

 **COPY**

**FIRST AMENDMENT TO THE SEPTEMBER 10, 2007 SETTLEMENT AGREEMENT
BETWEEN PREIT AND NEW GARDEN TOWNSHIP**

This First Amendment ("Amendment") to clarify certain provisions of the September 10, 2007 Settlement Agreement between PREIT and New Garden Township, in the matter of IN RE: APPEAL OF PREIT/CORNERSTONE JOINT VENTURE, Chester County Court of Common Pleas, Pennsylvania, No. 03-03903 ("Settlement Agreement") is made and effective this 31 day of May, 2011, by **PR New Garden Limited Partnership/PR New Garden/Chesco Limited Partnership and PR New Garden Residential Limited Partnership** (collectively "PREIT") and **The Board of Supervisors of New Garden Township, Chester County, Pennsylvania** ("Township").

Background

Whereas, by a "Settlement Agreement" dated September 10, 2007, PREIT and the Township settled the land use appeal filed by PREIT in the Court of Common Pleas of Chester County, Pennsylvania known as IN RE: Appeal of PREIT/Cornerstone Joint Venture, Docket No. 03-03903 (hereinafter "Settlement Agreement"); and

Whereas, the Settlement Agreement settled an appeal of a conditional use approval issued by the Township for a land development project ("PREIT Project") on certain specified properties owned by PREIT in New Garden Township ("PREIT Property"); in addition to settling the appeal, the Settlement Agreement defined specific details and criteria for the PREIT Project; and

Whereas, disagreements and/or discussions between the parties have arisen regarding certain provisions of the Settlement Agreement, which require clarification of the same by the parties. Specifically, the parties seek clarification and agreement of the following items:

(a) The timing of payment from PREIT to the Township of the Two Hundred Thousand Dollars (\$200,000.00) sum identified in paragraph 5(j) of the Settlement Agreement;

(b) Timing of the start and completion of the stream channel stabilization work identified in Exhibit "F" of the Settlement Agreement; and

(c) The ability to continue to use a portion of the "Town Center" parcel of the PREIT Property ("Town Center Parcel") which is specifically designated under the terms of the Settlement Agreement (see Section 13.D) to remain open green space, as mushroom growing houses (six (6) doubles); and

Whereas, PREIT has also requested that the parties amend the Settlement Agreement to establish a regular procedure for administrative and ministerial approval of certain revisions and/or amendments to the Retail Center and Town Center site plan layout and buildings as depicted on the concept plan approved under the Settlement Agreement, and the Phase I Final Plan to:

(1) Modify the footprints and/or locations of the proposed building;

(2) Re-allocate the approved total square footage among the various buildings and sections of buildings within the Retail Center and Town Center; and/or

(3) Modify the proposed buildings exterior façade to incorporate alternative architectural designs, construction techniques and building material than which were proposed at the time of execution of the Settlement Agreement;

Whereas, a NPDES permit (Stream Enhancement Permit) for the PREIT Project was issued to PREIT by the Pennsylvania Department of Environmental Protection on November 18, 2009.

Now, Therefore, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Recitals. The background recitals above are incorporated herein, as though fully set forth at length.

2. Timing of the \$200,000.00 Payment under Section 5(j) of the Settlement Agreement.

The parties agree that the payment from PREIT to the Township of Two Hundred Thousand Dollars (\$200,000.00) under Section 5(j) of the Settlement Agreement shall be made as follows:

(a) One Hundred Thousand Dollars (\$100,000.00) on or before the close of business (4:30 p.m.) on the thirtieth (30th) day after execution of this Agreement; and

(b) One Hundred Thousand Dollars (\$100,000.00) on or before the close of business (4:30 p.m.) on ninetieth (90th) day after execution of this Agreement.

All other terms and provisions set forth in Section 5(j) of the Settlement Agreement shall remain unchanged, unmodified, and in full force and effect.

3. Timing of the Start and Completion of Stream Channel Stabilization Work under Exhibit "F" of the Settlement Agreement.

The parties agree that the "stream channel stabilization" work for the PREIT Project, as described in Exhibit "F" of the Settlement Agreement (see the "Conceptual Stormwater Management Plan", page 5), shall begin and start prior to, and in no event later than the date when PREIT commences construction of any roadway improvement (or any element or portion thereof) associated with the PREIT Project. PREIT shall provide the Township with prior written notice of the date when said "stream channel stabilization" work is to begin.

