

NEGATIVE PLEDGE AGREEMENT

By

GRAY PROPERTY 7102, LLC, a Virginia limited liability company

and

GRAY LUMBER COMPANY,
a Virginia corporation

and

GRAYLAND COMPANY, L.P.,
a Virginia limited partnership

For the Benefit of

WACHOVIA BANK, NATIONAL ASSOCIATION,
a national banking association

DATE: November 22, 2005

Lawyer's Title

NEGATIVE PLEDGE AGREEMENT

THIS NEGATIVE PLEDGE AGREEMENT (this "Pledge") is made as of the 2 day of November, 2005, by GRAY PROPERTY 7102, LLC, a Virginia limited liability company and GRAY LUMBER COMPANY, a Virginia corporation and GRAYLAND COMPANY, L.P., a Virginia limited partnership (jointly and severally "Pledgor"), each having its principal office at 5004 Monument Avenue, Suite 200, Richmond, Virginia 23230, Attention: Charles Ewing, for the benefit of WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, and its successors and assigns (the "Lender"), having its principal office at 1021 East Cary Street, 8th Floor, Richmond, Virginia 23219.

RECITALS

A. Lender has made a loan (the "Loan") to Gray Property 7102, LLC in the original principal amount of \$18,225,000.00. The Loan is evidenced or to be evidenced by a Promissory Note in such amount dated of even date herewith (as the same may be amended, modified, replaced amended and restated in its entirety in the future, the "Note"). The Note, together with all other documents and writings executed and delivered by the Pledgor and/or any other signatory party to the Lender in connection with the Loan, are hereafter referred to as the "Loan Documents."

B. Pledgor owns certain real property (the "Land") situated in Shelby County, Alabama, as more particularly described on Exhibit "A" attached hereto, and made a part hereof by this reference, together with all buildings, structures, improvements and replacements, now or hereafter existing on or to be erected upon the Land, including without limitation that certain 252 unit apartment project known as Lake Heather Reserve (collectively, the "Pledged Property").

C. Pledgor has entered into this Pledge as a condition to, and to induce Lender to make the Loan.

AGREEMENT

NOW THEREFORE, in consideration of these premises, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Pledgor hereby agrees as follows:

Section 1. Restrictions on Transfer/Encumbrances – Pledgor hereby covenants that Pledgor shall not, without the prior written consent of Lender, Transfer (as hereinafter defined) the Pledged Property or any part thereof, or permit the Pledged Property, or any part thereof, to be Transferred. As used herein, "Transfer" shall mean any voluntary or involuntary sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment or transfer of all or any part of the Pledged Property or any interest therein including, but not

limited to: (i) an installment sales agreement wherein Pledgor agrees to sell the Pledged Property or any part thereof for a price to be paid in installments; (ii) an agreement by Pledgor leasing all or a substantial part of the Pledged Property for other than actual occupancy by a space tenant thereunder; (iii) a sale, assignment or other transfer of, or the grant of a security interest in, Pledgor's right, title and interest in and to any leases of the Pledged Property or any rents. Any Transfer in violation of this Pledge shall be null and void and without effect and shall constitute an Event of Default hereunder.

Section 2. Notices - All notices shall be sent to the respective addresses of the parties as follows:

If to Lender: Wachovia Bank, National Association
1021 East Cary Street, 8th Floor, Richmond, Virginia 23219
Attn: Teresa T. Fallon, Vice President


With a copy to: Steven D. Delaney, Esquire
LeClair Ryan, A Professional Corporation
Riverfront Plaza, East Tower
951 East Byrd Street
Richmond, Virginia 23219

If to Pledgor: Gray Property 7102, LLC
Gray Lumber Company
Grayland Company, L.P.
c/o GrayCo, Inc.
5004 Monument Ave., Suite 200
Richmond, Virginia 23230
Attention: Charles W. Ewing II

with a copy to: Charles R. Swartz, Esquire
McGuireWoods LLP
901 East Cary Street
Richmond, Virginia 23219

All such notices, demands, requests and other communications shall be deemed to have been given upon the earlier of (i) delivery at the appropriate address specified above, whether in person, by express courier or by mail, or (ii) two business days after the postmark date of mailing. Rejection or other refusal to accept or the inability to deliver because of a changed address of which no notice was given shall not invalidate the effectiveness of any notice, demand, request or other communication.

