	2,014
Payment of deferred financing costs	(895)	(1,004)
Dividends paid	(7,866)	(9,227)
Distributions paid to Principal Shareholder	(1,536)	(1,835)
	-----	-----
Net cash used in financing activities	(3,437)	(1,215)
	-----	-----
DECREASE IN CASH AND CASH EQUIVALENTS		
	(2,763)	(1,719)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,912	3,068
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,149	\$ 1,349
	=====	=====
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for interest, net of amounts capitalized of \$425 and \$819, respectively	\$11,610	\$ 8,939
	=====	=====

See accompanying notes

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

1. THE COMPANY

Mark Centers Trust (the "Company") currently owns and operates thirty-nine properties consisting of thirty-four neighborhood and community shopping centers, three enclosed malls and two mixed use (retail/office) properties. 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. As of September 30, 1997, the Company controlled 84% of the Operating Partnership as the sole general partner. The Company will at all times be the sole general partner of, and owner of a 51% or greater interest in, the Operating Partnership. Marvin L. Slomowitz (the "Principal Shareholder"), who is the principal limited partner of the Operating Partnership, owns in excess of 99% of the minority interest in the Operating Partnership. The Company is operating as a real estate investment trust ("REIT") for federal income tax purposes.

2. BASIS OF PRESENTATION

The consolidated financial statements include the consolidated accounts of the Company and its majority owned partnerships, including the Operating Partnership, and have been prepared in accordance with generally accepted accounting principles for interim financial information and with instruction to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The information furnished in the accompanying consolidated financial statements reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the aforementioned consolidated financial statements for the interim periods. Operating results for the nine month period ended September 30, 1997 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 1997. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

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

3. SHAREHOLDERS' EQUITY AND MINORITY INTEREST

The following table summarizes the change in the shareholders' equity and minority interest since December 31, 1996:

	Shareholders' Equity	Minority Interest
Balance at December 31, 1996	\$56,806	\$10,752
Net loss for the period January 1 through September 30, 1997	(1,130)	(161)
Vesting of restricted shares	52	--
Distributions to Principal Shareholder	--	(1,277)
Dividends, \$.76 per share	(6,501)	--
	-----	-----
Balance at September 30, 1997	\$49,227	\$ 9,314
	=====	=====

4. RELATED PARTY TRANSACTIONS

As of September 30, 1997 amounts due from related parties consisted of the following:

Accrued ground rent due from Blackman Plaza Partners (a limited partnership in which the Principal Shareholder is a 1% general partner)	\$ 190
Other amounts (net) due to Principal Shareholder	(19)

	\$ 171
	=====

5. CONSTRUCTION LOAN

On September 18, 1997, the Company closed on a \$5.5 million construction loan with Firsttrust Savings Bank ("Firsttrust") which refinanced and expanded the Company's existing \$2.1 million credit facility with Firsttrust. This construction loan is for the expansion of the Mark Plaza in Edwardsville, Pennsylvania, to accommodate a 52,825 square foot Redner's Supermarket. The loan bears interest, payable monthly, at the Firsttrust commercial reference rate plus 1% and matures March 18, 1999.

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

6. PER SHARE DATA

Primary earnings per share are computed based on 8,559,229 and 8,560,708 shares outstanding, which represent the weighted average number of shares outstanding (including restricted shares) during the nine month periods ended September 30, 1997 and 1996, respectively. Fully diluted earnings per share is based on an increased number of shares that would be outstanding assuming the exercise of share options at the market price at the end of the period. Since fully diluted earnings per share is not materially dilutive or is anti-dilutive, such amounts are not presented. The Company intends to adopt Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("FAS 128") effective with the year ending December 31, 1997 (earlier adoption is not permitted) and does not expect the impact on EPS to be material.

7. DISTRIBUTIONS PAYABLE

On September 17, 1997, the Trustees declared a cash dividend of \$0.20 per common share and Operating Partnership Unit payable on December 15, 1997 to shareholders and limited partners of record as of October 31, 1997.

8. NEW ACCOUNTING PRONOUNCEMENT

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

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

The following discussion is based on the consolidated financial statements of Mark Centers Trust (the "Company") as of September 30, 1997 and 1996 and for the three and nine months then ended. This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

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

RESULTS OF OPERATIONS

Comparison of Three Months Ended September 30, 1997 to Three Months Ended September 30, 1996

Total revenue increased \$377,000, or 4%, to \$10.9 million for the quarter ended September 30, 1997 compared to \$10.5 million for the quarter ended September 30, 1996.

In total, minimum rents did not vary significantly between 1997 and 1996. A \$253,000 increase in minimum rents was experienced following the completion of Phase I of the Union Plaza in October 1996. Additionally, minimum rents increased in 1997 following the retenanting of various space within the core portfolio at increased market rates. These increases were offset by certain tenants paying percentage rent in lieu of minimum rent pursuant to anchor cotenancy requirements with Jamesway who vacated the Ledgewood Mall in 1996, and from the effect of the State of Alabama Department of Public Health vacating its leased space at the Normandale Mall following the expiration of its leases in April 1997. The Company is actively remarketing this vacated space.

RESULTS OF OPERATIONS, continued

Percentage rents, representing the Company's participation in tenants' gross sales above predetermined thresholds, increased \$124,000, or 21%, to \$705,000 for the quarter ended September 30, 1997 compared to \$581,000 for the same period in 1996. The increase was primarily the result of tenants paying percentage rent in lieu of minimum rents at the Ledgewood Mall as discussed above.

Expense reimbursements, which represent the pass-through of certain property expenses to the tenants, increased \$168,000, or 12% in 1997, primarily as a result of the recovery of increases in real estate taxes.

Other income increased \$98,000, or 115%, to \$183,000 for the quarter ended September 30, 1997 from \$85,000 for the same period in 1996 primarily as a result of an increase in interest earned on mortgage escrows for the quarter ended September 30, 1997.

Total operating expenses of \$7.5 million for the quarter ended September 30, 1997 decreased \$154,000, or 2%, from \$7.7 million for the quarter ended September 30, 1996.

Property operating expenses decreased \$221,000 for the quarter ended September 30, 1997 compared to the same period in 1996 primarily due to a reserve for estimated environmental remediation costs for two properties which had been established in September 1996. (This reserve was initially in the amount of \$300,000, but was subsequently revised and reduced in June 1997 to \$55,000 following a reduction in the scope of environmental remediation required by State agencies).

The foregoing decreases in operating expenses were partially offset by increases in real estate taxes of \$111,000 and depreciation and amortization totalling \$60,000 for the quarter ended September 30, 1997 primarily, due to the Company's property development and expansion activities.

General and administrative expenses decreased \$104,000, or 16%, to \$538,000 for the quarter ended September 30, 1997 compared to \$642,000 for the same period in 1996 primarily as a result of lower professional fees.

Interest expense increased \$871,000, or 29%, for the quarter ended September 30, 1997 compared to the same period in 1996. This variance was primarily the result of higher average outstanding borrowings related to increased property development and expansion activities.

RESULTS OF OPERATIONS, continued

As a result of the foregoing, the net loss for the quarter ended September 30, 1997 increased \$293,000 to a loss of \$472,000 from a loss of \$179,000 for the same period in 1996.

Comparison of Nine Months Ended September 30, 1997 to Nine Months Ended September 30, 1996

Total revenue increased \$675,000, or 2%, to \$33.1 million for the nine months ended September 30, 1997 compared to \$32.5 million for the same period in 1996.

The increases in minimum rents of (i) \$702,000 following the completion of Phase I at the Union Plaza in October 1996, (ii) \$290,000 following the opening of HomePlace at the New Loudon Center in June 1996 and (iii) \$67,000 following the opening of Dunham's Sporting Goods at the East End Centre in August 1996 were partially offset by a decline in minimum rents at two centers following the loss of two anchor tenants during 1996 (Jamesway at the Ledgewood Mall and Rich's Department Store at the Auburn Plaza) as well as certain tenants at these two centers paying percentage rent in lieu of minimum rent pursuant to anchor cotenancy requirements. Further offsetting the gains in minimum rent was the loss of \$231,000 in minimum rent as a result of the State of Alabama Department of Public Health vacating its leased space at the Normandale Mall following the expiration of its leases in April 1997 and a \$110,000 decrease in rents following the sale of the Newberry Plaza in March 1997.

Percentage rents increased \$433,000, or 24%, to \$2.2 million for the nine months ended September 30, 1997 compared to \$1.8 million for the same period in 1996 primarily as a result of tenants paying percentage rent in lieu of minimum rents as previously discussed.

Other income increased \$209,000, or 38%, to \$756,000 for the nine months ended September 30, 1997 from \$547,000 for the same period in 1996 primarily as a result of an increase in interest earned on mortgage escrows for the nine months ended September 30, 1997.

Total operating expenses decreased \$513,000, or 2%, to \$22.9 million for the nine months ended September 30, 1997 compared to \$23.4 million for the same period in 1996.

Property operating expenses decreased \$622,000, or 8%, for the nine months ended September 30, 1997 compared to the same period in 1996 primarily due to the reduction of the reserve for

RESULTS OF OPERATIONS, continued

environmental remediation costs in 1997 as discussed earlier and a \$352,000 reduction in snow removal costs as a result of the comparatively mild 1997 winter season.

The foregoing decreases in operating expenses were partially offset by increases in real estate taxes of \$298,000 and depreciation and amortization totalling \$279,000 for the nine months ended September 30, 1997 primarily due to the Company's property development and expansion activities.

General and administrative expenses decreased \$468,000, or 22%, to \$1.6 million for the nine months ended September 30, 1997 compared to \$2.1 million for the same period in 1996 primarily due to the write-off of non-recurring costs totalling \$286,000 as a result of the Company's decision to terminate certain acquisition and development activities during 1996 and reductions in professional fees during 1997.

Interest expense increased \$2.4 million to \$11.5 million for the nine months ended September 30, 1997 compared to \$9.1 million for the same period in 1996. This increase was primarily attributable to higher average outstanding borrowings related to retenanting, acquisition, expansion and development activities.

The net loss for the nine months ended September 30, 1997 increased \$1.1 million to a loss of \$1.1 million from a loss of \$49,000 for the same period in 1996.

Funds from Operations

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

FUNDS FROM OPERATIONS
FOR THE THREE AND NINE MONTHS
ENDED SEPTEMBER 30, 1997 AND 1996
(in thousands, except per share data)

	Three months ended		Nine months ended	
	9/30/97	9/30/96	9/30/97	9/30/96
Revenue				
Minimum rents (a)	\$ 8,280	\$ 8,303	\$24,892	\$24,876
Percentage rents	705	581	2,230	1,797
Expense reimbursements	1,611	1,443	5,015	4,994
Other	183	85	756	547
	-----	-----	-----	-----
Total revenue	10,779	10,412	32,893	32,214
	-----	-----	-----	-----
Expenses				
Property operating (b)	2,031	1,944	6,921	6,905
Real estate taxes	1,393	1,282	4,246	3,948
General and administrative	537	642	1,637	2,104
	-----	-----	-----	-----
Total operating expenses	3,961	3,868	12,804	12,957
	-----	-----	-----	-----
Operating income	6,818	6,544	20,089	19,257
Interest expense	(3,888)	(3,017)	(11,533)	(9,067)
Amortization of deferred financing costs	(127)	(263)	(432)	(732)
Depreciation of non-real estate assets	(52)	(52)	(156)	(163)
	-----	-----	-----	-----
Funds from operations	\$ 2,751	\$ 3,212	\$ 7,968	\$ 9,295
	=====	=====	=====	=====
Funds from operations per share (c)	\$.27	\$.32	\$.78	\$.91
	=====	=====	=====	=====

	Three months ended		Nine months ended	
	9/30/97	9/30/96	9/30/97	9/30/96
Funds from operations above	\$ 2,751	\$ 3,212	\$ 7,968	\$ 9,295
Depreciation of real estate and amortization of leasing costs	(3,368)	(3,172)	(9,648)	(9,062)
Straight-line rents and related write-offs (net)	74	67	176	100
(Loss) gain on sale of land	--	21	(12)	21
Adjust reserve for environmental remediation costs	--	(300)	245	(300)
Minority interest	72	4	161	(69)
Other non-cash adjustments	(1)	(11)	(20)	(34)
	-----	-----	-----	-----
Net loss	\$ (472)	\$ (179)	\$ (1,130)	\$ (49)
	=====	=====	=====	=====
Net loss per share (d)	\$ (.06)	\$ (.02)	\$ (.13)	\$ (.01)
	=====	=====	=====	=====

- (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 nine months ended September 30, 1997 and 1996, respectively, for a total of 10,177,177 and 10,171,817 shares, respectively.
- (d) Net income per share is computed based on the weighted average number of shares outstanding for the nine months ended September 30, 1997 and 1996 of 8,559,229 and 8,560,708, respectively.

