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SUPREME COURT OF VIRGINIA
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IN THE

Supreme Court of Virginia

AT RICHMOND

RECORD NO. 80-0130

NORMAN D. GROH, et al.,
Appellants

v.

B.F. SAUL REAL ESTATE INVESTMENT TRUST,
Appellee

JOINT APPENDIX

Jerrold G. Weinberg
Edward S. Stein
WEINBERG & STEIN
1510 First Virginia Bank Tower
Post Office Box 3789
Norfolk, Virginia 23514

Counsel for Appellants

David H. Adams
TAYLOR, WALKER & ADAMS
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Leslie A Nicholson, Jr.
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Counsel for Appellee

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VIRGINIA:

IN THE CIRCUIT COURT OF THE CITY OF VIRGINIA BEACH

B. F. SAUL REAL ESTATE INVESTMENT TRUST,

Plaintiff

v. LAW DOCKET NO. L-4307

NORMAN D. GROH
and
BARBARA C. GROH,

Defendants

MOTION TO HAVE JUDGMENT MARKED SATISFIED

Now come the defendants, by counsel, and move the Court to order the Judgment in this case marked satisifed by the Clerk, upon the following grounds:

1. Judgment in this case was entered on September 19, 1977 for $2,348,973.06, with interest from the date of Judgment, plus costs of $58.50. A copy of said Judgment Order is attached as "Exhibit 1."

2. Said Judgment was duly docketed in the Clerk's Office of this Court in Judgment Lien Docket Book No. 32, at page 23.

3. Said Judgment was entered pursuant to a Motion for Judgment filed by plaintiff against defendants. A copy of said Motion for Judgment, with the Exhibits attached thereto numbered A through K, is attached as "Exhibit 2."

AW OFFICES
BERG & STEIN
OLK, VIRGINIA

4. As set forth in said Motion for Judgment (Exhibit 2), said Judgment was based on a Note indebtedness of defendants to plaintiff of an unpaid principal balance of $4,812,986.88. However, by a Modification of Guaranty and Consent of Guarantors, attached to the Motion for Judgment (Exhibit 2) as Exhibit J, and as set forth in Paragraph 7 of said Motion for Judgment (Exhibit 2), the liability of defendants was limited, as follows:

> "GUARANTORS understand and agree that their liability in regard to the NOTE has been
>
> modified to the extent reflected in the terms of the Modification of Note Agreement dated March 8, 1976, except that SAUL agrees that GUARANTORS' obligations under the GUARANTY shall be fully satisfied when all of the indebtedness evidenced by the NOTE except for THREE MILLION ONE HUNDRED THOUSAND DOLLARS ($3,100,000.00) has been paid in full to SAUL or to the holder thereof."

5. Accordingly, Judgment was entered against defendants for the unpaid principal balance due of $4,812,986.88, less $3,100,000.00, or $1,712,986.98, plus accrued interest in the amount of $630,986.08, and attorney's fees in the amount of $5,000.00, for the said total of $2,348,973.06.

6. On February 12, 1979 Robert W. Annand, Sole Acting Substitute Trustee under the Deed of Trust, as Amended, sold at public auction the real property that had been conveyed by a Deed of Trust to secure the payment of the Note.

7. As a result of such foreclosure sale, plaintiff herein was paid the sum of $4,858,987.97, as more fully appears from the Accounting filed by said Annand, Sole Acting Substitute Trustee, with the Commissioner of Accounts of the Circuit Court of the City of Norfolk. A copy of said Accounting is attached as "Exhibit 3."

8. The indebtedness due under the Note held by plaintiff is therefore less than $3,100,000.00.

9. Plaintiff, although requested to do so, has failed and refused to mark the Judgment paid and satisfied either in whole or in part.

WHEREFORE, defendants move the Court to order satisfaction of said Judgment to be entered on the margin of the page in the book wherein such Judgment was entered, in Judgment Lien Docket Book 32, at page 23; to order a certificate of such Order to be made to the Clerk of this Court; and to direct the Clerk to immediately enter the same in the proper column of the Judgment Docket opposite the place where such Judgment is docketed; and that plaintiff be ordered to pay the cost of this proceeding, including reasonable attorney's fees.

LAW OFFICES
BERG & STEIN
FOLK, VIRGINIA

NORMAN D. GROH and
BARBARA C. GROH

By _____
Of Counsel

N O T I C E

TO: B. F. Saul Real Estate Investment Trust

TAKE NOTICE: That on Friday, July 27, 1979 at 10:00 A.M., or as soon thereafter as counsel may be heard, we will move the above Court to enter an Order in accordance with the foregoing Motion.

NORMAN D. GROH and
BARBARA C. GROH

By _____
Of Counsel

Jerrold G. Weinberg
WEINBERG & STEIN, p.d.
1510 First Virginia Bank Tower
Post Office Box 3789
Norfolk, Virginia 23514

AW OFFICES
BERG & STEIN
FOLK, VIRGINIA

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Motion to Have Judgment Marked Satisfied and Notice was mailed this 13th day of July, 1979, to counsel of record for the plaintiff, as follows:

David H. Adams, Esquire
Taylor, Walker & Adams
Post Office Box 3668
Norfolk, Virginia 23514

Leslie A. Nicholson, Jr., Esquire
Shaw, Pittman, Potts & Trowbridge
1800 M Street
Washington, D. C. 20036.

Jerrold G. Weinberg

9/19/77

VIRGINIA: IN THE CIRCUIT COURT OF THE CITY OF VIRGINIA BEACH

B. F. SAUL REAL ESTATE INVESTMENT TRUST,	:	THIS 19 DAY OF Sept 1977
Plaintiff,	:	
vs.	:	LAW NO. L-4307
NORMAN D. GROH	:	
and	:	
BARBARA C. GROH,	:	
Defendants.	:	

JUDGMENT ORDER

THIS MATTER came on to be heard upon the Motion for Judgment filed herein, duly served on the defendants, the answers of the defendants and the evidence presented by Affidavit in open Court, and was argued by counsel; and

IT APPEARING TO THE COURT that the defendants, Norman D. Groh and Barbara C. Groh, did guarantee the payment to the plaintiff, B. F. Saul Real Estate Investment Trust, $1,712,986.98 of the unpaid principal balance of a Promissory Note dated December 15, 1972, as modified, and the said defendants did further guarantee to the plaintiff all accrued and unpaid interest in the amount of $630,986.08, and all expenses, including attorney's fees in the amount of $5,620.00 and costs; it is therefore,

ORDERED that the plaintiff, B. F. Saul Real Estate Investment Trust, be, and hereby is granted judgment against the defendants, jointly and severally, in the amount of $2,348,923.06, which judgment shall bear interest at the legal rate.

ENTER:

JUDGE

'LOR, WALKER,
ERNARD & ADAMS
NORFOLK, VIRGINIA
23514

I ask for this:

David H. Adams
TAYLOR, WALKER, BERNARD & ADAMS
P. O. Box 3434
Norfolk, Virginia

Leslie A. Nicholson, Jr.
SHAW, PITTMAN, POTTS & TROWBRIDGE
1800 M Street
Washington, D. C. 20036

A Copy Teste: John V. Fenwick, Clerk
By [illegible], D.C.

"Exhibit 1"

V I R G I N I A:

IN THE CIRCUIT COURT FOR THE CITY OF VIRGINIA BEACH

B. F. SAUL REAL ESTATE INVESTMENT TRUST 8401 Connecticut Avenue Chevy Chase, Maryland, Plaintiff, v. NORMAN D. GROH 1321 N. Bay Shore Dr. Virginia Beach, Virginia 23451 and BARBARA C. GROH 1321 N. Bay Shore Dr. Virginia Beach, Virginia Defendants.	)	AT LAW NO. L-4307

MOTION FOR JUDGMENT

1. Plaintiff is the B. F. Saul Real Estate Investment Trust, an unincorporated business trust organized under the laws of the District of Columbia, having its principal place of business at 8401 Connecticut Avenue, Chevy Chase, Maryland.

2. Defendant Norman D. Groh is a Virginia resident residing at 1321 N. Bay Shore Dr., Virginia Beach, Virginia. Defendant Barbara C. Groh is the wife of Norman D. Groh and is also a Virginia resident residing at 1321 N. Bay Shore Dr., Virginia Beach, Virginia.

3. Defendant Norman D. Groh is a general partner of Triangle Inn Associates, a Virginia limited partnership (hereinafter referred to as the "Partnership"). On December 15, 1972, Plaintiff made a loan to the Partnership in the principal sum of Seven Million Dollars ($7,000,000.00). This loan is evidenced by a Promissory Note date December 15, 1972 (hereinafter referred to as the "Promissory Note"), executed by Gerald L. Lavenstein, as general partner of the Partnership. A copy of the Promissory Note is attached hereto as Exhibit A and incorporated herein by reference. The Promissory Note is secured by a Deed of Trust dated December 15, 1972 from the Partnership to Alexandria National Bank, as Trustee, for the benefit of Plaintiff (hereinafter referred to as the "Deed of Trust"), recorded in the Land Records of the City of Norfolk, Virginia, in Deed Book 1238, at page 1. A copy of the Deed of Trust is attached hereto as Exhibit B and incorporated herein by reference.

4. In order to induce Plaintiff to make the loan evidenced by the Promissory Note and as additional consideration to Plaintiff for making said loan, Gerald L. Lavenstein and Defendants Norman D. Groh and Barbara C. Groh executed a Guaranty dated December 15, 1972 (hereinafter referred to as the "Guaranty"), whereby said guarantors, jointly and severally, guaranteed to Plaintiff the due and prompt payment of all indebtedness to Plaintiff under the Promissory Note. A copy of the Guaranty is attached hereto as Exhibit C and incorporated herein by reference.

5. On June 16, 1975, Plaintiff and the Partnership agreed to certain modifications of the terms of the Promissory Note and the Deed of Trust, as reflected in a Modification of Note Agreement and a First Supplement to Deed of Trust, copies of which are attached hereto as Exhibits D and E and incorporated herein by reference. Concurrently with said modification, Plaintiff agreed to release the Estate of Gerald L. Lavenstein from further liability under the Guaranty, as reflected in the Release, a copy of which is attached hereto as Exhibit F and incorporated herein by reference. Defendants consented to the modification of the Promissory Note and Deed of Trust and the release of the Estate of Gerald L. Lavenstein, as reflected in the Consent of Guarantors dated June 16, 1975, a copy of which is attached hereto as Exhibit G and incorporated herein by reference.

6. On March 8, 1976, Plaintiff and the Partnership agreed to certain additional modifications of the Promissory Note and Deed of Trust, as reflected in a Second Modification of Note Agreement and Second Supplement to Deed of Trust, copies of which are attached hereto as Exhibits H and I and incorporated herein by reference. Concurrently, Plaintiff and Defendants entered into a Modification of Guaranty and Consent of Guarantors, a copy of which is attached hereto as Exhibit J and incorporated herein by reference.

7. Said Modification of Guaranty and Consent of Guarantors provides, in part, as follows:

> GUARANTORS understand and agree that their liability in regard to the NOTE has been modified to the extent reflected in the terms of the Modification of Note Agreement dated March 8, 1976, except that SAUL agrees that GUARANTORS' obligations under the GUARANTY shall be fully satisfied when all of the indebtedness evidenced by the NOTE except for THREE MILLION ONE HUNDRED THOUSAND DOLLARS ($3,100,000.00) has been paid in full to SAUL or to the holder thereof.

8. The Partnership has defaulted and continues to be in default of its obligations under the Promissory Note, as so modified, and the Deed of Trust, as so modified, in at least the following respects:

A. The interest payments that were due and payable on March 15, 1976, April 15, 1976, June 15, 1976 and July 15, 1976 were not paid when due.

B. Real estate taxes assessed against the real property subject to the Deed of Trust have not been paid when due.

C. Escrow payments to the Plaintiff for taxes and insurance as required under the Deed of Trust have not been made.

D. Federal tax liens have been filed against the real property subject to the Deed of Trust.

9. As a result of defaults described above, Plaintiff declared the entire unpaid principal of the Promissory Note together with all accrued interest thereon to be due and payable. The Partnership and the Defendants were notified of such action by notice dated July 29, 1976 from counsel for Plaintiff, a copy of which is attached hereto as Exhibit K and incorporated herein by reference. Said notice demanded immediate and full payment of all sums owed by the Partnership to Plaintiff under the Promissory Note, as modified, and immediate payment of that portion of such indebtedness guaranteed by Defendants.

10. As of February 1, 1977, there remains outstanding under the Promissory Note, as modified, a total unpaid principal balance of Four Million Eight Hundred Twelve Thousand Nine Hundred Eighty-Six and 88/100 Dollars ($4,812,986.88), plus accrued and unpaid interest of Two Hundred Ninety Thousand Five Hundred Sixteen and 31/100 Dollars ($290,516.31). Interest is continuing to accrue on the unpaid principal balance of the Promissory Note, as modified, at the rate set forth therein.

11. Pursuant to the terms of the Guaranty, as modified, Defendants are indebted to Plaintiff for the following:

(a) One Million Seven Hundred Twelve Thousand Nine Hundred Eighty Six and 88/100 Dollars ($1,712,986.88) of the unpaid principal balance of the Promissory Note, as modified; plus

(b) all accrued and unpaid interest upon the entire unpaid principal balance of the Promissory Note, as modified; plus

(c) all expenses, including attorney's fees, incurred as a result of Defendants' failure to perform their obligations under the Guaranty, as modified. Plaintiff has been and continues to be damaged by Defendants' refusal and failure to pay the aforesaid amounts to Plaintiff.

WHEREFORE, Plaintiff prays for judgment against Defendants, jointly and severally, in an amount equal to One Million Seven Hundred Twelve Thousand Nine Hundred Eighty Six and 88/100 Dollars ($1,712,986.88), plus all accrued and unpaid interest upon the Promissory Note, as modified, to the date of judgment, together with all costs and expenses of Plaintiff's action, including reasonable attorney's fees, and such other and further relief as the Court may deem proper.

B. F. Saul Real Estate Investment Trust

By _____
Counsel

Taylor, Walker, Bernard & Adams
Post Office Box 3434
Norfolk, Virginia 23514

By _____
David H. Adams

and

Shaw, Pittman, Potts & Trowbridge
1800 M Street, N.W.
Washington, D.C. 20036

By _____
Leslie A. Nicholson, Jr.

PROMISSORY NOTE

Holiday Inn - Scope
(Norfolk, Virginia

December 15, 1972

$7,000,000.00 Norfolk, Virginia

FOR VALUE RECEIVED, the undersigned hereby promises to pay to the order of B. Francis Saul, II and Garland J. Bloom, Jr., Trustees, B. F. Saul Real Estate Investment Trust (with the right in either to act for both), at its main office, 8401 Connecticut Avenue, Chevy Chase, Maryland 20015, or at such other place or to such other party or parties as the holder of this note may from time to time designate, the principal sum of Seven Million Dollars ($7,000,000.00) or so much thereof as may be advanced with interest thereon computed from the date of each advance at the rate of ten percent (10%) per annum. Interest shall be computed by using the actual days the debt is outstanding, divided by 360 days and multiplied by the stated interest rate. Interest only in the amount of Fifty-Nine Thousand One Hundred Forty-Three and 58/100 Dollars ($59,143.58) shall be payable on the first day of each and every month, commencing on the first day of the month following the date hereof, and continuing until December 1, 1977, it being understood that any unpaid balance of principal and interest thereon shall become immediately due and payable on December 1, 1977.

EXHIBIT A

It is expressly understood and agreed that if default be made in the payment of any installment of principal or interest hereinbefore provided for, or should there be failure to comply with any one of the covenants, agreements or stipulations set forth herein or in the Deed of Trust securing this note, then and in that event the unpaid balance of the aforesaid principal sum, together with interest thereon, shall, at the option of the holder hereof, immediately become due and payable.

No privilege is reserved to prepay principal during the first 18 months from the date hereof. Beginning with the 19th month through the 24th month with sixty (60) days written notice and upon payment of a prepayment charge of One Hundred Forty Thousand Dollars ($140,000.00), privilege is reserved to pay the loan in full on any interest date. Beginning with the 25th through the 36th month, privilege is reserved to pay the loan in full on any interest date upon payment of a prepayment charge of Seventy Thousand Dollars ($70,000.00) and sixty (60) days written notice. Privilege is reserved to prepay principal beginning with the 37th month without penalty.

All prepayment charges due under this note shall be payable at the office of the B. F. Saul Real Estate Investment Trust, 8401 Connecticut Avenue, Chevy Chase, Maryland 20015, or at such place as the owner or holder thereof may in writing designate.

This note and the loan evidenced hereby shall be governed by the laws of the Commonwealth of Virginia.

This note is secured by a Deed of Trust from the undersigned and others to the Alexandria National Bank of Alexandria, Virginia, a national banking association, covering certain land located in the City of Norfolk, Virginia, as more particularly described in said Deed of Trust.

WITNESS the following signature and seal.

TRIANGLE INN ASSOCIATES

By _____

This is to certify that this is the Promissory Note described in a Deed of Trust on the property and to the Trustees set forth herein.

By _____

THIS DEED OF TRUST, Made this 15th day of December, 1972, by and between TRIANGLE INN ASSOCIATES, a Virginia limited partnership, hereinafter referred to as "Grantor", and ALEXANDRIA NATIONAL BANK, a national banking corporation located in Alexandria, Virginia, hereinafter referred to as "Trustee", for the benefit of B. FRANCIS SAUL, II and GARLAND J. BLOOM, JR., Trustees, B. F. SAUL REAL ESTATE INVESTMENT TRUST, hereinafter referred to as "Beneficiary".

WITNESSETH, that to secure the payment of an indebtedness in the sum of Seven Million Dollars ($7,000,000.00), lawful money of the United States, which Grantor hereby agrees to pay with interest thereon according to a certain note of Grantor bearing even date herewith or any other Note given in renewal or extension of the same.

ARTICLE I

GRANTOR

Grantor has granted, bargained, sold and conveyed, and by these presents does grant, bargain, sell and convey unto Trustee, its successor or successors in trust, the following property, estates, term of years, rights, privileges and franchises, to-wit:

SCHEDULE A

To have and to hold the above granted property with the appurtenances, unto Trustee, its successor or successors In Trust, forever.