PREIT shall perform, construct and complete the stream channel stabilization in strict and complete compliance with all of the terms and conditions of the Settlement Agreement, including, but not limited to completing all required work prior to increasing, in any manner, runoff from the PREIT Property due to construction activities associated with the PREIT Project, and any roadway improvements associated therewith.

All other terms and provisions of Exhibit "F" of the Settlement Agreement shall remain unchanged, unmodified and in full force and effect.

4. Continued Use of the "Town Center Property".

Notwithstanding the express terms of Section 13(D) of the Settlement Agreement (which require the Town Center Property within the PREIT Project to remain open green space, which shall be either maintained as grass, or utilized for agricultural purposes for the production of hay), PREIT continues to lease a portion of the Town Center Property to Kaolin Mushroom Farms, which operates a mushroom growing business thereon consisting of six (6) double mushroom growing houses ("Existing Mushroom Farm"). PREIT has requested that the Township agree to permit the continued leasing and operation of the Existing Mushroom Farm at its current location on the Town Center Property.

The Township agrees to permit the continued leasing to, and operation of, the Existing Mushroom Farm by Kaolin Mushroom Farms, subject to the following conditions, all of which are agreeable and acceptable to PREIT:

(a) Kaolin Mushroom Farms may continue to lease the use and occupancy of the Existing Mushroom Farm at its current location on the Town Center Property, until 5:00 p.m. on December 31, 2011. By no later than 5:00 p.m. on December 31, 2011, Kaolin Mushroom Farms shall terminate, discontinue and end any and all of its operations and

activities on the Town Center Property, including, but not limited to the Existing Mushroom Farm and the use of any mushroom house or other improvement thereon;

(b) By no later than 5:00 p.m. on December 31, 2011, there shall be no use of any kind permitted on the Town Center Property except as specifically authorized and permitted under the terms of the Settlement Agreement;

(c) Beginning with the date when this Amendment is signed by all parties, there shall be no placement or storage of mushroom compost of any kind (including, but not limited to, fresh and spent compost), on any portion of the PREIT Property, including, but not limited to the Town Center Property, at any time, or for any reason, except for compost on the interior of the existing mushroom houses which is being actively used for the production of mushrooms. Further, all compost (except compost on interior of the existing mushroom house which is being actively used for the production of mushrooms) shall be completely removed from the Town Center Property within twenty (20) days from the date that this Amendment is executed by all parties. Within twenty (20) days after the compost has been removed from the Town Center Property, PREIT shall plant grass seed over all areas where compost was stored, spread and/or located;

(d) There shall be no expansion or enlargement (of any kind) of the Existing Mushroom Farm, or any of the buildings or structures associated therewith, including, but not limited to expansion or enlargement of size, footprint or scope of the Existing Mushroom Farm and/or the structures associated therewith;

(e) There shall be no uses of any kind permitted upon the Town Center Property except the Existing Mushroom Farm (in accordance with the terms of this Amendment), and as otherwise specifically set forth in the Settlement Agreement; and

(f) Kaolin Mushroom Farm shall, within thirty (30) days of the date of the execution of this Amendment, satisfy all of the conditions of the May 2, 2011 Mushroom Farm Environmental Management Plan: Status Review Prepared by the Chester County Conservation District, a copy of which is attached hereto and incorporated herein as Exhibit "A".

All other terms and conditions associated with the Town Center Property, including those set forth in Section 13(D) of the Settlement Agreement, shall remain unchanged, unmodified, and in full force and effect.

5. Proposed Modifications to Footprints, Locations and Building Facades of Approved Buildings.

(a) In order to accommodate changing requirements of typical retail and shopping center tenants, PREIT shall have the right, pursuant to the terms and conditions set forth in this paragraph 5, and without the necessity of securing additional formal approval from the Court of Common Pleas of Chester County, Pennsylvania, to: i) request modification and/or amendment of exterior facades of buildings within the Retail Center and Town Center site plan layout and buildings depicted on the concept plan approved under the Settlement Agreement and the Phase 1 final plan ("Previously Approved Buildings" or, singularly a "Previously Approved Building"), to incorporate alternative architectural designs, construction techniques and/or building materials than were proposed at the time that the Settlement Agreement was executed, and/or ii) request a de minimis modification, which includes any reduction, of the footprints and/or locations of Previously Approved Buildings.

