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In re: TARRAGON CORPORATION, *et al.*, Debtors-in-Possession.	UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF NEW JERSEY HONORABLE DONALD H. STECKROTH CASE NO. 09-10555 (DHS) Chapter 11 (Jointly Administered)

SECOND AMENDED AND RESTATED DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE FOR THE DEBTORS' CHAPTER 11 PLAN OF REORGANIZATION

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This Second Amended and Restated Disclosure Statement pursuant to Section 1125 of the Bankruptcy Code for the Debtors' Chapter 11 Plan of Reorganization ("Disclosure Statement"), the Debtors' Second Amended and Restated Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code, a copy of which is annexed hereto as Exhibit A (the "Plan"), the accompanying ballots and related materials delivered herewith are being provided by the Debtors to known holders of Claims and Interests pursuant to Section 1125 and 1126 of the Bankruptcy Code in connection with the Debtors' solicitation of votes to accept the Plan. Unless otherwise defined, all capitalized terms contained in this Disclosure Statement have the meanings ascribed to them in the Plan.

The voting deadline to accept or reject the Plan is 5:00 P.M., prevailing Pacific Time, June 11, 2010 (the "Voting Deadline"), unless extended by Order of the United States Bankruptcy Court for the District of New Jersey (the "Bankruptcy Court"). Your vote on the Plan is important.

THE PLAN IS THE PRODUCT OF SUBSTANTIAL NEGOTIATIONS AMONG THE DEBTORS, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS (THE "CREDITORS' COMMITTEE") AND OTHER MATERIAL STAKEHOLDERS. THE DEBTORS AND THE CREDITORS' COMMITTEE BELIEVE THAT THE PLAN PRESENTS THE MOST ADVANTAGEOUS OUTCOME FOR ALL OF THE DEBTORS' GENERAL UNSECURED CREDITORS AND, THEREFORE, CONFIRMATION OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR ESTATES. THE DEBTORS AND THE CREDITORS' COMMITTEE RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

By Order dated May ____ 2010, the Bankruptcy Court approved this Disclosure Statement as containing adequate information to permit the Holders of Claims against and Interests in the Debtors to make a reasonably informed decision in exercising their right to vote on the Plan. A copy of such Order is attached hereto as Exhibit B. Approval of this Disclosure Statement by the Bankruptcy Court does not constitute a determination on the merits of the Plan.

This Disclosure Statement and the related documents submitted herewith are the only documents authorized by the Bankruptcy Court to be used in connection with the solicitation of votes on the Plan. The Bankruptcy Court has not authorized the use of any representations concerning the Debtors' business operations, the value of the Debtors' assets or the value of any securities to be issued or benefits offered pursuant to the Plan, except as explicitly set forth in this Disclosure Statement.

There has been no independent audit or review of the financial information contained in this Disclosure Statement except as expressly indicated herein. This Disclosure Statement was compiled from information obtained by the Debtors from numerous sources believed to be accurate to the best of the Debtors' knowledge, information and belief.

Neither the Securities and Exchange Commission nor any other governmental authority has passed on, confirmed or determined the accuracy or adequacy of the information contained in this Disclosure Statement or on the decision to accept or reject the Plan. Holders of Claims or Interests must rely on their own examination of the Debtors and the terms of the Plan, including the merits and risks involved. Before submitting ballots, Holders of Claims or Interests entitled to vote on the Plan should read and carefully consider this Disclosure Statement in its entirety.

For the convenience of Holders of Claims or Interests, this Disclosure Statement summarizes the terms of the Plan. If any inconsistency exists between the Plan and this

Disclosure Statement, the terms of the Plan shall control. This Disclosure Statement may not be relied on for any purpose other than to determine whether to vote to accept or reject the Plan. Nothing stated herein shall be deemed or construed as an admission of any fact or liability by any party, or be admissible in any proceeding involving the Debtors or any other party, or be deemed conclusive evidence of the tax or other legal effects of the Plan on the Debtors or Holders of Claims or Interests. Certain statements contained in this Disclosure Statement, by nature, are forward-looking and contain estimates and assumptions. There can be no assurance that such statements will reflect actual outcomes. All Holders of Claims or Interests should carefully read and consider fully the risk factors set forth in Article VII of this Disclosure Statement before voting to accept or reject the Plan.

Summaries of certain provisions of agreements referred to in this Disclosure Statement do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the full text of the applicable agreement, including the definitions of terms contained in such agreement.

The statements contained herein are made as of the date hereof, unless another time is specified. The delivery of this Disclosure Statement shall not be deemed or construed to create any implication that the information contained in this Disclosure Statement is correct at any time after the date hereof.

Holders of Claims or Interests should not construe the contents of this Disclosure Statement as providing any legal, business, financial or tax advice. Therefore, each such Holder should consult with his, her or its own legal, business, financial and tax advisors as to any such matters concerning the solicitation, the Plan and the transactions contemplated thereby.

Although the Debtors' management has used its reasonable best efforts to ensure the accuracy of the financial information provided in this Disclosure Statement, none of the financial information contained in this Disclosure Statement has been audited or reviewed and is based upon an analysis of data available at the time of the preparation of the Plan and this Disclosure Statement. While the Debtors' management believes that such financial information fairly reflects the financial condition of the Debtors, the Debtors' management is unable to represent or warrant that the information contained herein and attached hereto is without inaccuracies.

I. INTRODUCTION

A. Background

On January 12, 2009, Tarragon Corporation ("Tarragon Corp.") and certain of its affiliates (collectively, the "January 12, 2009 Debtors") filed petitions for relief under Chapter 11 of Title 11, United States Code (the "Bankruptcy Code"). In addition to Tarragon Corp. the entities that filed for Chapter 11 protection on the Commencement Date were: Tarragon Development Corporation ("Tarragon Dev. Corp."), Tarragon South Development Corp. ("Tarragon South"), Tarragon Development Company LLC ("Tarragon Dev. LLC"), Tarragon Management, Inc. ("TMI"), Bermuda Island Tarragon LLC ("Bermuda Island"), Orion Towers Tarragon, LLP ("Orion"), Orlando Central Park Tarragon L.L.C. ("Orlando Central"), Fenwick Plantation Tarragon LLC ("Fenwick"), One Las Olas, Ltd. ("Las Olas"), The Park Development West LLC ("Trio West"), 800 Madison Street Urban Renewal, LLC ("800 Madison"), 900 Monroe Development LLC ("900 Monroe"), Block 88 Development, LLC ("Block 88"), Central Square Tarragon LLC ("Central Square"), Charleston Tarragon Manager, LLC ("Charleston"), Omni Equities Corporation ("Omni"), Tarragon Edgewater Associates, LLC ("Tarragon Edgewater"), The Park Development East LLC ("Trio East"), and Vista Lakes Tarragon, LLC ("Vista").

On January 13, 2009, Murfreesboro Gateway Properties, LLC ("Murfreesboro") and Tarragon Stonecrest, LLC ("Stonecrest," and together with Murfreesboro, the "January 13, 2009 Debtors") filed petitions for Chapter 11 bankruptcy protection as well. Finally, on February 5, 2009, Tarragon Stratford, Inc. ("Stratford"), MSCP, Inc. ("MSCP") and TDC Hanover Holdings LLC ("Hanover," and together with Stratford and MSCP, the "February 5, 2009 Debtors ", and together with the January 12, 2009 and January 13, 2009 Debtors, the "Debtors ") filed their petitions for Chapter 11 bankruptcy protection.

Since their respective Commencement Dates, the Debtors have remained in possession of their assets and the management of their business as Debtors-in-Possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

On May 11, 2010, the Bankruptcy Court approved this Disclosure Statement as containing "adequate information" in accordance with section 1125(b) of the Bankruptcy Code to enable a hypothetical, reasonable investor typical of the voting classes contained in the Plan to make an informed judgment about whether to accept or reject the Plan. **A hearing to consider confirmation of the Plan (the "Confirmation Hearing") will be held on June 18, 2010, at 10:00 a.m., prevailing Eastern Time**, before the Honorable Donald H. Steckroth, United States Bankruptcy Judge, at the United States Bankruptcy Court for the District of New Jersey, Martin Luther King, Jr. Federal Building, 50 Walnut Street, 3rd Floor, Newark, New Jersey 07102. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan must be filed and served so that they are received on or before June 11, 2010 at 5:00 p.m., prevailing Eastern Time, in the manner described in Article VI, Section F of this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without

further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

Attached as Exhibits to this Disclosure Statement are copies of the following documents:

- The Plan and all of the exhibits pertaining thereto (Exhibit A);
- Order of the Bankruptcy Court, among other things, approving this Disclosure Statement and establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan (Exhibit B);
- Organizational Chart of Tarragon as of the Commencement Date (Exhibit C);
- The Debtors' Cash Flow Projections (Exhibit D);
- Debtors' Estimated Recovery to Creditors (Exhibit E);
- The Debtors' Liquidation Analysis (Exhibit F);
- List of New Ansonia Acquired Interests (Exhibit G);
- The Credit Agreement (Exhibit H);
- Operating Agreement of New Ansonia (Exhibit I);
- Material Liquidation Assets (Exhibit J).

In the event of a conflict or inconsistency between the aforesaid documents and the Plan or this Disclosure Statement, such documents shall control.

In addition, a Ballot is enclosed with the Disclosure Statement enabling those Holders of Claims entitled to vote to accept or reject the Plan to cast their vote.

B. Voting

Voting instructions are contained in Article VI, Section A of this Disclosure Statement. To be counted, your original Ballot must be duly completed, executed and filed with **Kurtzman**

Carson Consultants LLC ("Kurtzman") by the Voting Deadline. Ballots filed after the Voting Deadline may not be counted.

II. GENERAL INFORMATION

A. Debtors' Corporate History and Structure

Tarragon Corp., incorporated in 1997, is a publicly traded Nevada corporation. Tarragon Corp. is the successor by merger to Vinland Trust, a public real estate investment trust formed in 1973, and National Trust, a public real estate investment trust that began operations in 1978.

Tarragon Corp. holds a direct or indirect interest in over 100 subsidiaries, partnerships and joint ventures, inclusive of both debtor and non-debtor entities (collectively, "Tarragon"). An organizational chart of Tarragon as of the Commencement Date is attached as Exhibit C.

Tarragon Corp.'s common stock is publicly traded on The NASDAQ Global Select Market ("NASDAQ") under the symbol "TARR". According to Tarragon Corp.'s transfer agent's records, as of August 4, 2008, 28,987,734 shares of Tarragon Corp.'s common stock were outstanding. On September 26, 2008, Tarragon Corp. received a deficiency notice from NASDAQ stating that it was not in compliance with NASDAQ Marketplace Rules because the minimum bid price of its common stock had closed below $1.00 per share for 30 consecutive business days. The NASDAQ deficiency notice had no immediate effect on the NASDAQ listing or trading of Tarragon Corp.'s common stock. On January 12, 2009, Tarragon Corp. received a NASDAQ Staff Determination Notice in connection with the commencement of the bankruptcy cases indicating that, pursuant to NASDAQ Marketplace Rules, Tarragon Corp.'s stock would be delisted from the NASDAQ. Trading on Tarragon Corp.'s stock was suspended on January 22, 2009.

B. Tarragon's Business Operations

Tarragon is a real estate developer, owner and manager with more than 30 years of experience in the real estate industry. As a developer, Tarragon has been recognized for its quality construction, creative design, commitment to principles of smart growth, and broad capabilities to meet the unique needs of the various communities in which it operates.

Tarragon's headquarters are located in New York City. Tarragon also maintains regional offices in Connecticut, Florida and Texas. As of the Commencement Date, Tarragon had approximately 300 employees consisting of executives, site level employees and corporate staff.

Tarragon operates two distinct business divisions, a real estate development division (the "Development Division") and an investment division (the "Investment Division"). The Development Division focuses on developing, renovating, building, and marketing homes in high-density, urban locations and in master-planned communities, as well as building luxury and affordable rental properties to sell upon completion and lease-up. The Investment Division owns and operates a portfolio of stabilized rental apartment communities located in Alabama, Connecticut, Florida, New Jersey, Texas, Tennessee, Maryland, Oklahoma and Georgia.

1. **The Development Division**

In its Development Division, Tarragon has focused on the development of the following distinct property types: (i) new low-rise and mid-rise rental apartment communities; (ii) high-rise and mid-rise condominiums; (iii) townhomes, traditional new developments and low-rise condominiums; and (iv) conversion of existing rental apartment communities to condominiums. These development projects typically have been targeted at highly defined market segments such as first-time, move-up, retirement, empty-nester, and affluent second-home buyers in Connecticut, South Carolina, New Jersey, Florida and Texas. Tarragon's goal has been to obtain sites at a cost that makes development economically feasible, and it generally has acquired land

subject to or after receiving zoning and other approvals to reduce development-related risk and preserve capital.

Tarragon historically financed its development activities through acquisition, development or construction loans and corporate borrowings, with the required equity investment coming principally from internally generated funds. Mortgage financing proceeds and proceeds from the sale of properties generated by Tarragon's rental real estate portfolio also historically have been significant sources of funding for development activities. Additionally, Tarragon often has undertaken development projects in partnership with third parties. These third parties were selected based on their expertise in particular areas or projects or the partners' access to capital to facilitate obtaining construction financing and to fund a portion of the required equity.

As of January 7, 2009, Tarragon's Development Division's inventory consisted of 1,034 units in active development projects, including: (i) 80 units in high and mid-rise developments; (ii) 10 units in townhome and traditional new home developments; (iii) 405 units in condominium conversions; and (iv) 539 units in rental developments. Tarragon's development pipeline consisted of 1,846 units including: (i) 352 units in high and mid-rise developments; (ii) 200 units in mixed-use residential and commercial developments; (iii) 72 units in townhome and traditional new developments; and (iv) 1,222 units in rental developments.

As a result of the recent marked slowdown in new home sales, the decline in home prices and the increasingly more restrictive credit markets, the Development Division has deemphasized for-sale housing in future project planning in favor of development of traditional, low-rise rental apartments with an emphasis on suburban garden apartment developments.

2. **The Investment Division**

Tarragon's Investment Division owns and operates a portfolio of rental properties with stabilized operations (i.e. development or renovation is substantially complete and recurring operating income exceeds operating expenses and debt service). The Investment Division also provides management services to the Development Division's rental properties that are earmarked for conversion to condominiums or under construction and in the initial lease-up stage.

Tarragon, through TMI, manages its rental apartment communities in the Investment Division with a focus on adding value. Tarragon has implemented programs to optimize revenue generated by the investment properties, including, but not limited to, daily value pricing and lease inventory management, as well as programs to enhance ancillary income from cable, television, telephone and high-speed internet services, laundry facilities, and vending machines. Tarragon utilizes an integrated accounting, financial and operational management information system which connects regional offices and management sites with Tarragon's corporate headquarters in New York City.

Funds generated by the operation, sale and refinancing of Tarragon's investment real estate portfolio primarily have been used to finance expenses associated with Tarragon's development operations and to repay debt and other obligations. Rental income also has been used to enhance the value of Tarragon's investment portfolio through consistent capital improvements.

As of January 7, 2009, Tarragon's Investment Division portfolio consisted of 7,392 stabilized apartment units and 3 apartment communities with 642 apartments in lease-up in its Investment Division portfolio. Additionally, Tarragon's Investment Division portfolio included approximately 102,000 square feet of commercial property.

C. Tarragon's Pre-Petition Financial Performance

On November 10, 2008, Tarragon filed its Form 10-Q with the Securities and Exchange Commission disclosing Tarragon's financial performance for the nine months ended September 30, 2008 (the "10-Q"). As of September 30, 2008, Tarragon had consolidated assets totaling approximately $840,688,000 and consolidated liabilities totaling approximately $1,000,000,000.

As reported in the 10-Q, Tarragon's consolidated revenue was $48.5 million and $275.8 million for the three and nine months ending on September 30, 2008, respectively. Tarragon suffered losses from continuing operations of $58.4 million and $111.5 million, respectively, for the three and nine months ending on September 30, 2008, compared to $178.5 million and $254.5 million for the corresponding periods in 2007.

Sales revenue in 2008 was adversely impacted by the volatility of the real estate market and the events affecting the sub-prime mortgage market. Total sales revenue decreased by $21.2 million and $2.6 million, respectively, for the nine and three months ending on September 30, 2008. In particular, Tarragon experienced a slowdown in sales at its condominium conversion projects and townhome developments for which consolidated revenue declined by $112 million and $50.2 million, respectively, for the nine months ending on September 30, 2008.

Rental income was modestly impacted by the deteriorating housing industry. Rental and other revenue decreased $441,000 (or 2.3%) and $1.7 million (or 3%), respectively, for the three and nine months ending on September 30, 2008.

As a result of the Debtors' operating losses, the Debtors have not incurred significant federal income tax liability and, in fact, have incurred substantial net operating losses ("NOL"). The Debtors' NOL currently are estimated to be approximately $300 million, which, based on the present 35% corporate tax rate, are worth as much as $105 million in potential future federal tax savings.

D. The Pre-Petition Capital Structure

Historically, Tarragon relied on project financing to fund growth opportunities in the Development Division and non-recourse mortgage financing in the Investment Division. In the Development Division, Tarragon obtained loans to finance the acquisition of land for future development or sale, and to finance the cost of construction and land infrastructure, as well as the cost of acquiring and/or renovating rental properties for conversion into condominium homes. Generally, one of Tarragon Corp.'s subsidiaries or joint ventures was the borrower on the loan and, in many cases, either Tarragon Corp. and/or Tarragon Dev. Corp. guaranteed repayment of those obligations.