PROVIDED ALWAYS, and these presents are upon this express condition, that if grantor, and the heirs, executors, administrators, successors, or assigns of grantor shall well and truly pay unto beneficiary, its successors or assigns, the sum of money mentioned in the note and the interest thereon, at the time and in the manner mentioned in the note, and shall well and truly abide by and comply with each and every covenant and condition set forth herein or in the note, then these presents and the estate hereby granted shall cease, determine and be void, provided, further, that until the happening of any occurrence or event which gives beneficiary the option to cause the entire indebtedness then secured by this deed of trust to become due and payable, grantor shall have the right to possess and enjoy the premises and to receive the rents, issues and profits thereof; and provided, further, that on full payment of the note and indebtedness secured by this deed of trust and all proper costs, charges, expenses, prepayment charges, commissions and half-commissions incurred at any time before the sale hereinafter provided for, trustees hereunder shall be entitled to a reasonable fee for the release and reconveyance of the premises unto and at the cost of grantor.

EXHIBIT B

ARTICLE 2

DEFINITIONS

2.1 Definitions.

Grantor, Trustee and Beneficiary agree that, unless the context otherwise specifies or requires, the following terms shall have the meanings herein specified such definitions to be applicable equally to the singular and the plural forms of such terms:

(a) Beneficiary - B. Francis Saul, II and Garland J. Bloom, Jr., Trustees, B. F. Saul Real Estate Investment Trust (with the right in either to act for both), whose address is 8401 Connecticut Avenue, Chevy Chase, Maryland 20015.

(b) Buildings - Any and all buildings, improvements, alterations or appurtenances now standing or at any time hereafter constructed or placed upon the land or any part thereof.

(c) Event(s) of Default - The happenings and occurrences described in Article 6 of this deed.

(d) Fixtures - All fixtures located upon or within the buildings or now or hereafter attached to, or installed in, or used in connection with any of the building and improvements, including, but not limited to, any and all partitions, dynamos, screens, awnings, motors, engines, boilers, furnaces, pipes, plumbing, elevators, cleaning, call and sprinkler systems, fire estinguishing apparatus and equipment, water tanks, heating, ventilating, air-conditioning and air-cooling equipment (including furnaces, heaters, boilers, plants, units, systems, condensers, compressors, motors, ducts and apparatus), built-in refrigerated rooms and gas and electric machinery, appurtenances and equipment.

(e) Grantor - Triangle Inn Associates, a Virginia limited partnership, and its successors and assigns and its successors in interest in and to the mortgaged property, whose address is Suite 400, 700 Monticello Avenue, Norfolk, Virginia 23510.

(f) Impositions - All real estate and personal property taxes and other taxes and assessments, including, but not limited to, water and sewer rates and charges, and all other governmental or non-governmental charges, including, but not limited to any other taxes, assessments, fees and governmental or non-governmental charges levied, imposed or assessed upon or against Grantor or any of its properties.

(g) Indebtedness - The principal of and/or interest on and all other amounts, payments and premiums due under the Note or any renewal or extension thereof and all other indebtedness of Grantor to Beneficiary under and/or secured by the security documents and/or otherwise.

(h) Land - The real estate, easements and rights described in Schedule A attached hereto.

(i) Leases - Any and all leases, subleases, licenses, concessions, or grants of other possessory interests now or hereafter in force, oral or written, covering or affecting the mortgaged property, or any part thereof.

(j) Mortgaged Property - The land and the buildings and the fixtures and the personalty, together with:

(i) all rights, privileges, tenements, hereditaments, rights-of-way, easements, appendages and appurtenances of the land and/or the buildings belonging or in anywise appertaining thereto, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by Grantor; all right, title and interest of Grantor in and to any streets, ways, alleys, strips or gores of land adjoining the land or any part thereof; and

(ii) all of Grantor's right, title and interest in and to any award or awards heretofore made or hereafter to be made by any municipal, state or federal authorities or boards to the present and all subsequent owners of the land and/or the buildings and/or the fixtures and/or the personalty, including any award or awards or settlements hereafter made resulting from condemnation proceedings or the taking of the land and/or the buildings and/or the fixtures and/or the personalty or any part thereof under the power of eminent domain or for any change or changes of grade of streets affecting the land and/or the buildings and/or the fixtures and/or the personalty; and

(iii) all the estate, right, title, interest, claim or demand whatsoever of Grantor, either at law or in equity, in and to the land and the buildings and the fixtures and the personalty.

(k) Note - The Deed of Trust Note, dated as of even date with this Deed, made by Grantor to the order of Beneficiary in the amount of Seven Million Dollars ($7,000,000.00) or any renewal or extension thereof secured by this Deed.

(l) Obligations - Any and all of the covenants, promises and other obligations (other than the indebtedness) made or owing by Grantor or others to or due to Beneficiary under and/or as set forth in the Note and/or the Security Documents and/or otherwise.

(m) Permitted Encumbrances - Easements, restrictions, zoning laws and ordinances, minor encroachments and other irregularities in title and other similar encumbrances which do not individually, or in the aggregate, materially detract from the value of the mortgaged property or impair the use thereof for the purposes intended or subject such use to the risk of being impaired. It being expressly understood that there is and will be a second deed of trust on all of the property granted herein, which deed of trust secures an indebtedness due to Great American Mortgage Investors, a Massachusetts business trust.

(n) Personalty - All of the right, title and interest of Grantor in and to all furniture, furnishings, equipment, machinery and all other personal property (other than fixtures) now or hereafter located in, upon or about the land and the buildings and as more specifically described in Schedule B attached hereto and made a part hereof. The enumeration of any specific article of personal property herein described shall not exclude any item of personal property not specifically mentioned. It being expressly understood that some of the personalty in or about the land and building has been leased from others and is expressly excluded herefrom.

(o) Rents - All of the rents, revenues, income, profits and other benefits arising from the use and enjoyment of all or any portion of the mortgaged property.

(p) Security Agreement - The Security Agreement contained in this Deed of Trust, wherein and whereby Grantor grants a security interest in the personalty and the fixtures to Beneficiary.

(q) Security Documents - This Deed, the Security Agreement and the Construction Loan Agreement, now or hereafter securing the payment of the indebtedness or the observance or performance of the obligations.

(r) Trustee or Trustees - Alexandria National Bank

(s) Guarantors - Gerald L. Lavenstein and wife
Norman D. Groh and wife

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

3. Representations and Warranties.

Grantor hereby represents and warrants to Beneficiary that:

3.1 Organization, Corporate Power, etc.

Grantor (a) is a Virginia limited partnership in good standing and has the power to own its properties and conduct its business as it is now doing and is in compliance with all laws, regulations, ordinances and other orders of public authorities applicable to it.

3.2 Validity of Loan Instruments.

(a) The execution, delivery and performance by Grantor of the Note and the Security Documents, and the borrowing evidenced by the Note, (i) are within the power of Grantor, (ii) have been duly authorized, (iii) have received all necessary governmental approval, and (iv) will not violate any provision of law, any order of any court or other agency of government, or any indenture, agreement or other instrument to which Grantor is a party or by which it or any of its property is bound or be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of its property or assets, except as contemplated by the provisions of the Security Documents; and (b) the Note and the Security Documents, when executed and delivered by Grantor, will constitute the legal, valid and binding obligations of Grantor and other obligors named therein, if any, in accordance with their respective terms.

3.3 Other Information.

All other information, reports, papers and data given to Beneficiary with respect to Grantor or to others obligated under the terms of the Security Documents are accurate and correct in all material respects and complete insofar as completeness may be necessary to give Beneficiary a true and accurate knowledge of the subject matter.

3.4 Mortgaged Property and Other Property.

Grantor has good and marketable title in fee simple to the land and buildings and good and marketable title to the fixtures and personalty, free and clear of any liens, charges, encumbrances, security interests and adverse claims whatsoever except the permitted encumbrances. It being expressly understood that some of the personalty in or about the land and buildings has been leased from others and is expressly excluded herefrom.

3.5 Taxes.

Grantor has filed all federal, state, county and municipal income tax returns required to have been filed by it and has paid all taxes which have become due pursuant to such returns or pursuant to any assessments received by it, and mortgagor does not know of any basis for additional assessment in respect of such taxes.

3.6 Litigation.

There is not now pending against or affecting Grantor, nor to the knowledge of Grantor, is there threatened, any action, suit or proceeding at law or in equity or by or before any administrative agency which, if adversely determined, would materially impair or affect its financial condition or operation.

ARTICLE 4

AFFIRMATIVE COVENANTS

4. Affirmative Covenants.

Until the entire indebtedness shall have been paid in full, Grantor hereby covenants and agrees as follows:

4.1 Existence of Entity.

Grantor will preserve and keep in full force and effect its existence as a valid Virginia limited partnership and its rights, franchises and trade names.

4.2 Compliance with Laws.

Grantor will promptly and faithfully comply with, conform to and obey all present and future laws, ordinances, rules, regulations and requirements of every duly constituted governmental authority or agency and of every Board of Fire Underwriters having jurisdiction, or similar body exercising similar functions, which may be applicable to it or to the mortgaged property, or any part thereof, or to the use or manner of use, occupancy, possession, operation, maintenance, alteration, repair or reconstruction of the mortgaged property, or any part thereof, whether or not such law, ordinance, rule, order, regulation or requirements shall necessitate structural changes or improvements or interfere with the use or enjoyment of the mortgaged property.

4.3 Payment of Impositions.

Grantor will duly pay and discharge, or cause to be paid and discharged, the impositions, such impositions or installments thereof, to be paid not later than due date thereof, or the day any fine, penalty, interest or cost may be added thereto or imposed by law for the non-payment thereof (if such day is used to determine the due date of the respective item); provided, however, that if, by law, any imposition may at the option of the taxpayer or other person obligated to pay it be paid in installments (whether or not interest shall accrue on the unpaid balance of such imposition) Grantor may exercise the option to pay the same in such installments.

4.4 Repair.

Grantor will keep the mortgaged property in good order and condition and make all necessary or appropriate repairs, replacements and renewals thereof and additions and betterments and improvements thereto, interior and exterior, structural and non-structural, ordinary and extraordinary, foreseen and unforeseen and use its best efforts to prevent any act or thing which might impair the value or usefulness of the mortgaged property or any part thereof.

4.5 Insurance.

Grantor shall keep the improvements now existing or hereafter erected on the premises insured as may be required from time to time by the Beneficiary against loss or damage by an abatement of rental income resulting from fire and such other hazards, casualties and contingencies (including but not limited to war risk insurance, if available) in such amounts and for such periods as reasonably may be required by the Beneficiary and will promptly pay when due any premiums on such insurance. All such insurance shall be carried in companies approved by the Beneficiary and the policies and renewals thereof shall be deposited with and held by the Beneficiary and have attached thereto standard non-contributing mortgagee clause (in favor of and entitling Beneficiary to collect any and all proceeds payable under such insurance), as well as standard waiver of subrogation endorsement, all to be in form acceptable to the Beneficiary. Grantor will not carry separate insurance concurrent in kind or form or contributing, in the event of loss, with any insurance required hereunder. In the event of a change in ownership of the premises (in its entirety) immediate notice thereof by mail shall be delivered to all insurers and in the event of loss, Grantor will give immediate notice to the Beneficiary. If any insurance policy be subject to

cancellation or be endorsed or sought to be endorsed to effect a change in coverage for any reason whatsoever, such insurer will promptly notify Beneficiary and such cancellation or change shall not be effective as to Beneficiary for thirty (30) days after receipt by Beneficiary of such notice Grantor hereby authorized Beneficiary to collect, adjust and compromise any losses under any of the insurance aforesaid and after deducting costs of collection to apply the proceeds at its option as follows: (a) As a credit, in the inverse order of maturity, upon the indebtedness secured hereby, or (b) To restoring the improvements, in which event Beneficiary shall not be obligated to see the proper application thereof nor shall the amount so released or used be deemed a payment on any indebtedness secured hereby, or (c) To deliver same to the owner of said premises. In the event of foreclosure of the Deed of Trust, or other transfer of title to the premises in extinguishment of the indebtedness secured hereby,all right, title and interest of the Grantor, in and to any insurance policies then in force, shall pass to the purchaser or Grantee. In the event of damage to the Mortgaged Property prior to disbursement of the full principal sum secured hereby no further disbursement shall be required until such damage is repaired or satisfactory arrangements made therefore. Beneficiary may, but shall not be obligated to, make premium payments to prevent such cancellation, and that such payments shall be accepted by the insurer. In addition, Grantor shall furnish to Beneficiary duplicate executed copies of each policy at the time of execution hereof, and copies of each renewal policy not less than thirty (30) days prior to the expiration of the original policy or the preceding renewal policy (as the case may be), together with receipts or other evidence that the premiums thereon have been paid; and furnish to Beneficiary on or before 120 days after the close of each fiscal year of Grantor a statement certified by a duly authorized officer of Grantor of the amounts of insurance maintained in compliance with this subsection of the risks covered by such insurance and of the insurance company or companies which carry such insurance. In addition, Grantor shall carry and maintain such liability and indemnity insurance as may be required from time to time by the Beneficiary. Certificates of such insurance, premiums prepaid, shall be deposited with the Beneficiary and shall contain provision for ten (10) days' prior notice to the Beneficiary prior to any cancellation thereof.

4.6 Restoration Following Casualty.

In the event of the happening of any casualty, or any kind of nature, ordinary or extraordinary, foreseen or unforeseen (including any casualty for which insurance was not obtained or obtainable), resulting in damage to or destruction of the Mortgaged Property or any part thereof, Grantor will give notice thereof to Beneficiary and if Beneficiary elects to apply the insurance proceeds to the restoration, as provided in section 4.5, repair and replacement of the Mortgaged Property, Grantor will promptly, at Grantor's sole cost and expense, whether or not the insurance proceeds, if any, shall be sufficient for the purpose, commence, and diligently continue, to restore, repair, replace, rebuild or alter the Mortgaged Property as nearly as possible to its value, condition and character immediately prior to such damage or destruction.

4.7 Performance of Other Agreements.

Grantor will not violate any of the terms, provisions, covenants, agreements or restrictions and will timely comply with, abide by and perform all of the terms, agreements, obligations, covenants, restrictions and warranties expressed as binding upon it under any lease, easement or other agreement to which it is or is not a party with respect to or affecting the mortgaged property or any part thereof including, without limiting the generality hereof, more particularly the following:

(a) That certain franchise and license agreement of Holiday Inns, Inc. dated and/or a commitment for a franchise and license agreement from Holiday Inns, Inc. dated .

(b) (Any management agreements and interest in store leases)

4.8 Inspection.

Grantor will permit Beneficiary at all reasonable times, to inspect mortgaged property.

4.9 Hold Harmless.

Grantor shall save the Beneficiary and the Trustee harmless from all costs and expenses including reasonable attorneys' fees and costs of a title search, continuation of abstract and preparation of survey, incurred by reason of any action, suit, proceeding, hearing, motion or application before any court or administrative body in and to which the Beneficiary or the Trustee may be or become a party by reason of this trust, including, but not limited to condemnation bankruptcy, and administration proceedings, as well as any other of the foregoing wherein proof of claim is by law required to be filed or in which it becomes necessary to defend or uphold the terms of this trust, and all money paid or expended by Beneficiary or Trustee in that regard, together with interest thereon from day of such payment at the rate set forth in said Notes shall be so much additional indebtedness secured hereby and, except as otherwise provided herein, shall be immediately and without notice due and payable by Grantor.

4.10 Contest of Tax Assessments, Etc.

After prior written notice to Beneficiary, in the case of any material item, Grantor at its own expense, may contest by appropriate legal proceedings, promptly initiated and conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of (a) any of the legal requirements referred to in Subsection 4.2, or (b) any imposition, provided that (i) in the case of any unpaid imposition, such proceedings shall suspend the collection thereof from Grantor and from the mortgaged property, (ii) neither the mortgaged property nor any part thereof or interest thereunder will be in danger of being sold, forfeited, terminated, cancelled or lost, (iii) Grantor shall have set aside adequate reserves with respect thereto, and (iv) Grantor shall have furnished such security as may be required in the proceedings or as may be reasonably requested by Beneficiary.

4.11 Grantor's Assent.

Upon the occurrence of any of the Events of Default, then upon any and every such default so made:

(a) The Trustee or substitute Trustee or Trustees shall have the power and duty to sell and in the event of default by any purchaser to resell the mortgaged property.

4.12 Tax and Insurance Escrow.

That Grantor will pay to the Beneficiary in addition to the monthly installments of principal and interest under the terms of the Note secured hereby and concurrently therewith, monthly until the said Note is paid, the following:

(a) A sum equal to all taxes, assessments, water charges and all other impositions next due on the premises described herein (all as estimated by the Beneficiary) plus the premiums that will next become due and payable on policies of fire, rental value and other insurance covering the said premises and required under the terms hereof, less all sums paid therefor, divided by the number of months to elapse before one month prior to the date when such taxes, assessments, charges, impositions and premiums shall be due and payable.

All such payments described in this paragraph shall be held by the Beneficiary secured by this Deed of Trust in trust but without accruing or without any obligation arising for the payment of interest thereon. All such payments shall be added together with the payments required to be made under the Note secured hereby and the aggregate amount thereof shall be paid by Grantor each month in a single payment to be applied by the Beneficiary to the following items in the order set forth: (i) ground rents (if any), taxes, assessments, charges, other public impositions, fire, rental value and other insurance premiums; (ii) interest on the Note secured hereby; (iii) amortization of the principal of the said Note. Any deficiency in the amount of any such aggregate monthly payment shall constitute an event of default hereunder and the whole of such principal sum shall immediately become due at the option of the Beneficiary. Any excess funds accumulated under paragraphs (a) above remaining after payment of the items therein described shall be credited to the subsequent monthly payments of the same nature required thereunder; but if any such item shall exceed the estimate therefor, Grantor shall, upon demand forthwith make good the deficiency. Failure to do so before the due date of such item shall be a default hereunder and the whole of the said principal sum shall immediately become due at the option of the Beneficiary. If the premises described herein are sold under foreclosure or are otherwise acquired by the Beneficiary after default, any remaining balance of the accumulations under subparagraph (a) above shall be credited to the principal secured hereby as of the date of the commencement of foreclosure proceedings or as of the date the title to the said property described herein shall be otherwise acquired.