LIQUIDITY AND CAPITAL RESOURCES

On September 18, 1997, the Company closed on a \$5.5 million construction loan with Firsttrust Savings Bank ("Firsttrust") which refinanced and expanded the Company's existing \$2.1 million credit facility with Firsttrust. This construction loan is for the expansion of the Mark Plaza in Edwardsville, Pennsylvania, to accommodate a 52,825 square foot Redner's Supermarket. The loan bears interest, payable monthly, at the Firsttrust commercial reference rate plus 1% and matures March 18, 1999.

As of September 30, 1997, the Company had outstanding mortgage indebtedness totalling \$183.7 million which bears interest at rates ranging from 7.70% to 9.50% with maturities ranging from April 1998 to November 2021. Of the total outstanding debt, \$174.6 million, or 95%, is carried at fixed interest rates and the remaining \$9.1 million, or 5%, is carried at variable rates. Of the total outstanding debt, \$99.8 million will become due by 2000, with scheduled maturities of \$2.8 million in 1998, \$2.1 million in 1999 and \$94.9 million in 2000. As the Company does not anticipate having sufficient cash on hand to repay such indebtedness, it will need to refinance this indebtedness or select other alternatives based on market conditions at that time. The Company believes that the current loan-to-value ratios on the collateral properties are at levels which would allow it to fully refinance these loans on commercially competitive terms.

At September 30, 1997, the Company's capitalization consisted of \$183.7 million of debt and \$96.0 million of market equity (using a September 30, 1997 market price of \$9.4375 per share).

The Company currently estimates that capital outlays of approximately \$10.3 million will be required for property development, property expansion and tenant improvements as a result of executed leases under which the Company expects tenants to commence occupancy during the remainder of 1997 and 1998. Of this amount, approximately \$6.1 million will be provided through existing construction financing or financing for which the Company is currently negotiating a commitment. The remaining amounts are expected to be funded through the combination of cash provided from operations and the release of \$1.8 million in restricted cash-escrow which is held subject to certain occupancy requirements at the Ledgewood Mall. At September 30, 1997, \$881,000 of these outlays are reflected in accounts payable and accrued expense balances.

LIQUIDITY AND CAPITAL RESOURCES, continued

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

The Company anticipates that cash flow from operating activities will continue to provide adequate capital for all debt service payments, recurring capital expenditures and REIT distribution requirements as well as current dividend levels as established in June 1997. Consistent with past practice, the Company anticipates that it will obtain construction financing related to its capital outlays for certain property development, property expansion and tenant improvements. The Company anticipates meeting these and its other long-term capital needs from the above sources as well as through other debt and equity financing alternatives to achieve continued growth. However, there can be no assurance that these alternative debt and equity sources will be available and the inability to obtain these sources of capital could have an adverse effect on the Company's ability to fund future development, expansion and acquisition activities.

HISTORICAL CASH FLOW

The following discussion of historical cash flow compares the Company's cash flow for the nine months ended September 30, 1997 with the Company's cash flow for the nine months ended September 30, 1996.

Net cash provided by operating activities decreased from \$16.1 million for the nine months ended September 30, 1996 to \$9.0 million for the nine months ended September 30, 1997. This variance was primarily attributable to a \$1.3 million decrease in cash provided from net income before changes in operating assets and liabilities and a \$5.8 decrease in cash provided by changes in operating assets and liabilities (primarily accounts payable) for 1997.

Investing activities used \$8.3 million during the nine months ended September 30, 1997, an \$8.2 million decrease in cash used compared to the same period in 1996. This was due to \$4.6 million

HISTORICAL CASH FLOW, continued

less cash used during the nine months ended September 30, 1997 related to property development, expansion and retenanting activities (including the payment of accounts payable related thereto), a \$2.3 million decrease in deferred leasing charges paid and the receipt of \$1.3 million from the sale of the Newberry Plaza during the nine months ended September 30, 1997.

Net cash used in financing activities was \$3.4 million for the nine months ended September 30, 1997 representing a \$2.2 million increase compared to the same period in 1996. Cash provided by a \$2.1 million increase in new mortgage financing as well as a reduction in dividends paid in 1997 was offset by a \$6.0 million increase in cash used in mortgage escrows for 1997.

INFLATION

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.20(c) Construction and/or Development Loan Agreement between the Company and Firsttrust Bank

10.20(d) Open End Fee and Leasehold Mortgage between the Company and Firsttrust Bank

27 Financial Data Schedule (EDGAR filing only)

(b) Reports on Form 8-K

None

SIGNATURES

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

MARK CENTERS TRUST

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

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

Date: November 13, 1997

INDEX OF EXHIBITS

- 10.20(c) Construction and/or Development Loan Agreement between the Company and Firsttrust Bank
- 10.20(d) Open End Fee and Leasehold Mortgage between the Company and Firsttrust Bank
- 27 Financial Data Schedule (EDGAR filing only)

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CONSTRUCTION AND/OR DEVELOPMENT LOAN AGREEMENT

AGREEMENT made as of the 18th day of September 1997, by and between FIRSTRUST SAVINGS BANK, a corporation organized and existing under the laws of the United States, Castor & Cottman Avenues, Philadelphia, Pennsylvania 19111, herein referred to as "LENDER", and MARK CENTERS LIMITED PARTNERSHIP, A DELAWARE LIMITED PARTNERSHIP herein referred to as "OWNER".

WITNESSETH:

WHEREAS, OWNER represents that OWNER has or is about to obtain good and marketable fee and leasehold title to all that certain real property described in Exhibit "A" annexed hereto, hereinafter referred to as the "SUBJECT PREMISES", free and clear of all easements, restrictions, liens, encumbrances and conditions of record unacceptable to LENDER: and

WHEREAS, OWNER intends to purchase and/or develop the same using funds to be advanced by LENDER; and

WHEREAS, LENDER has agreed to lend to OWNER certain funds in connection with the acquisition and/or improvement of the SUBJECT PREMISES in reliance upon the foregoing representation and the further representations of OWNER that the cost of acquisition of the SUBJECT PREMISES and the cost of completion of the contemplated improvements in accordance with the plans and specifications submitted to LENDER by OWNER and approved by LENDER are as set forth in the certified schedule (hereinafter referred to as the "cost breakdown") submitted to LENDER by OWNER:

NOW, THEREFORE, the parties hereto, each intending to be legally bound hereby, do mutually covenant and agree as follows:

1. Within 18 months from date, OWNER shall construct and complete upon the SUBJECT PREMISES, ready for occupancy, the buildings and improvements referred to below in a good, workmanlike and substantial manner to the reasonable satisfaction of LENDER and in full compliance with the plans and specifications submitted to LENDER by OWNER. Wherever used herein, the term "buildings and improvements" shall include, without limitation, all buildings shown on the Plans and

Specifications; the appurtenances thereto; street improvements; on and off-site utilities and connections; all other improvements to the SUBJECT PREMISES referred to in or required by the plans and specifications, the commitments specified on Exhibit "B" hereto, and/or the building and zoning permits and subdivision approvals issued or to be issued in connection herewith; and any and all other improvements required by LENDER. At completion and at all times hereafter, the SUBJECT PREMISES and the buildings and improvements now or hereafter erected thereon shall be and shall be kept free and clear and discharged of and from any and all filed and unfiled mechanics' liens and municipal claims of whatsoever cause, kind or nature.

2. A. Subject to the terms and conditions of this Agreement and of the note(s), bond(s) and mortgage(s) hereinafter mentioned, LENDER shall lend to OWNER sums not exceeding, in the aggregate, FIVE MILLION FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$5,500,000.00---) to be advanced from time to time as work progresses in amounts and on conditions described in this Agreement. Each sum shall be advanced and disbursed by LENDER in accordance with this Agreement(*). The sums so advanced shall become due and payable and shall be repaid by OWNER to LENDER within Eighteen (18) months from the date hereof. Interest shall be computed on the basis of a 360 day year and shall be paid for the actual number of days funds are outstanding.

B. OWNER shall pay to LENDER, on the first day of each and every month, interest at the rate set forth on Pages 3 and 3a on the amount of each installment of the loan theretofore advanced by LENDER then remaining unpaid and on any interest theretofore accrued and payable then remaining unpaid. Interest shall commence to accrue at the time of each advance and, with respect to accrued and payable interest, at the time such interest became payable. Payments of interest shall begin on the first day of the first month following the month in which the first advance is made by LENDER hereunder. As each and every installment is advanced or disbursed by LENDER, OWNER shall become liable to LENDER for the principal amount of the installment so advanced, plus the interest accruing thereon. Interest payments not received by the 15th of the month following the billing date will be subject to a late charge of 7% of the unpaid interest or \$7.00, whichever is greater, for each month that payment remains unpaid. Late charges shall be due and payable with the interest payment.

(*) See Paragraph 5 on page 3a of this Agreement.

1. Interest Rate: It is understood and agreed that interest shall be earned on this obligation at a variable rate equal to one (1%) percent per annum over the Firsttrust Savings Bank Commercial Reference Rate.

The term "Firsttrust Savings Bank Commercial Reference Rate" or "Reference Rate" is hereby defined as the announced published or posted prime rate of Mellon Bank, N.A. The Owner acknowledges and agrees that (i) such Reference Rate is a floating annual rate of interest and is used by Lender as a reference base with respect to different interest rates charged to Owners; and (ii) Lender's determination and designation from time to time of the Reference Rate shall not in any way preclude Lender from making loans to other Owners at a rate which is higher or lower than or different from the Reference Rate. Firsttrust Savings Bank's Commercial Reference Rate shall change automatically as of the opening of business on the effective date of each change in the prime rate of Mellon Bank N.A., which (unless otherwise designated) shall be the date on which Mellon Bank, N.A. announces the change in its prime rate. When Firsttrust Savings Bank's Commercial Reference Rate changes on a day other than the first day of a calendar month, interest for the month in which such change or changes are made shall be calculated on a per diem basis that month. Interest is computed on the actual number of days elapsed over 360 days simple interest basis, that is, by applying the ratio of the annual interest rate over a year of 360 days, times the outstanding principal balance, times the actual number of days the principal balance is outstanding. Interest at such variable rates shall be calculated and billed in arrears on the first day of each month for interest due to the last day of the prior month. In the event Lender shall cease to publish or post its Reference Rate, Lender shall determine another index in its sole opinion.

2. Additional Interest Clause: Owner agrees that on the date of maturity or sooner acceleration of this loan, Lender may, at its option, increase the interest rate to 1.5% per month on the outstanding principal balance until this loan is repaid in full.

3. Prepayment Privilege: The loan may be prepaid at any time without penalty upon sixty (60) days prior written notice to Lender.

4. Future Advance Clause: It is understood and agreed by and between the parties of the first and second parts that the consideration for the Mortgage is present and future advances of funds to the Owners, parties of the first part, by the Lender, party of the second part, in accordance with the terms and conditions of this Construction and/or Development Loan Agreement executed by and between the parties and it is understood and agreed by and between the parties of the first and second parts hereto that the Mortgage is to secure future advance of funds for the construction of a 52,825 square foot one-story super market to be leased by Redner's and to complete miscellaneous improvements to the balance of Mark Plaza which is located on Route #11, Edwardsville Borough, Luzerne County, PA the lien of which advances shall relate back to the date of the Mortgage.

5. Limitation of Funding: Notwithstanding the foregoing, Lender shall reserve to its Board of Directors full power and the exclusive right, without regard to any other provision of any loan instrument or of any agreement applicable to such loan, to limit advances hereunder to the total sum of \$4,600,000 and shall not be obligated to advance the remaining \$900,000 until the full and final resolution of any and all litigation with respect to the Property and Land Use Appeal docketed in the matter of Associated Wholesalers, Inc. and Sunshine Markets, Inc. v. Edwardsville Borough Planning Commission CCP Luzerne County, No. 737-C-97, and Equity Proceedings instituted in the Court of Common Pleas of Luzerne County (Sunshine Market, Inc. and Associated Wholesalers, Inc. vs. Mark Centers Limited Partnership) on 11/7/96 to No. 95-E-1996 and 3/20/97 to No. 29-E-1997.