1. Tarragon Unsecured Debt

As of the Commencement Date, Tarragon Corp. had unsecured debt totaling approximately $170 million, exclusive of contingent guaranty obligations and unliquidated litigation claims, broken down as follows: (i) $125 million of subordinated unsecured debt to Taberna Capital Management LLC and certain of its affiliates (collectively, "Taberna") pursuant to the terms of Subordinated Indentures dated June 15, 2005, September 12, 2005 and March 1, 2006, as amended (the "Taberna Indentures"); (ii) approximately $40 million of unsecured debt to affiliates of the Debtors, Beachwold Partners, L.P. ("Beachwold") and Robert P. Rothenberg, Tarragon Corp.'s President ("Rothenberg"), pursuant to the terms of promissory notes dated January 7, 2008 (the "Affiliate Notes"); and (iii) other unsecured debt to vendors and other claimants, including a credit line with Bank of America, N.A. ("BofA") secured by assets owned by certain subsidiaries of Tarragon Corp.

2. Contingent Claims

As of the Commencement Date, Tarragon Corp. also had contingent claims resulting from its guarantees of affiliate and subsidiary project debt (described briefly below) totaling

approximately $769 million. In addition, Tarragon Corp. and its development subsidiaries and affiliates are subject to warranty and construction defect claims arising in the ordinary course of business.

As of the Commencement Date, there also were several asserted and contingent claims against various Tarragon entities for personal injury and property damage allegedly caused by, among other things, construction defects, water intrusion and mold. In certain of those claims and/or lawsuits, Tarragon Corp. and other holding company Debtors have been named as current or potential defendants. The contingent claims are in varied stages of maturity, ranging from the receipt of statutory construction defect notices to trial-ready lawsuits.

3. **Secured Debt at the Project Level**

In connection with Tarragon's various development projects, the costs of construction, renovations and acquisitions of land are financed through loans from institutional lenders secured by mortgages on the real estate owned by Tarragon Corp.'s direct and indirect subsidiaries.

The following table summarizes the Debtors' mortgage debt as of the Commencement Date:[1]

Debtor	**Lender**	**Balance as of the Commencement Date**
Bermuda Island	BofA	$41,458,495
Orion	BofA	$7,690,400
Orlando Central	BofA	$5,454,717

[1] The non-debtor projects had aggregate secured debt of approximately $625 million as of the Commencement Date. Nothing herein constitutes an admission by the Debtors as to the amount or extent of debt or the validity of liens.

Las Olas	Bank Atlantic/Regions Bank	$2,860,262
Trio West	iStar FM Loans LLC	$15,536,810
800 Madison	BofA	$66,564,955
900 Monroe	BofA	$3,900,000
Central Square	Regions Bank	$8,970,000
Trio East	BofA	$3,600,000
Murfreesboro	National City Bank ("National City")	$23,000,000
Stonecrest	National City	$5,600,000
	Total	$184,635,639

As set forth herein, the secured debt on certain Debtor projects was satisfied or reduced as a result of asset sales and settlements that occurred during the Chapter 11 cases.

III. FACTORS PRECIPITATING THE DEBTORS' CHAPTER 11 FILINGS

A. Adverse Market Conditions

The homebuilding industry in the United States, for several quarters leading up to the Commencement Date, experienced a significant and sustained decrease in demand for new homes and an oversupply of new and existing homes for sale. The negative impact of those trends has been compounded by recent difficulties in the mortgage and overall credit markets. In fact, many other large homebuilders, including Levitt and Sons LLC, Kimball Hill, Inc., Tousa Inc., WCI Communities Inc., and Woodside Group LLC, have been forced to seek bankruptcy protection based on the significant downturn in the homebuilding industry.

Similar to the impact on Tarragon's competitors, Tarragon experienced declining home prices and sales volumes and dampening customer confidence. The downturn in the

homebuilding industry has been particularly sudden and steep in Florida and other areas in which Tarragon is concentrated.

Historically, Tarragon's principal sources of cash have been proceeds from sales of for-sale or for-rent housing, borrowings, rental operations, and proceeds from the sale of rental real estate developments. Throughout 2007 and 2008, however, the decline in home prices and concomitant increase in sales discounts and sales incentives, based with additional lease-up and interest costs associated with certain properties, strained Tarragon's liquidity. Tarragon's liquidity has been further impacted by an increased cost of labor and supplies, resulting in reduced margins for homes sold.

Moreover, the volatility of the mortgage lending industry adversely affected the ability of Tarragon's buyers to obtain affordable home mortgages, detrimentally impacting Tarragon's sales. As a result of increased default rates, particularly in the sub-prime mortgage market, many lenders discontinued certain types of residential mortgage loans or significantly heightened their loan qualifications for such loans. The resulting difficulty in obtaining financing reduced the pool of qualified and capable home buyers. Additionally, the restricted credit markets increased buyer termination of contracts. Those defaults limited Tarragon's ability to deliver units from their residential inventory and collect contracts receivable upon completion of projects.

In the third quarter of 2007, the deterioration in the real estate credit markets prevented Tarragon from completing financing transactions that had been under negotiation. The inability to close those transactions materially affected Tarragon's liquidity, including its ability to repay existing indebtedness as it became due and to meet other current obligations. Those market conditions also detrimentally affected Tarragon's ability to comply with financial covenants contained in existing debt agreements.

B. <u>Tarragon's Pre-Petition Efforts to Improve Liquidity</u>

In response to those adverse market conditions, Tarragon took several steps aimed at preserving cash and enhancing its liquidity. In response to the marked slowdown in sales, Tarragon decided not to convert a number of rental properties previously targeted for conversion to condominium homes for sale. Instead, Tarragon decided to operate those properties as rental properties and transferred them from the Development Division to the Investment Division. As a result of that decision, Tarragon incurred additional lease-up and interest costs associated with those apartment properties. In August 2007, Tarragon also decided to sell 16 of those properties in connection with its efforts to improve liquidity and reduce debt.

As of the Commencement Date, Tarragon sold 15 of the 16 properties, generating net cash after payment of project-level obligations of $54.5 million. In addition, before the Commencement Date, Tarragon sold three development properties that had been financed mostly with short-term, floating rate debt. Accordingly, the sales of those assets improved liquidity primarily by reducing negative cash flow and reducing debt.

Tarragon also took certain measures to reduce general and administrative overhead expenses by implementing a reduction in workforce in August 2007. Thereafter, Tarragon continued to trim its workforce and reduce overhead by eliminating 200 additional positions in 2008. Also in 2008, Tarragon closed offices in Orlando and Jacksonville, Florida, and significantly decreased lease expenses by reducing the size of the Ft. Lauderdale office from 25,000 square feet to 5,000 square feet.

Finally, Tarragon reevaluated the economic feasibility of its active and pipeline development projects in light of the 2008 market conditions. As a result of that evaluation, Tarragon delayed the commencement of seven planned development projects and one planned

conversion of an apartment complex into a hotel. Tarragon also terminated one project already under construction and contracts to acquire two additional developments.

C. Pre-Petition Forbearance Agreement with Taberna

On October 30, 2008, Tarragon Corp. entered into a Restructuring Support and Forbearance Agreement with Taberna, the Indenture Trustee, Beachwold, and Rothenberg (the "Forbearance Agreement"). Pursuant to the Forbearance Agreement, Taberna agreed to support a financial restructuring of Tarragon Corp. and to refrain from exercising any rights and remedies under the Taberna Indenture through June 30, 2009, assuming the guaranty interest payments due on January 30, 2009, and April 30, 2009, were timely made.

The Forbearance Agreement contemplated a financial restructuring in which the Taberna Notes and the Affiliate Notes would be restructured and become obligations of a reorganized Tarragon Corp. or an affiliated issuer. The Forbearance Agreement further contemplated that the sponsor of a restructuring plan and certain of Tarragon Corp.'s debt holders would receive shares of reorganized Tarragon Corp.'s equity, representing a controlling interest in the reorganized company, in exchange for the assumption of the indebtedness of the Taberna Notes and the Affiliate Notes. As of the Commencement Date, however, the Debtors had not reached agreement with a plan sponsor on a restructuring of Tarragon consistent with that contemplated by the Forbearance Agreement. In view of the fact that an agreement had not been reached with an investment partner, Tarragon Corp. did not make the interest payments to Taberna that were due on January 30, 2009 or April 30, 2009.

Prior to the Commencement Date, the Debtors and their professionals devoted significant time evaluating the Debtors' business operations and funding requirements to identify the most comprehensive options for resolving their financial difficulties and maximizing value for the benefit of all stakeholders. Beginning in the summer of 2008, Tarragon Corp. engaged in

discussions with Arko Holdings, Ltd. ("Arko"), a publicly traded Israeli company, regarding the recapitalization of Tarragon Corp. Those discussions facilitated the execution of the Forbearance Agreement with Taberna. An affiliate of Arko committed to provide a $6.25 million debtor-in-possession financing facility.

Upon their orderly transition into Chapter 11, and in an effort to maximize stakeholder recoveries, the Debtors continued to explore all strategic alternatives including, but not limited to, continued negotiations with Arko, as well as evaluating a possible sale or other restructuring or recapitalization, or combinations thereof. In that regard, the Debtors engaged Lazard Frères & Co. LLC to evaluate those alternatives and to actively market the Debtors to other potential investors or purchasers.

D. Subordination of Certain Indebtedness to the Taberna Indentures.

Taberna Capital Management, LLC ("Senior Lender"), as collateral manager for and on behalf of Taberna Preferred Funding II, Ltd., Taberna Preferred Funding III, Ltd., Taberna Preferred Funding IV, Ltd., Taberna Preferred Funding V, Ltd. and Taberna Preferred Funding VI, Ltd., Beachwold and Rothenberg (collectively, the "Junior Lender"), Tarragon Corp., Friedman, Lucy Friedman, and certain Affiliates of the Junior Lender are parties to that certain Standstill Agreement dated as of March 27, 2008 ("Standstill Agreement").

Pursuant to the terms of the Standstill Agreement, indebtedness (the "Junior Indebtedness") under that certain (i) letter agreement dated January 7, 2008 between Tarragon Corp. and the Junior Lender, (ii) Promissory Note dated January 7, 2008 in favor of Beachwold, and (iii) Promissory Note dated January 7, 2008 in favor of Rothenberg is subordinated to the prior indefeasible payment in full of the Taberna Indentures.

Although the Junior Indebtedness is subordinated to the Taberna Indentures, Tarragon Corp. may (i) pay the Junior Lender cash interest or dividends on the principal amount of the

Junior Indebtedness or any equity securities into which the Junior Indebtedness may be converted at a rate not to exceed 5% per annum, (ii) convert the Junior Indebtedness into equity securities of Tarragon Corp., and (iii) issue equity securities of Tarragon Corp. or additional indebtedness of Tarragon Corp. that is subordinated to the Taberna Indentures; provided that such payments may be made only so long as (a) no default under the Standstill Agreement, the related Option Agreement or an event of default under the Taberna Indentures has occurred and is continuing, (b) immediately after giving effect to such payment, Tarragon Corp. has unrestricted cash in an amount in excess of $10,000,000, (c) such interest payments are made on a quarterly basis during a ten day period where payments (other than principal) due to Senior Lender under the Taberna Indentures have been paid in full, and (d) such payments were not made prior to September 28, 2008.

Pursuant to the terms of the Standstill Agreement, the Junior Lender agreed that it shall not (i) accelerate the Junior Indebtedness or any portion thereof, or (ii) take any Enforcement Action (as defined in the Standstill Agreement) until the earlier of (a) 91 days following the satisfaction in full of the Taberna Indentures, or (b) 91 days following the acquisition of the Taberna Indentures pursuant to the terms of the Option Agreement.

E. Tarragon Dev. LLC's Relationship with Ansonia Apartments, L.P.

Ansonia Apartments, L.P., a Delaware limited partnership ("Ansonia LP"), was formed on November 25, 1997. Pursuant to that certain Limited Partnership Agreement dated November 25, 1997 ("Ansonia LPA"), as thereafter amended from time to time, Tarragon Dev. LLC owns a 89.44% general partnership interest in Ansonia LP and Ansonia owns a 10.56% limited partnership interest in Ansonia LP.

Ansonia LP's day to day business affairs are managed by Tarragon Dev. LLC, its General Partner. However, pursuant to the Ansonia LPA, so long as (1) Ansonia LLC, a non-affiliate of

Tarragon Corp. ("Ansonia") is a limited partner of Ansonia LP, and (2) Rothenberg is a member of Ansonia, the General Partner shall have no authority to perform any of the following without the approval of Ansonia: (i) purchase, sell, lease or otherwise acquire an interest in real property, (ii) obtain, increase, modify, consolidate, guarantee or extend any loan or other obligation affecting the Ansonia LP; provided, that Tarragon Dev. LLC may, without the approval of Ansonia (a) refinance any loan at maturity, (b) refinance a loan prior to maturity if the new loan will be made by an institutional lender, or (c) refinance a recourse obligation of Ansonia LP with a non-recourse obligation or refinance a recourse obligation with a recourse obligation in an equal or lesser principal amount, (iii) admit a new or substitute partner, (iv) change the business plan of Ansonia LP or do any act which would make it impossible or unreasonably burdensome to carry on the business of Ansonia LP, (v) dissolve, liquidate or otherwise terminate Ansonia LP, (vi) merge or consolidate Ansonia LP with any other entity, (vii) file a petition in bankruptcy, seek the appointment of a receiver or make an assignment for the benefit of creditors on behalf of Ansonia LP or take any similar action, or (viii) amend the Ansonia LPA or the Certificate of Limited Partnership.

Additionally, Tarragon Dev. LLC may not sell or transfer all or any part of its general partnership interest in Ansonia LP without the consent of Ansonia. Ansonia may only sell, transfer, assign, pledge, hypothecate, encumber or dispose of all or any part of its limited partnership interest in compliance with the terms and conditions of the Limited Partnership Agreement.

F. Circumstances and Timing of the Filing of the Petitions

Prior to commencement of the bankruptcy proceedings, Tarragon Corp.'s management conducted a thorough analysis of the nature and extent of each entity's assets and liabilities. As

a result of this analysis, on the Commencement Date, the January 12, 2009 Debtors filed petitions for Chapter 11 bankruptcy protection.

The January 12, 2009 Debtors constitute far fewer than all of the more than 100 Tarragon entities listed in the organizational chart attached hereto as Exhibit C, and were strategically selected by Tarragon's management and advisors based on the particular facts and circumstances of the specific entities. An important factor in determining whether a project owner sought Chapter 11 protection was the existence of alleged defaults on mortgages (primarily as a result of maturity) and the status of discussions with their respective mortgage lenders regarding forbearance and related issues. More specifically, several Tarragon project-owning entities were omitted from the initial Tarragon Chapter 11 filing based on perceived progress in lender discussions regarding a forbearance agreement or similar accommodations that would obviate the need, at least in the immediate term, to cause the entity to seek Chapter 11 protection. Those considerations were instrumental in identifying the January 12, 2009 Debtors.

Additional factors emerged when, upon being informed of the January 12, 2009 Debtors' Chapter 11 filings, National City notified Murfreesboro and Stonecrest of its intention to commence an action against those entities seeking, among other things, certain emergent relief from the Tennessee state court. The intended relief to be sought included the immediate appointment of a rent receiver for projects encumbered by deeds of trust in favor of National City, which deeds of trust secure notes due by Murfreesboro and Stonecrest to National City with balances of approximately $23,000,000 and $5,600,000, respectively. Additionally, National City indicated that it would seek an injunction preventing Murfreesboro and Stonecrest from collecting rents. As a result, Tarragon's management decided on January 13, 2009 to file

petitions for protection under Chapter 11 of the Bankruptcy Code for Murfreesboro and Stonecrest to preserve the value of their assets for stakeholders.

Approximately two weeks later, Tarragon Corp. determined that three additional Debtors, Stratford, MSCP, and Hanover -- the February 5, 2009 Debtors -- were in need of Chapter 11 bankruptcy protection. The February 5, 2009 Debtors have ownership interests in non-debtor affiliates, Exchange Tarragon LLC, East Hanover Tarragon LLC, Capitol Ave. Tarragon LLC, Mariner's Point Tarragon LLC, and Merritt-Stratford, L.L.C. (the "Paradigm Borrowers") and are party to three notes due to Paradigm Credit Corp. ("Paradigm") in the aggregate principal amount of $29,800,000 (collectively, the "Paradigm Loan").

Before the commencement of the January 12, 2009 Debtors' Chapter 11 cases, Tarragon Corp., Tarragon South, the Paradigm Borrowers and the February 5, 2009 Debtors negotiated a forbearance agreement with Paradigm (the "Paradigm Forbearance Agreement"). The Paradigm Forbearance Agreement extended the maturity dates of the Paradigm Loan, revoked Paradigm's pre-petition exercise of equity pledges and waived default interest. In turn, the Paradigm Borrowers agreed, among other things, to cross-collateralize the Paradigm Loan and committed to pay interest to Paradigm on a monthly basis. In the course of their ongoing review of cash flow, asset values and other information concerning the relevant properties, however, the Paradigm Borrowers determined that the Paradigm Forbearance Agreement no longer continued to make economic sense. In anticipation of the potential exercise of remedies by Paradigm, to preserve the value of their assets and for the benefit of their stakeholders, the February 5, 2009 Debtors filed their petitions for bankruptcy protection.

An Order directing joint administration of the January 12, 2009 Debtors' cases and the January 13, 2009 Debtors' cases was entered on January 15, 2009. Subsequently, the Debtors

filed a motion seeking entry of an Order deeming the February 5, 2009 Debtors parties to the First Day Motions (as defined *infra*), including the motion seeking joint administration. In their motion, the Debtors set forth the developments that led to the necessity to file additional petitions, including, as described more fully above, changes in certain Debtors' relationships with certain lenders. The Bankruptcy Court entered an Order granting the motion on February 20, 2009.