4.13 Payment of Indebtedness.

Grantor covenants that it will duly pay and discharge the indebtedness in accordance with the terms and conditions of the security documents.

4.14 Maintenance of Books and Records.

That the Grantor and all subsequent owners of the mortgaged property shall keep and maintain full and correct books and records showing in detail the earnings and expenses of said premises and shall permit the Beneficiary or its representatives to examine such books and records and all supporting vouchers and data at any time and from time to time on request, at its offices, hereinbefore identified, or at such other location as may be mutually agreed upon; within ten (10) days after demand therefor, and, in any event, within sixty (60) days following the expiration of Grantor's first fiscal year and following the expiration of each fiscal year thereafter during the terms of this Deed of Trust, will furnish to the Beneficiary a statement

showing in detail all such earnings and expenses since the last such statement, verified by the affidavit of the Grantor or then owner, or if the same be a corporation, by an affidavit of its principal executive officer, and in the event that the owner shall refuse or fail to furnish any statement as afore-described, or in the event such statement shall be inaccurate or false, or in the event of the failure of the Grantor or any subsequent owner to permit the Beneficiary or its representative to inspect the said premises or the said books and records on request, Beneficiary may consider such acts of the Grantor as a default hereunder and proceed in accordance with the rights and remedies afforded it under the provisions of this instrument.

4.15 Further Assurances.

Grantor shall, upon five (5) days written notice from Beneficiary, execute and deliver such additional financing statements, deeds of trust, supplemental deeds of trust, or other security agreements which may from time to time be reasonably required to protect and preserve the security of the mortgaged property.

ARTICLE 5

NEGATIVE COVENANTS

5. Negative Covenants.

Until the Indebtedness shall have been paid in full, Grantor covenants and agrees as follows:

5.1 Use Violations Etc.

Grantor will not use the mortgaged property or any part thereof or allow the same to be used or occupied for any purpose other than as units and directly related purposes or for any unlawful purpose or in violation of regulation or any restrictions or reservations covering or affecting the use or occupancy thereof, or suffer any act to be done or any conditions to exist on the mortgaged property, or any part thereof or any article to be brought thereon, which may be dangerous, unless safeguarded as required by law, or which may, in law, constitute a nuisance, public or private, or which may make void or voidable any insurance then in force with respect thereto.

5.2 Alterations, Etc.

Grantor will not commit or knowingly permit any waste of the mortgaged property or any part thereof or make or permit to be made any alterations or additions of the mortgaged property which would have the effect of materially diminishing the value thereof.

5.3 Replacement of Fixtures and Personalty.

Grantor will not permit any of the fixtures or personalty to be removed at any time from the land and/or buildings, without the prior written consent of Beneficiary, unless actually replaced by an article of equal suitability and value, owned by Grantor, free and clear of any lien or security interest except such as may be approved in writing by Beneficiary.

5.4 Other Liens.

Grantor will not, without the prior written consent of Beneficiary, create or permit to be created or to remain, any mortgage, pledge, lien, lease, encumbrance or charge on, security interest in, or conditional sale or other title retention agreement, whether prior or subordinate to the liens of the security documents, with respect to the mortgaged property or any part thereof or income therefrom, other than the security documents, and the permitted encumbrances. It being expressly understood that there is and will be a second deed of trust on the mortgaged property from Grantor to Great American Mortgage Investors hereinbefore mentioned and certain personal property located on the land and in the buildings, which has been leased from others.

5.5 Mechanics Lien.

Grantor will not permit any mechanics lien to be filed against the mortgaged property or any part thereof and remain unsatisfied or not bonded so as to remove same, for a period of thirty (30) days after filing thereof.

5.6 No Transfer of Ownership.

Grantor covenants and agrees that it shall not, prior to the full payment and discharge of the indebtedness, convey or transfer ownership, in whole or in part, of the mortgaged property except as hereinafter provided, and any such transfer or conveyance shall constitute an event of default as hereinafter described in Article 6.

ARTICLE 6

EVENTS OF DEFAULT

6. Events of Default.

The term "Event(s) of Default" as used in the Security Documents and in the Note, shall mean the occurrence or happening, from time to time, of any one or more of the following:

6.1 Payment of Indebtedness.

If Grantor shall default in the due and punctual payment of all or any portion of any installment of the indebtedness as and when the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment or by acceleration or otherwise.

6.2 Performance of Obligations.

If Grantor shall default in the due observance or performance of any of the obligations other than payment of money and such default shall not be curable, or if curable shall continue for a period of thirty-days (30) grace after written notice thereof from the Beneficiary to Grantor (unless such default, if curable, requires work to be performed, acts to be done or conditions to be remedied which by their nature cannot be performed, done or remedied, as the case may be, within such thirty days (30) period and Grantor shall diligently and continuously process the same to completion.)

6.3 False Representation.

If any representation or warranty made by Grantor or others in, under or pursuant to the Note or the Security Documents shall prove to have been false or misleading in any material respect as of the date on which such representation or warranty was made.

6.4 Judgment.

If a final judgment for the payment of money in excess of Twenty-five Thousand Dollars ($25,000.00) shall be rendered against Grantor and the same shall remain undischarged for a period of thirty-days (30) during which period execution shall not be effectively stayed.

6.5 Voluntary and Involuntary Bankruptcy, Etc.

a. If Grantor shall (a) voluntarily be adjudicated a bankrupt or insolvent, (b) seek or consent to the appointment of a receiver or trustee for itself or for all or any part of its property, (c) file a petition seeking relief under the bankruptcy or similar laws of the United States or any state or any other competent jurisdiction, (d) make a general assignment for the benefit of creditors, or (e) admit in writing its inability to pay its debts as they mature.

b. If a court of competent jurisdiction shall enter an order, judgment or decree appointing, without the consent of Grantor, a receiver or trustee for it or for all or any part of its property or approving a petition filed against it seeking relief under the bankruptcy or other similar laws of the United States or any state or other competent jurisdiction and such order judgment or decree shall remain in force undischarged or unstaved for a period of thirty (30) days.

6.6 Taxation of Mortgage.

In the event of the passage, after the date of this Deed of Trust, of any law of the State of Virginia, deducting from the value of land for the purposes of taxation of any lien thereon, or changing in any way the laws for the taxation of mortgages or deeds of trust or debts secured by mortgage or deed of trust for state or local purposes, or the manner of the collection of any such taxes so as to affect this Deed of Trust, or upon the rendition by any court of competent jurisdiction of a decision that any undertaking by Grantor as in this paragraph provided, is legally inoperative, or if the United States Government or any state, county, municipal or other governmental subdivision shall require internal revenue or other documentary stamps hereon or on the Notes secured by this Deed of Trust, or either of them.

6.7 Foreclosure of Other Liens.

If the holder of a junior, subordinated or senior mortgage, deed of trust or other lien on the mortgaged property (without hereby implying Beneficiary's consent to any such junior, subordinated or senior mortgage, deed of trust or other lien) institutes foreclosure or other proceedings for the enforcement of its remedies thereunder.

6.8 Cancellation of Franchise Agreement.

If the franchise or license agreement for Holiday Inns, Inc. is cancelled or otherwise terminated.

ARTICLE 7

DEFAULT AND FORECLOSURE

7.1 Remedies.

If an Event of Default shall occur, Beneficiary may, at its option, exercise any or all of the following remedies:

7.1.1 Acceleration. Declare the unpaid portion of the Indebtedness to be immediately due and payable, without further notice or demand (each of which hereby is expressly, waived by Grantor,) whereupon the same shall become immediately due and payable.

7.1.2 Entry on Mortgaged Property. Enter unto the Mortgaged Property and take possession thereof and of all books, records and accounts relating thereto.

7.1.3 Operation of Mortgaged Property. Enter and take possession of the premises and may exclude Grantor, its agents, and servants, wholly therefrom, having and holding the same, may use, operate, manage and control the premises or any part thereof, and upon every such entry the Beneficiary, at the expense of the premises, from time to time may make all necessary or proper repairs, renewals, replacements and useful or required alterations, additions, betterments, and improvements to and upon the premises as to it may seem judicious and pay all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to its agents, servants, attorneys and counsel, and any taxes, assessments and other charges prior to the lien of this Deed of Trust which the Beneficiary may deem it wise to pay, and in such case the Beneficiary shall have the right to manage the premises and to carry on the business and exercise all rights and powers of Grantor, either in the name of Grantor, or otherwise, as the Beneficiary shall deem advisable, and Beneficiary shall be entitled to collect and receive all earnings, revenues, rents, issues, profits and other income thereof and therefrom. After deducting the expenses of operating the premises and of conducting the business thereof, and of all repairs, maintenance, renewals replacements alterations, additions, betterments, improvements and all payments which it may be required or may elect to make for taxes, assessments, or other proper charges on the premises, or any part thereof, as well as just and reasonable compensation for all agents, clerks and other employees and for all attorneys and counsel engaged and employed, the monies arising as aforesaid shall be applied to the indebtedness secured hereby. Whenever all that is due upon the principal of and interest on the Notes and under any of the terms of this Deed of Trust shall have been paid and all defaults made good, the Beneficiary shall surrender possession to Grantor. The same right to entry, however, shall exist if any subsequent Event of Default shall happen.

7.1.4 Foreclosure and Private Sale. Sell the Mortgaged Property, in whole or in part and in the case of default of any purchaser or purchasers shall resell all the premises as an entirety, or in such parcels as the Beneficiary shall in writing request, or, in the absence of such request, as the Trustees may determine, at public auction at some convenient place in the jurisdiction where the premises are situate, or in such other place or places as may be permitted by law, at such time, in such manner and upon such terms as the Trustees may fix and briefly specify in the notice of sale, which notice of sale shall state the time when, and the place where, the same is to be made, shall contain a brief general description of the premises to be sold, and shall be sufficiently given if published in at least one newspaper printed in the English language and customarily published in the place or places where such sale is to take place in such manner and at such time or times as may be required by law and

the Beneficiary and the Trustees shall cause further public advertisement to be made as they deem advisable, and any such sale may be adjourned by the Trustees by announcement at the time and place appointed for such sale or for such adjourned sale or sales, and, without further notice or publication, such sale may be made at the time and place to which the same shall be so adjourned. Upon the completion of any sale, the Trustees shall execute and deliver to the purchaser or purchasers a good and sufficient deed of conveyance or assignment and transfer, lawfully conveying, assigning and transferring the property sold. The receipt of the Trustees after payment to them of such purchase money, shall be full and sufficient discharge of any purchaser or purchasers of the premises, sold as aforesaid for the purchase money; and no such purchaser, or his representatives, grantees, or assigns, after paying such purchase money and receiving such receipt, shall be bound to see to the application of such purchase money.

7.1.5 Commissions and Release Fees. Upon foreclosure, Trustee shall be entitled to retain as compensation equal to 5% of the proceeds of sale on foreclosure. Trustee shall be entitled to receive not more than $7.50 for each Deed of Release executed.

7.1.6 Commissions Upon Advertisement. Immediately upon the first insertion of an advertisement of any sale of the premises, or any part thereof under this Deed of Trust, there shall be and become due and owing by Grantor, a commission on the total amount of the indebtedness hereby secured equal to one-half (1/2) the percentage allowed on commissions to trustees making sales under orders or decrees of any court having jurisdiction, and the Beneficiary shall not be required to receive the principal and interest only of the said indebtedness hereby secured in satisfaction thereof but said sale may be proceeded with unless, prior to the day appointed therefor, tender is made of said principal, interest, commissions and all expenses and costs incident to such sale.

7.1.7 Other.

Exercise any other remedy specifically granted under the Security Documents or now or hereafter existing in equity, at law, by virtue of statute or otherwise.

7.2 Separate Sales.

Any real estate or any interest therein sold pursuant to any writ of execution issued on a judgment obtained by virtue of the Note or this Deed or the other Security Documents, or pursuant to any other judicial proceedings under this Deed or the other Security Documents, may be sold in one parcel, as an entirety, or in such parcels, and in such manner or order as Beneficiary, in its sole discretion, may elect.

7.3 Remedies Cumulative and Concurrent.

The rights and remedies of Beneficiary as provided in the Note and in the Security Documents shall be cumulative and concurrent and may be pursued separately, successively or together against Grantor or against other obligors or against the Mortgaged Property, or any one or more of them, at the sole discretion of Beneficiary and may be exercised as often as occasion therefor shall arise. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

7.4 Strict Performance.

Any failure by Beneficiary to insist upon strict performance by Grantor of any of the terms and provisions of the Security Documents or of the Note shall not be deemed to be a waiver of any of the terms or provisions of the Security Documents of the Note, and Beneficiary shall have the right thereafter to insist upon strict performance by Grantor of any and all of them. Failure of the Beneficiary to exercise the option for acceleration of maturity and/or foreclosure following any default as aforesaid or to exercise any other option granted to the Beneficiary hereunder in any one or more instances, or the acceptance by Beneficiary of partial payments hereunder shall not constitute a waiver of any such default, but such option shall remain continuously in force. Acceleration of maturity, once claimed hereunder by Beneficiary may at the option of Beneficiary be rescinded by written acknowledgment to that effect by the Beneficiary but the tender and acceptance of partial payment alone shall not in any way affect or rescind such acceleration of maturity.

7.5 No Conditions Precedent to Exercise of Remedies.

Neither Grantor nor any other person now or hereafter obligated for payment of all or any part of the Indebtedness shall be relieved of such obligation by reason of the failure of Beneficiary to comply with any request of Grantor or of any other person so obligated to take action to foreclose on this Deed or otherwise enforce any provisions of the Security Documents or the Note, or by reason of the release, regardless of consideration, of all or any part of the security held for the Indebtedness, or by reason of any agreement of stipulation between any subsequent owner of the Mortgaged Property and Beneficiary extending the time of payment or modifying the terms of the Security Documents or Note without first having obtained the consent of Grantor or such other persons; and in the latter event, Grantor and all other such persons shall continue to be liable to make payment according to the terms of any such extension or modification agreement, unless expressly released and discharged in writing by Beneficiary.

7.6 Release of Collateral.

Beneficiary may release, regardless of consideration, any part of the security held for the Indebtedness or Obligations without, as to the remainder of the security in any way impairing or affecting the liens of the Security Documents or their priority over any subordinate lien.

7.7 Other Collateral.

For payment of the Indebtedness, Beneficiary may resort to any other security therefor held by Beneficiary in such order and manner as Beneficiary may elect.

7.8 Waiver of Redemption, Notice, Marshalling, Etc.

Grantor hereby waives and releases: (a) all benefit that might accrue to Grantor by virtue of any present or future law exempting the Mortgaged Property, or any part of the proceeds arisin from any sale thereof, from attachment, levy or sale on execution, or providing for any appraisement, valuation, stay of execution, exempting from civil process, redemption or extension of time for payment, and (b) unless specifically required herein, all notices of Grantor's default or of Beneficiary's election to exercise, or Beneficiary's actual exercise, of any option or remedy under the Note or the Security Documents, and (c) any right to have the Mortgaged Property marshalled.

7.9 Discontinuance of Proceedings.

In case Beneficiary shall have proceeded to enforce any right under the Note or the Security Documents and such proceedings shall have been discontinued or abandoned for any reason, then in every such case Grantor and Beneficiary shall be restored to their former positions and the rights, remedies and powers of Beneficiary shall continue as if no such proceedings had been taken.

7.10 Application of Proceeds.

The proceeds of any sale of all or any portion of the Mortgaged Property and the earnings of any holding, leasing, operati or other use of the Mortgaged Property shall be applied by Beneficiary in the following order:

(a) Firstly, to pay all proper costs, charges, attorneys' fees and expenses, including the fees and costs herein provided, for, and to pay or repay to the Trustee or Beneficiary all monies advanced by them or either of them for taxes, insurance and assessments, or otherwise, with interest thereon as provided herein, and to pay all taxes, general and special, due upon said premises at the time of sale, and to pay any other liens prior to the lien of this Deed of Trust unless said sale is made subject to such tax or other lien and to pay a commission to the person or persons making the sale in the amount of five (5%) percent of the proceeds and avails of such sale or in an amount equal to the commission allowed trustees for making sales of property under decrees of the court having jurisdiction whichever is greater; and

(b) Secondly, to pay whatever may then remain unpaid on account of the Indebtedness and the interest thereon to the day of payment, whether the same shall be due or not, it being agreed that said Notes shall, upon such sale being made before the maturity of said Notes, be and become immediately due and payable at the election of the Beneficiary and to pay all of the indebtedness and any other sums secured hereby ; and

(c) Thirdly, to pay the remainder of said proceeds, if any, less the expense if any, of obtaining possession, to said Grantor or other party lawfully entitled to receive the same, upon the delivery and surrender of possession of the premises aforedescribed sold and conveyed and delivery of all records, books bank accounts leases, agreements, security deposits of the leases and all material relating to the operation of said premises to the said purchaser or purchasers.

Beneficiary shall account to Grantor for any surplus, and Grantor shall be liable to Beneficiary for any deficiency.

7.11 Tender of Payment in Default.

Upon any default by Grantor and following the acceleration of maturity as herein provided, a tender of payment of the amount necessary to satisfy the entire indebtedness secured hereby made at any time prior to foreclosure sale (including sale under power of sale) by the Grantor, their successors or assigns or by anyone in behalf of the Grantor, their heirs, successors or assigns, shall constitute an evasion of the prepayment terms hereunder and be deemed to be a voluntary prepayment thereunder and any such payment to the extent permitted by law, will, therefore, include the premium required under the prepayment privilege, if any, contained in the Note secured hereby or if at that time there be no prepayment privilege then such payment, will to the extent permitted by law, include a premium of five (5%) percent of the then principal balance.