C. LENDER reserves the right to treat full compliance by OWNER with all provisions of terms of Paragraph 2, 3, 4, 6, 7, and 8 hereof and proof of the accuracy of the representations of OWNER contained in the recital hereto as conditions precedent to its obligation to advance any monies hereunder and may, once such proofs have been submitted and the provisions and terms of those paragraphs have been met or any monies have been advanced hereunder, discontinued such advances in the event of any default or breach whatsoever by OWNER hereunder. This right is in addition to and not in lieu of any and all other rights and remedies available to LENDER in the event of OWNER'S breach or default. Provided that Owner has complied with the terms of this Agreement, Lender shall make advances within ten (10) days after receipt of Owner's voucher and all supporting documentation for the voucher.

3. A. At execution of this Agreement, OWNER shall make, execute, acknowledge and deliver to LENDER OWNER'S mortgage note, or bond and warrant in the amount referred to in Paragraph 2 hereof and a mortgage in a like amount secured as a first lien upon the SUBJECT PREMISES as collateral for the payment of said note or bond and for OWNER's compliance herewith.

B. At any time and from time to time, upon demand, OWNER shall make, execute, acknowledge and deliver to LENDER additional bond(s) and warrant(s) and/or mortgage note(s) and, as collateral therefor, additional mortgage(s) secured upon the SUBJECT PREMISES or any part or parts thereof aggregating, in amount, the sum referred to in Paragraph 2 hereof. All such mortgages shall be first liens upon the property subject thereto.

D. The said note(s), bond(s) and warrant(s), mortgage(s) and all other instruments, writing and agreements to be made, secured, produced, or delivered by OWNER or any party acting under or on behalf of OWNER hereunder including the general contractor employed by OWNER, if any, shall be in form and in substance satisfactory to and approved by LENDER and shall be recorded at such time or times as LENDER shall deem appropriate. The title to said mortgage or mortgages shall be insured at the expense of OWNER in favor of LENDER for the full principal amount of said mortgage or mortgages as a continuing first lien or liens, superior in lien to any mechanics' lien then or thereafter filed, under a policy in form and with Chicago Title or such other title companies acceptable to LENDER.

4. OWNER shall procure binding written contracts with all materialmen and mechanics for all work to be done and all materials to be furnished in connection with the construction of the said buildings and improvements. Each such contract shall be duly executed and shall contain a covenant, and shall require execution, acknowledgement, and delivery of a stipulation, acceptable in form and substance to LENDER, waiving on the part of the contractor and all those claiming under and through the contractor the right to have, file or maintain any mechanics' lien or liens against the said buildings and improvements or the SUBJECT PREMISES or any part thereof. OWNER shall file each original executed stipulation waiving mechanics' liens and four executed copies of each contract with LENDER. One copy of each stipulation waiving mechanics' liens shall be filed by OWNER, at OWNER'S cost, in the office of the Prothonotary of the Common Pleas Court according to the Act of Assembly in such case made and provided. No work shall be done and no materials or supplies shall be furnished or purchased for or in connection with the erection of said buildings and improvements upon the SUBJECT PREMISES until all recording contemplated by the provisions of this Agreement, including without limitation, the recording of the mortgage or mortgages securing the loan of LENDER, has been accomplished and until OWNER has obtained and filed or caused to be filed in the Office of the Prothonotary of the Common Pleas Court of the county or counties where the said premises is located according to the Act of Assembly in such case made and provided a waiver or waivers of the right to file or maintain any mechanics' liens or claims against the buildings and improvements or the SUBJECT PREMISES or any part thereof valid, in the opinion of counsel for LENDER, against all persons who may furnish work, materials or supplies for in connection with the construction contemplated hereby and available to protect LENDER.

5. OWNER warrants and represents that the street improvements made or to be made in connection with the building operation subject hereto have been fully authorized by appropriate municipal ordinance or other required municipal action; that the improvements have in fact been completed or that the municipality involved is proceeding to let the contracts therefor (or, if such is the obligation of OWNER and not that of the municipality, that OWNER is proceeding to let the contracts therefor; and that OWNER has posted with the municipality a bond in an amount deemed sufficient by the municipality conditioned upon the completion of such improvements; and that the construction to be done hereunder

as well as the contemplated use of the said construction is in strict compliance with all applicable zoning and use ordinances, is not and will not be in violation of any such ordinances, and is not and will not be in violation of any easements, agreements or building restrictions, public or private. OWNER shall, upon demand, secure and deliver to LENDER written assurances of appropriate municipal authorities satisfactory to LENDER evidencing the above.

B. See Completion Assurance Agreements Clause on Page 6a.

6. At or before execution hereof, OWNER shall place and thereafter OWNER shall maintain in force insurance covering the said building operation, including, without limitation, Workmens' Compensation, Liability, tornado and all other insurance which LENDER may now or hereafter deem reasonably expedient or necessary. All insurance of whatsoever kind or nature shall be with such company or companies, in such amounts, and in such form as LENDER shall reasonably direct. OWNER shall also keep and maintain in force a policy or policies of fire insurance with standard and additional extended coverage endorsements. OWNER shall require that any builders' risk or other similar insurance required of any person, firm or corporation contracting with OWNER in connection with the erection of the buildings and improvements on the SUBJECT PREMISES shall protect against wilful as well as negligent acts of the insured party and shall contain a contractual liability endorsement. OWNER shall pay all premiums required to maintain all such insurance constantly in force and effect and shall produce evidence of such payment to LENDER upon demand.

B. Completion Assurance Agreements: Owner acknowledges that at the request of Owner and in order to induce the municipal or county authorities to enter certain agreements or to issue necessary approvals or permits, Lender has executed or issued, or at its sole option hereafter may execute or issue, letters of credit, escrow letters, holdback letters or other similar assurances ("Completion Assurance Agreements"), certifying the availability of funds for the payment of certain costs and expenses for which Owner is responsible. Owner agrees that any funds Lender is required to advance pursuant to the Completion Assurance Agreements shall be deemed to have been advanced under the Loan and may be advanced without any further authorization from Owner. Lender shall not be required to advance any proceeds of the Loan to Owner with respect to work that is the subject of any Completion Assurance Agreement unless the appropriate municipal or county authority shall acknowledge to Lender in writing that Lender's liability under the relevant Completion Assurance Agreement is reduced by the amount of the requested advance. In addition, the amounts that are the subject of such Completion Assurance Agreements shall be deemed to have been funded under the Loan and shall not be available for allocation to any other category of the Loan. Upon the occurrence of an Event of Default herein or under the Completion Assurance Agreement, Lender shall be entitled, at its sole discretion, to elect to fund, to the appropriate municipality, county or agency or into an escrow account acceptable to them, any undisbursed commitments under any or all then outstanding Completion Assurance Agreements, all of which sums shall immediately be due and payable by Owner to Lender and shall be deemed for all purposes to have been disbursed under the Bond. If, at such time as Owner shall have otherwise paid in full all amounts of principal, interest and other sums under the Loan, Lender shall not have been fully released by the appropriate municipal or county authorities from Lender's liabilities under each Completion Assurance Agreement, Lender shall not be obligated to cancel or return the Bond or to cause the Mortgage to be satisfied unless Owner shall have deposited with Lender cash in a sum equal to the aggregate amount of Lender's maximum potential liabilities under the Completion Assurance Agreements. Such sum shall be placed in a restricted, non-interest bearing account with Lender and shall be held as security for the obligations of Owner to reimburse Lender upon the payment by Lender to any beneficiary of a Completion Assurance Agreement. The proceeds of such accounts shall be fully released to Owner at such time as Lender is fully released from all potential liabilities under the Completion Assurance Agreements.

7. A complete set of the plans and specifications for the building operation have been delivered from Owner to Lender and are described on Exhibit "B" which have been initialled by OWNER and by the general contractor, if any, and approved in writing by each person, firm or corporation issuing any commitment for or in connection with this building operation. A true and correct copy of the cost breakdown is attached hereto as Exhibit "C" and has been signed and certified as to accuracy by OWNER. Owner shall also deliver a survey or surveys of the SUBJECT PREMISES or any part or parts thereof made by a registered surveyor acceptable to LENDER.

8. OWNER shall, within three (3) days after written notice from LENDER, proceed with the construction of the said buildings and improvements according to the aforementioned plans and specifications and shall fully finish and complete the same, ready for occupancy, and all street improvements, utilities and connections, to the satisfaction of LENDER, within the time specified. OWNER shall push the said work to completion without delay, employing a sufficiency of materials and equipment satisfactory to LENDER to fully finish and complete the said buildings and improvements within the time specified.

9. OWNER shall comply strictly with all rules, regulations and requirements of each person, firm, or corporation issuing the commitments, if any, referred to herein. OWNER warrants and represents that the buildings and improvements mentioned herein will, when completed, qualify for all such commitments. OWNER shall comply with and obtain all approvals required by Federal, state and municipal statues, laws, and ordinances and all regulations, rules and directions of Federal state and municipal authorities which apply to or affect the building operation and the SUBJECT PREMISES, whether or not the particulars are set forth in the plans and specifications. If FHA or VA commitments have been issued, OWNER shall comply with all requirements therein and all construction must likewise comply with the same.

10. OWNER agrees that all monies deposited; all sums advanced under loans (with the said note(s), bond(s) and mortgage(s) as collateral security or otherwise) the proceeds of any other mortgages which might be placed upon the SUBJECT PREMISES; shall be deposited with LENDER to the credit of the Construction Account, hereinafter referred to as "Account", established by LENDER in connection with this transaction. LENDER is hereby

irrevocably authorized, empowered and directed subject to the procedures for funding under Par. 11 below, whenever in its judgement the same shall be necessary or expedient, either with or without voucher signed by OWNER, to apply or hold in reserve any funds deposited to the credit of the Account for payment of any or all of the foregoing, with such preference or priority in payment among them as LENDER, in its sole discretion, shall determine:

A. All sums or indebtedness due LENDER (whether or not related to the building operation) including advances made by LENDER in excess of its original commitment together with interest thereon;

B. Premiums for insurance;

C. Title insurance charges, service charges and charges for any special insurance against mechanics', municipal or other liens or claims (which insurance shall be placed only with a title insurance company approved by LENDER);

D. The cost of drawing and recording deeds, notes, bonds and mortgages and other instruments and all federal, state and local taxes thereon;

E. Commissions and all advertising and other costs for the sale of all mortgages, securities or property held or obtained by LENDER;

F. Expenses, including counsel fees, incurred by LENDER on account of any matter or thing, whether in suit or not, arising out of this Agreement or anything in connection herewith;

G. Commissions for collection of rents and interest;

H. Costs and fees, including counsel fees, incurred in foreclosure or other legal proceedings;

I. Taxes and municipal charges assessed against or imposed upon the SUBJECT PREMISES or any part thereof;

J. Interest and principal on any or all mortgages secured on the SUBJECT PREMISES or any part thereof;

K. Any sums required to indemnify or to save LENDER harmless or to defend LENDER from any and all loss or liability by reason of any act or omission to act on the part of LENDER and/or OWNER and/or the general contractor, if any, in connection with this Agreement or otherwise;

L. Debts contracted by OWNER or others for work actually done and for materials actually furnished in and about the said buildings and improvements and for incidental expenses connected therewith; provided, however, that the application of such monies to debts contracted for work, equipment and material shall be subject to the provisions of Paragraphs 11 and 12 hereof and nothing herein contained shall be construed as vesting in any person, firm or corporation furnishing work or materials or equipment any right to sue or recover payment from or have or secure a lien or charge upon or against the Account or LENDER or to have or secure any right to an accounting in connection therewith. The obligation of LENDER to make all such payments as set forth in Paragraphs 11 and 12 hereof is expressly made subject, however, to the right herein granted to LENDER to exercise exclusive and final control and discretion with respect to the amount and time of such payments and the person, firm or corporation, if any, to whom they shall be made. Subject as aforesaid, the funds in the Account shall not be appropriated or applied for any other uses or purposes whatsoever and shall not be liable to attachment or other legal proceedings, or be assigned or diverted, except by LENDER, in any way from the uses and purposes herein designated; provided, however, that LENDER shall have and hereby is granted a first lien and claim on all of said funds or any balance thereof in its possession or in the Account at any time and from time to time for the payment of all debts or obligations of OWNER to LENDER due or to become due, liquidated or contingent. LENDER is hereby irrevocably authorized to apply any balance in its possession or in the Account to the payment of such debts and obligations whenever, in its discretion, it shall deem it necessary or expedient so to do.