G. Litigation with Northland

Before the Commencement Date, Tarragon Corp. entered into an agreement with Northland Investment Corporation ("Northland Investment"), Northland Portfolio, L.P., Northland Fund, L.P., Northland Fund III, L.P., Northland Austin Investors LLC, Austin Investors L.P., Drake Investors L.P. and Tatstone Investors (collectively, "Northland Investment"), a series of privately held real estate investment companies, limited partnerships and limited liability companies, to form two joint ventures. Under the terms of a Contribution Agreement dated March 31, 2008 (the "Contribution Agreement"), Northland Investment, Tarragon Corp. and Ansonia, agreed, over time, to contribute their membership or limited partnership interests in various companies (the "Contributed Companies") to a newly formed company called Northland Properties LLC (the "Northland Real Estate Venture"). The respective ownership and management interests in the Northland Real Estate Venture were to be based on the relative value of each party's contributed assets.

The Contributed Companies that were identified by Tarragon Corp. for contribution to the Northland Real Estate Venture collectively owned 6,942 units and had non-recourse debt of $459 million. Based on the parties' joint assessment of the equity in all of the properties to be contributed, Tarragon Corp. and Ansonia, a partner in 24 of the contributed properties, would initially own 22.4% of the Northland Real Estate Venture and Northland Investment would own

the remaining 77.6%. Consummation of the Northland Real Estate Venture was subject to lender consents and other customary closing conditions.

Contemporaneously with the formation of the Northland Real Estate Venture, Tarragon Corp. and Northland formed a second joint venture called Northland Properties Management LLC ("Northland Management," which, together with Northland Investment, collectively shall be referred to as "Northland") to provide property, asset and construction management services to the properties in the Northland Real Estate Venture (the "Northland Management Venture"). Northland Management Venture was to be owned by Tarragon Corp. and Northland in the same proportion as the contemplated ownership in the Northland Real Estate Venture.

In May 2008, Northland Management Venture assumed management of 24 Tarragon apartment communities under an interim Management Agreement. In addition, the employment of 25 of Tarragon's corporate employees and 215 site level employees was transferred to Northland Management Venture at that time.

1. **Massachusetts Litigation**

Tarragon Corp. entered into a contract with Northland Fund II, L.P. ("Northland Fund II") to sell all of Tarragon Corp.'s membership interests in Bermuda Island for the sum of $42,500,000 (the "Bermuda Island Contract"). Pursuant to the Bermuda Island Contact, Northland Fund II agreed to assume the existing mortgage loan from Bermuda Island to its lender and to close on the sale by March 31, 2008 (one day before the maturity of the loan).

Before the March 31, 2008 "time of the essence" closing date, Northland Fund II requested that the closing date be rescheduled to April 30, 2008. Tarragon Corp. was reluctant to delay the March 31, 2008 closing. Based on Northland Fund II's representation that it intended to finalize the transaction shortly, however, Tarragon Corp. agreed to extend the closing date to April 30, 2008. Subsequently, on several occasions, Northland Fund II requested to further delay

the closing date and Tarragon Corp. ultimately agreed to extend the closing to July 31, 2008. When Tarragon Corp. refused to grant any further extensions of the closing date, and demanded that Northland Fund II close on the acquisition, Northland Fund II issued a letter on July 31, 2008, stating it was terminating the contract because the mortgage lender's consent to the transaction was inadequate.

On August 4, 2008, Northland Fund II commenced a lawsuit against Tarragon Corp. in the Superior Court of Massachusetts, County of Middlesex, Civil Action No.: 08-2944 (the "Massachusetts Litigation"). In that lawsuit, Northland Fund II claimed that it was entitled to terminate the Bermuda Island Contract and recover its deposit. Tarragon Corp. filed an answer to the complaint and asserted counterclaims against Northland Fund II for wrongful termination of the Bermuda Island Contract. The security deposit advanced by Northland Fund II under the Bermuda Island Contract, which is subject to dispute between Tarragon Corp. and Northland Fund II, is being held by the title company pending the outcome of the Massachusetts Litigation.

2. **New York Litigation**

Before the Commencement Date, Tarragon Corp. did not receive the requisite lender consents to the Northland Real Estate Venture. Consequently, the Contribution Agreement was terminated.

On August 20, 2008, Northland Investment filed suit against Tarragon Corp., Ansonia, Rothenberg and William S. Friedman ("Friedman" and collectively with Tarragon Corp., Ansonia and Rothenberg, the "Northland Defendants") in New York Supreme Court, Index No.: 602425/08 (the "New York Litigation"), claiming, *inter alia*, that the Northland Defendants breached the Contribution Agreement by failing to use their best efforts to obtain General Electric Capital Corporation's ("GECC") consent. Northland Investment also sought entry of a preliminary injunction against Tarragon Corp. and Ansonia relative to the Contribution

Agreement. On September 17, 2008, the New York Supreme Court denied Northland's Investment's preliminary injunction application. On September 24, 2008, Tarragon Corp. filed an answer to the complaint and asserted a series of counterclaims against Northland Investment and Northland Management.

In view of the failed Northland Real Estate Venture, Tarragon Corp. requested that Northland Management voluntarily transition back to Tarragon Corp., management of the Tarragon properties that were being managed by Northland Management Venture under an interim Management Agreement. Northland refused, thereby forcing Tarragon Corp. to resort to legal action. On September 17, 2008, the Court in the New York Litigation ordered Northland to complete the transition of property management duties relative to Tarragon Corp.'s properties within seven to ten days after September 17, 2008. Northland refused to comply with that Order as well.

Despite Northland's refusal to comply with the September 17, 2008 Order, and its repeated threats against Tarragon Corp. and the property employees, management of the Contributed Properties was transitioned back to Tarragon Corp. by September 27, 2008. Shortly thereafter, by letter dated October 2, 2008, Tarragon Corp. formally terminated the Northland Real Estate Venture and Northland Management Venture. On December 2, 2008, the New York Litigation was dismissed as to Friedman and Rothenberg. As a result of the automatic stay and the dismissal of Northland's claims against Friedman and Rothenberg, the New York Litigation has been inactive since the Commencement Date, except for a notice to preserve its right to appeal the dismissal that was filed by Northland (but not yet perfected) and pending motion to dismiss the claims against Ansonia.

3. **Post-Petition Litigation with Northland**

On March 30, 2009, Tarragon Corp. commenced an adversary proceeding by filing a complaint against Northland Investment and Northland Management, Adv. Pro. No. 09-1469. In its complaint Tarragon Corp. asserted, *inter alia*, that Northland breached the Joint Venture Agreement, interim Management Agreement and the terms of the Northland Management Operating Agreement and Northland Fund II wrongfully terminated the Bermuda Island Contract. On May 15, 2009, Northland filed an answer to the complaint denying Tarragon Corp's claims. On June 3, 2009, Northland filed an amended answer and counterclaim asserting, *inter alia*, that Tarragon Corp. breached the Contribution Agreement by failing to use its best efforts to obtain GECC's consent. On July 27, 2009, the Bankruptcy Court entered an order denying Northland's motion to dismiss the adversary proceeding and held that the claims asserted in the New York and Massachusetts litigations are core proceedings that will be litigated in the Bankruptcy Court. No discovery schedule has been issued by the Court as of this date.

IV. THE CHAPTER 11 CASE

The following is a brief description of certain major events that have occurred during the Chapter 11 Cases.

A. First Day Motions

Concurrently with the filing of their petitions, the Debtors filed a number of "first day motions" to ensure their ability to continue operating in the ordinary course of business, to minimize the disruption of their ability to provide services to their customers, to minimize employee attrition and to maintain vital vendor relationships. The orders ("First Day Orders") entered in connection with the Debtors' "first day motions" played a crucial role in achieving an orderly transition into Chapter 11. A brief summary of the First Day Orders appears below.

B. Procedural Orders

1. Orders Authorizing Joint Administration of Affiliated Cases

The Court entered an Order on January 15, 2009 authorizing the joint administration of Tarragon's case and the cases filed by its affiliates on January 12, 2009 and January 13, 2009. On February 5, 2009, the Debtors filed a motion for an "Order Pursuant to 11 U.S.C. Section 105(a) Directing that Certain Orders in the Chapter 11 Cases of Tarragon Corporation, et al., be made applicable to Tarragon Stratford, Inc., MSCP, Inc. and TDC Hanover Holdings LLC", which related entities filed petitions for Chapter 11 bankruptcy protection on February 5, 2009.

2. Other Procedural Orders

On January 15, 2009, the Court entered an Order designating the Debtors' cases as complex Chapter 11 cases. In addition, the Court entered Orders: (i) authorizing the Debtors to file a consolidated list of their thirty largest unsecured creditors; (ii) extending the Debtors' time to file schedules of assets and statements of financial affairs; (iii) authorizing the Debtors to retain and compensate professionals used by the Debtors in the ordinary course of their business *nunc pro tunc* to the Commencement Date; and (iv) authorizing the Debtors to retain Kurtzman as its claims and noticing agent.

3. Operational Orders

a. Orders Concerning the Sale of Assets

In the ordinary course of its business, after evaluating and identifying an asset as either unproductive, nonessential or capable of generating the greatest return through a sale, Tarragon generally markets the asset for sale to reduce or retire associated debt and improve overall liquidity. To avoid any debate as to whether asset sales constitute transactions outside the Debtors' ordinary course of business that would require individual court approval, and to provide confidence to buyers that the Debtors have the requisite authority to sell and avoid unnecessarily

burdening the Court and the parties-in-interest with numerous motions seeking similar relief on similar grounds, the Debtors sought approval of a streamlined process for review and approval of certain asset sales. The Court entered an interim Order on January 15, 2009 and a final Order on February 20, 2009 authorizing procedures for the sale of assets by the Debtors.

Additionally, the Court entered an Order authorizing the Debtors and their non-debtor affiliates to continue to sell residential inventory in the ordinary course of business and to continue to transfer the sale proceeds in accordance with their cash management system on January 15, 2009.

b. **Customer Programs**

Before the Commencement Date, the Debtors engaged in the ordinary course of business in various customer programs to enhance customer satisfaction, sustain goodwill and ensure that the Debtors remain competitive in the markets in which they operate. The Court entered an Order on January 15, 2009 authorizing, but not directing, the Debtors to honor prepetition obligations under existing customer programs and authorizing financial institutions to receive, process, honor and pay all checks presented for payment and electronic payment requests relating to such obligations.

c. **Utility Providers**

The Debtors rely on a large number of utility service providers including water, telephone, electricity, video conferencing, ISDN, gas and internet service in the ordinary course of their business. In order to prevent the business interruption likely to result in the event of interruption of service of one or more utilities, the Debtors filed a motion for an Order deeming their utility service providers adequately assured of future performance. On January 15, 2009, the Court entered an interim Order granting the motion and scheduling a final hearing on

adequate assurance for a later date. On February 20, 2009, the Court entered a final Order deeming utilities adequately assured of future performance to all utilities with the exception of PSE&G, which objected to the Debtors' motion and requested a larger security deposit. On March 30, 2009, the Court entered a final Order deeming PSE&G adequately assured of future performance.

d. **Wages and Benefits**

The Debtors' workforce is integral to the continued operation of their businesses. As a result, the Debtors filed a motion seeking authorization to honor, in the ordinary course of business, certain payroll and related obligations to their employees owed as of the Commencement Date as well as authorization to continue, in their sole discretion, all employee health and benefit plans and programs in effect as of the Commencement Date. On January 15, 2009, the Court entered an Order authorizing such transactions and directing the Debtors' payroll service and any payroll banks to honor transactions related to pre-petition gross salaries, payroll taxes and related employee benefit obligations to the Debtors' employees.

e. **Cash Management**

Tarragon uses an integrated, centralized cash management system in its ordinary course of business. The centralized cash management system enables Tarragon to (i) better forecast and report its cash position, (ii) monitor collection and disbursement of funds, and (iii) maintain control over the administration of various bank accounts, all of which facilitates effective collection, disbursement and movement of cash. To prevent business interruption and to avoid administrative inefficiencies that would result if they were required to modify their existing cash management system, the Debtors filed a motion for an Order (i) authorizing the Debtors to continue using their existing cash management system, bank accounts and business forms; (ii) authorizing continue intercompany arrangements and historical practices; and (iii) waiving the

requirement of the Debtors' compliance with investment guidelines under 11 U.S.C. Section 345(b). On January 15, 2009, the Court granted the motion on an interim basis for sixty days. On March 16, 2009, the acting United States Trustee ("UST") objected to the Debtors' continued waiver of the requirements of Section 345 of the Bankruptcy Code. In response to that objection, the Debtors obtained Uniform Depository Agreements with certain of their banks and closed accounts that maintained a zero balance and were not used in the operation of their business. The only outstanding issue related to two bank accounts at Compass Bank which serve as collateral for outstanding letters of credit. The UST agreed to waive the requirements of Section 345(b) for those accounts, provided that the Debtors provide monthly bank statements to the UST. On April 2, 2009, the Court entered a final Order on the motion.

4. **Post-Petition Financing**

a. **ARKOMD DIP Facility**

While at the outset of their cases, the Debtors believed that they would have sufficient cash on hand to operate their businesses, the Debtors could not be certain, given the continuing decline of the housing industry and concomitant decrease in cash receipts and collections, that they would be able to continue to do so. As a result, the Debtors determined that a post-petition financing facility would be required to ensure the seamless continuation of the Debtors' business while they explore restructuring alternatives. Accordingly, the Debtors negotiated a post-petition financing agreement with an affiliate of Arko known as ARKOMD, LLC ("ARKOMD"), pursuant to which ARKOMD would provide, through a $6.25 million credit facility (the "ARKOMD DIP Facility"), funds necessary for the Debtors to pay their ongoing expenses.

The Court entered an Order authorizing the Debtors to obtain the post-petition financing on March 5, 2009. The Order provided that ARKOMD will make funds available to the Debtors

subject to allowable variances in accordance with the terms of a budget. As security for the repayment of the obligations, the Debtors granted ARKOMD a first priority lien on certain equity interests in the Debtors and any otherwise unencumbered assets and property.

The original maturity date of the ARKOMD DIP Facility was 180 days after the Commencement Date, subject to extension to 240 days after the Petition Date (September 10, 2009) assuming no material budget deviations by the Debtors. On July 13, 2009, the Bankruptcy Court entered a consent Order among the Debtors, the Creditors' Committee and ARKOMD authorizing an amendment to the ARKOMD DIP Facility. The amendment effectively extended the maturity date to November 10, 2009, but reduced the maximum ARKOMD DIP Facility commitment to $3 million for all periods after September 10, 2009. Following the Bankruptcy Court's approval of the amendment, the Debtors requested and received an advance of $3 million on the ARKOMD DIP Facility. The Debtors repaid the ARKOMD DIP Facility on November 9, 2009 with cash on hand.

b. **Westminster DIP Facility**

Following the repayment of the ARKOMD DIP Facility, the Debtors determined that they were still in need of post-petition financing to support the Debtors' business while they continued to explore restructuring alternatives. Accordingly, the Debtors negotiated a post-petition financing agreement with Westminster DIP Funding, LLC ("Westminster DIP"), pursuant to which Westminster DIP would provide to certain of the Debtors (the "Borrowers"), through a $4,510,000 credit facility (the "Westminster DIP Facility") the funds necessary for the Debtors to pay their ongoing expenses.

The Court entered a Final Order authorizing certain Debtors to obtain the Westminster DIP Facility on December 10, 2009. The Order authorized Westminster DIP to make funds

available to certain Debtors subject to allowable variances in accordance with the terms of a budget. As security for the repayment of the obligations, certain Debtors granted Westminster DIP a first priority lien on certain equity interests owned, directly or indirectly, by such Debtors and any otherwise unencumbered assets and property. The maturity date of the Westminster DIP Facility was January 22, 2010. On March 8, 2010, Westminster DIP filed a motion with the Bankruptcy Court seeking an Order (i) enforcing a prior Order of the Court pursuant to section 105 of the Bankruptcy Code, and (ii) directing the Debtors to repay the mature Westminster DIP Facility. Upon interim approval of the financing that UTA Capital LLC ("UTA") provided to the Borrowers on March 31, 2010 (described below), the Westminster DIP Facility was satisfied in full and that motion was withdrawn.

5. **Miscellaneous Orders**

a. **Relief from the Automatic Stay to Permit the Continuation of Pending Arbitration and State Court Proceedings**

Prior to the Commencement Date, certain of the Debtors and certain non-debtor affiliates were involved in disputes concerning construction and other issues relating to their businesses. One dispute (the "Alta Mar Litigation"), between: (i) certain Debtors and non-debtor affiliates including Alta Mar Development LLC; (ii) Soares Da Costa Construction Services, LLC; and (iii) the Insurance Company of the State of Pennsylvania, had progressed to the point of arbitration, which was scheduled to take place for several days immediately following the Commencement Date and to continue on certain dates in February and March of 2009. The second litigation, referred to as the "Central Square Litigation," was a breach of contract action commenced by Central Square against Great Divide Insurance Company in the Circuit Court of the 17th Judicial Circuit, Broward County, Florida. Based upon a belief that neither their estates nor creditors would suffer undue prejudice or hardship if the automatic stay was modified, as

well the significant likelihood that the Debtors will recover on account of their claims in the litigations to the benefit of creditors, the Debtors filed a motion seeking relief from the automatic stay to permit the litigations to proceed. The motion was granted on January 12, 2009, and an amended Order was entered on January 13, 2009.

b. **Enforcement of Section 525(a) of the Bankruptcy Code**

The Debtors' business is subject to stringent specifications, building codes and other residential real estate development and home building regulations imposed by state and local governments. As such, the Debtors must obtain certain required permits and comply with applicable regulations, building codes and other residential real estate development and home building requirements imposed by state and local governments. Certain local regulations may discriminate against debtors-in-possession engaged in real estate development and construction. To prevent harm to the estate that could arise if governmental parties or quasi-governmental entities relied on such discriminatory provisions or regulations, the Debtors filed a motion to assist the Debtors' field personnel in apprising governmental parties of the existence and effect of Section 525(a) of the Bankruptcy Code and, in particular, the protection that Section 525(a) affords the Debtors. The motion was granted by an Order entered on January 15, 2009.

c. **Preservation of Net Operating Losses**

Due to significant operating losses in the recent past, the Debtors accrued NOL. NOL, if they can be preserved and used in the future, are a potentially valuable asset. However, Debtors do not make any representations or warranties that such NOL can be preserved or used in the future. Under the Internal Revenue Code (the "IRC"), to the extent the Debtors are able to preserve the NOL, the Debtors can carry forward their NOL to offset their future taxable income for up to twenty taxable years and thereby reduce their future aggregate tax obligations.