(b) In order to present a proposal for consideration of approval under this paragraph 5, PREIT shall, at its sole cost and expense, submit to the Township a written proposal (including elevation drawings, photographs, site plans, and/or other appropriate documentation) detailing and defining the proposed modification requested by PREIT (a

"Proposal"). The Township shall consider the Proposal, and shall provide PREIT with a decision on the Proposal within sixty (60) days of the date when a completed Proposal is submitted to the Township. Any Proposal submitted by PREIT under this paragraph 5 shall be considered in accordance with the terms of this Amendment and the terms of the Settlement Agreement, including Section 6, 7, 8 and 9. The review of the Proposal shall be independent of and run concurrent with the review of any Preliminary Final Plan submission made by PREIT under Sections 7, 8 and 9 of the Settlement Agreement.

The Township shall have the right to approve or disapprove any Proposal submitted by PREIT under this paragraph 5, and in accordance with this Amendment. The Township shall not unreasonably withhold approval of any Proposal under this paragraph 5, if the Proposal meets and complies with all of the criteria set forth in paragraphs 5(d) and 5(e) below.

(c) The Township shall be permitted to consult with experts, boards, commissions and/or consultants of its sole choosing in order to assist the Township in determining whether or not to approve any Proposal submitted by PREIT under this paragraph 5. Subject to PREIT's right to object under the Pennsylvania Municipalities Planning Code, PREIT shall pay the Township for all costs and expenses incurred by the Township associated with review and consideration of any Proposal submitted under this paragraph 5, including, but not limited to, fees and expenses of consultants, solicitors and/or experts, within thirty (30) days of demand by the Township. PREIT further agrees that reimbursement of Township costs, fees and expenses under this paragraph 5 shall not be a credit against tapping fees for the PREIT Project (as set forth in the Sewer Improvements and Reservation Agreement dated March 9, 2009) or any other agreement between the parties; instead, reimbursement under this

paragraph 5 shall be a cost and expense of PREIT's separate and independent from any tapping fee, expense, invoice, or other amount associated with the PREIT Project.

(d) The Township shall not unreasonably withhold approval of any Proposal submitted by PREIT under this paragraph 5, if such Proposal meets and complies with all of the following:

(1) The terms and conditions of this Amendment;

(2) The terms and conditions of the Settlement Agreement, as amended by this Amendment, including, but not limited to the Design Guidelines set forth therein, provided however, PREIT shall not be limited to constructing buildings, facades, etc. based upon the representative renderings, photos, etc. contained in the Design Guidelines but rather PREIT shall be bound by the Design Goals and Objectives contained in the Design Guidelines;

(3) The Proposal shall not change the number of separate physical buildings approved for the PREIT Project or reduce the number of tenant spaces in the Town Center in accordance with the terms of the Settlement Agreement, including, but not limited to, Background Section Q to the Settlement Agreement;

(4) The Proposal shall not exceed the maximum floor area limitations set forth in the Settlement Agreement;

(5) The modification to the footprint of any building shall not increase the approved size of such building;

(6) There shall not be any violation of any provision of the Township's Zoning Ordinance applicable at the time of execution of the Settlement Agreement and to the extent not expressly deviated by Court approval of the Settlement Agreement;

(7) Approved impervious coverage amounts on the PREIT Project shall not increase;

(8) Reduction of the size, but not the number, of tenant spaces within any Previously Approved Building to be constructed in the Town Center shall be permitted so long as the reduction complies with the terms of the Settlement Agreement, including, but not limited to, Background Section Q to the Settlement Agreement; and

(9) PREIT has paid, timely and in full, all costs and expenses then due to the Township which are associated with any Proposal.

(e) (1) The procedures set forth in this paragraph 5 shall only be applicable to and available only for the following matters:

(i) Proposed changes to the exterior facades of a Previously Approved Building within the PREIT Project to incorporate alternative architectural designs, construction techniques and building materials than were proposed at the time that the Settlement Agreement was executed;

(ii) A de minimis change to the footprint, which includes reductions, of any Previously Approved Building within the Retail Center, Town Center, and/or the approved plan for Phase 1;

(iii) A de minimis modification of the location of any Previously Approved Building within the Retail Center, Town Center, and/or the approved plan for Phase 1;

(iv) A de minimis modifications of the location of associated parking areas and drive aisles within the Retail Center, Town Center, and/or the approved plan for Phase 1;

(v) A reduction in the footprint or modification of location of any Previously Approved Building or associated parking areas and drive aisles that reduces overall impervious coverage of the PREIT project; and

(vi) Proposed changes to the demising walls within any Previously Approved Building to be constructed in the Town Center so long as the proposed changes do not reduce the number of tenant spaces required under the terms of the Settlement Agreement, and so long as the proposed changes comply with the terms of the Settlement Agreement, including, but not limited to, Background Section Q of the Settlement Agreement.