11. Subject as aforesaid to LENDER'S discretionary powers, all monies deposited, or agreed to be deposited, in the Account may be disbursed or paid out from time to time directly to OWNER upon production with the voucher of releases of liens from the several contractors, mechanics and materialmen or, following a default by Owner, at LENDER'S option and in LENDER'S discretion, to the several contractors, mechanics and materialmen only for work

actually done and for materials or equipment actually furnished in and about the construction of the said buildings and improvements. Payment to any general contractor, subcontractor or materialmen shall constitute an advance to OWNER and a complete discharge of the liability of LENDER for the amount so paid. Subject as aforesaid, such payments shall be made only upon vouchers signed by OWNER or OWNER'S duly constituted attorney-in-fact and the general contractor, if any, and countersigned by the proper officers of LENDER. Also subject as aforesaid, the amount due for other expenses payable out of the Account, at LENDER'S option and in its discretion following a default by Owner, may be paid directly to the several parties entitled thereto or to OWNER and shall be paid only upon like vouchers. Unless LENDER, in its discretion, shall determine otherwise, no part of such monies may be drawn from the Account by OWNER, directly or indirectly, for OWNER'S personal use until after final completion of the said buildings and improvements and until after all sums due LENDER by OWNER in connection with this building operation or otherwise have been paid and all liability, contingent and liquidated, of LENDER shall have ceased or been satisfied. Anything herein contained to the contrary notwithstanding, LENDER shall in no event be obligated to inquire into the accuracy or correctness or reasonableness of the cost breakdown supplied by OWNER, nor shall LENDER have any obligation or duty to OWNER or to any other person, firm or corporation, including, without limitation, contractors, subcontractors, materialmen and suppliers, to ascertain whether or not the payments made by LENDER correspond in amount to the sums to which the payee or payees are entitled under the terms of the cost breakdown, voucher, order, or any other document or documents relating thereto or whether the person, firm or corporation to whom or to which the payment is made is the proper recipient thereof and, in the connection, it is expressly agreed that LENDER shall have no liability as a result of the making or withholding of any payment even if its acts are negligent and this shall be true whether or not LENDER has actual knowledge that the payee or payees are misapplying the monies paid and/or are not or have not or do not intend to pay their or any of their contractors, subcontractors, suppliers or materialmen. OWNER, for OWNER and all those claiming under or through OWNER, hereby releases and agrees to indemnify, defend and save harmless LENDER for, from, of and against any and all liability whatsoever as a result of or in connection with the payment or non-payment by LENDER to OWNER and/or any person, firm or corporation whatsoever

of all or any part or parts of the monies deposited or required to be deposited in the Account whether or not such liability is caused by or results from, directly or indirectly, the negligence of LENDER or any other person, firm or corporation. In connection with the foregoing, it is expressly understood and agreed that the provisions hereof shall be applicable to, inter alia, any situation or circumstance in which LENDER applies such monies or property to satisfy the indebtedness of OWNER to LENDER or to cure or protect against or prevent any default hereunder as well as to the circumstance in which monies paid by LENDER to any person, firm or corporation, including OWNER, exceed or are less than the monies properly payable to such person, firm or corporation and also to the circumstance where the monies retained in the Account by LENDER are insufficient to permit the completion of construction and/or the payment of all or any materialmen, suppliers, laborers, contractors, etc., and to the situation where LENDER after a default by Owner has, before or after making any payments, been advised by OWNER, the general contractor, if any, and/or any subcontractor, materialmen or supplier has failed or refused or intends to or will fail or refuse to pay any person, firm or corporation any or all monies due by it, him, her or them and LENDER continues to make payments without regard to such advices. Vouchers shall be issued by OWNER only on account of work performed or materials or equipment supplied under contracts which LENDER has previously approved in writing. Each voucher shall constitute a representation by OWNER that it is issued under and in accordance with a contract or contracts which LENDER has previously approved in writing; that the work and material for which payment is requested have been physically incorporated into the construction; that the value is as estimated and that the cost does not exceed the cost specified on the cost breakdown; and that the work and material for which payment is requested conform to the plans and specifications, to all commitments, and to all applicable statutes, laws, ordinances, rules, regulations and requirements. Neither the payment and/or counter signature of vouchers by LENDER nor the approval thereof by any agent of LENDER shall constitute an acceptance of the work and materials nor be binding on LENDER except to the extent that the facts actually are as so represented. LENDER may, in its discretion, withhold payment on any voucher pending inspection of the construction to determine the truth or falsity of the said representations or for any other reason whatsoever but LENDER shall have no obligation or duty to any person, firm or corporation whatsoever to do so whether or not it would be

negligence or gross negligence to refrain from so doing. LENDER further reserves the right to withhold payment on any voucher, whether or not the said voucher has theretofore been countersigned, whenever LENDER shall determine, in its discretion and judgment, that OWNER or the general contractor, if any, or any subcontractor, is in default as herein provided. In connection with the foregoing, it is understood and acknowledged by OWNER, on OWNER'S behalf and on behalf of all those contracting, directly or indirectly, with OWNER and/or the general contractor, if any, that LENDER shall have no liability or responsibility whatsoever for or as a result of its determination that OWNER or the general contractor is or may be in default hereunder and the consequences of such determination.

12. A. In order to secure more effectually the proper and specific appropriation of the monies so deposited or required to be deposited in the Account to the uses and purposes herein designated, OWNER hereby irrevocably constitutes and appoints LENDER OWNER'S true and lawful attorney for OWNER and in OWNER'S name following a default by Owner hereunder to sign any and all vouchers for the disbursement of the monies so deposited or required to be deposited that LENDER, as attorney-in-fact, may, in its discretion, deem necessary or expedient to secure the construction and full completion of the said buildings and improvements according to the terms of this Agreement and to pay all sums necessary for all and any other expenses (including without limitation, cost of work and materials furnished and to be furnished, permit fees, taxes, water and sewer rents, the cost of title, fire, liability and/or special insurance, the cost of any and all street and improvements, claims, liens, construction charges, the cost of all extra or additional labor and material and any and all other costs, charges, and/or expenses or whatsoever nature and character which, in its discretion, LENDER may deem necessary or expedient to incur or which have been incurred in connection herewith). OWNER hereby irrevocably authorizes and empowers LENDER to do and perform for OWNER and in OWNER'S name, as OWNER'S attorney-in-fact following a default by Owner hereunder, all matters and things which LENDER shall, in its discretion, deem necessary or expedient to effectuate the performance and purposes of this Agreement and to insure the application of such monies to the payment of debts contracted or incurred for work done and/or for materials furnished in and about the construction of the said buildings and improvements and for any and all other expenses and, for its so doing, this

warrant of attorney shall be its full and sufficient authority and the vouchers so given and signed by LENDER as attorney-in-fact shall be good and sufficient vouchers for all payments made by virtue thereof. The authority herein given may be exercised by LENDER in the event of the default hereunder of OWNER; in the event of OWNER'S inability or refusal to act in accordance with this Agreement, in the event of OWNER'S insolvency; if a petition in bankruptcy is filed by or against OWNER; if OWNER shall make an assignment for the benefit of creditors; or in the event LENDER, in its discretion, shall determine that Owner is in default hereunder or its security is threatened.

B. If work on the said buildings and improvements is delayed or suspended for five consecutive business days without cause satisfactory to LENDER, or if OWNER does not prosecute the work vigorously with such force of workmen and mechanics as shall be satisfactory to LENDER at any time during the progress of the erection of the said buildings and improvements, or if OWNER shall, in the opinion of LENDER, refuse, omit or neglect or be unable to supply a sufficiency of materials and workmen to push the said work to completion, LENDER may, in its discretion, but need not, upon three days' written notice mailed to the address of OWNER, secure and cause said buildings and improvements to be completed for the account of and at the sole cost of OWNER and recover under this Agreement and any bond or bonds of indemnity executed, or to be executed, any amount expended for such purpose, together with all expenses as aforesaid. In the event of a proceeding under this Agreement or if judgment is entered on any bond or bonds of indemnity for the recovery of any monies expended for the completion of the said buildings and improvements or for the payment of liens thereon or for the payment of any or all other expenses as aforesaid, an account of such expenditure verified by an officer of LENDER shall be conclusive evidence of the amount so expended and of the necessity for the same.

13. A. OWNER shall indemnify, defend and save harmless LENDER, its successors and assigns, of and from any and all los, including counsel fees and costs, of whatsoever kind and nature, whether as mortgagee or otherwise, resulting from or arising, directly or indirectly, in connection with any default or threatened default by OWNER hereunder.

B. OWNER shall, within ten days after written notice from LENDER, pay, discharge and have satisfied or record any liens or claims for work, materials, and/or labor done or to be done or furnished or to be furnished for or in connection with the construction of the said buildings and improvements which have or may be entered or filed of record against the SUBJECT PREMISES or any part thereof. If OWNER fails to do so within ten days after such notice, LENDER may pay off, discharge and have satisfied of record any such liens or claims and OWNER shall repay to LENDER all sums of money expended by it for this purpose, including counsel fees and costs, and LENDER, in so doing, shall not be required to inquire into the validity or propriety of such lien or claim.

14. If a petition in bankruptcy is filed by or against OWNER, or if OWNER shall, in the opinion of LENDER, at any time during the progress of the construction of the said buildings and improvements, cease work thereon or abandon the same for a period of five consecutive business days, LENDER shall have the right, and is hereby irrevocably authorized and empowered, to enter into and upon the SUBJECT PREMISES and take charge thereof, together with all materials and appliances thereunto belonging, and thereupon, in the name of OWNER, as OWNER's attorney-in-fact, to call upon the several contractors for the work to be done for the materials to be furnished in and about the construction of the buildings and improvements and may require several contractors to proceed to complete the said buildings and improvements according to the contracts, plans and specifications (or any changes, alterations, additions or modifications thereof or thereto deemed expedient or necessary by LENDER) and to do whatsoever else LENDER, in its discretion, shall deem necessary or expedient to be done to secure the erection and construction of the said buildings and improvements according to the said contracts, plans and specifications, and the changes, etc., thereto, if any, and to save LENDER from any loss in connection therewith.

16. Lender is hereby irrevocably authorized, empowered and directed to cause to be created, executed, acknowledged and delivered all other mortgages which, in the opinion of LENDER, should be placed upon the SUBJECT PREMISES or any part or parts thereof. The net proceeds of said mortgages shall be deposited to the credit of the Account and disbursed as hereinbefore provided.

17. OWNER agrees, for OWNER and all those claiming under or through OWNER, that all materials delivered to the SUBJECT PREMISES by mechanics or materialmen or suppliers for the purpose of being used in or in connection with the erection of the said buildings and improvements, whether actually deposited upon the premises or upon lots or highways nearby, shall be considered annexed to and shall be a part of the SUBJECT PREMISES as if actually incorporated in the said buildings and improvements and shall be subject, as against OWNER and all parties acting or claiming under or through OWNER, to the rights, conditions, and covenants to which the SUBJECT PREMISES are subject under this Agreement (including, in particular), but without limitation, the lien of the mortgage(s) referred to in Paragraph 3 hereof and the lien of any and all other mortgages made at the insistence of LENDER in connection herewith), but nothing herein contained shall make LENDER responsible for any loss, damage or injury to the said materials or for the payment for the same.

18. Upon default, OWNER shall deposit with LENDER, to the credit of the Account, all sums received by OWNER as payments on account of the purchase or lease of the buildings and improvements, or any part or parts of them, or of the SUBJECT PREMISES, immediately upon receipt of such sums. LENDER shall be under no obligation to any third party for the collection, retention or disposition of such sums.

19. Upon default, LENDER is hereby irrevocably authorized, directed and empowered, in its discretion, without notice to OWNER, to reduce the principal of any or all mortgages secured or to be secured upon the said buildings and improvements and/or the SUBJECT PREMISES and to sell, assign, transfer, or dispose of any and all such mortgages at such principal sum as shall be determined and established by LENDER in its discretion. Lender agrees that for so long as Owner is not in default hereunder, all rents received by Lender and deposited in Account # 141008517 may be withdrawn by Owner.