To protect the NOL, the Debtors filed a motion seeking an Order that certain notice and waiting periods govern transfers of equity interests in and of, and claims against, the Debtors. The Court entered an interim Order granting the motion on January 15, 2009. A final Order as it relates to transfers of equity interests was entered on February 20, 2009. A final Order as it relates to transfers of claims, other than those held by Taberna and Paradigm, was entered on March 5, 2009. Taberna and Paradigm objected to the motion. Paradigm's objection subsequently was withdrawn. Pursuant to a series of Orders, the restrictions on claims trading with respect to Taberna have been continued pending a final hearing.

C. Appointment of the Creditors' Committee

Section 1102 of the Bankruptcy Code requires that, absent an Order of the Bankruptcy Court to the contrary, the UST must appoint the Creditors' Committee as soon as practicable. On February 4, 2009, the UST appointed the Creditors' Committee. The Creditors' Committee is composed of the following members:

Taberna Capital Management, LLC, Chairperson
450 Park Avenue, 11th Flr.
New York, New York 10022

A.J.D. Construction Co., Inc.
948 Highway 36
Leonardo, New Jersey 07737

K. Langford Lawn Care, Inc.
230 3rd Street, N.W.
Naples, Florida 34120

Sovor Associates
34 Otbow Place
Wayne, New Jersey 07470

Posner Advertising
30 Broad Street
New York, New York 10004

The Creditors' Committee retained the following professionals:

Daniel A. Lowenthal, Esq.
Patterson Belknap Webb & Tyler, LLP
1133 Avenue of the Americas
New York, New York 10036

Harry M. Gutfleish, Esq.
Forman Holt Eliades & Ravin LLC
80 Route 4 East, Suite 290
Paramus, New Jersey 07652

Bernard A. Katz, CPA
J.H. Cohn LLP
333 Thornall Street
Edison, New Jersey 08837

D. Claims Process and Bar Date

1. **Section 341(a) Meeting of Creditors**

A meeting of creditors pursuant to 11 U.S.C. §341 was conducted on March 4, 2009.

2. **Schedules and Statements**

The Debtors filed schedules of assets and liabilities ("Schedules") and statements of financial affairs ("SOFAs") on February 26, 2009. The Schedules and SOFAs provide information concerning each of the Debtor's assets, liabilities, Executory Contracts and other information as of the Commencement Date, all as required by Section 521 of the Bankruptcy Code and Rule 1007 of the Federal Rules of Bankruptcy Procedure.

3. **Bar Date**

On March 5, 2009, the Court entered an Order establishing May 4, 2009 as the deadline for each person or entity asserting a claim against any of the Debtors, including claims pursuant to Section 503(b)(9) of the Bankruptcy Code, to file a written proof of claim against the specific Debtor as to which the claim is asserted. The Bar Date Order also established July 12, 2009 as the date for all governmental units to file a written proof of claim against the Debtors.

The following table summarizes the Claims filed against the Debtors by the July 12, 2009 bar date. The Debtors have not yet completed their analysis of the Claims and objections to such Claims have not been fully litigated. There can be no assurances of the exact amount of the Allowed Claims at this time. Rather, the actual amount of the Allowed Claims may be greater or lower than expected.

Debtor	**Estimated Allowed Claims**	**Secured**	**Priority**	**General Unsecured**	**Contingent**
800 Madison	$69,854,462	$69,433,822	$825	$419,814	$192,393
900 Monroe	$4,364,073	$3,900,000	$0	$464,073	$0
Bermuda Island	$43,019,654	$41,458,495	$1,125	$1,560,035	$209,816.45
Block 88	$94,636	$0	$300	$94,736	$0
Central Square	$233,684	$230,856	$0	$2,828	$0
Charleston	$0	$0	$0	$0	$0
Fenwick	$3,920	$1,869	$0	$2,051	$64,765
MSCP	$0	$0	$0	$0	$0
Murfreesboro	$484,717	$367,528	$0	$117,189	$0
Omni	$0	$0	$0	$0	$0
Las Olas	$749,627	$502,641	$0	$246,986	$0
Orion	$10,789,728	$7,724,622	$0	$3,065,106	$287,348
Orlando Central	$1,357,173	$1,105,918	$0	$251,255	$0
Tarragon Corp.	$189,396,780	$570,649	$125,820	$188,700,311	$140,403,876
Tarragon Dev. LLC	$0	$0	$250	$0	$50,000,000
Tarragon Dev. Corp.	$31,810	$0	$0	$31,810	$62,181,256

Tarragon Edgewater	$60,600	$0	$0	$60,600	$68,336
TMI	$24,870	$0	$150	$24,720	$50,792,750
Tarragon South	$67,289	$0	$13,638	$53,650	$8,200,000
Stonecrest	$332,847	$292,114	$0	$40,732	$1,371,297
Stratford	$0	$0	$0	$0	$0
Hanover	$300	$0	$0	$300	$0
Trio East	$3,826,858	$3,600,000	$0	$226,858	$0
Trio West	$376,038	$0	$0	$376,038	$0
Vista	$0	$0	$0	$0	$50,000,000

4. **Objection to Claims**

(a) Rodriguez. April 6, 2010, the Debtors filed a motion pursuant to 11 U.S.C. § 502(b) and Fed. R. Bankr. P. 3007 for an Order Expunging Purported Class Proofs of Claim Filed by Lymarie Rodriguez, a/k/a Lynnmarie Rodriguez ("Rodriguez"), on Behalf of Herself and Others Similarly Situated [Docket No. 1712] (the "Rodriguez Claim Objection"). Rodriguez filed five identical proofs of claim against each of Tarragon Dev. LLC [Claim No. 374], Vista [Claim No. 393],TMI [Claim No. 394], Tarragon Dev. Corp. [Claim No. 395], and Tarragon Corp. [Claim No. 396], each in the amount of $50,000,000, allegedly for "Breach, Rescission, Fraud" and predicated on an action initiated in the Circuit Court, Ninth Judicial Circuit of Orange County, Florida against the aforementioned Debtors and certain other non-Debtor defendants, styled as Lymarie Rodriguez v. Tarragon Corp., *et al.*, bearing Case No. 48-2008-CA-016343-O (the "Rodriguez State Court Action"). The purported class action lawsuit alleges, among other things, claims of non-disclosure, unjust enrichment, money had and received, negligence and civil conspiracy for alleged failure to disclose the proximity of a

condominium purchased by Rodriguez in Central Park on Lee Vista, subdivision of Vista Lakes, Orlando, Florida, to the former army bombing range testing facility known as Pinecastle Jeep Range.

The Rodriguez State Court Action is presently stayed awaiting a determination of certain pre-trial proceedings. A hearing on the Debtors' Rodriguez Claim Objection is scheduled for May 6, 2010. The Debtors dispute, among other things, Rodriguez's entitlement to file the class action proofs of claim, any liability in the Rodriguez State Court Action and the propriety of the claims.

(b) One Hudson, 1200 Grand and Northland. The Debtors have also filed objections to the claims asserted by One Hudson Park Condominium Association, Inc. ("One Hudson"), 1200 Grand Street Condominium Association, Inc. ("1200 Grand") and Northland.

Northland filed three claims against the Debtors as follows: (i) Claim No. 353 based upon the Massachusetts Litigation over its deposit to purchase property known as Bermuda Island; (ii) Claim No. 383 "in an amount of at least $500,000,000" based upon the New York Litigation over a Contribution Agreement under which a joint venture was to have been formed; and (iii) Claim No. 354 seeking indemnification for expenses and possible losses in connection with third party litigation concerning a real estate project. The Debtors filed an Objection to two of Northland's claims (Claims Nos. 353 and 383) on July 29, 2009, and an objection to Claim No. 354 on April 8, 2010. A hearing on those claim objections has been scheduled for May 6, 2010.

One Hudson filed three claims (Claim Nos. 317, 378, and 379) concerning a real estate project alleging defective or incomplete construction, inadequate capital reserve funding, and unpaid maintenance assessments in an amount "not less than $3,256,538.90" plus unspecified

unliquidated claims (collectively, the "One Hudson Claims"). On April 8, 2010, the Debtors filed an Objection to the One Hudson Claims disputing any liability.

1200 Grand filed a Notice of Removal of pre-petition New Jersey State Court litigation which it had filed against, among others, certain of the Debtors and subsequently filed a proof of claim (Claim No. 22-1) consisting of a copy of its First Amended Complaint in that State Court litigation. On April 8, 2010, the Debtors filed an objection contesting liability under claim No. 22-1. The Debtors also filed an Answer to the Complaint.

E. Cash Collateral

1. National City

On February 6, 2009, Murfreesboro and Stonecrest filed a motion for authorization to use cash collateral of its lender, National City, to pay for ordinary and necessary operating expenses, including personnel, utilities, repair and maintenance, insurance, and real estate taxes in connection with tenant-occupied residential rental properties in Tennessee. Pursuant to the motion, Murfreesboro and Stonecrest agreed to grant replacement liens to National City in all of their post-petition assets to the same extent, validity and priority as were held by National City pre-petition. Additionally, Murfreesboro and Stonecrest granted to National City a super-priority administrative expense claim to the extent that their use of cash collateral were to result in a diminution in value of National City's collateral and the adequate protection granted were to prove insufficient. The Court entered interim Orders granting the motion on February 13, 2009, March 17, 2009, April 2, 2009 and April 30, 2009. On June 19, 2009, in conjunction with the consummation of a settlement agreement with, among others, National City (described herein), the Court entered an Order authorizing Murfreesboro and Stonecrest to use National City's cash collateral on a final basis.

2. **BofA**

Pursuant to a global settlement with BofA (described herein), Bermuda Island, Orlando Central and 800 Madison (collectively, the "BofA Borrowers") required immediate access to cash generated from the operation of their respective properties to pay for ordinary and necessary operating expenses pursuant to agreed upon budgets with BofA. Accordingly, the Court entered a series of cash collateral Orders authorizing the BofA Borrowers' use of BofA's cash collateral.

The BofA Borrowers granted BofA adequate protection for the use of its cash collateral by granting BofA replacement liens in all of their post-petition assets to the same extent, validity, priority as was held by BofA pre-petition. Additionally, the BofA Borrowers granted BofA super-priority administrative expense claims to the extent their use of cash collateral resulted in a diminution of value of BofA's collateral and the adequate protection proved insufficient. As additional adequate protection with respect to 800 Madison, by interim Order dated June 1, 2009, 800 Madison agreed to provide BofA with an accounting and turn over to it all net operating income generated from the property.

On October 21, 2009, the Court approved Bermuda Island and 800 Madison's use of BofA's cash collateral on a final basis.

Notwithstanding the foregoing, all Orders of the Bankruptcy Court approving the Debtors' use of cash collateral shall expire on the Effective Date.

F. <u>Material Asset Sales</u>

1. **Trio West**

On January 16, 2009, the Court granted Trio West's motion (the "Trio West Sale Motion") for an Order approving bidding procedures concerning the sale of substantially all of its assets. The circumstances giving rise to the motion and the results of Trio West's efforts, are summarized below.

Trio West owned a newly constructed 140-unit mid-rise condominium apartment development in Palisades Park, New Jersey (the "Trio West Development"), construction of which was financed with a $50,000,000 loan (the "Trio West Loan") advanced by iStar FM Loans LLC (as assignee of Fremont Investment & Loan) ("iStar"). To secure Trio West's obligations under the Trio West Loan, Trio West granted iStar a lien on, *inter alia*, the Trio West Development and any proceeds generated therefrom. As additional security, Tarragon Corp. guaranteed repayment of the Trio West Loan up to a maximum amount of $5 million. The Trio West Loan matured on January 1, 2009, and as of the Commencement Date, had a outstanding amount due to iStar of approximately $15,945,000. As a result of the Trio West Loan having matured, and before the Commencement Date, iStar initiated a foreclosure action against Trio West and other defendants in the Superior Court of New Jersey, Chancery Division, Bergen County.

Prior to the Commencement Date, Trio West had marketed the Trio West Development's apartment units for sale to individual homebuyers, had successfully sold 69 units, but was unable to sell the remaining units. The impending maturity date of the Trio West Loan and inability to dispose of the individual units led Trio West to pursue a bulk sale of the remaining 71 units in the Trio West Development (the "Trio West Assets"). Although Tarragon Corp. did not directly solicit bids for the bulk sale of the units, it was generally known to parties in the industry that purchase condominium units in bulk, as well as parties to whom Tarragon Corp. previously sold apartment units in bulk, that the Trio West Assets were for sale. Trio West received three expressions of interest and/or offers. MWHF Palisades Park, LLC (the "Proposed Trio West Purchaser") submitted the highest offer by a material amount. As a result, Trio West decided to pursue a sale of the Trio West Assets to the Proposed Trio West Purchaser and, on November 11,

2008, entered into a Purchase and Sale Agreement, as thereafter amended (the "Trio West APA"). Pursuant to the Trio West APA, the Proposed Trio West Purchaser agreed to purchase the Trio West Assets, in bulk, for the total price of $18,100,300 (the "Trio West Purchase Price").

In connection with its sale efforts, Trio West retained Cushman & Wakefield of New Jersey, Inc. ("C&W") to market the Trio West Assets. Among C&W's duties was to identify and contact entities who may be interested in purchasing the Trio West Assets.

In Part I of the Trio West Sale Motion, Trio West requested that the Court enter an Order (the "Trio West Bidding Procedures Order"): (i) approving the Trio West APA as a "stalking horse" bid and authorizing Trio West to solicit bids for the sale of the Trio West Assets pursuant to Sections 363 and 365 of the Bankruptcy Code and Fed. R. Bankr. P. 6004; (ii) approving bidding procedures, including the payment of an Expense Reimbursement and Break-Up Fee to the Proposed Trio West Purchaser; (iii) scheduling (a) the bid deadline; (b) the auction date with respect to the sale of the Trio West Assets; and (c) the sale hearing date to consider Part II of the Trio West Sale Motion; (iv) approving the form, manner and sufficiency of notice of the auction and the sale hearing; and (v) granting other related relief described herein.

In Part II of the Trio West Sale Motion, Trio West requested that the Court enter an Order (the "Trio West Sale Order"), following the Trio West sale hearing which, among other things, authorizes Trio West to sell the Trio West Assets to the Proposed Trio West Purchaser, or a qualified bidder submitting a higher and better offer, free and clear of liens, claims and interests pursuant to Section 363 of the Bankruptcy Code and Fed. R. Bankr. P. 6004.

No higher or better offer was submitted, and thus no auction was conducted. On February 20, 2009, the Court held a hearing to authorize Trio West to sell the Trio West Assets

and otherwise consummate the transactions contemplated by the Trio West APA or a higher and better offer as reflected in an asset purchase agreement. On February 20, 2009, the Court entered an Order approving the sale to the Proposed Trio West Purchaser free and clear of liens. The sale closed on February 27, 2009.

2. **Orlando Central**

On February 10, 2009, Orlando Central entered into a Purchase and Sale Agreement (the "OCP Sale Agreement") with RGC Realty Group, LLC (the "OCP Purchaser") pursuant to which Orlando Central agreed to sell, and OCP Purchaser agreed to purchase, property located at 7001 Lake Ellenor Avenue, Orlando Central Park, Orange County, Florida (the "OCP Property"). On March 6, 2009, the Debtors, in accordance with the Final Order Establishing Procedures for Sale of Assets entered on February 20, 2009, filed and served a Notice of Sale of the OCP Property. No objections were filed to the prospective sale. On April 3, 2009, the Court entered an Order approving the sale of the OCP Property to the OCP Purchaser. The purchase price for the OCP Property was $2,150,000. The proceeds of which were paid to BofA, the holder of a mortgage lien on the OCP Property. A closing occurred on April 8, 2009.

On May 11, 2009, Orlando Central entered into a Purchase and Sale Agreement with JCQ Services, Inc. (the "Second OCP Purchaser") pursuant to which Orlando Central agreed to sell, and the Second OCP Purchaser agreed to purchase, property located at 7200 Lake Ellenor Drive, Orlando Central Park, Orange County, Florida (the "Second OCP Property"). On May 15, 2009, the Debtors, in accordance with the Sales Procedure Order, filed and served a Notice of Sale of the Second OCP Property. No objections were filed to the prospective sale. On June 4, 2009, the Court entered an Order approving the sale of the Second OCP Property to the Second OCP

Purchaser. The purchase price for the Second OCP Property was $2,800,000, the proceeds of which were paid to BofA, the holder of a mortgage lien on the Second OCP Property.[2]

G. The Debtors' Negotiations With Certain Secured Creditors

1. Paradigm

Before the Commencement Date, Paradigm provided financing to the Paradigm Borrowers for real estate projects located in New Jersey, Connecticut and Florida (the "Paradigm Properties"). Repayment of the above loans was secured by, among other things, a mortgage on the real property owned by the Paradigm Borrowers. As additional security, Tarragon Corp. guaranteed repayment of the loans and MSCP, Stratford, Tarragon South and Hanover (collectively, the "Paradigm Guarantors") each pledged their equity interests in the Paradigm Borrowers to Paradigm.