ARTICLE 8

CONDEMNATION

8.1 Condemnation.

Grantor shall give Beneficiary immediate notice of the actual or threatened commencement or any proceedings under eminent domain affecting all or any part of the Mortgaged Property or any easement therein or appurtenance thereof, including severance and consequential damage and change in grade of streets, and will deliver to Beneficiary copies of any and all papers served in connection with any such proceedings. Grantor hereby assigns, transfers and sets over to Beneficiary all rights of Grantor to any award or payment in respect to (a) any taking of all or a portion of the Mortgaged Property as a result of, or by agreement in anticipation of the exercise of the right of condemnation or eminent domain; (b) any such taking of any appurtenances to the Mortgaged Property or of vaults, areas or projections outside the boundaries of the Mortgaged Property, or rights in, under or above the alleys, streets or avenues adjoining the Mortgaged Property, or rights and benefits of light, air, view or access to said alleys, streets or avenues, or for the taking of space or rights therein, below the level of, or above the Mortgaged Property; and (c) damage to the Mortgaged Property or any part thereof due to governmental action, but not resulting in, a taking of any portion of the Mortgaged Property, such as, without limitation the changing of the grade of any street adjacent to the Mortgaged Property. Grantor hereby agrees to file and prosecute its claim or claims for any such awards or payment in good faith and with due diligence and cause the same to be collected and paid over to Beneficiary and hereby irrevocably authorizes and empowers Beneficiary in the name of Grantor or otherwise, to collect and receipt for any such award or payment and, in the event Grantor fails to act, or in the event that an Event of Default has occurred and is continuing to file and prosecute such claim or claims.

8.2 Application of Proceeds.

All proceeds received by Beneficiary with respect to taking of all or any part of the Mortgaged Property or with respect to damage to all or any part of the Mortgaged Property, from governmental action not resulting in a taking of the Mortgaged Property, shall be applied as follows, in the order of priority indicated: (a) to reimburse Beneficiary for all costs and expenses, including reasonable attorneys' fees, incurred in connection with collecting the said proceeds; (b) to the payment of accrued and unpaid interest on the Note; (c) to the prepayment of the unpaid principal of the Note, without premium; and (d) to the payment of the balance of the Indebtedness, and the balance, if any, will be paid to Grantor, provided that if such taking or damage will not in the reasonable opinion of Beneficiary materially affect the value of the Mortgaged Property, Beneficiary may disburse the proceeds of such taking or damage to Grantor, provided that Beneficiary shall have the option to specify the manner in which such proceeds shall be disbursed by Grantor and such release of such proceeds to Grantor shall not affect the lien hereof or reduce the amount of the Indebtedness.

ARTICLE 9

ASSIGNMENT OF LEASES AND RENTS

9.1 Assignment.

In order to further secure the payment of the Indebtedness and observance, performance and discharge of the Obligations, Grantor hereby sells, assigns, transfers and sets over to Beneficiar all of Grantor's right, title and interest in, to and under the Leases and in and to the Rents.

9.2 Performance Under Leases.

Grantor, will at its cost and expense, perform and discharge or cause to be performed and discharged, all of the obligations and undertakings of Grantor or its agents under the Leases, and will use its best efforts to enforce or secure, or cause to be enforced or secured, the performance of each and every obligation and undertaking of the respective tenants under the Leases, and will appear in and defend at its cost and expense, any action or proceeding arising under or in any manner connected with the Leases or the obligations and undertakings of any tenant thereunder.

9.3 No Third Party Assignments.

Grantor shall not assign or otherwise encumber future rental payments under the Leases or in and to the Rents to third parties.

ARTICLE 10

MISCELLANEOUS

10.1 Loan Expenses.

Grantor shall pay all costs and expenses in connection with the preparation, execution, delivery and performance of the Security Documents, including (but not limited to) fees and disbursements of its and Beneficiary's counsel, broker's fees, recording costs and expenses, stamp and other taxes, surveys, appraisals and policies of title insurance, physical damage insurance and liability insurance.

10.2 No Representation by Beneficiary.

By accepting or approving anything required to be observed, performed or fulfilled or to be given to Beneficiary pursuant to the Security Documents, including (but not limited to) any officer's certificate, balance sheet, statement of profit and loss or other financial statement, survey, appraisal or insurance policy. Beneficiary shall not be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance or approval thereof shall not be or constitute any warranty or representation with respect thereto by Beneficiary.

10.3 Notice.

All notices, demands, requests and other communications required under the Security Documents and the Note shall be in writing and shall be deemed to have been properly given if sent by United States first class mail, postage prepaid, addressed to the party for whom it is intended at its address set forth in the Definitions hereof. Any party may designate a change of address by written notice to the others, given at least ten (10) days before such change of address is to become effective.

10.4 Beneficiary's Right to Perform the Obligations.

If Grantor shall fail to make any payment or perform any act required by the Note or the Security Documents, then, at any time thereafter, with notice as herein provided to or demand upon Grantor and without waiving or releasing any obligation or default, Beneficiary may make such payment or perform such act for the account of and at the expense of Grantor and shall have the right to enter the Land and/or Buildings for such purpose and to take all such action thereon and with respect to the Mortgaged Property as may be necessary or appropriate for such purpose. All sums so paid by Beneficiary and all costs and expenses, including, without limitation, reasonable attorneys' fees and expenses so incurred together with interest thereon at a rate of not less than twelve percent (12%) per annum, from the date of payment or incurring, shall constitute additional indebtedness secured by the Security Documents, and shall be paid by Grantor to Beneficiary on demand. If Beneficiary shall elect to pay any Imposition, Beneficiary may do so ten (10) days after written notice of such election by Beneficiary is given to Grantor and in reliance on any bill, statement or assessment procured from the appropriate public or non-public office, without inquiring into the accuracy thereof or into the validity of such Imposition. Similarly, in making any payments to protect the security intended to be created by the Security Documents, Beneficiary shall not be bound to inquire into the validity of any apparent or threatened adverse title, lien, encumbrance, claim or charge before making an advance for the purpose of preventing or removing the same; provided that such payment shall not be made until ten (10) days after written notice of the intent to make such payment is given to Grantor. Grantor shall indemnify Beneficiary for all losses and expenses, including reasonable attorneys' fees, incurred by reason of any acts performed by Beneficiary pursuant to the provisions of this Subsection or by reason of the Security Documents, and any funds expended by Beneficiary to which it shall be entitled to be indemnified, together with interest thereon at a rate of not less than twelve percent (12%) per annum from the date of such expenditures, shall constitute additions to the Indebtedness and shall be secured by the Security Documents and shall be paid by Grantor to Beneficiary upon demand.

10.5 Covenants Running with the Land.

All covenants contained in the Security Documents shall run with the Mortgaged Property.

10.6 Successors and Assigns.

All of the terms of the Security Documents shall apply to and be binding upon and inure to the benefit of, the successors and assigns of Grantor and Beneficiary respectively, and all persons claiming under or through them.

10.7 Severability.

In case any one or more of the Obligations shall be invalid, illegal or unenforceable in any respect, the validity of the remaining Obligations shall be in no way affected, prejudiced or disturbed thereby.

10.8 Modification.

The Security Documents and the terms of each and all of them may not be changed, waived, discharged or terminated orally but only by an instrument or instruments in writing, signed by the party against which enforcement of the change, waiver, discharge or termination is asserted.

10.9 Counterparts.

This Deed may be executed in any number of counterparts, each of which shall be original but all of which together will constitute one instrument.

10.10 Applicable Law.

The Security Documents and Note shall be governed by and construed according to the laws of the State of Virginia.

10.11 No Release In Default.

No partial release of the premises herein described shall be sought or requested to be executed at any time when there shall be any default or delinquency by the Grantor in any material term, provision, covenant or condition hereof or of the Note secured hereby.

10.12 Saving Clause.

If any clauses or provisions herein contained operate or would prospectively operate to invalidate this Deed of Trust in whole or in part, then such clauses and provisions only shall be held for naught, as though not herein contained, and the remainder of this Deed of Trust shall remain operative and in full force and effect.

10.13 Headings.

The Article headings and the Section and Subsection entitlements hereof are inserted for convenience of reference only and shall in no way alter or modify the text of such Articles, Sections and Subsections.

10.14 Successor Trustee.

At the option of the Beneficiary, with or without any reason, a successor substitute Trustee or Trustees may be appointed by the Beneficiary without any formality other than a designation in writing of a successor or substitute.

10.15 Beneficiary's Responsibility.

Any agreement, obligation or liability made, entered into or incurred herein by or on behalf of B. F. Saul Real Estate Investment Trust binds only its trust property, and no shareholder, trustee, officer or agent of the Trust assumes or shall be held to any liability therefor.

10.16 No Personal Liability of Grantor.

It is understood and agreed that any proceedings for the enforcement of the indebtedness secured hereby, the Benficiary waives any right of collection beyond the proceeds of the security for said Indebtedness. Nothing in this paragraph contained, however, shall in any way limit or impair any obligation hereafter incurred by any person, by the execution of any Guaranty Agreement or collateral obligation affecting this Deed of Trust or said Note.

IN WITNESS WHEREOF, TRIANGLE INN ASSOCIATES has caused these presents to be executed in its name by Gerald L. Lavenstein and Norman D. Groh as general partners, all as of the day and year first above written.

ATTEST: TRIANGLE INN ASSOCIATES

Norman D. Groh Gerald L. Lavenstein

(General Partners)

STATE OF VIRGINIA,
CITY OF NORFOLK, to-wit:

I, Peggy Ann Fitzpatrick, a notary public for the City and State aforesaid, do certify that GERALD L. LAVENSTEIN, whose name is signed to the writing annexed, bearing date on the 15th day of December, 1972, has acknowledged the same before me in my City and State aforesaid and acknowledged that he executed the same under seal as a General Partner of Triangle Inn Associates.

GIVEN under my hand and official seal this 15th day of December, 1972.

My term of office expires on the 24th day of February, 1974.

Notary Public

STATE OF VIRGINIA,
CITY OF NORFOLK, to-wit:

I, [illegible], a Notary Public for the City and State aforesaid, do certify that NORMAN D. GROH, whose name is signed to the writing annexed, bearing date on the 15th day of December, 1972, has acknowledged the same before me in my City and State aforesaid and acknowledged that he executed the same under seal as a General Partner of Triangle Inn Associates.

GIVEN under my hand and official seal this 19th day of December 1972.

My term of office expires on the 24th day of February 1974.

Notary Public

SCHEDULE A

LEGAL DESCRIPTION OF PROPERTY KNOWN AS

HOLIDAY INN - SCOPE
NORFOLK, VIRGINIA

All that certain piece or parcel of land, with the improvements thereon, situate in the City of Norfolk, State of Virginia, as shown on a certain plat entitled "Survey of Property for Norfolk Redevelopment and Housing Authority", dated December 1958, made by Frank D. Tarrall, Jr. & Associates and recorded in the Clerk's Office of the Corporation Court of the City of Norfolk, Virginia, in Map Book 17, at page 109; said parcel of land, triangular in shape, being bounded on the north by East Olney Road, on the east by Bank Street, on the south by East Brambleton Avenue, and on the west by Monticello Avenue as the same are laid out and established on said plat, and being more particularly described with reference to said plat as follows:

BEGINNING at the southeastern intersection of Monticello Avenue and East Olney Road and running thence S. 76° 58' 48" E. and along the southern line of East Olney Road 145.97 feet to a point of curve at the southwestern corner of East Olney Road and Bank Street; thence southeastwardly along a curve to the right of the radius of which is 50 feet, an arc distance of 50.50 feet, to the western line of Bank Street; thence southwardly along the western line of Bank Street which follows the arc of a curve to the right, the radius of which is 1,596.33 feet, a distance of 628.68 feet to a point of curve at the northwest corner of East Brambleton Avenue and Bank Street; thence southwestwardly along a curve to the right, the radius of which is 29.29 feet, an arc distance of 48.76 feet to the northern line of Brambleton Avenue; thence N. 81° 09' 38" W. and along the new northern line of East Brambleton Avenue 414.43 feet to a point of curve at the northeastern corner of East Brambleton and Monticello Avenues; thence northeastwardly along a curve to the right, the radius of which is 40 feet, an arc distance of 69.02 feet to the eastern line of Monticello Avenue; thence N. 22° 42' 27" E. along the eastern line of Monticello Avenue 199.41 feet to the point of curve; thence continuing along the eastern line of Monticello Avenue which follows the arc of a curve to the left, the radius of which is 1,226.68 feet, a distance of 112.75 feet to a point; and thence continuing along the eastern line of Monticello Avenue N. 17° 26' 28" E. 317.36 feet to the southern line of East Olney Road, at the point of beginning.

VIRGINIA:

In the Clerk's Office of the Corporation Court of the City of Norfolk, on the 22nd day of December 1972 at 11:55 A.M.

This Deed, initial Schedule A attached was this day received and upon certificate of acknowledgment, thereto annexed, admitted to record.

TESTE: KATHERINE V. RESPESS, Clerk

By Thelma R. Price D.C.

Admitted to record 22nd day of Dec. 1972

Recorded in Deed Book 1258, Page

KATHERINE V. RESPESS, Clerk

By Thelma R. Price D.C.

10523

December 15, 1972

Gerald L. Gamerstein, trs

TRIANGLE INN ASSOCIATES, a Virginia limited partnership,

Norman B. Krop, trs

to

ALEXANDRIA NATIONAL BANK, a national banking corporation,

for benefit of

B. FRANCIS SAUL, II and GARLAND J. BLOOM, JR., Trustees, B. F. SAUL REAL ESTATE INVESTMENT TRUST

DEED OF TRUST

ST. TAX	10,500.00
LOC. TAX	3500.00
	14,000.00
Record	77.00
	14,077.00

RET TO

WILCOX, SAVAGE, LAWRENCE, DICKSON & SPINDLE
ATTORNEYS AT LAW

44

GUARANTY

In consideration of B. FRANCIS SAUL, II and GARLAND J. BLOOM, JR., Trustees, B.F. SAUL REAL ESTATE INVESTMENT TRUST (with the right in either to act for both), ...making a loan to TRIANGLE INN ASSOCIATES (hereinafter called Borrower) , a Virginia Limited Partnership , in the amount of Seven Million Dollars ($7,000,000.00)

as evidenced by that certain Promissory Note executed by said partnership under the date of , 19 , and payable to the order of B. FRANCIS SAUL, II and GARLAND J. BLOOM, JR., Trustees, B.F. SAUL REAL ESTATE INVESTMENT TRUST (with the right in either to act for both) (hereinafter called "Lender") this day of , 19 , we the undersigned, hereinafter called "Guarantors", jointly and severally unconditionally guarantee the payment in full of said Note, together with interest thereon, and any and all costs incurred, including reasonable attorneys' fees which may be incurred in enforcing the payment of said Note, or the obligation of the Guarantors hereunder.

The obligations hereunder are joint and several and independent of the obligations of Triangle Inn Associates , a Virginia Limited Partnership , and a separate action or actions may be brought and prosecuted against any one or more of Guarantors, whether or not action is brought against Borrower or other Guarantors or whether or not Borrower or other Guarantors be joined in such action or actions.

Guarantors authorize Lender, without notice or demand and without affecting their liability hereunder, from time to time to (a) renew, compromise, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of the indebtedness or any part thereof, including increase or decrease of the

EXHIBIT C

rate of interest thereon; and (b) release or substitute any one or more of the endorsers, or guarantors. Lender may without notice assign this guaranty in whole or in part.

Guarantors waive any right to require Lender to (a) proceed against Borrower; (b) proceed against or exhaust any security held from Borrower; or (c) pursue any other remedy in Lender's power whatsoever. Guarantors waive any defense arising by reason of any disability or other defense of Borrower or by reason of the cessation from any cause whatsoever of the liability of Borrower. Until all indebtedness of Borrower to Lender shall have been paid in full, even though such indebtedness is in excess of Guarantors' liability hereunder, Guarantors shall have no right of subrogation, and waive any right to enforce any remedy which Lender now has or may hereafter have against Borrower, and waive any benefit of, and any right to participate in any security now or hereafter held by Lender. Guarantors waive all presentments, demands for performance, notices of non-performance, protests, notices of protest, notices of dishonor, and notices of acceptance of this guaranty and of the existence, creation, or incurring of new or additional indebtedness.

In addition to all liens upon, and rights of setoff against the money, securities or other property of Guarantors given to Lender by law, Lender shall have a lien upon and a right of setoff against all money, securities and other property of Guarantors now or hereafter in the possession of or on deposit with Lender, whether held in a general or special account or deposit, or for safe-keeping or otherwise; and every such lien and right of setoff may be exercised without demand upon or notice to Guarantors. No lien or right of setoff shall be deemed to have been waived by any act or conduct on the part of Lender, or by any neglect to exercise such right of setoff or to enforce such lien, or by any delay in so doing, and every right of setoff and lien shall continue in full force and effect until such right of setoff or lien is specifically waived or released by an instrument in writing executed by Lender.

Any indebtedness of Borrower now or hereafter owed to or held by Guarantors is hereby subordinated to the indebtedness of Borrower to Lender; and such indebtedness of Borrower to Guarantors if Lender so requests shall be collected, enforced and received by Guarantors as trustees for Lender and be paid over to Lender on account of the indebtedness of Borrower to Lender but without reducing or affecting in any manner the liability of Guarantors under the other provisions of this Guaranty.

At the option of the Lender and with or without demand or notice all or any part of the indebtedness and all or any part of Guarantors' obligations hereunder shall become due and payable immediately irrespective of any agreed maturity upon the happening of one or more of the following events: (1) failure of Borrower or of Guarantors to perform any obligation hereunder or with respect to said indebtedness, (2) default in the payment of any principal or interest of the indebtedness when due, (3) the levy of any attachment, execution or other process against Borrower or Guarantors or any security or collateral or any part thereof, (4) the insolvency, failure in business or appointment of a receiver of the business or property of or the commission of an act of bankruptcy, making of a general assignment for the benefit of creditors, or filing of any petition in bankruptcy or for the relief under the Bankruptcy Act by or against Borrower or Guarantors or any endorser of any note or other document evidencing the indebtedness or any part thereof, or the death of both Norman D. Groh and Gerald L. Lavenstein.