20. B. If Lender shall determine, in its sole opinion, that the undisbursed proceeds of the Loan will be insufficient to complete the improvements, OWNER shall, upon demand, deposit with LENDER the shortfall in cash or, at LENDER'S option, marketable securities, as further security (1) for the completion of construction of the buildings and improvements; (2) for the

faithful and complete performance by OWNER hereunder; (3) for the repayment of advances made by LENDER; and (4) for the repayment to LENDER of all losses, damages costs and expenses incurred by LENDER or which are obligations of OWNER hereunder or in connection herewith. The said monies shall be deposited by LENDER in the Account and held, without interest, subject to the terms hereof. In the event any securities deposited with LENDER hereunder shall, in the opinion of LENDER, be reduced in value or if any monies deposited hereunder shall be applied by LENDER to the cost of construction of the said buildings and improvements, OWNER shall, upon demand, deposit with LENDER, as additional security, cash or, at LENDER's option, marketable securities sufficient to replace the monies so applied or offset such reduction in value. LENDER may, but shall not be obligated to, accept work and materials on the site of or incorporated into the building operation in lieu of all or part of the cash to be deposited hereunder. LENDER'S decision as to the value of such work and materials shall be final and binding on OWNER.

21. OWNER expressly agrees that in the exercise of its remedies hereunder LENDER or any other person, firm or corporation may become the purchaser of any property, including the SUBJECT PREMISES, sold by LENDER, or its nominee, at private, public or judicial sale free, clear and discharged of any and all trusts and without any liability to account to OWNER or anyone claiming under or through OWNER for any profits subsequently realized by such purchaser by or through a resale of such property or the operation thereof or any part or parts thereof, or otherwise.

22. After the completion of the buildings and improves and when all liability for mechanics' liens and municipal claims shall have expired and all street improvements, utilities and connections have been made and paid for, and after the payment or discharge in full of all of the items enumerated in Paragraph 10 hereof and after the repayment of all advances, any balance remaining in the Account shall be paid to OWNER or to such person, firm or corporation as the OWNER in writing may direct, unless OWNER is otherwise indebted to LENDER or in default hereunder, in which event any such balance shall be applied to the payment of such indebtedness and/or the curing of such default.

23. LENDER shall have the right to enter upon the SUBJECT PREMISES at any time and from time to time to inspect the work in course of preparation and completion and/or for any other lawful purpose and OWNER shall provide appropriate facilities for making proper inspections of the work by the inspector or inspectors of LENDER, and/or LENDER'S authorized representatives. OWNER shall, within twenty-four (24) hours after receiving written notice from LENDER so to do, proceed to remove from the premises all matters and materials condemned by LENDER, its inspectors or representatives, or the supervising architect, if any, whether worked or unworked, and to take down all portions of the work which LENDER, by like written notice, may condemn as unsound and improper or as in any way failing to conform strictly with the plans and specifications, and shall make good all work or materials damaged thereby. OWNER agrees further, in order to facilitate the proper completion of the said buildings and improvements, to permit LENDER upon Owner's default to place upon the SUBJECT PREMISES a superintendent whose duties shall be to require that the buildings and improvements are constructed and completed in accordance with the plans and specifications (subject to such modifications as LENDER may, in its discretion, deem necessary or expedient) in whatever way may be proper in the opinion of LENDER and the said superintendent. The salary of said superintendent shall be paid by OWNER out of the funds of the operation on vouchers properly drawn as hereinbefore provided. For all purposes, as between the parties and as to third persons, any such superintendent shall be deemed an employee only of OWNER and not of LENDER. OWNER shall keep and maintain proper books and records for the building operation in accordance with good accounting practice. Such books and records shall at all times be open to and available for inspection by LENDER or its designee.

24. The occurrence of any of the following events shall, at the option of LENDER, which determination shall be evidenced by a written notice of default to OWNER, constitute a default by OWNER hereunder:

A. If any petition under the provision of the National Bankruptcy Act shall be filed by or against Owner and if filed against Owner such petition is not discharged within 90 days;

B. If OWNER shall make an assignment for the benefit of creditors;

C. If a receiver shall be appointed for OWNER or the property or assets of OWNER;

D. If OWNER shall become insolvent:

E. If any execution be levied or attachment be made against the building, rents and income thereto operation or any part thereof or (2) the rental income of the Winn Dixie Lease which is separate collateral for the Loan;

F. If work on the buildings or improvements shall be suspended for five (5) consecutive business days without cause satisfactory to LENDER;

H. If OWNER fails to pay when due any bill from subcontractors or materialmen who have performed work or furnished material for or in connection with the building operation;

I. If the building operation be materially injured or destroyed by fire or otherwise; and such insurance proceeds either are not sufficient to cause the complete reconstruction thereof and/or will not be paid in a timely fashion to permit occupancy of the Premises by Redner's Markets in accordance with the terms of its lease.

J. If OWNER violates or fails to perform any of the terms, covenants, and agreements on the part of OWNER to be performed hereunder following receipt of Lender's written notice of default and Owner's failure to cure within 30 days; or

K. If OWNER fails to repay any advance by LENDER or the interest thereon when due or fails to pay any indebtedness of OWNER to LENDER, whether arising under this Agreement or under any obligation referred to herein or otherwise, when due subject to the notice and grace provisions contained in the Bond.

In the event of a default hereunder as aforesaid, all monies advanced by LENDER and all bonds, mortgages, notes, mortgage notes and obligations given pursuant hereto shall, at the option of LENDER, become at once due and payable and in default and it shall be lawful for LENDER, at its option, three (3) days after notice of default to OWNER, to enter upon the SUBJECT PREMISES and take possession thereof together with the buildings and improvements and all materials, supplies and appliances located

thereon and thereabout and proceed, as LENDER may elect, either in its own name or in the name of OWNER, as OWNER'S attorney-in-fact, being hereby so authorized and appointed irrevocably by OWNER, to complete the construction of the buildings and improvements at the cost and expense of OWNER according to the terms of this Agreement, or according to such changes or modifications to the plans and specifications as LENDER, in its discretion, shall deem necessary or expedient, and to enforce or cancel all contracts or make such other contracts as it may deem advisable and to recover under this Agreement, or under any bond(s) and warrant(s), note(s) or mortgage(s) or other obligations executed in favor of or transferred to LENDER, all amounts due LENDER under this Agreement and all amounts expended for proceeding as aforesaid, together with any costs, counsel fees, charges, or expenses incidental thereto or otherwise incurred or expended by it, or on its behalf, in connection herewith. In any proceeding for recovery of advances under this Agreement and/or for reimbursement for any monies expended by LENDER in connection with the said building operation, as well as upon the entry of judgment on any bond or obligation, a statement of expenditures verified by the affidavit of an officer of LENDER shall be conclusive evidence of the amounts so expended and of the propriety and necessity for such expenditures. LENDER shall have the right to use any funds, securities or other property (including, without limitation, savings and checking accounts and certificates of deposit with LENDER owned, legally or beneficially, by OWNER) in its hands belonging to OWNER (whether pertaining to this operation or not) and any funds, securities, or other property deposited under this Agreement to secure completion of construction of the buildings and improvements to pay the debts, costs and expenses incurred by LENDER or any other person, firm or corporation in connection therewith and to repay all sums due to LENDER under this Agreement or otherwise and OWNER shall, upon exhaustion of the monies or other assets of the Account or arising out of the building operation, pay to LENDER, upon demand, such sums of money as LENDER may from time to time demand for the purpose of completing the construction of the buildings and improvements or of paying any liability, charge, or expense incurred or assumed by LENDER pursuant to this Agreement or for the purposes of or in connection with the construction contemplated by this Agreement.

25. The failure of LENDER to insist in any one or more instances upon the performance of any of the covenants and conditions of this Agreement or to exercise any right or privilege herein

conferred upon LENDER shall not be construed thereafter as a waiver or relinquishment of any such covenants, conditions, rights or privileges and the same shall continue and remain in full force and effect.

26. OWNER shall repay all sums or indebtedness due LENDER hereunder with the period specified as provided in Paragraph 2a hereof, or at such other date, if any, as the loan becomes due by reason of default or by reason of the completion and sale of the buildings and improvements constructed under this Agreement, or at the time required by the terms and conditions of any note(s), bond(s) and mortgage(s) given by OWNER or LENDER, whichever shall be the earliest date.

27. OWNER shall indemnify, defend and save harmless LENDER, its successors and assigns, and its nominee referred to in Paragraph 21 hereof, of, from and against any and all loss or damage of whatsoever kind or nature and of, from and against any suits, claims or demands, including LENDER'S counsel fees and expenses, on account of any matter or thing, whether in suit or not, arising out of this Agreement or in connection herewith, or on account of any act or omission to act by LENDER in connection herewith. This obligation shall survive the completion of said buildings and improvements and the repayment of the advances made by LENDER hereunder.

28. The remedies herein provided shall be in addition to and not in substitution for the rights and remedies which would otherwise be vested in LENDER in law or equity, all of which rights and remedies are specifically reserved by LENDER. The remedies herein provided or otherwise available to LENDER shall be cumulative and may be exercised concurrently. Failure to exercise any of the remedies herein provided shall not constitute a waiver thereof and shall not preclude the resort to any other appropriate remedies. The use of the remedies herein provided or otherwise available in equity or law shall not prevent the subsequent or concurrent resort to any other remedy or remedies vested in LENDER hereunder or by law or equity. This clause shall be broadly construed so that all remedies herein provided or otherwise available to LENDER shall continue to be available to LENDER until all sums due to it by reason of this Agreement have been paid in full to it and all obligations incurred by it or its nominee or trustee as aforesaid in connection with the building operation have been fully discharged without cost or loss to LENDER or its nominee.

29. A default by OWNER hereunder shall likewise be and constitute a default in the note(s), bond(s) and mortgage(s) given or made by OWNER in connection herewith and in each and every obligation and other Agreement given by OWNER to LENDER pursuant to or in connection with this Agreement or the building operation. A default by OWNER under any such note(s), bond(s), mortgage(s), obligations or other agreements shall likewise be and constitute a default by OWNER hereunder.

30. OWNER shall pay upon demand:

A. All charges for drawing all deeds, instruments, bonds, mortgages, and mortgage notes:

B. All federal, state and municipal documentary, revenue or transfer stamps required thereon;

C. All taxes or tax stamps on deeds of transfer or conveyance and/or on any other instruments or documents whatsoever;

D. Recording fees for all deeds and mortgages and other instruments and documents;

E. The cost of searches, examination of title, and title insurance, including special insurance against mechanics' liens and/or municipal claims;

F. The cost of surveys required by LENDER and/or the permanent mortgagee(s);

G. All premiums on insurance required hereunder;

H. A fee to counsel for LENDER of \$7,500.00 and/or the permanent Mortgagee(s); and

I. All other expenses or costs incident to the obtaining or making of the loan contracted for, to the construction contemplated by this Agreement, to the sale or lease of the buildings and improvements, to the sale of the Note(s), bond(s) and mortgage(s) thereon, and all payments required to complete the buildings and improvements in accordance with this Agreement and to comply with the terms, covenants, promises and agreements on the part of OWNER to be kept and performed hereunder. Should OWNER fail to make any payment as herein required, LENDER may, at

its option and in addition to all other remedies herein provided for or otherwise available to it, at any time, pay the same, charging the amount thereof to OWNER, and deduct the said amount from any installment thereafter to be advanced hereunder or from any monies, assets, or property of OWNER deposited with LENDER in connection herewith or otherwise, and OWNER shall be and remain liable for any deficiency thereafter remaining.

31. LENDER is not a partner with OWNER or any other party in the building operation and is not interested in the profits thereof except to the extent they may be collateral for the advances, etc. made or paid by LENDER hereunder. LENDER shall not be in any way liable or responsible for the payment of any claims arising out of or in connection with the construction of the said buildings and improvements or the acts of LENDER or OWNER in connection herewith by reason of the provisions hereof or otherwise.

32. The entire compensation of LENDER provided for in this Agreement shall be considered as having been earned upon execution hereof by OWNER and shall then be due and payable, whether or not any further service or undertaking by LENDER shall be required or occur.

33. Exit Fee: Should OWNER fail to obtain financing of the Property from LENDER pursuant to the provisions of Paragraph 22g of the January 8, 1997 Loan Commitment Letter, whether or not LENDER is arbitrary or capricious in failing to make such loan, then OWNER shall pay LENDER an exit fee equal to the greater of 1% of the Loan Amount or \$54,000 on the earlier of eighteen (18) months from closing or the date of prepayment of this Loan. The provisions hereof shall also apply notwithstanding that OWNER may have repaid this Loan from cash on hand and without the necessity of any financing.

34. LENDER is hereby irrevocably authorized, whenever it shall deem it necessary or expedient, to cause any bond(s), warrant(s), note(s), mortgage(s), agreements or other instruments or writings given in connection herewith or hereunder to be completed or amended in any respect in which the same may be incomplete or in which the same are required to be amended to comply with all commitment issued in connection herewith, to make the same salable and/or to cause the same to be insured by any insuring agency, and to record such mortgage(s) as may not then be recorded and any amendment or amendments thereto.