In view of the unprecedented decline in real estate values, it was clear that any equity in the Paradigm Properties was speculative, at best, and that equity was eroding at 24% per annum due to the default interest rate in the governing promissory notes.

Accordingly, the Paradigm Borrowers and the Paradigm Guarantors, along with the input from the Creditors' Committee, engaged in discussions to amicably resolve the claims of Paradigm. On March 30, 2009, the parties entered into a Settlement Agreement and Mutual Release (the "Paradigm Settlement Agreement"). The Paradigm Settlement Agreement provides that the Paradigm Borrowers will (i) transfer the Paradigm Properties to Paradigm or its designee, and/or (ii) irrevocably waive any right to contest, defend, delay, impede, enjoin,

[2] In addition, in accordance with the Sales Procedure Order, on June 22, 2009, the Debtors filed a Notice of Sale for property owned by non-debtor SO. Elms National Associates Limited Partnership. That contract, however, was terminated because the lender did not approve the proposed buyer's assumption of the loan.

prevent, interfere with or frustrate the foreclosure of the Paradigm Properties. In exchange, Paradigm agreed to release the Paradigm Borrowers and the Paradigm Guarantors from any liability on the promissory notes, including any exposure for deficiency claims and claims against the Paradigm Guarantors.

On April 23, 2009, the Court entered an Order approving the terms of the Paradigm Settlement Agreement.

2. **National City**

Before the Commencement Date, National City, Capmark VI 2006-6 and Capmark VII-CRE (the "NatCity Lenders") provided financing to Murfreesboro, Stonecrest and non-debtor Floresta Tarragon, LLC for real estate projects located in Tennessee and Florida. Repayment of these loans were secured by, among other things, a mortgage on the real property owned by the respective borrower. As additional security, Tarragon Corp. guaranteed repayment of the loans.

In view of the unprecedented decline in real estate values and current economic climate, it was impossible to predict how long it would take to sell the Murfreesboro and Stonecrest properties and what proceeds, if any, could be realized. Additionally, the Debtors determined that there would be no benefit to them or their estates to engage in costly and protracted litigation with the NatCity Lenders over the value of those properties or whether, in view of the absolute assignment of rents contained in the respective loan documents, the rents generated by those properties constituted "cash collateral." Accordingly, Tarragon Corp., Murfreesboro and Stonecrest, with input from the Creditors' Committee, engaged in rigorous discussions to resolve the NatCity Lenders' claims and to address disposition of the Tennessee properties.

Following the parties' extensive negotiations, on May 8, 2009, the parties agreed to the terms of a settlement (the "NatCity Settlement Agreement"). The NatCity Settlement Agreement provided, in relevant part, that upon entry of a final, non-appealable Order approving the

settlement (the "Compromise Order"), National City shall be granted relief from the automatic stay under Section 362(a) of the Bankruptcy Code and National City's collateral shall be deemed abandoned under Section 554 of the Bankruptcy Code to allow National City and the NatCity Lenders, as the case may be, to (i) proceed with the their complaint to appoint a receiver and the relief sought therein (except as to entry of a money judgment), (ii) sell the Tennessee properties in a non-judicial foreclosure as provided for in the loan documents, and (iii) exercise such other rights and remedies available under the loan documents or applicable non-bankruptcy law as to their collateral. In exchange, the NatCity Lenders agreed to waive all other claims against Tarragon Corp., including a potentially significant deficiency claim. Significantly, the Tarragon Corp. estate will not be saddled with a significant deficiency claim which would have to be addressed in and satisfied pursuant to the Plan.

On May 28, 2009, the Court approved the NatCity Settlement Agreement, Subsequently, in accordance with the NatCity Settlement Agreement, Murfreesboro and Stonecrest surrendered their respective properties to National City, ceased use of cash collateral, and remitted to National City any cash collateral remaining after payment of expenses allowed by the interim cash collateral orders.

3. **BofA**

In connection with Tarragon's various development projects, the costs of construction, renovations and acquisitions of land are financed through loans from institutional lenders secured by mortgages on the real estate owned by Tarragon Corp.'s subsidiaries. BofA provided financing to Tarragon Corp., 800 Madison, 900 Monroe, Bermuda Island, Orion, Orlando Central and Park East (collectively, the "BofA Financing Borrowers") for projects located in New Jersey, Florida and Connecticut (the "BofA Financing Loans").

After the Commencement Date, the BofA Financing Borrowers evaluated their options with respect to the properties encumbered by mortgages in favor of BofA. The unprecedented decline in real estate values and general downturn in the economy negatively impacted the BofA Financing Borrowers' ability to dispose of their respective properties and, correspondingly, their ability to satisfy their outstanding obligations on the BofA Financing Loans. The impending or already lapsed maturity dates of the BofA Financing Loans and inability to generate sufficient sale proceeds to satisfy the BofA Financing Loans by the maturity dates led the BofA Financing Borrowers to commence discussions with BofA regarding the terms of a forbearance agreement and an extension of the maturity dates of the BofA Financing Loans. The parties' agreement is embodied in the BofA Settlement Agreement ("BofA Settlement Agreement").

In connection with the BofA Settlement Agreement, BofA has also provided post-petition financing to 800 Madison to complete construction of its property and funding of an interest reserve. Tarragon Corporation and Tarragon Dev. Corp. have delivered a guaranty of the BofA Financing Loans (the "BofA Guaranty") secured solely by a first priority lien on 60% of the net proceeds payable to Tarragon Corporation and Tarragon Dev. Corp. from a sale of the Project (as such term is defined in the BofA Settlement Agreement) after satisfaction of the liens securing BofA's pre- and post-petition loans to 800 Madison. In connection with the BofA Guaranty, 800 Madison acknowledged and agreed that BofA shall not be required to release any mortgage or lien on the Project, even if the loans provided by BofA to 800 Madison have been paid in full, unless and until BofA has actually received the Pledged Collateral (as defined in the Pledge Agreement executed by Tarragon Corporation and Tarragon Dev. Corp. to secure their obligations under the BofA Guaranty).

The BofA Settlement Agreement also provides that BofA will provide post-petition financing to 800 Madison to complete construction of its property and funding of an interest reserve. Reorganized Tarragon and Tarragon Dev. Corp. will, in turn, deliver a guaranty of the BofA Financing Loans, which guaranty shall be secured solely by a first priority lien on 60% of the net proceeds payable to Reorganized Tarragon and Tarragon Dev. Corp. from a sale of the 800 Madison Property.

Additionally, the BofA Settlement Agreement provides that retroactive to January 12, 2009 and during the forbearance period, BofA agrees to allow the BofA Financing Borrowers to use the income generated by their respective properties for payment of necessary operating expenses, subject to an approved budget.

In connection with the approval of the BofA Settlement Agreement and 800 Madison's post-petition financing facility, the Debtors entered into the Block 88/800 Madison Stipulation and Order with Mia M. Macri Irrevocable Living Trust (the "Macri Trust") and Frank Raia ("Raia"), each a 15% member in Block 88. Pursuant to the Block 88/800 Madison Stipulation and Order, the Macri Trust, Raia, Tarragon Corp., Tarragon Dev. Corp., 800 Madison and Block 88 reserved their respective rights as to certain claims relating to 800 Madison and Block 88. In accordance with the Block 88/800 Madison Stipulation and Order, any such claims as well as the ability of Block 88, Tarragon Corp. or Tarragon Dev. Corp. to assume the Block 88 Operating Agreement and the validity of intercompany claims, will be determined post-confirmation pursuant to the dispute resolution procedure contemplated by Block 88's Operating Agreement. Moreover, the Block 88/800 Madison Stipulation and Order provides that no release, waiver or discharge of any claims against 800 Madison, Block 88, Tarragon Corp., Tarragon Dev. Corp. or other non-Debtors is enforceable against the Macri Trust and Raia with respect to any claims or

interests they may have as members in Block 88; provided, however, that any recourse on such claims is limited to amounts that might otherwise be made available for distribution to Tarragon Corp. and Tarragon Dev. Corp. for or on account of their capital contributions, members loans, membership interest or otherwise with respect to Block 88.

The BofA Settlement Agreement was approved by the Court on October 14, 2009. Additionally, on October 14, 2009, the Court approved the terms of 800 Madison's post-petition financing facility provided by BofA in connection with the BofA Settlement Agreement.

On March 3, 2010, the Court entered a Consent Order implementing the BofA Settlement Agreement by authorizing the sale of certain real property owned by Bermuda Island. That sale closed on March 18, 2010.

Notwithstanding anything to the contrary in this Disclosure Statement, the Plan, Confirmation Order or documents ancillary thereto (including any amendment or modification of each thereof), BofA's Claims, Liens, rights and interests shall continue unaffected by the confirmation of the Plan, the occurrence of the Effective Date or consummation of the Plan unless and until all of such Claims, Liens, rights and interests are fully satisfied in accordance with the terms and conditions of the BofA Settlement Agreement and the documents and Orders of the Bankruptcy Court related thereto.

4. **BankAtlantic**

Before the Commencement Date, BankAtlantic provided financing to Las Olas to purchase and develop certain portions of "Las Olas River House", a multi-family residential and commercial property in Fort Lauderdale. Repayment of the BankAtlantic loan was secured by a lien on and security interest in two commercial units (the "BankAtlantic Commercial Units"). As additional security, Tarragon Corp. guaranteed repayment of the loan.

After the Commencement Date, Tarragon Corp. and Las Olas evaluated their options with respect to the BankAtlantic Commercial Units. The Debtors believed that the value of the BankAtlantic Commercial Units was less than the outstanding amount due to BankAtlantic and, therefore, the Debtors had no equity in the BankAtlantic Commercial Units for the benefit of their estates. Accordingly, Tarragon Corp. and Las Olas engaged in discussions with BankAtlantic to resolve its claim and to address disposition of the BankAtlantic Commercial Units.

Following the parties' extensive negotiations, on September 30, 2009, they agreed to the terms of a settlement, which were embodied in a Release and Settlement Agreement (the "BankAtlantic Settlement Agreement"). The BankAtlantic Settlement Agreement provides that (i) BankAtlantic is granted relief from the automatic stay and the BankAtlantic Commercial Units are transferred to BankAtlantic by deed in lieu of foreclosure; (ii) Las Olas will assign four parking spaces to the BankAtlantic Commercial Units as limited common elements; (iii) Las Olas is permitted to use the BankAtlantic Commercial Units for storage at no charge, but Las Olas shall vacate upon 40 days written notice; (iv) BankAtlantic is responsible for unpaid real estate taxes applicable to the BankAtlantic Commercial Units; (v) BankAtlantic shall reimburse Las Olas for association dues previously paid in the amount of $30,347.99; and (vi) BankAtlantic, Tarragon Corp. and Las Olas agreed to release each other from any and all claims, including any deficiency and guaranty claims.

On October 22, 2009, the Court approved the BankAtlantic Settlement Agreement.

5. **Regions Bank.**

Regions Bank ("Regions") provided financing to certain Debtor and non-Debtor affiliates of Tarragon Corp. for projects located in Florida. Specifically, Regions provided loans to debtors Las Olas and Central Square in the original principal amounts of $15,004,000 and

$11,250,000, respectively, to finance the acquisition and/or costs of construction of real property. Those loans are secured by mortgages on Las Olas and Central Square's respective real property. As additional security, Tarragon Corp. guaranteed repayment of the loans. As of the Commencement Date, the aggregate principal amount of indebtedness owing by Las Olas and Central Square was $899,685.00 and $8,970,000, respectively. Las Olas and Central Square's proposed treatment of the Regions' indebtedness is set forth in more detail in the Plan.

Additionally, before the Commencement Date, Regions loaned non-debtor Orchid Grove LLC ("Orchid Grove") the original principal amount of $58,130,000 to finance the costs of construction of a townhome and condominium apartment development. Tarragon Corp. guaranteed repayment of Orchid Grove's loan. As of the Commencement Date, the aggregate principal amount of indebtedness owing by Orchid Grove was approximately $30,000,000.

On February 17, 2010, after good-faith negotiations with the Creditors' Committee and Regions resulting in the resolution in principal of all of Regions' claims in these cases, the Debtors filed a motion pursuant to Bankruptcy Rule 9019 for an Order approving a settlement agreement with Regions (the "Regions Settlement Motion"). On March 11, 2010, the Bankruptcy Court granted an Order approving the Regions Settlement Agreement (as hereinafter defined).

As set forth in the Regions Settlement Motion, Tarragon Corp., Central Square, Las Olas, Orchid Grove, the Creditors' Committee and Regions entered into a settlement agreement and mutual release (the "Regions Settlement Agreement"). The Regions Settlement Agreement provides in pertinent part that: (i) Regions is granted relief from the automatic stay and Central Square are transferred to Regions by deed in lieu of foreclosure; (ii) Regions is granted relief from the automatic stay for the foreclosure sale of Orchid Grove; and (iii) Regions, Tarragon

Corp., Central Square, Las Olas, Orchid Grove, the Creditors' Committee agreed to release each other from any and all claims, including any deficiency and guaranty claims.

H. Tarragon's Relationship and Transactions with Ursa Development Group, LLC and Hoboken Development Group, LLC

The Debtors, through Tarragon Corp. and Tarragon Dev. Corp, have had a business relationship with Ursa Development Group, LLC and Hoboken Development Group, LLC (collectively, "Ursa") since 2002 developing real estate in Hoboken, New Jersey. Before the Commencement Date, the Debtors and Ursa successfully completed six residential developments in Hoboken with over 800 apartment units and related community facilities and amenities. As of the Commencement Date, the parties had plans to construct several other developments in Hoboken in connection with the redevelopment of the northwestern and western areas of the city.

The relationship between the Debtors and Ursa is governed by the terms of twelve limited liability company operating agreements (the "Ursa Operating Agreements") pursuant to which one or more of the Debtors and Ursa are members, managers and/or managing members of limited liability companies (the "Ursa LLCs"). Pursuant to the terms of the Ursa Operating Agreements, cash is available for distribution to Tarragon Corp. and/or Tarragon Dev. Corp. and Ursa as follows: (i) first, pro rata, based on the outstanding principal balances of their respective members loans until all loans, together with interest thereon at 15% per annum compounded annually, have been repaid; (ii) second, pro rata, based on their respective capital contributions until each has received total distributions resulting in a 12% internal rate of return; and (iii) third, based on a final fixed percentage set forth in the Ursa Operating Agreements. As of December 31, 2008, the Debtors had approximately $24 million of unrecovered capital invested in the Ursa LLCs and made additional loans to the Ursa LLCs totaling $2.8 million.

On March 3, 2009, Ursa filed a motion for entry of an Order (i) pursuant to Section 365(d)(2) of the Bankruptcy Code to compel assumption or rejection of the Ursa Operating Agreements, and (ii) pursuant to Section 362 of the Bankruptcy Code for relief from the automatic stay to permit Ursa to employ dispute resolution procedures it the Ursa Operating Agreements (the "Ursa Motion"). The Debtors objected to the Ursa Motion and after oral argument on April 29, 2009, the Bankruptcy Court denied the Ursa Motion without prejudice.

The Debtors propose to assume certain of the Ursa Operating Agreements upon confirmation of the Plan and, therefore, the Debtors that are parties to those Ursa Operating Agreements will remain unchanged. Consistent with its position in connection with the Ursa Motion, Ursa likely would assert that the Debtors are in default under the Ursa Operating Agreements and that those defaults must be cured as a condition to the Debtors' assumption of those agreements. Although the Debtors dispute that they are in default under the Ursa Operating Agreements and would oppose any cure demands by Ursa, the Debtors and Ursa engaged in discussions to resolve, on an interim basis, their differences.

Following extensive negotiations, Tarragon Corp., Tarragon Dev. Corp., Ursa and Block 112 Development, LLC, a non-debtor affiliate ("Block 112"), entered into an agreement dated August 17, 2009 (the "Block 112 Sale Agreement"). Pursuant to the Block 112 Sale Agreement, Tarragon Corp. and Tarragon Dev. Corp. agreed to sell, assign, convey and transfer to Ursa or its designees Tarragon Dev. Corp.'s 62.5% interest in Block 112, as well as preferential returns of its capital contributions (the "Block 112 Interests"). As consideration, Ursa agreed to pay Tarragon Dev. Corp. $2,500,000 as follows: (a) $1,000,000 by wire transfer of immediately available funds, which were received by Tarragon Dev. Corp.; and (b) $1,500,000 by delivery of a promissory note, which will be secured by a pledge of the

Block 112 Interests. The maturity date of the promissory note is March 17, 2011. The Debtors intend to honor the Block 112 Sale Agreement.

The parties agreed that after execution and delivery of the Block 112 Sale Agreement and until the occurrence of a Termination Event (as defined in the Block 112 Sale Agreement), the Debtors and Ursa would forbear from taking any action which would affect the Ursa LLCs or the interests of the Ursa LLCs (other than Block 112). Additionally, the parties agreed that all issues with respect to the ability of the Debtors to assume the Ursa Operating Agreements (other than the Block 112 Sale Agreement), including issues arising under the Bankruptcy Code, shall be determined pursuant to the dispute resolution provisions of the Ursa Operating Agreements and not by the Bankruptcy Court.