Section 3. Severability - In the event any provision of this Pledge shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.


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Section 4. Word Forms - The use of any gender, tense, or conjugation herein shall be applicable to all genders, tenses and conjugations. The use of the singular shall include the plural and the plural shall include the singular. For example, whenever the term "Pledgor" is used herein, the term shall refer to each party constituting the Pledgor jointly and severally and individually and collectively.

Section 5. Governing Law - To the extent this Pledge concerns the real property located in the State of Alabama, it shall be governed by, and construed according to, the laws of the State of Alabama. In all other instances, this Pledge and the other instruments referred to herein shall be governed by, and shall be construed according to, the laws of the Commonwealth of Virginia.

Section 6. Release of Pledge - This Pledge shall remain effective until the all obligations under the Note and the other Loan Documents have been satisfied and performed and/or observed, then this Pledge shall, upon the written request of Pledgor, be released at the sole cost and expense of Pledgor.

WITNESS the execution hereof by the Pledgor and the affixing of the Pledgor's seal.

[SIGNATURE TO FOLLOW ON NEXT PAGE]


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PLEDGOR:

GRAY PROPERTY 7102, LLC, a Virginia
limited liability company

By: Gray Holdings, LLC, its sole member

By: 

Name: Horace A. Gray, III

Title: Vice President

GRAY LUMBER COMPANY, a Virginia
corporation

By: 

Name: Horace A. Gray, III

Title: Vice President

GRAYLAND COMPANY, L.P., a Virginia
limited partnership

By: Grise, LLC, its general partner

By: 

Name: Horace A. Gray, III

Title: Vice President



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COMMONWEALTH OF VIRGINIA)
) to-wit:
COUNTY/CITY OF Henrico)

I Debra C. Stultz, a notary for the aforesaid county and state, hereby certify that on this 18th day of November, 2005, came Horace A. Gray, III, in his/her capacity as Vice President of Gray Holdings, LLC, the sole member of Gray Property 7102, LLC, a Virginia limited liability company, and acknowledged the execution of the foregoing instrument on behalf of the limited liability company.

Debra C. Stultz
Notary Public
(Notarial Seal)

My Commission Expires: June 30, 2007

Commission Expiration Date:

(NOTARIAL SEAL)

COMMONWEALTH OF VIRGINIA)
) to-wit:
COUNTY/CITY OF Henrico)


I Debra C. Stultz, a notary for the aforesaid county and state, hereby certify that on this 18th day of November, 2005, came Horace A. Gray, III, in his/her capacity as Vice President of Gray Lumber Company, a Virginia corporation, and acknowledged the execution of the foregoing instrument on behalf of the corporation.

Debra C. Stultz
Notary Public
(Notarial Seal)

My Commission Expires: June 30, 2007

Commission Expiration Date:

(NOTARIAL SEAL)


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COMMONWEALTH OF VIRGINIA

)

) to-wit:

COUNTY/CITY OF Hennico

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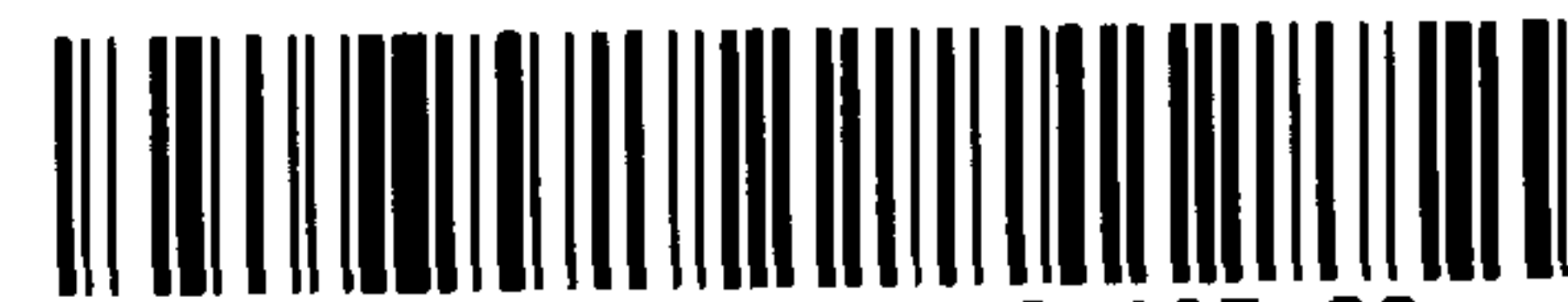
I Debra C. Stulz, a notary for the aforesaid county and state, hereby certify that on this 18th day of November, 2005, came Horace A. Gray, III, in his/her capacity as Vice President of Grise, LLC, general partner of Grayland Company, L.P., a Virginia limited partnership, and acknowledged the execution of the foregoing instrument on behalf of the limited partnership.