Guarantors agree that B. FRANCIS SAUL, II and GARLAND J. BLOOM, JR., Trustees, B. F. SAUL REAL ESTATE INVESTMENT TRUST (with the right in either to act for both), may, without any notice whatsoever to anyone, sell, assign or transfer all of the indebtedness, obligations and liabilities of Borrower or any part thereof and that in that event, each and every successive assignee, transferee or holder of all or any part of said indebtedness, obligation and liability shall have the right to enforce this guaranty by suit or otherwise for the benefit of such assignee, transferee or holder as fully as if such assignee, transferee or holder were herein by name specifically given such rights, powers and benefits; provided, however, that B. FRANCIS SAUL, II and GARLAND J. BLOOM, JR., Trustees, B.F. SAUL REAL ESTATE INVESTMENT TRUST (with the right in either to act for both), shall have an unimpaired right to enforce this Guaranty for its benefit, as to so much of said indebtedness, obligations and liabilities that it has not sold, assigned or transferred.

In the event that Lender is satisfied from its review of an annual operating audited statement certified by an independent certified public accountant that the net income of Borrower for a twelve month period is One Million, One Hundred and Forty Thousand Dollars ($1,140,000.00), then Guarantors liability in guarantying the Note shall be reduced to One Million Nine Hundred Thousand Dollars ($1,900,000.00).

The obligation hereunder of Guarantors shall survive the death of any and all of the Guarantors and shall be binding upon the heirs, personal representatives and estate of any such deceased Guarantor and on any surviving Guarantor the same as though such death had not occurred; and this guaranty shall cover advances made to Borrower and guaranteed obligations incurred by Borrower after such death to the same extent as though the same had been made or incurred prior to such death.

Guarantors represent that they have read such of the documents given in connection with said loan as they deem it necessary or desirable to read. If any provision of this Guaranty shall be held to be invalid or unenforceable either generally or as to any particular set of circumstances, all other provisions hereof shall nevertheless remain valid and enforceable in accordance with their terms.

If said Guarantor is a corporation, the obligations hereunder of Guarantor shall survive and bind the representatives, successors in interest and assignees of said Guarantor corporation.

IN WITNESS WHEREOF, the undersigned Guarantors have executed this Guaranty this 15th day of December, 1972.

BY: _____ BY: _____

BY: _____ BY: _____

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF)
) SS.:
COUNTY OF)

Before me, the undersigned authority, on this day personally appeared _____ known to me to be the person (s) whose name(s) _____ subscribed to the foregoing instrument, and acknowledged to me that _____ executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 19__.

_____
NOTARY PUBLIC

My commission expires 2/4/74

State of Virginia)
City of Norfolk) SS.:

Before me, the undersigned authority, on this day personally appeared before me Norman D. Groh and Barbara C. Groh known to me to be the persons whose names are subscirbed to the foregoing instrument, and acknowledged to me that they executed same for the purpose and consideration therein expressed.

Given under my hand and seal of office this 15th day of December, 1972.

Margie Watts Todd

Margie Watts Todd, Notary Public

My Commission Expires December 15, 1975

MODIFICATION OF NOTE AGREEMENT

THIS MODIFICATION OF NOTE AGREEMENT is made this 16th day of June, 1975, by and between TRIANGLE INN ASSOCIATES (hereinafter called "Maker"), and B. FRANCIS SAUL, II and GARLAND J. BLOOM, JR., Trustees, B. F. SAUL REAL ESTATE INVESTMENT TRUST (with the right in either to act for both), (hereinafter called "Holder").

W I T N E S S E T H:

WHEREAS, Maker did make, execute and deliver to Holder its Promissory Note dated December 15, 1972 in the amount of Seven Million and No/100 Dollars ($7,000,000.00), (hereinafter referred to as the "Note"); and

WHEREAS, concurrently herewith a payment of One Million Seven Hundred Thousand Dollars ($1,700,000.00) is being made to Holder in reduction of the principal balance of the Note; and

WHEREAS, Maker and Holder desire to amend and modify certain of the terms of the Note as hereinafter described;

NOW, THEREFORE, for good and valuable consideration given by each party to the other, receipt of which is hereby acknowledged, Maker and Holder hereby amend and modify the Note to provide as follows:

EXHIBIT D

1. As of the date hereof, the unpaid principal balance of the Note is Five Million Three Hundred Thousand Dollars ($5,300,000.00).

2. From the date hereof until June 15, 1977, interest shall accrue on the unpaid principal balance at the rate of eight percent (8%) per annum and shall be payable on the sixteenth (16th) day of each and every month, commencing on July 16, 1975.

3. On June 16, 1977, the entire unpaid principal balance of the Note together with all accrued but unpaid interest therein shall become due and payable; provided, however, that the Maker hereof shall have the option to extend the maturity date of the Note for an additional twelve (12) month period upon written notice delivered to Holder no later than May 16, 1977. In the event the maturity date of the Note is so extended, interest on the unpaid principal balance of the Note for the period from June 16, 1977 to June 16, 1978 shall accrue at a rate which is four percent (4%) over the prime rate (the "Prime Rate") established and being charged by the American Security and Trust Company, Washington, D. C., to its preferred credit customers from time to time during said twelve (12) month period. If American Security and Trust Company discontinues establishing a Prime Rate, then the Prime Rate for purposes of the Note until the maturity date shall be the Prime Rate last established and quoted by said Bank. Interest accruing during the period of June 16, 1977 to June 16, 1978 shall be payable on the sixteenth (16th) day of each and every month until June 16, 1978 at which date the entire unpaid principal and all accrued interest therein shall become due and payable. The Prime Rate shall be determined monthly on the sixteenth (16th) day of each month.

4. If an Event of Default shall occur under the Deed of Trust securing the Note, or the First Supplement to said Deed of Trust, the entire unpaid principal balance of the Note together with all accrued but unpaid interest thereon shall, at the option of Holder, become immediately due and payable.

5. The Maker, and all endorsers, guarantors and any other party that may become liable for the indebtedness evidenced by the Note hereby waive presentment, protest and demand, notice of protest, demand, dishonor or any other notices of nonpayment hereunder or of acceleration of the entire unpaid principal balance of the Note together with interest thereon.

6. The Maker shall have the right to prepay all or any part of the unpaid balance of the Notes at any time and from time to time without penalty.

7. The Deed of Trust securing the Note is being supplemented by a First Supplement to Deed of Trust dated concurrently herewith.

8. Except as herein expressly amended or modified, all of the terms and conditions of the Note shall continue in full force and

effect. The Maker hereby warrants, represents and confirms that there are no offsets or defenses to the Note as amended hereby, and the Note, as amended hereby, is fully valid and enforceable against Maker in all respects.

9. The execution of this Modification of Note Agreement by Holder shall not operate to waive, modify, release, diminish or otherwise excuse the Maker or any party liable hereon from any of its obligations under the Note as modified hereby. Any agreement, obligation or liability made, entered into or incurred by or on behalf of the B. F. Saul Real Estate Investment Trust binds only its trust property and no shareholder, trustee, officer or agent of the Trust assumes or shall be held to any personal liability therefor.

10. This Modification of Note Agreement shall be attached to the original executed copy of the Note and shall become part of the Note.

IN WITNESS WHEREOF, the parties hereto executed this Modification of Note Agreement on the date first above written.

Witness:
ATTEST:

TRIANGLE INN ASSOCIATES

By

B. FRANCIS SAUL, II and
GARLAND J. BLOOM, JR., Trustees,
B. F. SAUL REAL ESTATE INVESTMENT
TRUST (with the right in either
to act for both)

By
Trustee

FIRST SUPPLEMENT TO DEED OF TRUST

THIS AGREEMENT made this 16 day of June, 1975, by and between TRIANGLE INN ASSOCIATES (hereinafter referred to as "Grantor"), GEORGE FOX TROWBRIDGE, who resides at 1102 Ingleside Avenue in McLean, Virginia, 22101 and ROBERT W. ANNAND who resides at 5651 Derby Court #123 in Alexandria, Virginia, 22311 (with the right in either to act for both and who are hereinafter jointly referred to as "Trustee"), and B. FRANCIS SAUL, II and GARLAND J. BLOOM, JR., Trustees, B. F. SAUL REAL ESTATE INVESTMENT TRUST (with the right in either to act for both), (hereinafter referred to as "Beneficiary").

EXHIBIT E

W I T N E S S E T H:

WHEREAS, Grantor has heretofore or simultaneously herewith made, executed and delivered the following:

1. Promissory Note in the original amount of Seven Million and No/100 Dollars ($7,000,000.00) dated December 15, 1972, made by Grantor payable to the order of Beneficiary (herein referred to as "Note");

2. Deed of Trust dated December 15, 1972, securing the Note, executed, acknowledged and delivered in favor of Alexandria National Bank, as Trustee, for the benefit of Beneficiary, recorded in the Clerk's Office of the Circuit Court of the City of Norfolk, Virginia, in Volume 1238, page 1 (hereinafter referred to as "Deed of Trust") constituting a first lien upon certain real property lying and being in the City of Norfolk, State of Virginia as more particularly described in Exhibit "A" attached hereto (said real property herein referred to as the "Mortgaged Premises"); and

WHEREAS, Beneficiary, by Deed of Appointment and Substitution, recorded among the aforesaid land records as Clerk's Number 138, has substituted George Fox Trowbridge and Robert W. Annand as Trustees under the Deed of Trust; and

WHEREAS, on this date Beneficiary continues to be the owner and holder of the Note, and the Beneficiary of record under the Deed of Trust; and

WHEREAS, concurrently herewith Grantor and Beneficiary have executed and delivered a Modification of Note Agreement, which sets forth certain amendments and modifications in the terms of the Note; and

WHEREAS, in connection with and as an inducement for certain acquisitions made by Beneficiary, certain Warranty and Indemnity Agreements dated June 16, 1975 were executed and delivered by Fairfax Inn, Inc., Rockville Inn, Inc., Norman D. Groh and the Estate of Gerald L. Lavenstein for the benefit of Beneficiary and MHC Corporation: and

WHEREAS, the parties hereto now desire to supplement and modify the Deed of Trust in the manner hereinafter described.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, it is hereby mutually covenanted and agreed as follows:

1. That Paragraph 2.1(k) on page 3 of the Deed of Trust shall be and is hereby deleted in its entirety and the following shall be substituted in place thereof:

> " (k) Note - the Deed of Trust Note, dated as of even date herewith, made by the Grantor to the order of Beneficiary in the amount of Seven Million Dollars ($7,000,000.00) or any renewal or extension thereof, as modified and amended by that certain Modification of Note Agreement dated June 16, 1975."

2. Paragraph 2.1(r) on page 4 of the Deed of Trust shall be and hereby is deleted in its entirety and the following substituted in place thereof:

> " (r) Trustee or Trustees - George Fox Trowbridge and Robert W. Annand."

3. Paragraph 2.1(s) on page 4 of the Deed of Trust shall be and hereby is deleted in its entirety and the following is substituted in place thereof:

" (s) Guarantors - Norman D. Groh and wife."

4. A new paragraph 6.9 shall be added to the Deed of Trust immediately following paragraph 6.8 of Article 6 on page 11A of the Deed of Trust to provide as follows:

"6.9 Default under Warranty and Indemnity Agreements

In the event written notice of a default or breach of any of the representations, warranties or covenants of either of those Warranty and Indemnity Agreements, dated June 16, 1975, from Fairfax Inn, Inc., and Rockville Inn, Inc., respectively, and Norman D. Groh, and The Estate of Gerald L. Lavenstein, to and for the benefit of B. Francis Saul, II and Garland J. Bloom, Jr., Trustees, B. F. Saul Real Estate Investment Trust and MHC Corporation, is delivered to Grantor, and such default or breach is not cured within 30 days of such notice, such default or breach shall be an Event of Default hereunder; provided, however, if such default or breach is not susceptible of being cured within such 30 day period and within such 30 day period Grantor commences to cure such default or breach and thereafter proceeds with all due diligence to cure same, such default or breach shall not be an Event of Default hereunder unless in the reasonable judgment of the Beneficiary such default or breach cannot be cured. Notwithstanding the foregoing, if Grantor has promptly indemnified and held Beneficiary harmless, by payment of money or other means reasonably satisfactory to Beneficiary, from any loss, including court costs and legal fees, occasioned by such default or breach such default or breach shall not be an Event of Default hereunder. The cure provisions of Section 6.2 hereof shall be inapplicable to an Event of Default under this Section 6.9."

5. Paragraph 7.11 on page 15 of the Deed of Trust shall be and is hereby deleted in its entirety.

6. Except as expressly modified or amended by this First Supplement to Deed of Trust, all of the covenants, conditions and other provisions in the Deed of Trust shall continue in full force and effect. Nothing contained in this First Supplement to Deed of Trust shall impair or otherwise affect the priority or validity of the lien of the Deed of Trust, such lien continuing in force without interruption from the date of the Deed of Trust. The Deed of Trust, as modified and supplemented by this First Supplement to Deed of Trust, is hereby affirmed in all respects whatever.

7. Grantor represents and warrants that there are no offsets or defenses to the Note or to the Deed of Trust.

8. Any agreement, obligation or liability made, entered into or incurred by or on behalf of B. F. Saul Real Estate Investment Trust binds only its trust property and no shareholder, trustee, officer or agent of the Trust assumes or shall be held to any personal liability therefor.

The terms, covenants, conditions and warranties contained herein shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective names, all thereunder duly authorized on the date first above written.

Witness:
~~ATTEST:~~

TRIANGLE INN ASSOCIATES

By

General Partner

B. FRANCIS SAUL, II and GARLAND J. BLOOM, JR., Trustees, B. F. SAUL REAL ESTATE INVESTMENT TRUST (with the right in either to act for both)

Leslie A. Nicholson Jr.

By

~~Garland J. Bloom, Jr.~~, Trustee

ROBERT W. ANNAND, as Trustee, under said Deed of Trust, as supplemented herein, does hereby execute the within Frist Supplement to the Deed of Trust for the purpose of acknowledging his consent to and notice of same.

WITNESS:

Leslie A Nicholson Jr.

Robert W. Annand

ROBERT W. ANNAND

STATE OF Maryland

COUNTY OF Montgomery

Before me the undersigned, a Notary Public for the City and State aforesaid personally appeared Robert W. Annand, personally known to me to be the person whose name is signed below, and acknowledged that he executed this instrument under seal.

Given unto my hand and official seal this 16th day of June, 1975.

Robert Nook

STATE OF Maryland

COUNTY OF Montgomery

Before me the undersigned, a Notary Public for the City and State aforesaid personally appeared Norman D. Groh, personally known to me to be the person whose name is signed below, and acknowledged that he executed this instrument under seal as a General Partner on behalf of Triangle Inn Associates.

Given unto my hand and official seal this 16 day of June, 1975

STATE OF Maryland

COUNTY OF Prince Georges

Before me the undersigned, a Notary Public for the City and State aforesaid personally appeared ~~Carland J. Bloom, Jr.~~ B. F. Saul II personally known to me to be the person whose name is signed below, and acknowledged that he executed this instrument under seal as a Trustee on behalf of B. F. Saul Real Estate Investment Trust.

Given unto my hand and official seal this 16 day of June, 1975.

First Supplement To Deed of Trust

EXHIBIT
~~[illegible]~~ A

LEGAL DESCRIPTION OF PROPERTY KNOWN AS

HOLIDAY INN - SCOPE
NORFOLK, VIRGINIA

All that certain piece or parcel of land, with the improvements thereon, situate in the City of Norfolk, State of Virginia, as shown on a certain plat entitled "Survey of Property for Norfolk Redevelopment and Housing Authority", dated December 1958, made by Frank D. Tarrall, Jr. & Associates and recorded in the Clerk's Office of the Corporation Court of the City of Norfolk, Virginia, in Map Book 17, at page 109; said parcel of land, triangular in shape, being bounded on the north by East Olney Road, on the east by Bank Street, on the south by East Brambleton Avenue, and on the west by Monticello Avenue as the same are laid out and established on said plat, and being more particularly described with reference to said plat as follows:

BEGINNING at the southeastern intersection of Monticello Avenue and East Olney Road and running thence S. 76° 58' 48" E. and along the southern line of East Olney Road 145.97 feet to a point of curve at the southwestern corner of East Olney Road and Bank Street; thence southeastwardly along a curve to the right of the radius of which is 50 feet, an arc distance of 50.50 feet, to the western line of Bank Street; thence southwardly along the western line of Bank Street which follows the arc of a curve to the right, the radius of which is 1,596.33 feet, a distance of 628.68 feet to a point of curve at the northwest corner of East Brambleton Avenue and Bank Street; thence southwestwardly along a curve to the right, the radius of which is 29.29 feet, an arc distance of 48.76 feet to the northern line of Brambleton Avenue; thence N. 81° 09' 38" W. and along the new northern line of East Brambleton Avenue 414.43 feet to a point of curve at the northeastern corner of East Brambleton and Monticello Avenues; thence northeastwardly along a curve to the right, the radius of which is 40 feet, an arc distance of 69.02 feet to the eastern line of Monticello Avenue; thence N. 22° 42' 27" E. along the eastern line of Monticello Avenue 199.41 feet to the point of curve; thence continuing along the eastern line of Monticello Avenue which follows the arc of a curve to the left, the radius of which is 1,226.68 feet, a distance of 112.75 feet to a point; and thence continuing along the eastern line of Monticello Avenue N. 17° 26' 28" E. 317.36 feet to the southern line of East Olney Road, at the point of beginning.

RELEASE OF GUARANTORS

Oct. 14, 1975

KNOW ALL MEN BY THESE PRESENTS, that:

WHEREAS, Triangle Inn Associates did make, execute and deliver to B. Francis Saul, II, and Garland J. Bloom, Jr., Trustees, B.F. Saul Real Estate Investment Trust (with the right in either to act for both) hereinafter called "SAUL TRUST", its Promissory Note dated December 15, 1972, in the amount of Seven Million and No/100 Dollars ($7,000,000.00) (hereinafter referred to as "NOTE"), and,

WHEREAS, Gerald L. Lavenstein, hereinafter called "LAVENSTEIN", among others, made, executed and delivered a certain guaranty of same date in favor of SAUL TRUST (hereinafter known as "GUARANTY") by which LAVENSTEIN and others agreed and covenanted to guaranty NOTE.