On August 12, 2009, the Debtors filed a motion to approve the Block 112 Sale Agreement. On September 10, 2009, the Court approved the sale of the Block 112 Interests.

Thereafter, on October 12, 2009, Tarragon, Tarragon Dev. Corp., Ursa and non-debtor affiliates Block 102 Development, LLC, Block 114 Development, LLC, Thirteenth Street Development, LLC and TDC/Ursa Hoboken Sales Center, LLC entered into a sale agreement by which Tarragon Corp. and Tarragon Dev. Corp. agreed to sell to Ursa their interests in those entities (the "Ursa Sale Agreement"). Pursuant to the Ursa Sale Agreement, Tarragon Corp. and Tarragon Dev. Corp. shall sell, assign and convey to Ursa or its designee their interest in those entities, as well as their right to preferential returns on their capital contributions. As consideration, Ursa agreed to pay $500,000 at a closing on the Ursa Sale Agreement. In addition, the parties will exchange mutual releases of all claims arising from or related to the Ursa LLC other than certain specified exceptions. The parties also agreed that after execution

and delivery of the Ursa Sale Agreement, the Debtors and Ursa would forbear from taking any action which would affect the other Ursa LLCs.

On October 27, 2009, the Debtors filed a motion to approve the Ursa Sale Agreement. That motion was granted, and the Bankruptcy Court entered an Order approving the Ursa Sale Agreement on December 1, 2009.

I. Unsecured Priority Claim and Unsecured General Claims of the Internal Revenue Service.

The IRS filed several Proofs of Claim including Claim No. 36-1 (referenced as Claim 510 by the Claims Agent and as referenced in Debtors' Adversary action) on June 29, 2009 (collectively "IRS Claim") during the course of an income tax audit for the Debtors' 2005 through 2007 fiscal years. The IRS Claim initially sought $24,462,189 in alleged tax plus $4,614,268.94 in interest to the petition date for a total alleged unsecured priority IRS Claim of $29,076,457.94, plus a $3,567,087.81 penalty as an alleged general unsecured IRS Claim.

On September 22, 2009, the Debtors filed an Objection to the IRS Claim, together with a supporting certification from the Debtors' accountant, Brad T. Marckx, CPA of Travis Wolff & Company LLP explaining item by item why the IRS Claim lacked merit. The Debtors also filed an adversary proceeding simultaneously with the Objection seeking a judgment directing the IRS to pay a $318,309 refund to Tarragon plus interest with respect to fiscal year ended November 30, 2006, generated from an amended income tax return filed on August 29, 2008 ("Adversary action").

On October 30, 2009, the IRS filed an amendment to the IRS Claim substantially reducing the amount of the unsecured priority IRS Claim from approximately $30 million dollars down to $75,316.34, plus a $7,542.54 penalty as an alleged general unsecured IRS Claim.

On December 16, 2009, the IRS and the Debtors filed a joint stipulation with the Bankruptcy Court. The joint stipulation provides, among other things, for the dismissal of the Adversary action and that the IRS Claim be resolved in accordance with an appended IRS' Revenue Agent's Report dated December 7, 2009 ("RAR"). The RAR shows a single income adjustment of $4,178,463 that relates to a change of accounting method that was not disputed by Tarragon and reported on its amended income tax return for fiscal year ended November 30, 2006. The RAR reflects that Tarragon is entitled to a refund of $318,309 for fiscal year ended November 30, 2006. The joint stipulation also allows an amended unsecured priority IRS Claim No. 5-5 (referenced as Claim No. 5,v5 by the Claims Agent and as referenced in Debtors' Adversary action) of $500 filed on December 2, 2009.

J. Status of Certain Litigation Matters Being Pursued by the Debtors.

As of the Commencement Date, certain of the Debtors and/or non-debtor Affiliates were parties in litigation matters the Debtors believed would result in affirmative recoveries for Tarragon. Below are summaries of certain of those actions the Debtors believe are material.

1. **Village of Riverwood Litigation.**

On January 29, 2007, Tarragon Dev. Corp. entered into a Purchase and Sale Agreement (the "Riverwood Contract") to purchase 39.869 acres, known as Tract N in the Village of Riverwood, Davidson County, Tennessee (the "Riverwood Property"), from Brown's Farm and Chris Pardue (collectively, the "Riverwood Sellers") for the sum of $5,000,000. Tarragon Dev. Corp. claims that the Riverwood Sellers breached the Riverwood Contract by failing to satisfy various conditions that were a prerequisite to closing title to the Riverwood Property. Correspondingly, the Riverwood Sellers claim that Tarragon Dev. Corp. breached the Riverwood Contract by not closing title to the Riverwood Property.

On June 5, 2009, Tarragon Dev. Corp. commenced an adversary proceeding against the Riverwood Sellers in the Bankruptcy Court, entitled *Tarragon Development Corp. v. Brown's Farm et al.*, Adv. Pro No. 09-1469 (DHS) (the "Riverwood Action"). In the Riverwood Action, Tarragon Dev. Corp. has sought to recover damages incurred as a result of Riverwood Sellers' breach of the Riverwood Contract, including the return of a $500,000 deposit (consisting of $250,000 cash and a $250,000 promissory note) and $125,000 in extension fees which are being held by the title insurance company. The Riverwood Sellers dispute Tarragon Dev. Corp.'s allegations and filed an answer and counterclaim on August 13, 2009 claiming that they are entitled to the deposit monies and promissory note held in escrow by the title insurance company. As of this date, the parties have not conducted any discovery in the litigation. The Court will most likely schedule a trial date in this matter for June 2010.

2. **Alta Mar Litigation.**

Alta Mar Development LLC, a non-debtor Tarragon affiliate ("Alta Mar"), developed a condominium apartment complex in Fort Myers, Florida (the "Alta Mar Development"). The residential units of the Alta Mar Development have been sold.

In connection with the construction of the Alta Mar Development, Alta Mar engaged Soares Da Costa Construction Services, LLC ("SDC") as the contractor on the project pursuant to the terms of a construction contract (the "Construction Contract"). Before the commencement of the bankruptcy cases, SDC filed a Demand for Arbitration against Alta Mar, Balsam Acquisitions, LLC (another non-debtor affiliate) and Tarragon Dev. Corp. (collectively, the "Alta Mar Defendants") with the American Arbitration Association, bearing case number 50 110 S 00346 06. SDC alleged the Alta Mar Defendants did not perform under the Construction Contract and caused SDC to suffer delay damages in connection with the Alta Mar

Development. SDC seeks damages against the Alta Mar Defendants in the amount of $5,653,962.

In response to SDC's arbitration demand, the Alta Mar Defendants asserted counterclaims against SDC and the Insurance Company of the State of Pennsylvania, SDC's bonding company, for damages incurred as a result of SDC's inability to complete the construction of the Alta Mar Development. The Alta Mar counterclaim seeks damages in the total amount of $17,368,197.04.

In connection with the Debtors' "first day" motions, the Debtors were granted relief from the automatic stay, to the extent applicable, to allow the Alta Mar Litigation to proceed. At that time, the Alta Mar Defendants believed their likelihood of success on the Alta Mar counterclaim was strong and any recovery on those claims would exceed any liability to SDC on it affirmative claims.

The arbitration concluded in May of 2009. The arbitrators awarded Alta Mar $1,925,592.00 against SDC. SDC, however, failed to pay the award by the October 5, 2009 deadline. SDC has moved to vacate the award, which application is still pending.

3. **Central Square Litigation.**

Central Square owns vacant land in Lauderdale Lakes, Florida that was being held for future development into a rental apartment community. Before the Commencement Date, Central Square commenced a lawsuit against Great Divide Insurance Company ("Great Divide") in the Circuit Court of the 17th Judicial Circuit, Broward County, Florida, bearing Case No. 07000612 (the "Central Square Litigation"). The Central Square Litigation seeks damages against Great Divide for breach of contract arising from its failure to remit insurance proceeds to Central Square for hurricane damage that was covered by an insurance policy. The insurance

coverage was $4.1 million, with a 5% deductible for windstorm hurricane coverage. Central Square had an estimate from a local contractor for $7.6 million to repair the property. The defendant paid $770,000 for the property damage. Central Square sued for the remaining limits on the policy. Great Divide has counterclaimed for misrepresentation and is seeking repayment of the $770,000.

In connection with the Debtors' "first day" motions, the Debtors were granted relief from the automatic stay, to the extent applicable, to allow the Central Square Litigation to proceed. A trial on the Central Square Litigation concluded the week of June 15, 2009.

The jury in the Central Square Litigation determined that the insurance contract was not validly assigned to Central Square resulting in a verdict in favor of Great Divide. Central Square believes that the trial court judge erred in allowing the question of the contract assignment to even appear on the jury verdict form. Central Square filed a motion for a new trial which was denied.

4. **Knightsbridge Litigation.**

Tarragon Stoneybrook Apartments, LLC, a non-debtor Tarragon affiliate ("Stoneybrook"), is the plaintiff in an action pending in the Circuit Court for Orange County, Florida against Summitt Contractors, Inc. ("Summitt") and its bonding company Federal Insurance Company for water damage and mold infiltration resulting from construction defects (the "Knightsbridge Litigation"). Summitt has, in turn, filed a declaratory action against its insurer.

Stoneybrook's claims in the Knightsbridge Litigation total $8,868,259.91 as follows: (i) $7,710,666.32 for external remediation expenses, and (ii) $1,157,593.59 for rent concessions, vacancy loss and employee expenses.

On December 12, 2008, Stoneybrook defeated Summitt's motion for summary judgment. On March 27, 2009, a mediation session was held and Stoneybrook and Summit settled the Knightsbridge Litigation for $3,250,000.00. The Debtors received that settlement payment on April 22, 2009.

5. **Ridgefield Claim.**

Tarragon Corp. has a claim for the return of a $1,000,000 deposit paid in conjunction with an Agreement of Sale to purchase property located at 1 Bell Drive, Ridgefield Borough, New Jersey. As of the filing of this Disclosure Statement, that claim had yet to be formally asserted.

K. Status of Certain Litigation Pending Against the Debtors

1. **Securities Action Litigation**

Tarragon Corp. and three of its officers (Friedman, Chairman of the Board of Directors and Chief Executive Officer; Rothenberg, President and Chief Operating Officer; and Erin D. Pickens ("Pickens"), former Executive Vice President and Chief Financial Officer), as well as Beachwold, and Grant Thornton LLP (Tarragon's former outside auditor), were named as defendants in a consolidated securities putative class action lawsuit entitled: *In re Tarragon Corporation Securities Litigation*, Civil Action No. 07-7972, pending in the United States District Court for the Southern District of New York (the "Securities Action"). The Securities Action was originally filed on September 11, 2007 on behalf of persons who purchased Tarragon Corp.'s common stock between January 5, 2005 and August 9, 2007 (the "Class Period").

In the Securities Action, the plaintiff alleged generally that Tarragon Corp. issued materially false and misleading statements regarding its business and financial results during the Class Period. On January 18, 2008, an amended class action complaint was filed, asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. The Section

10(b) claim was asserted against Tarragon Corp., Friedman, Rothenberg, Pickens, and Grant Thornton LLP. The Section 20(a) claim was asserted against Friedman and Beachwold.

Before the Commencement Date, all parties filed motions to dismiss pursuant to Rules 9(b) and 12(b)(6) of the Federal Rules of Civil Procedure and the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4(b)(1)-(3)(A) (the "PSLRA"). While that motion was pending, Tarragon Corp. filed its voluntary petition for relief under Chapter 11 of the Bankruptcy Code. By a Memorandum and Order, filed March 27, 2009, the Honorable P. Kevin Castel, District Judge, recognized that the Securities Action was automatically stayed as to Tarragon Corp. proceeded to grant the motions to dismiss of all the other parties. The court gave plaintiff permission to move to amend its complaint by May 8, 2009. Plaintiff did not do so. The Securities Action, however, remains pending as to Tarragon Corp. The plaintiff has filed a general unsecured claim in an unliquidated amount against Tarragon Corp. predicated on the Securities Action.

At the time the Securities Action was initiated, Tarragon Corp. maintained a D&O Elite – Directors and Officers Liability Policy with Federal Insurance Company (policy number 6804-3703) (the "D&O Policy"). The D&O Policy provides insurance coverage for directors and officers, but does not extend coverage for Tarragon Corp. To the extent insurance coverage is available to cover the claims against Tarragon Corp. in the Securities Action Litigation, the plaintiff shall be permitted to pursue their claim against Tarragon Corp., solely to the extent of available insurance coverage and proceeds.

2. **Other Litigation Claims**

As a developer, Tarragon Corp. and its development subsidiaries and affiliates are often defendants in litigation relating to allegations of, among others, property damage, construction defects, consumer fraud, personal injury, negligence and breach of contract. As of the

Commencement Date, there were over 100 cases pending and others alleged, but not yet asserted claims against both Debtor and non-Debtor entities. Those litigations include, among other things, claims asserted by the Waterstreet at Celebration Condominium Association, Inc., The Hamptons at Metrowest Condominium Association, Inc. and Bordeaux Condominium Association. The pending actions are procedurally in varied stages of maturity, ranging from the receipt of service of a complaint to trial-ready lawsuits. The Debtors have submitted claims to their insurance carriers for the pending litigation actions and will continue to seek cooperation from the applicable insurance carriers with respect to the litigation claims, to the extent those actions are covered by insurance.

An aggregate amount of approximately $279,000,000 of unsecured claims were filed against the Debtors in connection with pending or threatened litigation (the "Litigation Claims"). The Debtors dispute any liability on account of the Litigation Claims and intend to file objections to them as part of the claim's allowance process.

a. The Hamptons at Metrowest Condominium Association, Inc. Litigation

Before the Commencement Date, the Hamptons at Metrowest Condominium Association, Inc. ("Hamptons") filed a complaint, as subsequently amended, against, among others, Tarragon Corp. and Tarragon South in the Circuit Court, Ninth Judicial Circuit of Orange County, Florida entitled Hamptons at MetroWest Condominium Assoc., Inc. v. Park Avenue at Metro West, Ltd. et al., bearing case number 48-2008-CA-008235-0 (the "Hamptons Complaint"). The Hamptons Complaint seeks damages for negligent construction of the Hamptons at MetroWest Condominium Complex. In connection with the Hamptons Complaint, Hamptons filed proofs of claim asserting general unsecured claims in excess of $60,000,000 against both Tarragon Corp. and Tarragon South. During the pendency of the bankruptcy cases, Hamptons filed a motion

seeking relief from the automatic stay to continue with its pre-petition litigation. That motion was denied by Order of the Bankruptcy Court on April 23, 2009.

Hamptons asserts that the Debtors have insurance policies whose proceeds should cover its claims. The Debtors maintained an excess general liability insurance policy issued by Mt. Hawley Insurance Company ("Mt. Hawley") bearing policy number SL0001297 (the "Mt. Hawley Policy"). Mt. Hawley, however, has issued a denial letter to Tarragon Corp. disclaiming any coverage for the claims asserted by Hamptons. Hamptons has also attempted to assert that coverage exists pursuant to a certain commercial general liability insurance policy issued by Admiral Insurance Company, bearing policy number 00011056-01 (the "Admiral Policy"). The Admiral Policy, however, contains an exclusion for property damage arising out of any construction operations performed by the insured.

The Debtors recently learned that there is a commercial general liability insurance policy purchased by the prior owner of the MetroWest Condominium Complex and issued by Hartford Insurance Company ("Hartford") (policy number 13 C C72800) which may provide coverage of the Hamptons' claims. The Debtors are waiting for confirmation of coverage from Hartford.

On November 5, 2009, the Bankruptcy Court entered a Stipulation and Consent Order granting the Hamptons relief from the automatic stay to permit the Hamptons to prosecute the Hamptons Complaint to final judgment, provided, however, any judgment obtained may be enforced solely against available insurance coverage and proceeds thereof.

b. The Waterstreet at Celebration Condominium Association, Inc. Litigation

Before the Commencement Date, Waterstreet at Celebration Condominium Association, Inc. ("Waterstreet") filed a complaint against certain non-debtor entities in the Circuit Court, Ninth Judicial Circuit of Osceola County, Florida entitled Waterstreet at Celebration

Condominium Assoc., Inc. v. Celebration Tarragon, LLC, et al., bearing case number CA-08-CI-001486 (the "Waterstreet Complaint"). The Waterstreet Complaint seeks damages for the negligent construction of the Waterstreet at Celebration Condominium Complex. After the Commencement Date, and in violation of the automatic stay, Waterstreet amended the Waterstreet Complaint to name Tarragon Corp. and Tarragon South as defendants. Subsequently, Waterstreet moved for relief from the automatic stay to proceed with its litigation against the Debtors. The Court denied that motion and determined that the filing of the amended complaint against Tarragon Corp. and Tarragon South was *void ab initio*. Waterstreet filed proofs of claims in excess of $20,000,000 against both Tarragon Corp. and Tarragon South.

Waterstreet asserts that the Mt. Hawley Policy and Admiral Policy provide coverage for Waterstreet's claims. Although neither insurance company has issued a formal letter of denial of coverage, the Debtors do not believe that claims for construction defects are covered by those policies.

On November 5, 2009, the Bankruptcy Court entered a Stipulation and Consent Order granting Waterstreet relief from the automatic stay to permit Waterstreet to prosecute the Waterstreet Complaint to final judgment, provided, however, any judgment obtained may be enforced solely against available insurance coverage and proceeds thereof.

c. Bordeaux Condominium Association

Before the Commencement Date, Bordeaux Condominium Association ("Bordeaux") served the Debtors with a notice of construction defects at the apartment complex Lake Lotta Apartments. Bordeaux requested relief from the automatic stay to file a complaint against Tarragon Corp., Tarragon South and Tarragon Development Co. for design defects. That motion was denied. Bordeaux filed proofs of claim against Tarragon Corp., Tarragon South and Tarragon Development Co. in excess of $14,000,000.