35. No advance or payment made hereunder, including final payment, shall be evidence of the performance of this contract, either in whole or in part, and no advance or payment, including the final payment, shall be construed to be or constitute an acceptance of any defective or faulty work or improper materials or a waiver of any of the provisions hereof.

36. All notices to be given by LENDER to OWNER shall be deemed to have been properly given and served when given by certified mail addressed to OWNER at OWNER's address mentioned at the beginning of this Agreement and such notices may also be served in person by delivery to OWNER or to an agent of OWNER at such address. All times in connection with such notices shall run from the time of mailing (if mailed) or delivery thereof (if delivered other than by mail). Notices to LENDER shall be in writing and shall be valid only when delivered to an executive officer of LENDER at its place of business mentioned at the beginning of this Agreement.

37. The word "OWNER", as used herein, shall include collectively all parties designated as such at the beginning hereof. All such parties shall be obligated jointly and severally hereby. The term "OWNER" shall also include, where appropriate, all agents straw men and nominees of OWNER.

38. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their heirs, personal representatives, successors and, to the extent permitted herein, assigns.

39. OWNER shall not and may not assign, transfer, or otherwise encumber this Agreement, or any rights in LENDER'S commitment or any other commitment in connection herewith, or any monies, property or funds deposited with LENDER. An assignment, transfer, pledge, etc., in violation hereof shall be invalid and shall vest no rights whatsoever in the assignee, transferee, etc.

40. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and be enforceable to the full extent permitted by law.

41. OWNER, in addition to the payment of interest on the said loan, agrees to pay LENDER a service charge, at execution hereof, of \$30,000.00 which Lender has received for services rendered or to be rendered by LENDER in connection with this Agreement. LENDER reserves the right to make additional charges for extraordinary services rendered, if any.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed the day and year first above written.

FIRSTRUST SAVINGS BANK

BY: /s/ William F. Bruckner
Vice President

ATTEST: /s/ Alice T. Moffett
Assistant Secretary

OWNER: MARK CENTERS TRUST, A MARYLAND
BUSINESS TRUST, ITS GENERAL
PARTNER

BY: /s/ Joshua Kane
Senior Vice President and CFO

ATTEST: /s/ Steven M. Pomerantz
Assistant Secretary

LIST OF EXHIBITS

EXHIBIT "A"	LEGAL DESCRIPTION
EXHIBIT "B"	PLANS AND SPECS
EXHIBIT "C"	COST BREAKDOWN

LOAN NO. C-1483
Prepared by Daniel B. Green, Esq.

OPEN END FEE AND LEASEHOLD
MORTGAGE
THIS MORTGAGE SECURES FUTURE ADVANCES

This indenture, made the 18th day of September Nineteen Ninety Seven (1997) Between MARK CENTERS LIMITED PARTNERSHIP, A DELAWARE LIMITED PARTNERSHIP(hereinafter called the Mortgagor/s) of the one part, and FIRSTRUST SAVINGS BANK, a Pennsylvania Mutual Savings Bank Chartered under the Pennsylvania Banking Code of 1965, (hereinafter called the Mortgagee) of the other part:

Whereas, the said Mortgagor/s in and by a certain obligation or writing obligatory under his/her/its/their hand/s and seal/s duly executed, bearing even date herewith, stand/s held and firmly bound unto the said Mortgagee in the sum of up to ELEVEN MILLION AND 00/100 DOLLARS (\$11,000,000.00) legal tender of the United States of America, conditioned for the payment to the above-named Mortgagee, at its office in the City of Philadelphia, its certain Attorney, Successors or Assigns, of the just sum of FIVE MILLION FIVE HUNDRED THOUSAND AND 00/100 (\$5,500,000.00) legal tender aforesaid, with interest and premium thereon at the rate specified in aforesaid obligation in monthly installments of not less than SEE RIDER, the first installment to be paid on the first day of the first month from the date thereof, and the remaining installments monthly thereafter on the first day of each month until the loan, additional future advances, interest and other charges herein covenanted to be paid are paid in full. SEE RIDER FOR PREPAYMENT PRIVILEGE.

And also conditioned for the payment unto the Mortgagee, in addition to, and concurrently with, such monthly installments of principal, interest and premium of the following sums:

Mortgagor will pay monthly installments of taxes as provided in the Commitment between Mortgagor and Mortgagee.

All monthly installments of principal, interest and premium,

and all payments mentioned in the preceding paragraph shall be added together and the aggregate amount thereof shall be paid by the Mortgagor/s each month in a single payment to be allocated by the Mortgagee to the following items in the order set forth:

- (1) Interest and premium on the said debt, which if not paid during the current month shall be added to the balance of the principal debt.
- (11) Amortization of the principal of the debt represented by said obligation.
- (111) Taxes, water and sewer rents, fire and other hazard and life insurance premiums. Interest will not be earned on money held in escrow.

Any deficiency in the amount of any such aggregate monthly payment shall constitute an event of default thereunder and under this mortgage.

In the event that any payment shall become overdue for a period of ten days, the Mortgagor/s agree/s to pay an additional charge to defray the expenses incident to the handling of delinquent accounts, equivalent to an additional one-tenth of seven cent (.007) per month, or any fraction thereof, on the unpaid outstanding balance of the loan, for the period of the delinquency, said additional charge, however, not to exceed seven per cent (.07) per month of the monthly payment, and to be added to the principal debt.

It Is Agreed That the Mortgagee may pay said Taxes, water and sewer rents, insurance premiums, claims, liens, or charges, on behalf of the Mortgagor/s, whether previously paid by Mortgagor/s to Mortgagee or not, and Mortgagee may cause any repairs it deems necessary to be made to said premises and pay for same, and it may make future advances for any reason to Mortgagor/s or their heirs, executors, administrators, successors: or grantee/s, at the request of the owner/s of said premises at the time of the said advances, provided however that at no time may the total balance due by the Mortgagor/s hereunder whether the same represents, in whole or in part, the initial advance or any future advance or advances exceed the sum of ELEVEN MILLION AND 00/100 Dollars (\$11,000,000.00): and, to the extent permitted by law, in the event of taxation of the debt represented by said Obligation of this Mortgage, or of the

Mortgagee by reason of its ownership thereof, by any public authority, the Mortgagor/s shall pay such taxes or compensate the Mortgagee to the extent of its payment thereof, not less than thirty days before that payment is due, and upon the failure of the Mortgagor/s to do so, the Mortgagee may pay the said taxes, advancing the amount thereof for the Mortgagor/s; and any sum or sums so advanced shall be added to the principal debt and shall bear interest at the maximum contract rate, from the date of payment and shall be secured by this mortgage: and after any such advances are made, all payments whatsoever to the Mortgagee, by the Mortgagor/s shall be applied exclusively first to interest on said advances and then to the principal thereof until the same is paid in full and no such advances shall be construed as a waiver of the right of the Mortgagee to enter judgement on said obligation or to foreclose upon his Mortgage because of any default. It is also agreed that, if any sum or sums of money shall become payable under the aforesaid policies of insurance or by virtue of any condemnation or taking of the mortgaged premises for public use, the Mortgagee shall have the option to receive and apply the same on account of the obligation of the Mortgagor/s, or to release the same or any part thereof, for the purpose of rebuilding or repairing the damaged premises, or for other purposes, or release same to the Mortgagor without thereby waiving or impairing the obligation of the Mortgagor/s, or the lien of this mortgage securing the same. The Mortgagor hereby expressly assigns and transfers unto the Mortgagee all sums of money payable under such insurance claims or condemnation proceedings, and does hereby irrevocably nominate, constitute and appoint the Mortgagee to act for the Mortgagor as a true and lawful attorney with full power to settle or compromise and collect such claims, and to demand, receive and receipt for all monies becoming payable under such claims, and to assign all policies to any assignee of this Mortgage or to the purchaser at a foreclosure sale.

Now This Indenture Witnesseth, That the said Mortgagor/s, as well for and in consideration of the aforesaid debt or principal sum of FIVE MILLION FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$5,500,000.00), and for the better securing the payment of the same, with interest, unto the said Mortgagee, its Successors and Assigns, in discharge of the further sum of One Dollar unto him/her/it/them in hand well and truly paid by the said Mortgagee, at and before the sealing and delivery hereof, the

receipt whereof is hereby acknowledged, has/have granted, bargained, sold, aliened, enfeoffed, released and confirmed, and by these presents do/es grant, bargain, sell alien, enfeoff, release and confirm unto the said Mortgagee, its Successors and Assigns:

SEE EXHIBIT "A" ATTACHED HERETO.

Together with all and singular the buildings, streets, alleys, passages, ways, water, water-courses, rights, liberties, privileges, improvements, hereditaments, and appurtenances whatsoever, thereunto belonging, or in anywise appertaining, and the reversions and remainders, rents, issues and profits thereof; and also together with all heating, plumbing, cooking and lighting fixtures and equipment, screens, awnings and shades, oil furnaces, burners, radiators, cooling or air conditioning units or systems, all machinery, compressors, elevators, and motors, of every description, now or hereafter attached to or used in connection with the real estate or the operation of the plant, business or dwelling in the real estate hereinabove described.

The Mortgagor/s, hereby assign/s and transfer/s unto the Mortgagee any and all rents issuing from the premises herein described, and authorize/s it, or its agent, at any time there is any default in the payment of the obligation secured hereby, or in the performance of any obligation or condition contained herein, or in the bond accompanying this mortgage, by force or otherwise, without any liability for so doing, to enter into, take possession of, rent, repair and operate said premises, and, after deducting all costs of collection and administration, to apply the balance of the rents received on account of the obligation of the Mortgagor/s. It is hereby further agreed that Mortgagee shall have the right to enter in and upon the premises mortgaged hereby at any reasonable hour for the purpose of inspecting the order, condition and repair of the building or buildings erected thereon. If the Mortgagee enters into possession, as provided herein, the Mortgagor/s specifically authorize/s the Mortgagee to rent the premises under such terms and conditions as it deems advisable including the right to have the term extend beyond the date the mortgage is satisfied.

To Have and To Hold the said lot or piece of ground with the

buildings and improvements thereon erected, hereditaments and premises hereby granted, or mentioned and intended so to be with the appurtenances, unto the said Mortgagee, its Successors and Assigns, to and for the only proper use and behoof of the said Mortgagee, its Successors and Assigns forever, UNDER and SUBJECT as aforesaid.

It is agreed that, in the event the premises covered by this mortgage, or any part thereof, shall be condemned and taken for public use under the power of eminent domain, the Mortgagee shall have the right to demand that all damages awarded for the taking of or damage to said premises shall be paid to the Mortgagee, up to the amount then unpaid on this mortgage, plus prepayment charges as hereinbefore set forth, and may be applied upon the payment or payments last payable hereon.

Provided Always, nevertheless, that if the said Mortgagor/s do/es and shall well and truly pay, or cause to be paid, unto the said Mortgagee, the aforesaid debt or principal sum and interest thereon, and the aforesaid taxes, water and sewer rents and insurance premiums, in installments, and shall produce said receipts, on the days, at the times and in the amounts hereinbefore mentioned and appointed for payment of the same, and shall keep the building or buildings herein mentioned insured and repaired as aforesaid, without any fraud or further delay, and without any deduction, defalcation or abatement to be made of anything herein mentioned to be paid or done, and if no new building shall be erected or improvements added to as aforesaid, without the prior written consent of the Mortgagee, and no execution process shall be issued or lien or encumbrance placed against the premises mortgaged hereby and no sale or transfer of title or ownership of the stock of the corporation holding title thereof be made without the written consent of the Mortgagee as aforesaid, and if Mortgagor/s or their successors in title to the mortgaged premises do not fail to furnish to Mortgagee or any assignee of Mortgage, proposed by Mortgagee, a Declaration of No Set-Off within ten days after written request for such instrument is made then and from thenceforth, as well this present Indenture, and the estate hereby granted, as the said recited obligation shall cease, determine and become void, anything hereinbefore contained to the contrary notwithstanding.