(2) The procedure under this paragraph 5 shall not be applicable to, or otherwise available for any of the following:

(i) Reallocation of approved total square footage of any of the Previously Approved Buildings and/or Phases within the PREIT Project other than that which is specifically permitted under the Settlement Agreement;

(ii) Approval of additional building or structure within the PREIT Project;

(iii) Modification of any of the area and bulk requirements for the PREIT Project, as set forth in the Settlement Agreement, including, but not limited to maximum density, maximum impervious coverage, setbacks and/or building heights; and

(iv) Any other modification or amendment of the terms of the Settlement Agreement.

6. Settlement Agreement Remains Effective. All of the terms and conditions of the Settlement Agreement which are not otherwise inconsistent with the specific terms and provisions of this Agreement, shall remain unchanged, unmodified, and in full force and effect.

7. Entire Agreement. This Amendment, together with the Settlement Agreement, constitutes the entire agreement among the parties hereto, and supersedes all prior negotiations, understandings and agreements, of any kind or nature whatsoever with respect to the subject matter hereof. No amendment, waiver or discharge of any provision of this Amendment shall be effective against either party unless that party shall have consented thereto, in writing.

8. Interpretation. Legal counsel for both the Township and PREIT have jointly drafted this Amendment; and as such, the provisions of this Amendment shall not be construed in favor or against the interest of either party.

9. Governing Law. This Amendment shall be construed in accordance with the laws of the Commonwealth of Pennsylvania.

10. No Waiver. Except as expressly amended herein, neither party waives any of its rights under the Settlement Agreement.

11. Counterparts. This Amendment may be executed simultaneously in one or more counterparts, each of which shall be deemed original, but all of which together shall constitute one in the same instrument.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have set their hands and seals the day and date set forth below.

Signatures are on the following page.

PREIT:

PR NEW GARDEN L.P.

By: PR New Garden LLC, its Sole General Partner
By: PREIT Associates, LP, its Sole Member
By: Pennsylvania Real Estate Investment Trust, its
General Partner

Attest: Jim C. De Jesus

By: Douglas S. Grayson
Name: Douglas S. Grayson
Title: Executive Vice President

PR NEW GARDEN/CHESCO Limited Partnership

By: PR New Garden/CHESCO LLC, its General
Partner
By: PREIT Services, LLC, its Non-Member Manager
By: PREIT Associates, L.P., its Sole Member
By: Pennsylvania Real Estate Investment Trust,
its General Partner

Attest: Jim C. De Jesus

By: Douglas S. Grayson
Name: Douglas S. Grayson
Title: Executive Vice President

PR NEW GARDEN RESIDENTIAL, L.P.

By: PR New Garden Residential, LLC, its General
Partner
By: PREIT-Rubin, Inc., its Sole Member

Attest: Jim C. De Jesus

By: Douglas S. Grayson
Name: Douglas S. Grayson
Title: Executive Vice President

TOWNSHIP:

NEW GARDEN TOWNSHIP

Attest: [Signature]

By: [Signature]
Name: Donnel C. Fox
Title: Township Manager

COMMONWEALTH OF PENNSYLVANIA :
 :
 : SS.
COUNTY OF PHILADELPHIA :

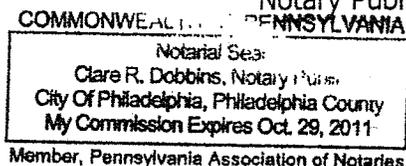
On this, the 26th day of May, 2011, before me, a Notary Public, personally appeared Douglas S. Grayson, who acknowledged to me that he/she is the Exec. V.P. of Pennsylvania Real Estate Investment Trust, and as such Exec. V.P. he/she is authorized to do execute the foregoing Agreement for the purposes contained therein.