Bordeaux asserts that the Mt. Hawley Policy and a policy issued by Lexington Insurance Company (policy number 8524536) provide coverage for Bordeaux's claims. Although neither insurance company has issued a formal letter of denial of coverage, the Debtors do not believe that claims for construction defects are covered by those policies. To the extent insurance coverage is available to cover these claims, Bordeaux shall be permitted to pursue their claims, solely to the extent of available insurance coverage and proceeds, after confirmation of the Plan.

On November 5, 2009, the Bankruptcy Court entered a Stipulation and Consent Order granting Bordeaux relief from the automatic stay to permit Bordeaux to prosecute its claims to final judgment, provided, however, any judgment obtained may be enforced solely against available insurance coverage and proceeds thereof.

L. Settlement with Leyland Warwick Associates, LLC

On or about August 11, 2003, Tarragon Corp. and Leyland Warwick Associates, LLC ("Leyland") formed Warwick Grove Company, LLC ("Warwick Grove"), a New York limited liability company, to develop and build a traditional neighborhood community for active adults in Warwick, New York (the "Warwick Grove Development"). Pursuant to terms of an Operating Agreement dated August 11, 2003, Tarragon Corp. and Leyland each held a fifty percent (50%) membership interest in Warwick Grove.

Warwick Grove financed the construction and development of the Warwick Grove Development with loans from Wachovia Bank, N.A. ("Wachovia") secured by, among other things, a mortgage on the Warwick Grove Development. As additional security, Tarragon Corp. guaranteed repayment of those loans. As the Commencement Date, $8,255,911.00 remained outstanding to Wachovia.

Before the Commencement Date, Leyland and Warwick Grove filed a complaint against Tarragon Corp. in the Supreme Court of the State of New York, County of New York (the

"Warwick Grove Complaint"). The Warwick Grove Complaint alleged that Tarragon Corp. converted $533,269.00 of loan proceeds from Wachovia for its own use. The Warwick Grove Complaint further alleged that Tarragon Corp. failed to make $1,500,000 in capital contributions to Warwick Grove in accordance with the terms of the Operating Agreement.

The Warwick Grove Development is being constructed in phases and is not yet complete. Warwick Grove has marketed and sold units in the development, but has not made any profit. The deterioration in the homebuilding industry and general downturn in the economy will likely negatively impact future sales. With approximately $2,000,000 of capital already invested to date, potential exposure on its guaranty to Wachovia and pending litigation with its partner, Tarragon Corp. did not anticipate recovering on account of its investment in the near future, if ever. Accordingly, Tarragon Corp. commenced discussions with Leyland to amicably resolve the Warwick Grove Complaint. Following extensive negotiations, on or about September 11, 2008, the parties reached a settlement.

The settlement is embodied in that certain Membership Interest Purchase & Sale and Settlement Agreement dated September 11, 2008 (the "Warwick Grove Settlement Agreement"). The Warwick Grove Settlement Agreement provides that Leyland will purchase Tarragon Corp.'s membership interest in Warwick Grove for the purchase price of $1,500,000.00 payable as follows: (a) $100,000 by federal funds wire transfer and (b) the issuance of a promissory note in the original principal amount of $1,400,000.00 (the "Warwick Grove Note"). The unpaid principal balance of the Warwick Grove Note will accrue interest at the rate of twelve percent (12%). To the extent there is cash available for distribution pursuant to the terms of the Operating Agreement, payments of accrued interest and principal are to be made by Leyland on a quarterly basis.

The Warwick Grove Note is scheduled to mature on the earliest of: (a) September 30, 2013; (b) the sale or transfer of all or a portion of the Warwick Grove Development; (c) the issuance or transfer of any membership interest in Leyland whereby control of Leyland would be transferred to an entity unaffiliated with Leyland Alliance LLC or its investors; (d) any merger, consolidation or reorganization of Leyland; (e) any mortgage of the Warwick Grove Development is granted to Leyland, other than the first mortgage for the completion of the project; and (f) any earlier date on which the unpaid principal balance of the Warwick Grove Note becomes due and payable by acceleration.

The Warwick Grove Settlement Agreement was approved by the Bankruptcy Court on February 20, 2009. Upon the closing of the sale of Tarragon Corp.'s interest pursuant to the Settlement Agreement, Tarragon Corp. resigned as manager of Warwick Grove. Additionally, Wachovia released Tarragon Corp. from its guaranty obligations.

On March 23, 2010, the Debtors filed a Notice of Information with the Bankruptcy Court of their intention to settle with the maker of the Warwick Grove Note for a lump sum payment of $350,000. The Bankruptcy Court entered a Certification of No Objection on April 14, 2010. As no objections were filed, the Debtors intend to consummate the settlement with the maker of the Warwick Grove Note.

V. SUMMARY OF THE PLAN

THE FOLLOWING IS A SUMMARY OF THE MATTERS CONTEMPLATED TO OCCUR EITHER PURSUANT TO OR IN CONNECTION WITH THE PLAN. THIS SUMMARY HIGHLIGHTS THE SUBSTANTIVE PROVISIONS OF THE PLAN AND IS NOT, NOR IS IT INTENDED TO BE, A COMPLETE DESCRIPTION OF, OR A SUBSTITUTE FOR, THE PLAN. CAPITALIZED TERMS USED BUT NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE MEANING SET FORTH IN THE PLAN.

A. Introduction

In formulating the Plan, the Debtors' goal was to maximize recovery to creditors by liquidating assets and distributing the proceeds in accordance with the priorities and requirements of the Bankruptcy Code, while also preserving a core of investment properties that will emerge from Chapter 11 as a viable operating enterprise. The Debtors had to balance the competing interests of the various classes of Creditors and to use their best efforts to formulate a Plan that is fair and feasible. The Plan was developed after extensive investigation and analysis of the Debtors' current cash flow, overhead, expenses, and projected cash flow. The Debtors believe that the Plan will result in the greatest possible recovery to Creditors.

1. Negotiations with ARKOMD and Westminster

Following the filing of the Chapter 11 proceedings, the Debtors and ARKOMD entered into negotiations pursuant to which ARKOMD would act as the Plan funder and sponsor of the Debtors (the "Sponsor"). However, as the Debtors were negotiating with ARKOMD, the Debtors, through the Creditors' Committee, received an expression of interest from Westminster Residential Acquisition LLC ("Westminster"), an affiliate of the Kushner companies, to act as the Sponsor. After a series of good faith, multi-party negotiations involving the Debtors, the Creditors' Committee and the potential sponsors, and after reviewing the proposals set forth by ARKOMD and Westminster, the Debtors determined that it was in the best interests of their estates to enter into an agreement with Westminster pursuant to which Westminster would act as the Sponsor.

As a result of those negotiations, the Creditors' Committee, Ansonia, Taberna, Westminster, Beachwold, Tarragon Corp. (on behalf of all of the Debtors), Rothenberg and Friedman entered into a term sheet, which set forth the terms pursuant to which Westminster

would sponsor a plan of reorganization that would have the support of all major constituents in the Chapter 11 Cases.

After a series of negotiations, the Debtors could not reach agreement with Westminster on a restructuring of Tarragon consistent with that contemplated by the term sheet. After negotiations ceased between the Debtors and Westminster, the Debtors recommenced negotiations with ARKOMD regarding the terms pursuant to which ARKOMD would sponsor a plan of reorganization. During those negotiations, however, an agreement was reached among ARKOMD and Westminster pursuant to which ARKOMD would acquire fifty (50%) percent of the equity interest in Westminster. The Debtors resumed negotiations with ARKOMD with respect to the terms of a term sheet pursuant to which Westminster (then co-owned by ARKOMD) would act as the Sponsor. Those negotiations, however, did not consummate in an agreement. Instead, the Debtors approached UTA regarding the terms pursuant to which UTA would sponsor a plan of reorganization

2. **UTA Capital LLC**

UTA is a Delaware limited liability company principally engaged in the business of operating as a special-situation investment fund. The principal office of UTA is located at 100 Executive Drive, Suite 330, West Orange, New Jersey 07052. On March 5, 2010, the Creditors' Committee, Ansonia, Taberna, UTA, Beachwold, Tarragon Corp. (on behalf of all of the Debtors), Rothenberg and Friedman entered into a term sheet, which set forth the terms pursuant to which UTA would sponsor a plan of reorganization that would have the support of all major constituents in the Chapter 11 Cases. That term sheet was subsequently amended on March 24, 2010. Those terms, which have now been memorialized in definitive documents negotiated among the parties, are set forth below.

3. **Tarragon Creditor Entity**

Upon the Effective Date, the unsecured creditors of Tarragon Corp., Tarragon Dev. Corp., Tarragon South and Tarragon Dev. LLC other than Beachwold and Rothenberg (collectively, the "Tarragon Creditors") shall contribute all of their Claims against Tarragon Corp, Tarragon Dev. Corp., Tarragon South and Tarragon Dev. LLC to a creditor trust, limited liability or other entity (the "Tarragon Creditor Entity") in exchange for 100% of the equity or other ownership interest in such Tarragon Creditor Entity.

4. **Reorganized Tarragon; Beachwold Residential and New Ansonia**

a. **Formation of Beachwold Residential, LLC**

On or before the Effective Date, Beachwold and Rothenberg shall form Beachwold Residential, LLC, a Delaware limited liability company ("Beachwold Residential").

b. **Contributions to Beachwold Residential**

In exchange for collectively contributing Two Million ($2,000,000) Dollars face amount of the Affiliate Notes and other amounts owed by Tarragon Corp. to Beachwold and Rothenberg (the "Beachwold Residential Claims") and giving the release referenced in subsection (d) below, Beachwold and Rothenberg shall collectively receive 100% of the equity in Beachwold Residential.

c. **Formation of New Ansonia**

Upon the Effective Date, Beachwold Residential shall form a new Delaware limited liability company or other entity agreed to by Beachwold, Rothenberg and the Tarragon Creditors ("New Ansonia"). Beachwold Residential shall initially own 100% of the equity of New Ansonia. New Ansonia will be a privately held company and will not be subject to any filing requirements of the Securities and Exchange Commission. New Ansonia is not a successor to the Debtors.

d. **Contributions to New Ansonia**

(i) Beachwold Residential. In exchange for (1) Beachwold Residential contributing the Beachwold Residential Claims, (2) the general release of any and all claims against Tarragon Corp. and its direct and indirect subsidiaries by Beachwold (including Friedman) and Rothenberg, and (3) Beachwold Residential agreeing to facilitate the liquidation of Tarragon's assets, Beachwold Residential shall receive 50% of the equity in New Ansonia.

(ii) Tarragon Creditors. In exchange for collectively contributing all of their Claims against Tarragon Corp, Tarragon Dev. Corp., Tarragon South and Tarragon Dev. LLC to New Ansonia on the Effective Date (the "TCE Ansonia Claims"), the Tarragon Creditor Entity shall receive 50% of the equity in New Ansonia.

e. **Contributions to Reorganized Tarragon**

In exchange for cancelling the Affiliate Notes and any other amounts owed by Tarragon Corp. to Beachwold and Rothenberg (other than the Beachwold Residential Claims), Beachwold shall receive 60% of the equity in Reorganized Tarragon and Rothenberg shall receive 40% of the equity in Reorganized Tarragon.

f. **Acquisition of the New Ansonia Transferred Assets by New Ansonia**

On the Effective Date, New Ansonia shall purchase from the Debtors or their Affiliates in a taxable transaction all of the Debtors' or its Affiliates' interests in the entities listed on Exhibit G (the "New Ansonia Acquired Interests"). New Ansonia shall purchase the New Ansonia Acquired Interests by (i) cancelling the Beachwold Residential Claims and the TCE Ansonia Claims, and (ii) accepting a transfer of all of the New Ansonia Acquired Interests subject to all pre-existing liens and liabilities.

The transfer of the New Ansonia Acquired Interests to New Ansonia (i) shall be deemed a permitted transfer notwithstanding anything to the contrary contained in any corporate governance document, loan document or other document to which any Debtor or its Affiliates is a party to or bound by, and (ii) shall not trigger, cause or constitute a default or an event of default under any corporate governance document, loan document or other document to which any Debtor or its Affiliates is a party to or bound by. Notwithstanding the foregoing, any Person having been served or provided with a copy of the Plan and/or this Disclosure Statement, and not objecting to the transfer in accordance with the terms set forth herein, shall be deemed to have consented to the transfer of the New Ansonia Acquired Interests to New Ansonia.

The partnership interests in Ansonia LP which shall be transferred to New Ansonia as part of the New Ansonia Acquired Interests shall be held subject to a negative pledge that will preclude New Ansonia from pledging or otherwise encumbering such interests until the Term Loan (as defined below) has been satisfied in full.

In addition, prior to the repayment in full of the Term Loan and the associated exit fee, all distributions otherwise payable to the members of New Ansonia shall be distributed to UTA and applied, *first*, to any outstanding interest due on the Term Loan, *second*, to reduce the principal amount of the Term Loan, and *third*, to pay the exit fee. Borrowers shall not owe New Ansonia any obligations to repay or reimburse any such amounts paid by New Ansonia.

5. **UTA Term Loan**

UTA has agreed to provide the Borrowers with $4,820,000 in cash in the form of an eighteen month term loan ("Term Loan"); *provided*, *however*, that in the event that the Plan is not confirmed by June 15, 2010, the Term Loan shall mature on September 15, 2010. Interest on the Term Loan accrues at the rate of 15% per annum on the outstanding balance and is paid monthly in arrears. Unpaid interest accrues and compounds monthly.

The Credit Agreement evidencing the Term Loan provides that, except for the New Ansonia Acquired Interests and as otherwise set forth in the Credit Agreement, the Term Loan shall be secured by liens and security interests in and on all of Borrowers' assets that can be pledged (real, personal and mixed), subject to (i) any valid and properly perfected liens and security interest existing on the date the Plan is confirmed, (ii) to then existing restrictions on the grant of subordinated liens, and (iii) the exclusion of any Chapter 5 claims. The Bankruptcy court granted interim approval of the Term Loan on March 31, 2010, at which time the Borrowers received an initial draw of $4,200,000. A hearing to consider final approval of the Term Loan is scheduled for April 15, 2010.

Subject to the terms of the Credit Agreement evidencing the Term Loan, in the event that the existing loan made by GECC to Ansonia LP or subsidiaries of Ansonia LP is satisfied in full (or with the prior written consent of GECC if such loan is not satisfied in full), UTA shall have the option to receive (in addition to principal, interest and the exit fee) 11% of the equity of New Ansonia. Upon such option exercise, Beachwold Residential and Rothenberg's collective interest in New Ansonia shall be reduced to 29% and the Tarragon Creditor Entity's interest in New Ansonia shall be increased to 60%.

6. **Beachwold Participation in the Term Loan**

Rothenberg and two individual retirement plans having Friedman and Lucy Friedman as their respective plan beneficiaries have collectively purchased an approximate 12.86% participating interest in the Term Loan for $620,000.

7. **Liquidation**

a. **Liquidation of Assets**

Following confirmation of the Plan, Reorganized Tarragon and the Tarragon Creditor Entity shall proceed diligently to liquidate the presently owned physical and intangible assets of

Tarragon Corp. and certain of its Affiliates whose assets are not being transferred to New Ansonia pursuant to the terms of the Plan[3], including all Causes of Action, but excluding the names, trade names, management manuals, facsimile numbers, telephone numbers and email addresses of Tarragon Corp. and its Affiliates (the "Liquidation Assets") in accordance with the terms and conditions of the Plan. Reorganized Tarragon will have primary responsibility for the disposition of the Liquidation Assets, but each sale or other disposition of a Liquidation Asset shall be subject to the approval of the Tarragon Creditor Entity (which approval shall not be unreasonably withheld with respect to any Material Liquidation Asset (as such term is defined below), for so long as the principal, interest and exit fee, but not additional interest, on the Term Loan remains outstanding). Notwithstanding the forgoing, with regard to certain Liquidation Assets listed on Exhibit B (the "Material Liquidation Assets"), UTA, Borrowers, Beachwold and the Creditors' Committee agreed to a schedule of estimated minimum net liquidation proceeds (the "Minimum Liquidation Proceeds") to be realized from the sale or other disposition of such Material Liquidation Assets. UTA shall have approval rights (such approval not to be unreasonably withheld, conditioned or delayed) only with regard to a proposed sale or other disposition of a Material Liquidation Asset that, if consummated, would result in net liquidation proceeds below the Minimum Liquidation Proceeds amount associated to such Material Liquidation Asset.

Notwithstanding anything to the contrary in the immediately preceding paragraph or elsewhere in this Disclosure Statement, the Plan, Confirmation Order or documents ancillary thereto (including any amendment or modification of each thereof), the disposition of the

[3] The only assets that are being transferred to New Ansonia are set forth on Exhibit G attached hereto.

Liquidation Assets, including, without limitation, the Material Liquidation Assets, that comprise BofA's collateral (the "BofA Collateral") securing the Debtors' pre- and post-petition obligations to BofA (including, without limitation, the obligations under the BofA Guaranty) shall be solely in accordance with the terms and conditions of the BofA Documents, as applicable. Without limiting the foregoing, subject to the BofA Settlement Agreement, notwithstanding confirmation of the Plan, BofA shall retain the right to foreclose on any of the BofA Collateral and utilize the consents to foreclosure delivered to BofA in connection with the BofA Settlement Agreement.