Provided, however, and as it is further agreed in the obligation of the Mortgagor/s, that it shall and may be lawful for the Mortgagee, when and as soon as the principal debt or sum hereby secured shall become due and payable as aforesaid, or if at any time defaults shall be made in the payment of any monthly installment of interest, principal, taxes, water and sewer rents or insurance premiums for the space of one month after any payment thereof shall fall due, or in the production to the Mortgagee of receipts for the payment of taxes, water and sewer rents and all other claims or charges assessed or levied or filed against the mortgaged premises during the preceding two months, or in the keeping of all buildings now or hereafter erected on said premises and all equipment owned by Mortgagor and attached to or used in connection with the same insured with insurers approved by the Mortgagee against loss or damage by fire with extended coverage and against war damage or other hazard for the benefit of the Mortgagee, in such amounts as may be required from time to time by the Mortgagee, or in the keeping and maintaining of said building or buildings in such good order and repair as may be required from time to time by the Mortgagee, or if a new building shall be erected, or an improvement be added to the said premises without the prior written consent of the Mortgagee, or if any execution process shall be issued or any lien or incumbrance placed or suffered to be placed against the said mortgaged premises, or if there be a transfer of title to the said premises other than by operation of law without the written consent of the Mortgagee, or if Mortgagor/s or their successors in title to the mortgaged premises fail to furnish to Mortgagee or any assignee of Mortgage, proposed by Mortgagee, a Declaration of No Set-Off within ten days after written request for such instrument is made, or if there be a default in any other term or condition of the said obligation or of this mortgage, or if the Mortgagee by reason of a default be required to refer the obligation to an attorney for collection or for the filing of a claim in Bankruptcy, to sue out forthwith a writ or writs of Scire Facias upon this Indenture of Mortgage, or to issue its complaint in action of mortgage foreclosure, and to proceed thereon to judgement and execution for the recovery of the whole of said principal debt, or so much thereof as shall then remain unpaid, and interest on all unpaid balances of principal at the rate hereinabove set forth, together with all costs of suit, all monies expended by the Mortgagee in the payment of taxes, water and sewer rents, claims, liens, or charges and in effecting

insurance or repair and in making future advances, and interest on said expenditures at the rate set forth in Rider and a reasonable attorney's fee of five per cent (5%) of the aggregate amount thereof, but not less than one hundred dollars, for collection, without further stay, any law, usage, or custom to the contrary notwithstanding. It is agreed that the Mortgagor/s waive/s exemption, inquisition, and condemnation, and waive/s and relinquish/es all rights and benefits of any and all Acts passed or to be passed exempting from Civil Process persons in the Military or Naval Service of this State of the United States or granting stay of execution, to the same, this waiver to be effective only to the extent that the said Acts do not expressly prohibit it.

It is agreed that any failure by Mortgagee to exercise any rights, privileges or options shall not constitute a waiver of its right to exercise the same at any other time.

It is hereby agreed that the word "Mortgagor/s" includes the singular as well as the plural and the waivers, releases, obligations, responsibilities and liabilities of said Mortgagor/s shall extend to and be binding upon his, her, its, or their heirs, executors, administrators, successors and assigns. It is further agreed that the word "Mortgagee" and the rights, demands, actions, grants, estates, claims, options and privileges granted unto the Mortgagee shall extend to and include its Successors and Assigns.

If this mortgage debt is, or is intended to be insured or guaranteed by the Veterans Administration pursuant to the provisions of the Servicemen's Readjustment Act of 1944, as amended or supplemented, then the terms hereof are made subject to and shall be modified by the Regulations of the Veterans Administration as amended from time to time. If the Certificate of Guaranty by that Administration is not delivered to the Mortgagee within thirty days after requested, or if it is impaired, lost or rendered ineffective for any reason, either wholly or in part, at any time during the term hereof, the balance of the principal debt and all unpaid interest thereon shall, at the option of the Mortgagee, become due and payable forthwith and the Mortgagee may proceed for the collection thereof as elsewhere provided herein.

In Witness Whereof, the said Mortgagor/s, to these presents has/have hereunto caused to set its/his/her/their hand/s and seal/s. Dated the day and year first above written.

RIDER IS ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE.

HAZARDOUS MATERIAL RIDER IS ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE.

MARK CENTERS LIMITED PARTNERSHIP, A DELAWARE LIMITED PARTNERSHIP

BY: MARK CENTERS TRUST, A MARYLAND BUSINESS TRUST, ITS GENERAL PARTNER

BY: /s/ Joshua Kane
Joshua Kane - Senior Vice President

ATTEST: /s/ Steven M. Pomerantz
Steven M. Pomerantz - Asst. Secretary

TO THAT CERTAIN MORTGAGE DATED THE 18TH DAY OF SEPTEMBER, 1997, EXECUTED BY MARK CENTERS LIMITED PARTNERSHIP, A DELAWARE LIMITED PARTNERSHIP IN THE PRINCIPAL AMOUNT OF \$5,500,000 FOR THE BENEFIT OF FIRSTRUST SAVINGS BANK COVERING THE PREMISES KNOWN AS MARK PLAZA, ROUTE 11, EDWARDSVILLE BOROUGH, LUZERNE COUNTY, PA 18704 AS MORE FULLY DESCRIBED IN THE AFORESAID MORTGAGE. A DEFAULT UNDER THE TERMS AND CONDITIONS OF THIS RIDER SHALL CONSTITUTE A DEFAULT UNDER THE TERMS AND CONDITIONS OF THE MORTGAGE TO WHICH IT IS ATTACHED.

1. Amount of Loan: \$5,500,000.00.

2. Interest Rate: It is understood and agreed that interest shall be earned on this obligation at a variable rate equal to one (1%) percent per annum over the Firsttrust Savings Bank Commercial Reference Rate.

The term "Firsttrust Savings Bank Commercial Reference Rate" or "Reference Rate" is hereby defined as the announced published or posted prime rate of Mellon Bank, N.A. The Mortgagor acknowledges and agrees that (i) such Reference Rate is a floating annual rate of interest and is used by Mortgagee as a reference base with respect to different interest rates charged to Mortgagors; and (ii) Mortgagee's determination and designation from time to time of the Reference Rate shall not in any way preclude Mortgagee from making loans to other Mortgagors at a rate which is higher or lower than or different from the Reference Rate. Firsttrust Savings Bank's Commercial Reference Rate shall change automatically as of the opening of business on the effective date of each change in the prime rate of Mellon Bank N.A., which (unless otherwise designated) shall be the date of which Mellon Bank, N.A. announces the change in its prime rate. When Firsttrust Savings Bank's Commercial Reference Rate changes on a day other than the first day of a calendar month, interest for the month in which such change or changes are made shall be calculated on a per diem basis that month. Interest is computed on the actual number of days elapsed that month. Interest is computed on the actual number of days elapsed over 360 days simple interest basis, that is, by applying the ratio of the annual interest rate over a year of 360 days, times the outstanding principal balance, times the actual number of days the principal balance is outstanding. Interest at such variable

rates shall be calculated and billed in arrears on the first day of each month for interest due to the last day of the prior month. In the event Mortgagee shall cease to publish or post its Reference Rate, Mortgagee shall determine another comparable index in its sole opinion.

3. Loan Term: This obligation shall mature and the entire amount advanced by Mortgagee will be due and payable on the date which is eighteen (18) months from the date hereof.

4. Payments to Mortgagee:

a. Monthly Payments:

(i) Interest Payment: Monthly payments of interest as calculated above shall commence on the first day of the second month (interest in arrears) following the closing of the loan and shall be due thereafter on the first day of each succeeding month for the remaining loan term; and

(ii) Principal Payment: At such time as Redner's takes possession of their store and begins paying rent, or beginning on the first day of the thirteenth month, whichever occurs first, then Mortgagor will pay \$10,000 per month toward principal as well as such interest provided above.

b. Exit Fee: Should Mortgagor fail to obtain financing of the Property from Mortgagee pursuant to the provisions of Paragraph #15b whether or not Mortgagee is arbitrary or capricious in failing to make such loan, then Mortgagor shall pay Mortgagee an exit fee equal to the greater of 1% of the Loan Amount or \$54,400 on the earlier of March 15, 1999 or the date of prepayment of this Loan. The provisions hereof shall also apply notwithstanding that Mortgagor may have repaid this Loan from cash on hand and without the necessity of any financing.

5. Late Charge: Throughout the life of the loan, payment not received by the fifteenth (15th) of the month shall be considered in default from the beginning of the month and Firstrust shall be entitled to collect a late charge of 7% of such overdue payment to cover cost of collection.

6. Additional Interest Clause: Mortgagor agrees that on the date of maturity or sooner acceleration of this loan, Mortgagee

may, at its option, increase the interest rate to 1.5% per month on the outstanding principal balance until this loan is repaid in full.

7. Prepayment Privilege: The loan may be prepaid at any time without penalty upon sixty (60) days prior written notice to Mortgagee.

8. Financing Statements: Security Agreements and Financing Statements covering all personal property on described premises will be executed this date and terms thereof are included herein by reference. The Mortgagor agrees to pay all costs of recording the financing statements as well as any continuation filings thereof.

9. Insurance: Mortgagor shall obtain and maintain insurance coverage, satisfactory to Mortgagee, on the real estate and personal property securing this loan. All insurance policies shall be issued by carriers with a Best's Insurance Reports policyholder's rating of A or better and a financial size category of Class XII or better and shall include a standard mortgagee clause (without contribution) in favor of and acceptable to Mortgagee. The initial policies shall be prepaid and delivered to Mortgagee prior to closing and all renewal policies shall be deposited with Mortgagee as evidence of such insurance. The policies shall provide for the following, and any other coverage that Mortgagee may from time to time deem necessary:

(i) Fire and Extended Hazard Coverage: Fire and extended hazard coverage must be maintained by Mortgagor in a minimum amount of not less than the loan amount. If the policy is written on a CO-INSURANCE basis, the policy MUST contain an AGREED AMOUNT ENDORSEMENT as evidence that the coverage is in an amount sufficient to insure the full amount of the mortgage indebtedness;

(ii) Public Liability Coverage: Public liability coverage must be maintained by Mortgagor with limits of not less than \$1,000,000 for bodily injury or death to any one person, or for any one accident or occurrence, and \$500,000 for property damage;

(iii) Rent Loss or Business Interruption Coverage: Rent loss or business interruption coverage must be maintained by Mortgagor in a minimum amount of not less than the debt service

payments for a minimum of twelve months;

(iv) Flood Hazard Coverage: Flood hazard coverage must be maintained by Mortgagor in a minimum amount of not less than the loan amount, if the property is located in a federally identified flood hazard area; and

(v) Boiler Insurance: If applicable, boiler and pressure vessel (including pressure pipes), explosion insurance must be maintained by Mortgagor in an amount at least equal to the principal balance of Mortgagee's mortgage with deductible provisions not to exceed \$1,000.00, in respect to all boilers and pressure vessels and pressure pipes which are or shall be installed on the subject premises.

ALL INSURANCE POLICIES DELIVERED TO MORTGAGEE PURSUANT TO THIS SUBPARAGRAPH MUST CONTAIN AN AGREEMENT BY THE INSURER(S) TO GIVE THE MORTGAGEE TEN (10) BUSINESS DAYS PRIOR WRITTEN NOTICE OF ANY MATERIAL CHANGE IN THE POLICIES AND/OR THE INTENTION OF THE INSURER(S) TO CANCEL THE POLICIES.

10. Inspection of Premises: The Mortgagee or its representative(s) shall have the right at any time to inspect the physical condition of the mortgaged premises and the improvements thereon.

11. Inspection of Books & Records: The Mortgagor will maintain full and correct books and records showing in detail the earnings and expenses of the mortgaged premises. Mortgagor will permit the Mortgagee or its representative(s) to examine said books and records and all supporting vouchers and data at any time and from time to time, upon request by the Mortgagee, at the Mortgagor's place of business.

12. Property Re-Appraisal: At Mortgagee's expense, Mortgagee may order a re-appraisal of the property with prior notice to Mortgagor. Mortgagor will provide current rent rolls, operating statements, access to leases and inspection of the property for the appraiser and their representatives.

13. Furnishment of Financial Statements by Both Mortgagor and Guarantors: The Mortgagor shall furnish to the Mortgagee without demand, within ninety (90) days of the closing of each calendar year, annual balance sheets and profit and loss statements for

the prior year. Such statements shall be in such detail as Mortgagee shall reasonably require and, where appropriate, shall contain cash flow projections as related to the payment of the mortgage loan for the upcoming year. In addition to the yearly statements, at any time and from time to time, Mortgagee may request a statement from the Mortgagor showing in detail all such earnings and expenses since the last such statement verified and certified by the party as true and correct.