WHEREAS, SAUL TRUST and Triangle Inn Associates have agreed to a reduction of the amount of the NOTE from Seven Million and No/100 Dollars ($7,000,000.00) to Five Million Three Hundred Thousand and No/100 Dollars ($5,300,000.00), and other modifications in the terms of NOTE.

EXHIBIT F

NOW THEREFORE, in consideration of said reduction and other modifications in terms of NOTE, and other good and valuable consideration, receipt of which is hereby acknowledged,

SAUL TRUST hereby releases and forever discharges LAVENSTEIN, his widow, Betty H. Lavenstein and their re-respective heirs, legal representatives and beneficiaries from any and all liability and obligation under GUARANTY and NOTE and declares GUARANTY and NOTE to be of no force and effect as to them.

NOT WITHSTANDING the foregoing, nothing herewith shall be construed to modify, release or diminish SAUL TRUST'S rights and remedies as against the assets of Triangle Inn Associates, as may be owned from time to time, under the terms of NOTE as modified.

IN WITNESS WHEREOF, SAUL TRUST has caused this Release of Guarantors to be executed on the date above.

B. Francis Saul, II and Garland J. Bloom, Jr., Trustees, B.F. Saul Real Estate Investment Trust (with the right in either to act for both)

By _____
Garland J. Bloom, Jr.

STATE OF [illegible]

COUNTY OF [illegible]

Before me the Undersigned, a Notary Public for the City and State aforesaid personally appeared ~~Garland J. Bloom, Jr.~~ B Francis Saul II, and acknowledged that he executed this instrument under seal as a Trustee on behalf of B.F. Saul Real Estate Investment Trust.

Given unto my hand and official seal this [illegible] day of June, 1975.

[illegible]

CONSENT OF GUARANTORS

KNOW ALL MEN BY THESE PRESENTS, that:

WHEREAS, the undersigned, jointly and severally (hereinafter) called "GUARANTORS") did make, execute and deliver a certain Guaranty dated December 15, 1972 (hereinafter referred to as "GUARANTY"), in favor of B. FRANCIS SAUL, II, and GARLAND J. BLOOM, JR., Trustees, B. F. SAUL REAL ESTATE INVESTMENT TRUST (with the right in either to act for both) (hereinafter referred to as "SAUL"), in which GUARANTORS agreed and covenanted to guaranty a certain debt of Triangle Inn Associates (hereinafter called ("Triangle Inn") to SAUL in the principal amount of $7,000,000.00 as evidenced by that certain PROMISSORY NOTE dated December 15, 1972 (hereinafter referred to as "NOTE"), and

WHEREAS, SAUL and Triangle Inn have agreed to certain modifications in the terms of the NOTE, and

WHEREAS, GUARANTORS approve of said modifications, and in order to induce SAUL to accept such modifications, have agreed to consent to said modifications, and also to reaffirm all those obligations imposed on them under the GUARANTY.

NOW, THEREFORE, in consideration of the premises and in order to induce SAUL to agree to said modifications, GUARANTORS covenant and agree as follows:

1. We have examined true copies of the following documents to be executed by Triangle Inn and do hereby approve and consent to the same:

(a) Modification of Note Agreement dated June 16, 1975.

EXHIBIT G

(b) First Supplement to Deed of Trust dated June 16, 1975.

2. We understand and agree that our liability in regard to the NOTE has been modified to the extent reflected in the terms of the Modification of Note Agreement dated June 16, 1975.

3. We acknowledge that SAUL has agreed to release the Estate of Gerald L. Lavenstein from liability under the GUARANTY upon certain terms and conditions contained in a certain Release of Guarantor ("the Release") to be executed by SAUL upon satisfaction of those terms and conditions. We understand and agree that the Release shall in no way serve to release, diminish or otherwise affect our obligations under the GUARANTY or this Consent of Guarantors and we hereby waive any and all defenses to which we may be entitled at law or in equity by reason of the Release.

4. We further consent to the execution and delivery by Triangle Inn to SAUL of any and every other document reasonably required by SAUL to be executed and delivered to it in order to make the said modifications, and hereby agree to guarantee the validity, proper execution and enforceability of all such documents.

5. We hereby confirm consent and approve all acts undertaken, performed or to be performed by Triangle Inn to obtain said modifications.

6. We covenant and confirm that all obligations set forth in the GUARANTY remain unchanged and in full force and effect, and warrant and represent that there are no offsets or defenses to our liability under the GUARANTY.

IN WITNESS WHEREOF, the GUARANTORS have hereunto set their

hands and seals at _____, this _____ day of June, 1975.

_____ Witness

_____ Norman D. Groh

_____ Witness

_____ Barbara C. Groh

STATE OF _____

COUNTY OF _____

Before me, the undersigned authority, on this day personally appeared Norman D. Groh and Barbara C. Groh known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed same for the purpose and consideration therein expressed.

Given under my hand and seal of office this _____ day of June, 1975.

_____ Notary Public

My commission expires July 1, 1973.

SECOND MODIFICATION OF NOTE AGREEMENT

THIS AGREEMENT is made this 7th day of [illegible], 1976, by and between TRIANGLE INN ASSOCIATES (hereinafter referred to as "Maker") and B. FRANCIS SAUL, II and GARLAND J. BLOOM, JR., Trustees, B. F. SAUL REAL ESTATE INVESTMENT TRUST (with the right in either to act for both) (hereinafter referred to as "Holder").

W I T N E S S E T H:

WHEREAS, Maker did make, execute and deliver to Holder its Promissory Note dated December 15, 1972 in the amount of Seven Million and No/100 Dollars ($7,000,000.00), which Promissory Note was modified by a Modification of Note Agreement dated June 16, 1975 between Maker and Holder (said Promissory Note, as modified, hereinafter referred to as the "Note"); and

WHEREAS, concurrently herewith a payment of FIVE HUNDRED THOUSAND and No/100 Dollars ($500,000.00) is being made to Holder to reduce the PRINCIPAL indebtedness due under the Note; and

WHEREAS, Maker and Holder desire to amend and modify certain of the terms of the Note as hereinafter described.

NOW, THEREFORE, for good and valuable consideration given by each party to the other, receipt of which is hereby acknowledged, Maker and Holder hereby amend and modify the Note to provide as follows:

EXHIBIT H

1. As of the date hereof and following receipt of the above-referenced payment, the unpaid principal balance of the Note includes the sum of Twelve Thousand Nine Hundred Eighty-Six and 88/100 Dollars ($12,986.88), which was paid by Holder to the Maryland State Sales Tax authorities as a result of a default in that certain Warranty and Indemnity Agreement dated June 16, 1975 by Rockville Inn, Inc., Norman D. Groh, and The Estate of Gerald L. Lavenstein to and for the benefit of Holder and MHC Corporation, which default constituted an Event of Default under the Deed of Trust, as supplemented, securing the Note.

2. From the date hereof until February 28, 1979, interest shall accrue on the unpaid principal balance of the Note as follows:

(a) From the date hereof until February 28, 1977, at the rate of eight percent (8%) per annum.

(b) From March 1, 1977 until February 28, 1978, at the rate of nine percent (9%) per annum.

(c) From March 1, 1978 until February 28, 1979, at the rate of ten percent (10%) per annum.

Interest at the aforesaid rates shall be due and payable upon the Note on the fifteenth (15th) day of each month commencing on March 15, 1976.

3. On February 28, 1979, the entire unpaid principal balance of the Note together with all accrued but unpaid interest thereon shall become due and payable.

4. Maker and Holder acknowledge that the Deed of Trust securing the Note, as supplemented and modified by a First Supplement to Deed of Trust, dated June 16, 1975, is being supplemented and modified by a Second Supplement to Deed of Trust dated concurrently herewith.

5. Maker and Holder acknowledge that, as of March 1, 1976, the Note is current. Holder and Maker also agree that the Note shall be and is hereby modified to provide that the Maker shall have no personal liability under the Note except for payment of that portion of the indebtedness under the Note in excess of Three Million One Hundred Thousand and No/100 Dollars ($3,100,000.00).

6. If an Event of Default shall occur under the Deed of Trust securing the Note, as said Deed of Trust has been supplemented and modified by the First and Second Supplements to said Deed of Trust, the entire unpaid principal balance of the Note, as modified hereby, together with all accrued but unpaid interest thereon shall, at the option of Holder, become immediately due and payable.

7. Except as herein expressly amended or modified, all of the terms nd conditions of the Note shall continue in full force and effect. The Maker ereby warrants, represents and confirms that there are no offsets or defenses o the Note, as modified hereby, and the Note, as modified hereby, is fully alid and enforceable against Maker in all respects.

8. The execution of this Second Modification of Note Agreement by older shall not operate to waive, modify, release, diminish or otherwise xcuse the Maker, or any party liable hereon from any of its obligations under his Note as modified hereby. Any agreement, obligation or liability made, ntered into, or incurred by or on behalf of the B. F. Saul Real Estate Investment Trust binds only its Trust property and no shareholders, trustee, officer or agent of the Trust assumes or shall be held to any personal liability therefor.

9. This Second Modification of Note Agreement shall be attached to the original executed copy of the Note and shall become part of the Note.

IN WITNESS WHEREOF, the parties hereto have executed this Second Modification of Note Agreement on the date first above written.

WITNESS:

TRIANGLE INN ASSOCIATES

By: _____
General Partner

WITNESS:

B. FRANCIS SAUL, II and GARLAND J. BLOOM, JR., Trustees, B. F. SAUL REAL ESTATE INVESTMENT TRUST (with the right in either to act for both)

By: _____
Trustee

SECOND SUPPLEMENT TO DEED OF TRUST

THIS SECOND SUPPLEMENT TO DEED OF TRUST is made this 8th day of March, 1976, by and between TRIANGLE INN ASSOCIATES (hereinafter referred to as "Grantor"), GEORGE FOX TROWBRIDGE, who resides at 1102 Ingleside Avenue in McLean, Virginia 22101, and ROBERT W. ANNAND, who resides at 4456 South 36th Street in Arlington, Virginia 22206 (with the right in either to act for both) (hereinafter jointly referred to as "Trustees"), and B. FRANCIS SAUL, II and GARLAND J. BLOOM, JR., Trustee, B. F. SAUL REAL ESTATE INVESTMENT TRUST (with the right in either to act for both) (hereinafter referred to as "Beneficiary").

W I T N E S S E T H:

WHEREAS, the following instruments and agreements have heretofore been made, executed and delivered:

1. A Promissory Note dated December 15, 1972 in the original principal amount of Seven Million and No/100 Dollars ($7,000,000.00), made by Grantor payable to the order of Beneficiary.

2. A Modification of Note Agreement dated June 16, 1975, by and between Grantor and Beneficiary, modifying said Promissory Note (said Promissory Note as modified by said Modification of Note Agreement being hereinafter referred to as the "Note").

3. A Deed of Trust dated December 15, 1972, executed by Grantor in favor of Alexandria National Bank, as Trustee, recorded in the Clerk's Office of the Circuit Court of the City of Norfolk, Virginia in Book 1238, at Page 1, constituting a first lien upon certain real property lying and being in the City of Norfolk, State of Virginia, as more particularly described in Exhibit "A" attached hereto.

EXHIBIT I

4. Deed of Appointment and Substitution, dated January 7, 1975, executed by Beneficiary, and recorded in the aforesaid Clerk's Office in Book 1306, at Page 645, whereby George Fox Trowbridge and Robert W. Annand were substituted as Trustees under said Deed of Trust (with the right in either to act for both).

5. A First Supplement to Deed of Trust dated June 16, 1975, by and between Grantor, Trustees, and Beneficiary, recorded in the aforesaid Clerk's Office in Book 1320, at Page 261, supplementing and amending said Deed of Trust (said Deed of Trust as supplemented and amended by said First Supplement to Deed of Trust being hereinafter referred to as "Deed of Trust"); and

WHEREAS, on this date Beneficiary continues to be the owner and holder of the Note, and the beneficiary of record of the Deed of Trust; and

WHEREAS, concurrently herewith Grantor and Beneficiary have executed and delivered a Second Modification of Note Agreement, which sets forth certain amendments and modifications in the terms of the Note; and

WHEREAS, the parties hereto now desire to supplement and modify the Deed of Trust in the manner hereinafter described.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, it is hereby mutually covenanted and agreed as follows:

1. Paragraph 2.1(k) on Page 3 of the Deed of Trust shall be and is hereby deleted in its entirety and the following shall be substituted in place thereof:

"(k) Note - the Deed of Trust Note, dated as of even date herewith, made by the Grantor to the order of Beneficiary in the amount of Seven Million Dollars ($7,000,000.00), as modified and amended by that certain Modification of Note Agreement dated June 16, 1975, and that certain Second Modification of Note Agreement dated March 8, 1976, or any renewal or extension thereof.

2. A new paragraph 4.16 shall be and is hereby added to the Deed of Trust immediately following paragraph 4.15 of Article 5, on Page 10 of the Deed of Trust, to provide as follows:

"4.16 Independent Management. NDG

At any time and from time to time until the Indebtedness shall have been paid in full, Beneficiary shall have the right, at its option, to require Grantor to retain and engage a management company selected by Beneficiary to manage, supervise and operate the Mortgaged Property. The management contract between Grantor and such management company shall be subject to the prior approval of Beneficiary and shall provide, among other things, that such management company (i) shall have complete authority over the day-to-day operations and affairs of the Mortgaged Property, and (ii) shall be required to pay, out of the Rents, all operating expenses of the Mortgaged Property and all payments required to be paid to Beneficiary under the Note before remitting any portion of such funds to Grantor."

3. Except as expressly modified or as amended by this Second Supplement to Deed of Trust, all of the covenants, conditions and other provisions in the Deed of Trust shall continue in full force and effect. Nothing contained in this Second Supplement to Deed of Trust shall impair or otherwise affect the priority or validity of the lien of the Deed of Trust, such lien continuing in force without interruption from the date of the Deed of Trust. The Deed of Trust, as modified and supplemented by this Second Supplement to Deed of Trust, is hereby affirmed in all respects whatsoever.

4. Grantor represents and warrants that there are no offsets or defenses to the Note as modified by the Second Modification of Note Agreement, or to the Deed of Trust as modified by this Second Supplement to Deed of Trust.

5. Any agreement, obligation or liability made, entered into or incurred by or on behalf of B. F. Saul Real Estate Investment Trust binds only its trust property and no shareholder, trustee, officer or agent of the Trust assumes or shall be held to any personal liability therefor.

6. The terms, covenants, conditions and warranties contained herein shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors

SAN
D.C.

if Grantor fails to perform its obligations, in full, to Benefic or to pay promptly and fully all federal and state taxes accruing hereafter on Property, or to comply with its franchise agreement with Holiday Inns, Inc.,

and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective names, all thereunder duly authorized on the date first above written.

WITNESS:

Leslie A Nicholson Jr.

TRIANGLE INN ASSOCIATES

By _____
General Partner

WITNESS:

Sheldon T Weiel

B. FRANCIS SAUL, II and GARLAND J. BLOOM, JR., Trustees, B. F. SAUL REAL ESTATE INVESTMENT TRUS (with the right in either to act for both)

By _____
Trustee

ROBERT W. ANNAND, as Trustee, under said Deed of Trust, as supplemented herein, does hereby execute the within Second Supplement to the Deed of Trust for the purpose of acknowledging his consent to and notice of same.

WITNESS:

Leslie Nicholson Jr.

ROBERT W. ANNAND

STATE OF Maryland

COUNTY OF Montgomery

Before me the undersigned, a Notary Public for the ~~City~~ Co. and State aforesaid personally appeared Robert W. Annand, personally known to me to be the person whose name is signed in the foregoing instrument, and acknowledged that he executed this instrument under seal.

Given unto my hand and official seal this 8th day of March, 1976

Robert B. Bell

My Commission expires: 7/1/78

STATE OF Maryland

COUNTY OF Montgomery

Before me the undersigned, a Notary Public for the ~~city~~ Co. and State aforesaid personally appeared Norman D. Groh, personally known to me to be the person whose name is signed below, and acknowledged that he executed this instrument under seal as a General Partner on behalf of Triangle Inn Associates.

Given unto my hand and official seal this 2nd day of March, 1976.

Robert B Bullock

My Commission expires: 7/1/78

STATE OF Maryland

COUNTY OF Montgomery

Before me the undersigned, a Notary Public for the City and State aforesaid personally appeared Garland A. Comegys Jr personally known to me to be the person whose name is signed in the foregoing instrument and acknowledged that he executed this instrument under seal as a Trustee on behalf of B. F. Saul Real Estate Investment Trust.

Given unto my hand and official seal this 9th day of March, 1976.