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

Clare R. Dobbins

Notary Public

My commission expires:



COMMONWEALTH OF PENNSYLVANIA :
 :
 : SS.
COUNTY OF PHILADELPHIA :

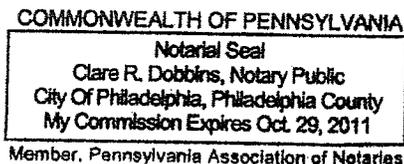
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IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Clare R. Dobbins

Notary Public

My commission expires:



COMMONWEALTH OF PENNSYLVANIA :
: SS.
COUNTY OF PHILADELPHIA :

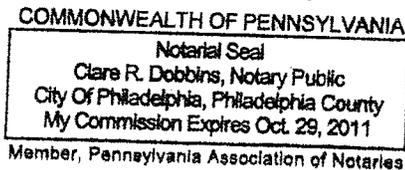
On this, the 26th day of May, 2011, before me, a Notary Public, personally appeared Douglas S. Grayson, who acknowledged to me that he/she is the Exec. V.P. of PREIT-Rubin, Inc., and as such Exec. V.P. he/she is authorized to do execute the foregoing Agreement for the purposes contained therein.

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

Clare R. Dobbins

Notary Public

My commission expires:



COMMONWEALTH OF PENNSYLVANIA :
: SS.
COUNTY OF Chester :

On this, the 31st day of May, 2011, before me, a Notary Public, personally appeared Dan Fox ^{HE IS THE} ~~Manager~~ and _____ who acknowledged to me that they are each members of the Board of Supervisors of **NEW GARDEN TOWNSHIP** and that as such members, being authorized to do so, executed the foregoing Agreement for the purposes contained therein.

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

Margaret K. Mullen

Notary Public

My commission expires:

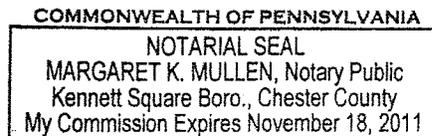


EXHIBIT "A"

CHESTER COUNTY CONSERVATION DISTRICT

MUSHROOM FARM ENVIRONMENTAL MANAGEMENT PLAN: STATUS REVIEW



CHESTER COUNTY
CONSERVATION DISTRICT

Conserving Natural Resources for Our Future

May 2, 2011

To Whom it May Concern,

The purpose of this letter is to address the development of a Mushroom Farm Environmental Management Plan (MFEMP) for Kaolin Farms' operation at 300 Sunny Dell Road, Landenberg, PA 19311.

As indicated by the operators, they plan to stop growing mushrooms at this farm by January 1, 2012. Given this fact, the Chester County Conservation District (CCCD) will accept the implementation of temporary measures, as outlined in the Status Review, in lieu of developing a plan.

In the event that the date of the decommissioning of this site is lengthened, Kaolin Farms should immediately contact the CCCD as further action may be required.

If there are any questions, please do not hesitate to get in touch with me.

Sincerely,

Adam Mowery
Mushroom Farm Resource Conservationist
Chester County Conservation District
688 Unionville Road, Suite 200
Kennett Square, PA 19348
Phone: (610) 925-4920 x 116
Fax: (610) 925-4925
amowery@chesco.org



Mushroom Farm Environmental Management Plan:
Status Review

Farm:	Kaolin Farms (300 Sunny Dell Road, Landenberg, PA 19311)
Farm Representative:	Mike Pia Jr.
Date:	May 2, 2011

Site Evaluation:

This site contains 6 mushroom doubles and utilizes Phase II compost. The interior wastewater from the growing houses outlets through the doors, across the driveway, and into a grassed area. Below the grassed area there is a crop field. The wharf runoff is not a concern because of the use of Phase II compost. There is also a small stacking area for excess SMS and peat moss. The operators have indicated that they will stop growing mushroom at this site by January 1, 2012.

Needed Changes/Revisions to MFEMP:

A MFEMP for this farm does not currently exist. Since the site is planned to be decommissioned by January 1st, 2012, the CCCD will accept the implementation of temporary measures in lieu of having a plan developed.

The temporary measures that should be taken include the following:

- Re-grade the grassed area along the driveway to ensure the wastewater does not 'pond' and to maintain sheet flow of the effluent.
- Re-organize the stacking area so the runoff flows through a grassed filter area. Redirect stormwater away from the stacking pad. When the size of the pile permits, covering with a tarp is an effective practice to reduce runoff.
- Operation and Maintenance: Remove as much residual material (SMS and peat moss) as possible on the loading wharf before it is washed

Best Management Practices (BMPs) to be Implemented:

	Date
Re-grade grassed filter area	6/01/11
Re-organize stacking pad	6/01/11
Operation and Maintenance	6/01/11

Need for updated nutrient analysis? YES NO

Plan fully implemented? YES NO

FINAL STATUS REVIEW

Land Owner

Signature: X KA SR

Chester County Conservation District (CCCD)

Signature: Christian E. Stohmayer AS

Natural Resources Conservation Service (NRCS)

Signature: Zed S. Sasser