14. Prohibition Against Transfer of Ownership in the Premises or the Sale of Any Stock or Any Partnership Interest: Mortgagor agrees that in the event that Mortgagor, without the prior written consent of Mortgagee, shall sell, convey, or alienate the mortgage premises or any part thereof, or any interest therein, whether by way of stock transfers or sales of partnership interests, or Mortgagor or any partner shall be divested of his title or any interest therein, in any manner or way, whether voluntary or involuntary, the entire balance of the indebtedness shall be or become immediately due and payable at the option of the Mortgagee, as well as an acceleration charge equivalent to the highest prepayment charge payable hereunder. Nothing herein contained shall in any way limit Mortgagor's ability to issue Operating Partnership Units in Mortgagor or the ability of partners of Mortgagor to transfer Operating Partnership Units in Mortgagor.

15. Prohibition Against Additional Financing:

(a) Mortgagor agrees that no additional financing of any type shall be arranged by or for the Mortgagor with the effect of further encumbering the subject property without the Mortgagee's consent. In the event any lien or encumbrance is recorded against the premises without Mortgagee's consent, Mortgagee may, at its option, accelerate the debt.

(b) Mortgagor agrees to seek permanent mortgage financing for the subject property from Mortgagee no earlier than February 1, 1998, at such rates and terms as may be mutually agreeable to both parties. Notwithstanding the foregoing, Mortgagor hereby agrees that Mortgagee is also granted a right of first refusal with respect to any and all financings of the Premises at the expiration of the Loan Term whether in the form of permanent end loan financing or otherwise. Mortgagor acknowledges, however, that Mortgagee is under no obligation to make any additional

loans with respect to the project. Mortgagor herein confirms its obligation to make payment of the Exit Fee provided in Paragraph #4(b) above.

16. Management:

a. Responsible Management - Change of Control: Mortgagor acknowledges that Mortgagee has been induced into entering into this loan primarily upon Mortgagor's representation that Mortgagor would offer professional management of the property with the objective of maintaining and preserving the physical property. Therefore, on the date hereof, Mark Centers Trust must assume the responsibility of managing the premises in a responsible manner so as to maximize cash flow while maintaining the property. In the event of any change in management out of the control of the Mortgagor, whether by reason of death, resignation, protracted illness, change of ownership or of employment or management policies, or for any other reason, Mortgagor shall give prompt written notice thereof to Mortgagee, and Mortgagor agrees that Mortgagor will thereafter continuously maintain the centers consistent with good industry practice for shopping centers comparable to the Premises.

b. Good Industry Practice: Notwithstanding anything to the contrary heretofore stated, Mortgagor agrees to manage the premises consistent with good industry practice and as such shall use its best efforts to:

- (i) Screen all rental applicants in accordance with good management practices;
- (ii) Fully lease the building with responsible tenants;
- (iii) Properly collect the rents therefrom;
- (iv) Take prompt action on delinquent tenants;
- (v) Promptly pay operating expenses when due;
- (vi) Maintain the exterior and interior appearances of the premises; and
- (vii) Repair and replace work and damaged property in an expeditious manner.

c. Physical Inspection: Mortgagor further agrees that Mortgagee may at any time cause a physical inspection of the premises to be made by an appraiser or real estate manager chosen by Mortgagee so as to determine the nature and estimated cost of the maintenance required for the premises and which has not been performed.

d. Failure to Manage - Default: In the event that Mortgagor shall fail to operate the premises in a manner consistent with Paragraph 16(b) above, then such failure shall constitute a default under the terms of the mortgage except that Mortgagor shall be given thirty (30) days after notice and demand by Mortgagee to revise its management practices.

e. Failure to Maintain - Default: In the event that Mortgagor shall fail to perform such maintenance to be required within thirty (30) days after notice and demand by Mortgagee that Mortgagor restore or repair said buildings, improvements, fixtures, or articles of personal property, as specified in such notice and demand, then such failure shall constitute a default under the terms of the mortgage.

17. Mortgagee Not Partner: Nothing herein contained shall constitute Mortgagee a Partner or Joint Venturer with Mortgagor.

18. Future Advance Clause: It is understood and agreed by and between the parties of the first and second parts that the consideration for the Mortgage is present and future advances of funds to the Mortgagors, parties of the first part, by the Mortgagee, party of the second part, in accordance with the terms and conditions of a Construction and/or Development Loan Agreement executed by and between the parties concurrently herewith and it is understood and agreed by and between the parties of the first and second parts hereto that the within Mortgage is to secure future advance of funds for the construction of a 52,825 square foot one-story super market to be leased by Redner's and to complete miscellaneous improvements to the balance of Mark Plaza which is located on Route #11, Edwardsville Borough, Luzerne County, PA the lien of which advances shall relate back to the date of the within Mortgage.

19. Notice and Grace Period: Mortgagor is granted a one time only fifteen (15) day advance written notice of monetary defaults and a thirty (30) day advance written notice of non-monetary

default with an extended cure right for any non-monetary default that cannot be cured within thirty (30) days.

20. Restoration. If the cost of restoring the damage to the Mortgaged Property, as determined by Mortgagee, does not exceed the amount of the Loan allocable to such Mortgaged Property, and if Mortgagor is not then in default under this Mortgage or the Loan Documents, mortgagee shall agree to permit such insurance proceeds to be used to reimburse Mortgagor for the cost of rebuilding the Improvements in accordance with all applicable laws. Mortgagor agrees to promptly commence the rebuilding of the Improvements in a manner as to be of at least equal value and quality and substantially the same character as the Improvements were prior to such damage or destruction, and Mortgagor shall diligently complete such rebuilding as promptly as possible. Such proceeds shall be made available, from time to time, upon Mortgagee being furnished with satisfactory evidence of the estimated cost of completion thereof and with such architect's certificates, waivers of lien, contractor's certifications and other evidence of cost of payments as Mortgagee may reasonably require and upon Mortgagor being otherwise in compliance with the provisions of the Loan Documents. If the estimated cost of the work exceeds ten (10%) percent of the original principal amount of the Note, Mortgagee shall also be furnished for its approval all plans and specifications and all construction contracts for such rebuilding prior to commencement of the rebuilding or restoration. All payments made prior to final completion of the work shall be subject to customary conditions for disbursing construction loans as determined by Mortgagee. The undisbursed balance of insurance proceeds shall at all times be sufficient to pay for the cost of completion of the Improvements free and clear of liens and if such proceeds are insufficient, Mortgagor shall deposit the amount of such deficiency with Mortgagee prior to the disbursement of any insurance proceeds.

21. Contest.

If Mortgagor is not in default under the Loan Documents, Mortgagor may, in good faith and with reasonable diligence, contest the validity or enforcement of any Law with respect to the Mortgaged Property, provided that:

(i) such contest shall have the effect of preventing the enforcement of any such Laws so contested and the levying of

any fine on Mortgagor or against the Mortgaged property;

(ii) Mortgagor has notified Mortgagee in writing of the intention of Mortgagor to contest the same within ten (10) days after Mortgagor learns of the assertion that such Laws are being violated;

(iii) such contest will prevent Mortgagor and Mortgagee from being guilty of any crime by reason of non-compliance;

(iv) the failure to comply with such Laws does not prevent the use and occupancy of the Mortgaged Property for its intended use;

(v) Mortgagor has deposited with Mortgagee, at such place as Mortgagee may from time to time in writing designate (and in the absence of such appointment, then at the place of payment designated in the Note), a sum of money or other cash equivalent security acceptable to Mortgagee that is sufficient, in Mortgagee's reasonable judgment, to pay in full the cost of complying with such Laws and all penalties that might become due thereof; and

(vi) Mortgagor prosecutes such contest with diligence and keeps Mortgagee informed of the status of the contest.

MARK CENTERS LIMITED PARTNERSHIP
a Delaware Limited Partnership

By: MARK CENTERS TRUST,
a Maryland Business Trust,
its General Partner

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

Attest: /s/ Steven M. Pomerantz
Assistant Secretary

HAZARDOUS MATERIAL RIDER

Mortgagor shall keep and maintain the Mortgaged Property in compliance with, and shall not cause or permit the Property to be in violation of any federal, state or local laws, regulations, guidelines, codes and ordinances relating to zoning, land use, health, asbestos usage, industrial hygiene or environmental conditions in, on, under or surrounding the Mortgaged Property including, but not limited to, soil and ground water conditions.

Mortgagor represents and warrants that to the knowledge of Mortgagor it has not used, generated, manufactured, stored, released or disposed of in, on, under or surrounding the Mortgaged Property or transport to or from the Mortgaged Property any flammable explosives, radioactive materials, asbestos, hazardous wastes, toxic substances or related materials, including, without limitation, any substances defined as or included in the definition of "asbestos" or "asbestos product", "radon" or "radon gas", "hazardous substances", "hazardous wastes", "hazardous materials", "wastes", "solid waste", "contaminant", or "toxic substances" under any applicable federal, state or local laws, regulations, guidelines, codes and ordinances (collectively referred to hereinafter as "Hazardous Materials") in any manner which violates any such law, regulation, guideline, code or ordinance. Mortgagor represents and warrants that, to the best of Mortgagor's knowledge, no Hazardous Materials (except for asbestos; if any), have been used in the construction of the Mortgaged Property, or generated, stored, buried, handled, released or disposed of on, in, under or surrounding the Mortgaged Property, or a location that will adversely affect the Mortgaged Property in any manner which violates any such law, regulation, guideline, code or ordinance, and there are no facts, conditions or circumstances which, to the Mortgagor's knowledge, could result in any investigation or inquiry by any federal, state or local governmental authority with regard to the foregoing. Mortgagor further warrants, covenants and agrees not to allow the Mortgaged Property to be used as a site for generating, manufacturing, storing, releasing or disposing of Hazardous Materials (without the prior written consent of Mortgagee and unless all required permits, bonds and insurance have been obtained and are maintained). Mortgagor further

warrants, covenants and agrees to provide Mortgagee with prompt written notice of (1) any proposed or actual investigation or inquiry of Mortgagor or the Mortgaged Property with regard to Hazardous Materials by any federal, state or local governmental authority, (2) Mortgagor's obtaining knowledge of any discovery of or release of any Hazardous Material in, on, under or from the Mortgaged Property or any other site owned, occupied, or operated by Mortgagor or by any person for whose conduct Mortgagor is responsible or whose liability may result in a lien on the Mortgaged Property, (3) Mortgagor's receipt of any notice to such effect regarding (1) or (2) or notice to obtain a permit from any federal, state or local governmental authority, and (4) Mortgagor's obtaining knowledge of the incurring of any expense or loss by such governmental authority in connection with the assessment, containment or removal of any Hazardous Materials for which expense or loss Mortgagor may be liable and for which expense a lien may be imposed on the Mortgaged Property. Mortgagor warrants, covenants and agrees at all times to comply fully and in a timely manner with, and to cause all employees, agents, contractors and subcontractors of Mortgagor to so comply with, all applicable federal, state and local laws, regulations, guidelines, codes and ordinances regarding any Hazardous Materials. When requested, Mortgagor shall provide Mortgagee access to or copies of all logs or other evidences of removal of Hazardous Materials. Mortgagor warrants, covenants and agrees to indemnify and hold Mortgagee Harmless from and against, and immediately pay, any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgements, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including but not limited to expenses and attorney's fees and legal assistant's fees including such fees and expenses in any appellate proceeding), arising directly or indirectly, in whole or in part, from any past, present or future failure of Mortgagor, its employees, agents, contractors, subcontractors or other such persons, to comply with any of such laws, regulations, guidelines, codes or ordinances or the provisions of this Paragraph.

In the event that Mortgagee incurs any losses, damages, claims costs, fees, penalties, charges, assessments, taxes, fines or expenses, including reasonable attorney's fees and legal

assistants' fees, in connection with cleaning up, removing, disposal of or otherwise eliminating any Hazardous Materials from the Mortgaged Property, such losses, damages, claims, costs, fees, penalties, charges, assessments, taxes, fines or expenses, including reasonable attorneys' fees and legal assistants' fees, shall constitute remedial advances by Mortgagee as provided hereinabove. The provisions of this paragraph will survive the foreclosure of the Mortgage or any deed in lieu of foreclosure delivered to Mortgagee by Mortgagor.

MARK CENTERS LIMITED PARTNERSHIP,
A DELAWARE LIMITED PARTNERSHIP

BY: MARK CENTERS TRUST, A MARYLAND
BUSINESS TRUST, ITS GENERAL PARTNER

BY: /s/ Joshua Kane
Joshua Kane, Senior Vice President

ATTEST: /s/ Steven M. Pomerantz
Steven M. Pomerantz, Asst. Secretary