Patricia E. Brasher

My Commission expires: July 1, 1978

SECOND SUPPLEMENT TO DEED OF TRUST

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY KNOWN AS

HOLIDAY INN - SCOPE
NORFOLK, VIRGINIA

All that certain piece or parcel of land, with the improvements thereon, situate in the City of Norfolk, State of Virginia, as shown on a certain plat entitled "Survey of Property for Norfolk Redevelopment and Housing Authority", dated December 1958, made by Frank D. Tarrall, Jr. & Associates and recorded in the Clerk's Office of the Corporation Court of the City of Norfolk, Virginia, in Map Book 17, at page 109; said parcel of land, triangular in shape, being bounded on the north by East Olney Road, on the east by Bank Street, on the south by East Brambleton Avenue, and on the west by Monticello Avenue as the same are laid out and established on said plat, and being more particularly described with reference to said plat as follows:

BEGINNING at the southeastern intersection of Monticello Avenue and East Olney Road and running thence S. 76° 58' 48" E. and along the southern line of East Olney Road 145.97 feet to a point of curve at the southwestern corner of East Olney Road and Bank Street; thence southeastwardly along a curve to the right of the radius of which is 50 feet, an arc distance of 50.50 feet, to the western line of Bank Street; thence southwardly along the western line of Bank Street which follows the arc of a curve to the right, the radius of which is 1,596.33 feet, a distance of 628.68 feet to a point of curve at the northwest corner of East Brambleton Avenue and Bank Street; thence southwestwardly along a curve to the right, the radius of which is 29.29 feet, an arc distance of 48.76 feet to the northern line of Brambleton Avenue; thence N. 81° 09' 38" W. and along the new northern line of East Brambleton Avenue 414.43 feet to a point of curve at the northeastern corner of East Brambleton and Monticello Avenues; thence northeastwardly along a curve to the right, the radius of which is 40 feet, an arc distance of 69.02 feet to the eastern line of Monticello Avenue; thence N. 22° 42' 27" E. along the eastern line of Monticello Avenue 199.41 feet to the point of curve; thence continuing along the eastern line of Monticello Avenue which follows the arc of a curve to the left, the radius of which is 1,226.68 feet, a distance of 112.75 feet to a point; and thence continuing along the eastern line of Monticello Avenue N. 17° 26' 28" E. 317.36 feet to the southern line of East Olney Road, at the point of beginning.

MODIFICATION OF GUARANTY AND CONSENT OF GUARANTORS

WHEREAS, NORMAN D. GROH and BARBARA C. GROH, jointly and severally (hereinafter called "GUARANTORS") did make, execute and deliver a certain Guaranty dated December 15, 1972 (hereinafter referred to as "GUARANTY"), in favor of B. FRANCIS SAUL, II, and GARLAND J. BLOOM, JR., Trustees, B. F. SAUL REAL ESTATE INVESTMENT TRUST (with the right in either to act for both) (hereinafter referred to as "SAUL"), in which GUARANTORS agreed and covenanted to guaranty a certain debt of Triangle Inn Associates (hereinafter called "Triangle Inn") to SAUL in the principal amount of $7,000,000.00 as evidenced by that certain PROMISSORY NOTE dated December 15, 1972 (hereinafter referred to as "NOTE"), and

WHEREAS, SAUL and Triangle Inn agreed to certain modifications in the terms of the NOTE and the terms of the GUARANTY as reflected in the terms of the Modification of Note Agreement dated June 16, 1975, and

WHEREAS, SAUL and Triangle Inn have now agreed to certain further modifications in the terms of the NOTE, as reflected in the terms of the Modification of Note Agreement dated March 8, 1976, and

WHEREAS SAUL and GUARANTORS have agreed to certain modifications in the terms of the GUARANTY as reflected herein, and

WHEREAS, GUARANTORS approve of said modifications, and in order to induce SAUL to accept such modifications, have agreed to consent to said modifications, and also to reaffirm all those obligations imposed on them under the GUARANTY, as modified herein.

EXHIBIT J

NOW, THEREFORE, in consideration of the premises, SAUL and GUARANTORS agree as follows:

1. GUARANTORS have examined true copies of the following documents thereby executed by Triangle Inn and do hereby approve and consent to the same:

(a) Modification of Note Agreement dated March 8, 1976.

(b) Second Supplement to Deed of Trust dated March 8, 1976.

2. GUARANTORS understand and agree that their liability in regard to the NOTE has been modified to the extent reflected in the terms of the Modification of Note Agreement dated March 8, 1976, except that SAUL agrees that GUARANTORS' obligations under the GUARANTY shall be fully satisfied when all of the indebtedness evidenced by the NOTE except for THREE MILLION ONE HUNDRED THOUSAND DOLLARS ($3,100,000.00) has been paid in full to SAUL or to the holder thereof.

3. GUARANTORS understand and agree that except for this Modification, their obligations under the GUARANTY remain in full force and affect, and GUARANTORS hereby waive any and all defenses to which they may be entitled at law or in equity by reason of any actions, events, or omissions prior to the date hereof, and they warrant and represent that there are no offsets to their liability under the GUARANTY.

4. GUARANTORS further consent to the execution and delivery by Triangle Inn to SAUL of any and every other document reasonably required by SAUL to be executed and delivered to it in order to make the said modifications, and hereby

agree to guarantee the validity, proper execution and enforceability of all such documents.

5. GUARANTORS hereby confirm, consent and approve all acts undertaken, performed or to be performed by Triangle Inn to obtain said modifications.

IN WITNESS WHEREOF, the GUARANTORS and SAUL have hereunto set their hands and seals at Chevy Chase, Maryland this 8th day of March, 1976.

Witness

Norman D. Groh

Witness

Barbara C. Groh

B. FRANCIS SAUL, II, and GARLAND J. BLOOM, JR., Trustees of B. F. SAUL REAL ESTATE INVESTMENT TRUST (with the right in either to act for both).

Trustee

SHAW, PITTMAN, POTTS & TROWBRIDGE
1800 M STREET, N. W.
WASHINGTON, D. C. 20036

RAMSAY D. POTTS
STEUART L. PITTMAN
GEORGE F. TROWBRIDGE
STEPHEN D. POTTS
GERALD CHARNOFF
PHILLIP D. BOSTWICK
R. TIMOTHY HANLON
GEORGE M. ROGERS, JR.
BRUCE W. CHURCHILL
LESLIE A. NICHOLSON, JR.
MARTIN D. KRALL
RICHARD J. KENDALL
JAY E. SILBERG
BARBARA M. ROSSOTTI
GEORGE V. ALLEN, JR.
WM. BRADFORD REYNOLDS
FRED A. LITTLE
BARRY M. SMOLER
STEPHEN L. PARKER
NATHANIEL P. BREED, JR.
MARK AUGENBLICK
FRED DRASNER
ERNEST L. BLAKE, JR.
CARLETON S. JONES
THOMAS A. BAXTER
JAMES THOMAS LENHART
STEVEN L. MELTZER
DEAN D. AULICK
SHELDON J. WEISEL
JAMES M. BURGER
JOHN ENGEL
ELISABETH M. PENDLETON
ROBERT W. ANNAND
LAURENCE STORCH
STEPHEN B. HUTTLER
JAY H. BERNSTEIN
WINTHROP N. BROWN
GLENN A. SMITH
JAMES J. SULLIVAN
JAMES B. HAMLIN
ROBERT E. ZAHLER
CHARLES M. SCHWARTZ
EVELYN G. ABRAVANEL*

*NOT ADMITTED IN D. C.

(202) 331-4100

TELECOPIER
(202) 296-0694 & 296-1760

TELEX
89-2693 (SHAWLAW WSH)
CABLE "SHAWLAW"

BRACKLEY SHAW
OF COUNSEL

July 29, 1976

Certified Mail - Return Receipt Requested
and Ordinary Mail

Triangle Inn Associates
Holiday Inn - Scope
700 Monticello Avenue
Norfolk, Virginia 23510

Re: Holiday Inn - Scope
Notice of Acceleration of Maturity
of Debt

Gentlemen:

Our law firm serves as general counsel to the B. F. Saul Real Estate Investment Trust (the "Saul Trust"). This notice is being delivered to you upon the express authority and direction of the Saul Trust.

The Saul Trust is the holder of that certain Promissory Note dated December 15, 1972, executed by Triangle Inn Associates, as maker, in the original principal sum of seven million dollars ($7,000,000.00), as modified by a Modification of Note Agreement dated June 16, 1975 between the Saul Trust and Triangle Inn Associates, and as further modified by a Second Modification Note Agreement dated March 8, 1976 between the Saul Trust and Triangle Inn Associates (said Promissory Note, as modified, is hereinafter referred to as the "Scope Note").

The Scope Note is secured by a Deed of Trust dated December 15, 1972, from Triangle Inn Associates to Alexandria National Bank, as trustees, for the benefit of the Saul Trust, recorded in the Clerk's Office of the Circuit Court

EXHIBIT K

of the City of Norfolk, Virginia, in Deed Book 1238, at page 1, as modified by a First Supplement to Deed of Trust dated June 16, 1975, and recorded in the aforesaid Clerk's office in Deed Book 1320, at page 261, and as further modified by a Second Supplement to Deed of Trust dated March 8, 1976, and recorded in the aforesaid Clerk's office in Deed Book 1347, at page 223. George Fox Trowbridge and Robert W. Annand were substituted as Trustees under said Deed of Trust by Deed of Appointment and Substitution dated January 7, 1975, and recorded in the aforesaid Clerk's office in Deed Book 1306, at page 645. (Said Deed of Trust, as so modified and supplemented, is hereinafter referred to as the "Deed of Trust").

A portion of the indebtedness evidenced by the Scope Note has been guaranteed by Norman D. Groh and Barbara C. Groh pursuant to that certain Guaranty dated December 15, 1972, as modified by a Consent of Guarantors dated June 16, 1972, and as further modified by a Modification of Guaranty and Consent of Guarantors dated March 8, 1976 (said Guaranty, as modified, is hereinafter referred to as the "Guaranty").

Please be advised that one or more events of default have occurred and are continuing under the Scope Note and the Deed of Trust by reason of, among other things, the following:

1. Failure to make the interest payments that were due and payable under the Scope Note on March 15, 1976, April 15, 1976, June 15, 1976 and July 15, 1976. With respect to the interest payment due on May 15, 1976, in the amount of $31,647.00, the Saul Trust received the aggregate sum of $31,959.83 by installments paid on June 8 and 14, 1976. As of July 15, 1976, the sum of $111,506.59 in interest remained unpaid. Interest is continuing to accrue on the Scope Note from July 15, 1976 at the daily rate of $1,054.90.

2. Failure to pay when due real estate taxes assessed against the real property subject to the Deed of Trust.

3. The filing of Federal tax liens against the real property subject to the Deed of Trust.

4. Failure to pay to the Saul Trust the escrow payments for taxes and insurance as required under the Deed of Trust.

In addition, the Saul Trust was advised that Triangle Inn Associates failed to make certain payments to Holiday Inns, Inc. pursuant to the License Agreement between such parties, and as a result thereof, Holiday Inns, Inc. threatened to terminate such License Agreement. Such a termination would constitute an event of default under the Deed of Trust. In order to prevent the termination of such License Agreement, on or about July 16, 1976, the Saul Trust paid the sum of $17,084.78 to Holiday Inns, Inc.

By reason of the foregoing defaults, and any other defaults which may exist under the Scope Note and/or the Deed of Trust, the Saul Trust has elected to accelerate the maturity of the indebtedness evidenced by the Scope Note and to declare the outstanding balance of the Scope Note to be due and payable, together with all unpaid interest thereon and all other sums payable to the Saul Trust under the terms of the Scope Note and the Deed of Trust.

On behalf of the Saul Trust, demand is hereby made upon Triangle Inn Associates for the payment in full of the outstanding principal balance of the Scope Note, which is $4,812,986.88, together with all accrued interest thereon to the date of repayment, plus the sum of $17,084.78 in reimbursement of the payment made by the Saul Trust to Holiday Inns, Inc.

Demand is further made upon Mr. and Mrs. Groh for the payment of that portion of the indebtedness of Triangle Inn Associates which is guaranteed by them, as provided in the Guaranty.

In the event that the total indebtedness to the Saul Trust, as set forth above, is not immediately paid in full, it is the intention of the Saul Trust to exercise

any and all remedies to which it is entitled, including a Trustees' sale of the property subject to the Deed of Trust at the earliest possible time, under the aforesaid documents and Virginia law.

Very truly yours,

Sheldon J. Weisel

Sheldon J. Weisel

SJW:tah

cc: Mr. Norman D. Groh and
Mrs. Barbara C. Groh
Wm. P. Dickson, Jr., Esq
[illegible]inia Bank

PS Form 3811, Nov. 1973 RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER: Complete items 1 and 2. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
- ☐ Show to whom and date delivered ..... 15¢
- ☒ Show to whom, date, & address of delivery ..... 35¢
- ☐ DELIVER ONLY TO ADDRESSEE and show to whom and date delivered ..... 65¢
- ☐ DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery ..... 85¢

2. ARTICLE ADDRESSED TO: Mr & Mrs Norman D Groh, 700 Monticello Avenue, Norfolk, VA 23510

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	532387	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE: Philip Butts

4. DATE OF DELIVERY: AUG 3 1976

5. ADDRESS (Complete only if requested)

POSTMARK: NORFOLK VA 3

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

* GPO : 1974 O - 527-803

PS Form 3811, Nov. 1973 RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER: Complete items 1 and 2. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
- ☐ Show to whom and date delivered ..... 15¢
- ☒ Show to whom, date, & address of delivery ..... 35¢
- ☐ DELIVER ONLY TO ADDRESSEE and show to whom and date delivered ..... 65¢
- ☐ DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery ..... 85¢

2. ARTICLE ADDRESSED TO: Triangle Inn Associates, 700 Monticello Avenue, Norfolk, VA 23510

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	532388	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE: Philip Butts

4. DATE OF DELIVERY: AUG 3 1976

5. ADDRESS (Complete only if requested)

POSTMARK: NORFOLK VA 3

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

* GPO : 1974 O - 527-803

EXHIBIT K

TRUST ESTATE OF TRIANGLE INN ASSOCIATES,
a Virginia limited partnership

IN ACCOUNT WITH

ROBERT W. ANNAND, SOLE ACTING
SUBSTITUTE TRUSTEE

Report filed with Commissioner:

Posted:

Deed of Trust dated December 15, 1972, recorded in Deed Book 1238, at page 1; as amended by instrument dated June 16, 1975, recorded in Deed Book 1320, at page 261; as amended by instrument dated March 8, 1976, recorded in Deed Book 1347, at page 223

Trustee's Sale held February 12, 1979

By purchase price of property known as a parcel of land triangular in shape, bounded on the north by East Olney Road, on the east by Bank Street, on the south by East Brambleton Avenue, on the west by Monticello Avenue, further known as 700 Monticello Avenue, Holiday Inn-Scope, Norfolk, Virginia		$5,300,000.00
To Virginian-Pilot for advertising sale	$ 615.30	
To Commissioner of Accounts	2,500.00	
To Trustee's commission	1,250.00	
To City of Norfolk for delinquent real estate taxes	291,646.73	
To Shaw, Pittman, Potts & Trowbridge and Taylor, Walker & Adams, Attorney's fees and preparation of Trustee's Deed	145,000.00	
To B. F. Saul Real Estate Investment Trust of Chevy Chase, Maryland, applied on balance due on Note in the original principal amount of $7,000,000.00, secured by said Deed of Trust as amended	4,858,987.97	
	$5,300,000.00	$5,300,000.00

ROBERT W. ANNAND, SOLE ACTING SUBSTITUTE TRUSTEE

By_____
David H. Adams, of counsel

"Exhibit 3"

Defendants

301 W - 77 - 5252

VIRGINIA:

IN THE CIRCUIT COURT OF THE CITY OF VIRGINIA BEACH

B. F. SAUL REAL ESTATE INVESTMENT TRUST,

Plaintiff

v. LAW DOCKET NO. L-4307

NORMAN D. GROH
and
BARBARA C. GROH,

Defendants

SAUL TRUST'S OPPOSITION TO MOTION TO HAVE JUDGMENT MARKED AS SATISFIED

Plaintiff B. F. SAUL REAL ESTATE INVESTMENT TRUST ("the SAUL TRUST"), judgment creditor in the above-captioned litigation, submits this opposition to defendants' Motion to Have Judgment Marked as Satisfied, for the following reasons:

1. Defendants' obligation under the judgment was not satisfied by the foreclosure sale of the security property.

2. The limitation on defendants' guaranty should have no application to the deficiency remaining after the foreclosure sale.

A statement of facts and discussion of points and authorities follows.

I. STATEMENT OF FACTS

On December 15, 1972, the SAUL TRUST made a loan to Triangle Inn Associates, a Virginia limited partnership (hereinafter called "Triangle"), in the principal amount of Seven Million Dollars ($7,000,000.00). Said loan was evidenced by a Promissory Note dated December 15, 1972, in the principal amount of $7,000,000.00 (hereinafter called the "Promissory Note"). As an inducement to the SAUL TRUST to make said loan, on December 15, 1972, Gerald L. Lavenstein, Norman D. Groh and Barbara C. Groh executed a Guaranty (hereinafter called the "Guaranty"), whereby said individuals, jointly and severally, guaranteed to the SAUL TRUST the due and prompt payment of all indebtedness owed to the SAUL TRUST under the terms of the Promissory Note. (Affidavit of Ross E. Heasley (the "Heasley Affidavit"), submitted herewith, at ¶ 3; see also the Affidavit of Philip D. Caraci dated September 16, 1977 (the "Caraci Affidavit"), filed in this proceeding September 19, 1977, at ¶ 3).

Certain of the terms of the Promissory Note were subsequently modified on two occasions. The first modification occurred on June 16, 1975, at which time the loan was paid down to $5.3 million and the SAUL TRUST agreed to release the Estate of Gerald L. Lavenstein from further liability under the Guaranty. Concurrently with the execution of said modification, Norman D. Groh and Barbara C. Groh consented to said modification and to the release of the Estate of Gerald L. Lavenstein. (Heasley Affidavit at ¶ 4).

The second modification of the terms of the Promissory Note occurred on March 8, 1976 when the loan was paid down to $4,812,986.68. Concurrently with the execution of said modification, Norman D. Groh, Barbara C. Groh and the SAUL TRUST executed a certain Modification of Guaranty and Consent of Guarantors whereby the Grohs would be relieved of any further personal liability when the loan was paid down to $3.1 million, the point at which the property which served as security for the loan would itself be sufficient security for repayment of the unpaid principal balance. (Heasley Affidavit at ¶ 5).

Triangle failed to make the payments required under the terms of the Promissory Note, as modified. As a result of such defaults, the SAUL TRUST declared the entire unpaid principal balance of the Promissory Note, as modified, together with all interest accrued thereon, to be due and payable, and commenced the instant suit against Norman D. Groh and Barbara Groh, as guarantors for the difference between the outstanding unpaid balance and the $3.1 million level, at which the property would be adequate security. (Heasley Affidavit at ¶ 6).