Debra C. Stulz
Notary Public
(Notarial Seal)

My Commission Expires: June 30, 2007

Commission Expiration Date:

(NOTARIAL SEAL)



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EXHIBIT A
(Legal Description)




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EXHIBIT A

DESCRIPTION OF LAND

Part of Section 35, Township 18 South, Range 2 West and Section 2, Township 19 South, Range 2 West, Shelby County, Alabama and being more particularly described as follows:

Commence at the Northeast corner of the Southeast quarter of the Southeast quarter of Section 35, Township 18 South, Range 2 West, Shelby County, Alabama and run North $88^{\circ} 48' 03''$ West along the North line of same 734.25 feet; thence run South $41^{\circ} 25' 52''$ West 1019.03 feet to the point of beginning, said point being on the Southeasterly right of way of Inverness Parkway; thence the following courses paralleling the existing paved drive to the Lake Heather boat launch, South $49^{\circ} 19' 19''$ East, 44.63 feet to the point of curve of a curve to the right, having a radius of 50.00 feet and a central angle of $60^{\circ} 20' 45''$; thence run South $19^{\circ} 08' 56''$ East along the chord of said curve 50.26 feet to the point of tangent; thence run South $11^{\circ} 01' 26''$ West, 96.35 feet; thence South $19^{\circ} 53' 48''$ West, 72.94 feet to the point of curve of a curve to the left, having a radius of 213.40 feet and a central angle of $87^{\circ} 13' 13''$; thence run South $23^{\circ} 42' 48''$ East along the chord of said curve 294.38 feet to the point of tangent; thence run South $67^{\circ} 19' 24''$ East, 84.72 feet; thence North $48^{\circ} 34' 32''$ East, 58.21 feet to a point on the 496.00 elevation contour, being the mean water elevation of Lake Heather; thence run in a general Southerly direction along the meanderings of said 496.00 contour 2283.6 feet, more or less to a point on the Northerly boundary of the proposed Inverness Cove Garden Home development, not yet recorded; thence the following courses along the Northerly boundary of said proposed subdivision South $62^{\circ} 27' 53''$ West, 70.91 feet; thence run North $36^{\circ} 25' 48''$ West, 133.59 feet; thence run South $64^{\circ} 00' 15''$ West, 148.44 feet; thence run North $44^{\circ} 32' 37''$ West, 48.97 feet; thence run South $80^{\circ} 43' 18''$ West, 88.09 feet; thence run North $39^{\circ} 17' 36''$ West, 35.87 feet; thence run North $54^{\circ} 04' 01''$ East, 141.72 feet; thence run North $35^{\circ} 08' 09''$ West, 73.08 feet; thence run North $53^{\circ} 32' 36''$ West, 192.86 feet; thence run North $80^{\circ} 58' 43''$ West, 200.08 feet; thence run South $58^{\circ} 30' 01''$ West, 94.92 feet to a point on the Southeasterly right of way of Inverness Parkway; thence run North $49^{\circ} 38' 52''$ East along said right of way 444.74 feet to the point of curve of a curve to the left, having a radius of 1254.79 feet and a central angle of $18^{\circ} 36' 00''$; thence run North $40^{\circ} 20' 52''$ East along the chord of said curve, 405.56 feet to the point of tangent; thence run North $31^{\circ} 02' 52''$ East along said right of way, 324.91 feet to the point of curve of a curve to the right, having a radius of 2087.94 feet and a central angle of $10^{\circ} 23' 00''$; thence run North $36^{\circ} 14' 22''$ East along the chord of said curve, 377.87 feet to the point of tangent; thence run North $41^{\circ} 25' 52''$ East along said right of way, 69.32 feet to the point of beginning.


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