Judgment was entered in the above captioned proceeding on September 19, 1977, in favor of the B. F. Saul Real Estate Investment Trust, against Norman D. Groh and Barbara C. Groh, for the $1,712,986.98 of the unpaid principal balance of $4,812.986.88 under the Promissory Note, plus all accrued and unpaid interest of $630,896.08, and costs of $5,000.00, for a total of $2,348,973.06.

This Court held that, pursuant to the terms of the Guaranty, as modified (quoted at ¶ 4 of Defendants' Motion), Defendants were not required to pay $3.1 million of the unpaid principal balance, but "did guarantee the payment to the plaintiff, B. F. Saul Real Estate Investment Trust, [of] $1,712,986.98 of the unpaid principal balance . . . and the said defendants did further guarantee to the plaintiff all accrued and unpaid interest in the amount of $630,986.08, and all expenses, including attorney's fees in the amount of $5,000, and costs."

No payments were made on the unpaid principal balance until February 12, 1979, when the property which secured the payment of the Promissory Note was sold in foreclosure. As of that date, interest of $595,937.40 was due on the unpaid principal balance of the Promissory Note. (Heasley Affidavit at ¶ 8).

The Trustee's Report of the foreclosure sale of the subject property, a copy of which is attached to the Heasley Affidavit as Exhibit A, indicates that $4,858,987.97 of the purchase price is to be credited against the total amount due the SAUL TRUST under the Promissory Note. This Report has been approved by the Commissioner of Accounts, but an objection has been filed by Triangle.

Application of $4,858,987.97, first to the accrued interest of $595,937.40 on the unpaid principal balance of the Promissory Note and then to principal, leaves unpaid the principal balance of $549,936.31 on the Note. (Heasley Affidavit at ¶ 10).

II. DISCUSSION

A. DEFENDANTS' OBLIGATION UNDER THE JUDGMENT WAS NOT SATISFIED BY THE FORECLOSURE SALE OF THE SECURITY PROPERTY.

Defendants contend that the amount credited as a result of the foreclosure sale to the principal debt owed the SAUL TRUST should be applied to extinguish the SAUL TRUST's judgment against them. They misconstrue the nature of the judgment entered on the Guaranty.

This Court acknowledged that the total amount owed the SAUL TRUST was far larger than the judgment awarded. It held that defendants had guaranteed to the SAUL TRUST payment of $1,712,986.98 of the unpaid principal balance, in addition to payment of all accrued interest and other costs. The Court did not hold that Defendants' obligation to the SAUL TRUST would be extinguished by the first payment of that amount from any source; it held only that the SAUL TRUST could not look to Defendants for more than $1,712,986.98.

The SAUL TRUST does not seek payment of more than it is owed. It asks for no more than repayment of the unpaid principal balance of the Note, plus accrued interest. This Court held that Defendants were obligated to pay the SAUL TRUST $1,712,986.98 of the unpaid principal balance of the Note, plus all unpaid interest. As long as there is an unpaid principal balance on the Note, Defendants are obligated to pay up to that amount of the unpaid principal, plus all interest.

As a result of the foreclosure sale, the unpaid principal balance of the Note is $549,939.31, for which Defendants thus are obligated to the SAUL TRUST. Interest on that amount has accrued at the legal rate of 8% from February 12, 1979, to July 27, 1979 in the amount of $19,888.17. Defendants cannot escape their obligation to make this partial repayment to the SAUL TRUST.

B. THE LIMITATION ON DEFENDANTS' GUARANTY SHOULD HAVE NO APPLICATION TO THE DEFICIENCY REMAINING AFTER THE FORECLOSURE SALE.

Defendants contend that they should be released because the unpaid principal balance of the Note is now less than $3.1 million, and because their Guaranty provided that they no longer would be liable if the Note were paid to that extent. The Guaranty, even if it is relevant to Defendants' judgment liability, did not apply to the situation of a deficiency after a foreclosure sale.

The Guaranty provided that the guarantors' obligations would be fully satisfied "when all of the indebtedness evidenced by the Note" except for $3.1 million "has been paid in full to SAUL." The terms of the Guaranty contemplated that if the loan were paid down to a principal balance of only $3.1 million, the property securing the loan (i.e., Holiday Inn - Scope) could itself

guarantee repayment of the remaining obligation. Such a repayment did not occur in this case.

When the property was sold at foreclosure, the reason for the limitation in the Guaranty disappeared. Defendants cannot now argue that they should be released because the security property will guarantee repayment of the unpaid principal balance; the security property was itself used to partially repay the obligation.

Defendants are seeking to turn the Guaranty on its head to accomplish their purposes. They point to a provision which would have released them if the loan had been paid down to the point at which the security property would be sufficient guaranty, and ask that they be released because the property itself was used to pay the loan down beyond that point. There is no merit or equity in their interpretation of the Guaranty, and it cannot be accepted.

C. CONCLUSION.

Defendants' Motion represents an attempt to free themselves of their just obligations by interpreting their Guaranty in a manner that would automatically release them from liability if the security property were ever sold in foreclosure and brought a reasonable price. That is not what the Guaranty was designed to accomplish, and it cannot be so interpreted. The Defendants' Motion must be denied.

B. F. SAUL REAL ESTATE
INVESTMENT TRUST

By: _____
of Counsel

David H. Adams
Taylor, Walker & Adams
P. O. Box 3668
Norfolk, Virginia 23514

Leslie A. Nicholson, Jr.
Shaw, Pittman, Potts & Trowbridge
1800 M Street, N.W.
Washington, D.C. 20036

CERTIFICATE OF SERVICE

I hereby certify that I ~~mailed~~ HANDED a true copy of the foregoing Opposition to Motion to Have Judgment Marked as Satisfied to all counsel of record this 27th day of July, 1979.

_____
David H. Adams

VIRGINIA:

IN THE CIRCUIT COURT OF THE CITY OF VIRGINIA BEACH

B. F. SAUL REAL ESTATE INVESTMENT TRUST,

Plaintiff

v. LAW DOCKET NO. L-4307

NORMAN D. GROH
and
BARBARA C. GROH,

Defendants

A F F I D A V I T

STATE OF MARYLAND)
) SS:
COUNTY OF MONTGOMERY)

The undersigned, Ross E. Heasley, being duly sworn, hereby states as follows:

1. I am the Treasurer of the B. F. Saul Real Estate Investment Trust (hereinafter called the "Saul Trust"), an unincorporated trust organized under the laws of the District of Columbia, and having its principal place of business at 8401 Connecticut Avenue, Chevy Chase, Maryland 20015.

2. I have personal knowledge of the matters stated in this Affidavit, except as other indicated.

3. On December 15, 1972, the Saul Trust made a loan to Triangle Inn Associates, a Virginia limited partnership (hereinafter called "Triangle"), in the principal amount of Seven Million Dollars ($7,000,000.00). Said loan was evidenced by a Promissory Note dated December 15, 1972, in the principal amount of $7,000,000.00 (hereinafter called the "Promissory Note"). As an inducement to the Saul Trust to make said loan, on December 15, 1972, Gerald L. Lavenstein, Norman D. Groh and Barbara C. Groh

executed a Guaranty (hereinafter called the "Guaranty"), whereby said individuals, jointly and severally, guaranteed to the Saul Trust the due and prompt payment of all indebtedness owed to the Saul Trust under the terms of the Promissory Note.

4. Certain of the terms of the Promissory Note were subsequently modified on two occasions. The first modification occurred on June 16, 1975, at which time the Saul Trust agreed to release the Estate of Gerald L. Lavenstein from further liability under the Guaranty. Concurrently with the execution of said modification, Norman D. Groh and Barbara C. Groh consented to said modification and to the release of the Estate of Gerald L. Lavenstein.

5. The second modification of the terms of the Promissory Note occurred on March 8, 1976. Concurrently with the execution of said modification, Norman D. Groh, Barbara C. Groh and the Saul Trust executed a certain Modification of Guaranty and Consent of Guarantors.

6. Triangle failed to make the payments required under the terms of the Promissory Note, as modified. As a result of such defaults, the Saul Trust declared the entire unpaid principal balance of the Promissory Note, as modified, together with all interest accrued thereon, to be due and payable, and commenced the instant suit against Norman D. Groh and Barbara Groh, as guarantors.

7. To the best of my knowledge, judgment was entered in the above captioned proceeding on September 19, 1977, in favor of the B. F. Saul Real Estate Investment Trust, against Norman D. Groh and Barbara C. Groh, for $1,712,986.98 of the unpaid principal balance of $4,812,986.88 under the Promissory Note, plus all

accrued and unpaid interest of $630,896.08, and costs of $5,000.00, for a total of $2,348,973.06. The parties subsequently agreed that accrued interest totalled only $556,219.98.

8. No payments were made on the unpaid principal balance until February 12, 1979, when the property which secured the payment of the Promissory Note was sold in foreclosure. As of that date, interest of $595,937.40 was due on the unpaid principal balance of the Promissory Note.

9. The Trustee's Report of the foreclosure sale of the subject property, a copy of which is attached hereto as Exhibit A, indicates that $4,858,987.97 of the purchase price is to be credited against the total amount due the Saul Trust under the Promissory Note. Because I understand that this Report has been approved by the Commissioner of Accounts, I have used its figures in my calculations even though an objection has been filed with the Court.

10. Application of $4,858,987.97, first to the accrued interest of $595,937.40 on the unpaid principal balance of the Promissory Note and then to principal, leaves unpaid the principal balance of $549,936.31 on the Note.

Ross E. Heasley

Ross E. Heasley

Subscribed and sworn to before me by Ross E. Heasley who is personally known to me, on this ____ day of July, 1979.

_____

Notary Public

My Commission expires: _____

TRUST ESTATE OF TRIANGLE INN ASSOCIATES,
a Virginia limited partnership

IN ACCOUNT WITH

ROBERT W. ANNAND, SOLE ACTING
SUBSTITUTE TRUSTEE

Report filed with Commissioner:

Posted:

Deed of Trust dated December 15, 1972, recorded in Deed Book 1238, at page 1; as amended by instrument dated June 16, 1975, recorded in Deed Book 1320, at page 261; as amended by instrument dated March 8, 1976, recorded in Deed Book 1347, at page 223

Trustee's Sale held February 12, 1979

By purchase price of property known as a parcel of land triangular in shape, bounded on the north by East Olney Road, on the east by Bank Street, on the south by East Brambleton Avenue, on the west by Monticello Avenue, further known as 700 Monticello Avenue, Holiday Inn-Scope, Norfolk, Virginia		$5,300,000.00
To Virginian-Pilot for advertising sale	$ 615.30	
To Commissioner of Accounts	2,500.00	
To Trustee's commission	1,250.00	
To City of Norfolk for delinquent real estate taxes	291,646.73	
To Shaw, Pittman, Potts & Trowbridge and Taylor, Walker & Adams, Attorney's fees and preparation of Trustee's Deed	145,000.00	
To B. F. Saul Real Estate Investment Trust of Chevy Chase, Maryland, applied on balance due on Note in the original principal amount of $7,000,000.00, secured by said Deed of Trust as amended	4,858,987.97	
	$5,300,000.00	$5,300,000.00

ROBERT W. ANNAND, SOLE ACTING SUBSTITUTE TRUSTEE

By_____
David H. Adams, of counsel

"Exhibit A"

P.Q. G.C. Wright, Jr.	BRENDA B. ROGERS	1977 Sept. 16	IN THE CIRCUIT COURT OF VA. BEACH	1977 Sept. 19 9:00 AM	$600.00 ARREARAGE of MAINTENANCE AND SUPPORT for the MONTH of September, 1977, plus 8% INTEREST per ANNUM from date of JUDGMENT UNTIL PAID.		
P.D. C-288-77	vs. JAMES S. ROGERS						
P.Q. Bryan Walker als atty HL-4307	B.F. Saul Real Estate Investment Trust	1977 Sept 19	In the Circuit Court of the City of Va Beach	1977 Sept 19 11:00 A.M.	$2,348,973.06 With interest from 9/9/77 plus cost	58	50
P.D.	vs. Norman D. Groh + Barbara C. Groh						

Paid, Satisfied and Released this 14th day of Aug. 1978

Attest: Deputy Clerk

	1977 Oct 26	FI FA	Sheriff Va Beach	7	50	1977 Nov 28	
	1977 Nov 28	FI FA	Sheriff Va Beach		50	1978 Feb 21	
8/23/79	1978 June 30	FI FA	Sheriff Va Beach	6	25	1978 July 20	10/30/79 Returned & Unsatisfied with Sheriff - 49 County Court Oct 1982

Partially Satisfied as of 2/12/79, principal balance remaining of $549,936.31.

Denise Fields

of Counsel for B.F. Saul Real Estate Investment Trust

A Copy Teste: John V. Fentress, Clerk

By Norma D. Hertel, D.C.

Commonwealth of Virginia

PHILIP L. RUSSO
AUSTIN E. OWEN
HENRY L. LAM
GEORGE W. VAKOS
KENNETH N. WHITEHURST, JR.
RESIDENT JUDGES
CIRCUIT COURT
CITY OF VIRGINIA BEACH
PRINCESS ANNE
VIRGINIA BEACH, VIRGINIA 23456

SECOND JUDICIAL CIRCUIT

N. WESCOTT JACOB
RESIDENT JUDGE
CIRCUIT COURTS
ACCOMACK COUNTY
NORTHAMPTON COUNTY
ONANCOCK, VIRGINIA 23417

August 31, 1979

David H. Adams, Esquire
Post Office Box 3668
Norfolk, VA 23514

Leslie A. Nicholson, Jr., Esquire
Shaw, Pittman, Potts & Trowbridge
1800 M Street, N.W.
Washington, D.C. 20036

Jerrold G. Weinberg, Esquire
Post Office Box 3789
Norfolk, VA 23514

RECEIVED
SEP 5 1979
WEINBERG & STEIN

Re: B. F. Saul Real Estate
Investment Trust
v.
Norman D. Groh and
Barbara C. Groh

Gentlemen:

As you know, on August 27, 1979, a motion by the defendants to have a judgment entered in this matter marked satisfied was argued orally before the court with the undersigned presiding. At the conclusion of the argument, the court advised you that it had not had an opportunity to study the complete file nor the writings submitted by you on behalf of your respective clients. Since then, I have studied all of the things contained within the file as well as your respective writings.

There seems to be no disagreement in regard to the facts so I will not bother to relate them.

Counsel for the defendants argues that the judgment entered by another judge of this court on September 19, 1977 should be marked satisfied by virtue of the following provision which is set forth in a certain document entitled "Modification of Guaranty and Consent of Guarantors":

> "Guarantors understand and agree that their liability in regard to the Note has been modified to the extent reflected in the terms of the Modification of Note Agreement dated March 8, 1976, except that Saul agrees that Guarantors' obligations under the Guaranty shall be fully satisfied when all of the indebtedness evidenced by the Note except for Three Million One Hundred Thousand Dollars ($3,100,000.00) has been paid in full to Saul or to the holder thereof."

An examination of the file reveals that in the Motion for Judgment filed by the plaintiff on February 15, 1977, the plaintiff, in effect, interpreted the above-stated provision to mean that the defendants were indebted to it for everything required by the Promissory Note in excess of Three Million One Hundred Thousand Dollars ($3,100,000.00). The Motion for Judgment explained the overall amount that was due on the note and prayed for judgment for that amount less Three Million One Hundred Thousand Dollars ($3,100,000.00). In their answer, the defendants did not contest that interpretation and on September 19, 1977, judgment was entered against the defendants in accordance with that interpretation. That judgment became final at the very latest at the expiration of thirty days from the date of judgment when the time for appeal expired. Further, there was no objection by the defendants in the final judgment order.

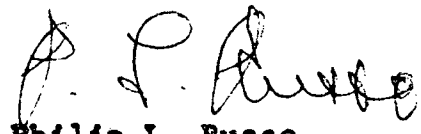
Counsel for the defendants is now asking the court, two years later, to place a different interpretation on the above stated provision than that adopted by the plaintiff in its Motion for Judgment and accepted by the court when it entered the final judgment order of September 19, 1977. It is the opinion of the court that it cannot now, at this late date, go behind that final judgment order and place a different interpretation on the aforestated provision than that taken by the plaintiff in its Motion for Judgment and adopted by the court in its order of final judgment. The time for doing that has long ago expired.

The court is of the opinion that it has no alternative other than to overrule the defendants' motion to have the judgment marked satisfied.

Counsel for the plaintiff should prepare an appropriate order overruling the defendants' motion to have the judgment marked satisfied and they should include therein a reference to this short letter opinion and also preserve the defendants' objection. Upon presentation to the court properly endorsed by all counsel, it will be promptly entered.

The court sincerely commends all counsel for their very able oral and written presentations.

Faithfully yours,



Philip L. Russo

pl

VIRGINIA:

IN THE CIRCUIT COURT OF THE CITY OF VIRGINIA BEACH

on the 24th day of October, 1979

B. F. SAUL REAL ESTATE INVESTMENT TRUST,

Plaintiff

v. LAW DOCKET NO. L-4307

NORMAN D. GROH
and
BARBARA C. GROH,

Defendants

O R D E R

This matter came on upon the Motion of the Defendants to have the Judgment Marked Satisfied, the Opposition to such Motion filed on behalf of B. F. Saul Real Estate Investment Trust, and was argued by counsel;

Upon Consideration Whereof, it is ADJUDGED and ORDERED that the Motion of the Defendants to have the Judgment of this Court of September 19, 1977 marked satisfied be and the same hereby is OVERRULED for the reasons set forth in the letter opinion of the Court of August 31, 1979, to which the Defendants by counsel duly object and except.

ENTER this _____ day of October, 1979.

_____
Philip L. Russo, Judge

I ask for this:

_____
Of Counsel for B. F. Saul Real Estate Investment Trust, Plaintiff

Seen, Objected to, and Exception Noted:

_____
Of Counsel for Norman D. Groh and Barbara C. Groh, Defendants

A Copy Testa: John V. Farraca, Clerk
By _____ D.C.

ASSIGNMENTS OF ERROR

1. The Court erred in not requiring the plaintiff Noteholder to mark the judgment fully satisfied.

2. The Court erred in entering the Order of October 24, 1979.