Notwithstanding anything to the contrary in the Plan, the Confirmation Order or any documents ancillary to the Plan and/or the Confirmation Order (including any amendment or modification of each thereof), BofA's Claims, Liens, rights and interests shall continue unaffected by the confirmation of the Plan, the occurrence of the Effective Date or consummation of the Plan unless and until all of such Claims, Liens, rights and interests are fully satisfied in accordance with the terms and conditions of the BofA Documents.

Notwithstanding anything to the contrary in the Plan, the Confirmation Order or any documents ancillary to the Plan and/or the Confirmation Order (including any amendment or modification of each thereof), the provisions of this subsection 7(a) shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents or the Ursa Documents, as applicable, and nothing contained in this subsection 7(a) shall alter, amend, impair or modify the rights of the parties under the BofA Documents or the Ursa Documents, as applicable.

b. **Duties of Reorganized Tarragon**

Until such time as all Liquidation Assets have been sold or otherwise disposed of pursuant to the terms of the Plan, Reorganized Tarragon (and any Affiliate or subsidiary thereof) shall:

- provide quarterly reports to the TCE Trustee regarding the Liquidation Assets, its cash on hand, and any other matter reasonably requested by the TCE Trustee (which reports may be prepared on a consolidated basis);

- provide the TCE Trustee with access to its books and records upon reasonable notice and during normal business hours;

- keep separate books and records, account separately for, and keep separate in all respects, all costs, expenses, proceeds and business related to or derived from the Liquidation Assets on the one hand, and any after-acquired property on the other hand;

- adhere to an operating budget to be agreed upon by Reorganized Tarragon and the Tarragon Creditor Entity (or the Creditors' Committee, if such budget is finalized prior to the Effective Date);

- provide notice of any offer to purchase any Liquidation Asset to the TCE Trustee, and, upon the direction of the TCE Trustee, accept such offer (except that Reorganized Tarragon shall not be obligated to accept any offer with regard to a proposed sale or other disposition of a Material Liquidation Asset if such sale or disposition would result in net liquidation proceeds below the Minimum Liquidation Proceeds amount associated with such Material Liquidation Asset without UTA's approval);

- provide notice of any offer to settle any Cause of Action to the TCE Trustee, and, upon the direction of the TCE Trustee, accept such offer;

and Reorganized Tarragon (and any affiliate or subsidiary thereof) shall not:

- Agree to or consummate a Material Transaction without the consent of the TCE Trustee on behalf of the Tarragon Creditor Entity (which consent shall not be unreasonably withheld with respect to any Material Liquidation Asset for so long as the principal, interest and exit fee, but not additional interest, on the Term Loan remains outstanding).

For purposes of this section 7(b), "Material Transaction" shall mean (i) any pledge of any Liquidation Asset by Reorganized Tarragon (or any Affiliate or subsidiary thereof), (ii) the incurrence by Reorganized Tarragon (or any Affiliate or subsidiary thereof) of any debt (other than *de minimis* amounts incurred in the ordinary course of business or pursuant to the operating budget), (iii) any agreement or arrangement with Friedman, Rothenberg, Beachwold, or any family member, affiliate or insider (as defined section 101(31) of the Bankruptcy Code) of any of

them; (iv) the sale or other disposition of any Liquidation Asset, or (v) any other transaction that could reasonably be expected to have a material impact on the proceeds received by the Tarragon Creditor Entity from the sale or other disposition of any of the Liquidation Assets.

Reorganized Tarragon and the Tarragon Creditor Entity shall work in good faith to determine the protocol for Reorganized Tarragon to secure the Tarragon Creditor Entity's approval of a potential Material Transaction in a manner reasonably calculated to maximize the value of the Liquidation Assets. The parties shall endeavor to finalize such protocol prior to confirmation of the Plan. In the event that such protocol is not agreed to prior to confirmation of the Plan, the written consent of the TCE Trustee shall be required before Reorganized Tarragon agrees to or consummates a Material Transaction (which consent shall not be unreasonably withheld with respect to any Material Liquidation Asset for so long as the principal, interest and exit fee, but not additional interest, on the Term Loan remains outstanding).

c. **Distributions**

All Surplus Cash, and, upon the sale or other disposition of any Liquidation Asset, net proceeds of sale, after (i) payment of all senior liens on the asset being sold that exist as of the date of such sale or disposition, (ii) payment of all other creditor claims against the owner of the asset being sold that exist as of the date of such sale or disposition, and (iii) payment of all reasonable and customary expenses of sale, shall be distributed as set forth immediately below; provided, however, that with respect to the revenue generated by 800 Madison, the use of such revenue shall be governed by the terms and conditions of the BofA Documents:

(i) First, 100% to UTA until (a) all reimbursement obligations to UTA provided for in the loan documents evidencing the Term Loan with respect to reimbursement of any expenses incurred by UTA after the funding of the Term Loan in enforcing its rights or maintaining the collateral pledged as security for the Term Loan

have been satisfied in full, and (b) all interest on the Term Loan that is then due and payable has been paid in full; *then*

(ii) Second, 100% to UTA until all principal of the Term Loan has been paid in full; *then*

(iii) Third, 100% to UTA until the exit fee under the Term Loan has been paid in full; *then*

(iv) Fourth, 100% to payment of Deferred Confirmation Expenses (as defined below) according to the Plan until such Deferred Confirmation Expenses are paid in full, and then to the Tarragon Creditor Entity to be distributed pursuant to the terms of the Plan until a collective total of $8 million has been paid or distributed to all parties pursuant to clauses (i)-(iii), this clause (iv) or as Permitted Overhead Expenses (as defined below); *then*

(v) Fifth, 11% to UTA as additional interest, and 89% to payment of Deferred Confirmation Expenses according to the Plan until such Deferred Confirmation Expenses are paid in full, and then to the Tarragon Creditor Entity, until a total of $2 million has been paid or distributed pursuant to this clause (v); provided, however, that UTA shall first be reimbursed for all of its reasonable unreimbursed expenses related to the Term Loan in excess of $100,000 after a total of $1,000,000 has been paid or distributed, and before any further payments or distributions are made pursuant to this clause (v); *then*

(vi) Sixth, 22% to UTA as additional interest and the remaining 78% as follows: first, the entire 78% shall be distributed to payment of Deferred Confirmation Expenses according to the Plan until such Deferred Confirmation Expenses are paid in full, and then after such Deferred Confirmation Expenses are paid in full, 12% shall be retained by Reorganized Tarragon, and 66% shall be distributed to the Tarragon Creditor Entity.

Notwithstanding the foregoing, for any month in which Reorganized Tarragon and the other Borrowers under the Term Loan do not have Surplus Cash, up to $90,000 per month of cash flow or net liquidation proceeds may be utilized for payment of their overhead expenses and operating costs, including without limitation, taxes and priority claims ("Permitted Overhead Expenses") prior to any payment or distribution described above.

"Surplus Cash" means all cash on hand of Reorganized Tarragon and the other Borrowers under the Term Loan in excess of $500,000 other than proceeds of the Term Loan. Reorganized Tarragon and the other Borrowers under the Term Loan shall be permitted to utilize any cash on hand that is less than $500,000 (excluding net proceeds from the sale of any of the collateral for the Term Loan and the proceeds of the Term Loan) for payment of their Permitted Overhead Expenses prior to any payment or distribution described above.

Notwithstanding anything contained in this subsection 7(c) to the contrary, with respect to 800 Madison, the post-confirmation payments to BofA and use of cash collateral shall be subject to the terms and conditions of the BofA Documents.

Notwithstanding anything to the contrary in the Plan, the Confirmation Order or any documents ancillary to the Plan and/or the Confirmation Order (including any amendment or modification of each thereof), the provisions of this subsection 7(c) shall be subject to, and to the

extent inconsistent with controlled by, the terms of the BofA Documents and nothing contained in this subsection 7(c) shall alter, amend, impair or modify the rights of the parties under the BofA Documents.

8. **Deferred Confirmation Expenses**

In accordance with the January 16, 2009 Administrative Order establishing procedures for interim compensation and reimbursement of expenses to professionals, (a) each Professional retained in the cases referenced in the preceding paragraph was authorized to file monthly fee statements for interim approval and allowance of compensation for services rendered and reimbursement of expenses incurred during the immediately preceding month, and (b) in the absence of objection, the Debtors were authorized to pay each Professional 80% of the fees and 100% of the expenses requested in the monthly fee statement. Given the Debtors' liquidity problems, they ceased paying the 80% of the fees and 100% of the expenses requested in the Professionals' monthly statements for December 2009 through the present. In addition, the Debtors did not pay the 20% holdbacks for the months of June 2009 through September 2009 that were awarded by the Court in connection with the Professionals' second interim fee applications. From the Term Loan proceeds, Professionals will be paid on the Effective Date only a portion of the fees and expenses incurred and accrued through confirmation of the Plan. Professionals will not be paid 100% of those fees and expenses at confirmation, as ordinarily required. Rather, a material portion of professional fees will be deferred pending the repayment in full of the Term Loan post-confirmation.

9. **Dissolution of Creditors' Committee**

The Plan and the Confirmation Order will provide that upon the occurrence of the Effective Date, the Creditors' Committee shall dissolve automatically, whereupon its members, professionals and agents shall be released from any duties and responsibilities in these cases and

under the Bankruptcy Code (except with respect to (i) obligations arising under confidentiality agreements, which shall remain in full force and effect, (ii) applications for the payment of fees and reimbursement of expenses, and (iii) any pending motions or any motions or other actions seeking enforcement of implementation of the provisions of the Plan).

10. **Tarragon Creditor Entity**

The Tarragon Creditor Entity shall be owned by the Tarragon Creditors. All rights of the Tarragon Creditors as members of the Tarragon Creditor Entity, including rights to distributions and management, shall be set forth in an Operating Agreement (the "TCE Operating Agreement"), a copy of which will be filed with the Plan Supplement. Among other things, and as set forth in the TCE Operating Agreement, the Tarragon Creditor Entity shall be administered by a trustee (the "TCE Trustee") to be appointed by the Creditors' Committee prior to its dissolution. The powers and duties of the TCE Trustee are set forth in the TCE Operating Agreement. Among other things, and as set forth more fully in the TCE Operating Agreement, the TCE Trustee shall have the authority to retain such counsel, financial advisors and other professionals it deems necessary and appropriate to discharge its duties.

Reorganized Tarragon shall pay, out of cash on hand on the Effective Date, the reasonable "start up" costs and expenses of the Tarragon Creditor Entity pursuant to a budget to be agreed upon by Reorganized Tarragon and the Creditor's Committee and such costs shall be deemed to be a Deferred Confirmation Expense. All other costs and expenses of the Tarragon Creditor Entity related to the liquidation of the Debtors in accordance with the terms of the Plan shall be paid by the Tarragon Creditor Entity.

11. **Post Confirmation Officers**

On or promptly following the Effective Date, the post-confirmation senior executive officers of New Ansonia will include Rothenberg and Friedman and the post-confirmation senior executive officers of Reorganized Tarragon will include Friedman and Rothenberg.

In addition to the above referenced senior executive officers, junior executive officers who will be responsible for the day-to-day business affairs of New Ansonia, Reorganized Tarragon and their respective Affiliates will be appointed from time to time.

12. **Operating Agreement of New Ansonia**

The Tarragon Creditor Entity and Beachwold Residential have entered into an Operating Agreement, substantially in the form attached hereto as Exhibit I, which shall become effective on the Effective Date (the "New Ansonia Operating Agreement").

13. **Property Management**

New Ansonia shall enter into one or more five year property management agreement ("the Beachwold Property Management Agreement") with Beachwold or their designee (the "Beachwold Manager"). The Beachwold Property Management Agreement shall provide for, among other things, Beachwold to manage the properties directly or indirectly owned by New Ansonia, for a fee of 5% ("Beachwold Management Fee") of the gross revenues generated from such properties. The Beachwold Management Fee shall cover all overhead and administrative costs associated with managing such properties, including, without limitation, all overhead and administrative costs associated with any subcontract.

The Beachwold Manager shall enter into a three-year subcontract for property management services (the "Jupiter Management Agreement") with Jupiter Communities LLC or

its designee ("Jupiter"), substantially in the form to be filed with the Plan Supplement. The Jupiter Management Agreement shall provide for, among other things, Jupiter to manage the properties owned by Tarragon or New Ansonia in Texas, Alabama and Tennessee and any other properties that are mutually agreed upon by the parties thereto for a fee of 3% of the gross revenues generated from the properties located in Texas, a fee of 2.5% of the gross revenues generated from the properties located in Alabama and Tennessee, and a fee as may agreed by the parties thereto with respect to any other properties. For the avoidance of doubt, the fees payable to Jupiter under this provision shall be payable by the Beachwold Manager out of the Beachwold Management Fee. Such management fees shall cover all overhead and administrative costs associated with managing such properties other than those overhead and administrative costs that are sufficiently discrete so as to enable Jupiter to determine the specific amount that is directly related to the applicable property and other than any operating costs or expenses related to the applicable property. In addition, the Beachwold Manager shall engage Jupiter to provide risk management services pursuant to agreements to be negotiated among the parties.

14. **Rothenberg Tax Neutrality**

(a) At the time that (i) a person not currently a member of New Ansonia ("Funding Member") makes funds available to New Ansonia and is admitted to New Ansonia as a member and such person requires that Ansonia waive its right to approve and consent to transactions, (ii) New Ansonia elects to sell, lease or otherwise dispose of any assets or equity interests of New Ansonia or its direct or indirect subsidiaries, or (iii) New Ansonia elects to refinance any property owned by New Ansonia or its direct or indirect subsidiaries, to the extent Ansonia's consent is required, Ansonia has agreed to waive, and shall be deemed by the Plan to have waived, its consent rights with respect to such transaction specified in (i)-(iii) above, on the

terms and conditions set forth in this subsection l4. In the event that the Tax Neutrality Loans (as defined below) provided for herein are not made as required, the waiver would no longer be effective and Ansonia's consent will be required.

(b) If a transaction specified in (i)-(iii) above would result in a taxable gain being allocated to Ansonia, a loan will be made by the Funding Member or, with respect to (ii) or (iii) above, by New Ansonia out of the proceeds of such transaction, to cover the estimated taxes of the members of Ansonia based on the estimated gain to be allocated to Ansonia. If the loan is not made at the time of the transaction, there shall be assurances satisfactory to Ansonia that the loan will be made and that it shall be made to permit taxes (including estimated taxes) to be paid on a timely basis. If a member has no taxes to pay in any year for which a loan is made, such member receiving a loan shall repay such loan promptly upon making such determination or if the taxes payable by such member in any such year are less than the loan amount made in such year, the member receiving a loan shall repay the portion of the loan which exceeds such members taxes promptly upon making such determination. Each member receiving a loan for any year shall provide to New Ansonia reasonably promptly during the calendar year immediately following the transaction a certificate from an independent certified public accountant that the amount of the federal, state and local taxes payable by such member exceeds the amount of all loans made for the year in which such transactions occurred. If a member shall fail to provide such a certificate, then if he or she does not cure such failure within 10 business days of receiving a notice from New Ansonia that such member has not provided such certification, the loan(s) made to such member in such year shall be due and payable.

(c) The maximum amount of all such loans will be $5 million, subject to reduction to the extent that New Ansonia makes distributions to Rothenberg and/or Ansonia

(other than to cover taxes) prior to making such loans. Such loans are referred to herein as the "Tax Neutrality Loans".

(d) Loans will be non-interest bearing for five years and thereafter such loans will bear interest at 1.2% per annum. Each of the loans will be due eight years after the loan was made. Each borrower will be personally liable for 50% of an amount equal to (i) any unpaid portion of the principal of the loans made to him less (ii) the value, measured at the time of foreclosure by lender, of such member's share of Ansonia's equity in Ansonia LP as pledged to secure the Tax Neutrality Loans.

(e) The Tax Neutrality Loans will be secured by each of the Ansonia's member's interest in Ansonia. In addition, Rothenberg's loan(s) will be secured by his interests, whether direct or indirect, in Beachwold Residential and New Ansonia. Any distributions from Ansonia or New Ansonia otherwise payable or actually paid to the borrowers will be used to repay each such member's loan obligations pro rata, and other distributions to Rothenberg will be used to pay his obligations on the loans. To the extent that Rothenberg's obligations are fully satisfied before the other members, his share of future distributions shall be paid to him.

B. Implementation of the Transaction with New Ansonia and the Plan

1. **Cure of Defaults**

Any non-monetary defaults in/of (i) mortgages, security agreements or other loan documents which are secured by security interests in property owned by the Debtors and/or by non-debtor entities which are wholly or partially owned, directly or indirectly, by the Debtors or are otherwise under the Debtors' control (collectively, the "Non-Debtors") or (ii) the Debtors, the Non-Debtors or any of their respective insiders, affiliates or subsidiaries under any shareholder, operating and/or partnership agreements or other organizational documents to which any of the Debtors, the Non-Debtors or any of their respective insiders, affiliates or subsidiaries are a party

or are otherwise bound shall be deemed unenforceable and the non-monetary defaults shall be deemed cured and of no force or effect following the consummation of the transactions contemplated by the Plan and the documents referred to therein as of the Effective Date. Further, any non-monetary defaults in and/or under any mortgages, security agreements or other loan documents or any shareholder, partnership or operating agreement or other organizational document of any Debtor, any Non-Debtor or any insider, affiliate or subsidiary of a Debtor or a Non-Debtor caused by anything contained in the Plan or by the transactions, documents or agreements provided for therein, or by the commencement of the bankruptcy cases, or by any proceedings that occurred in the bankruptcy cases, shall be deemed unenforceable, shall be deemed waived and shall be of no force or effect.

Nothing in the Plan nor in the transactions, documents or agreements contemplated by the Plan shall or shall be deemed to cause or otherwise result in a default in or breach under any mortgages, security agreements or other loan documents, or any partnership, operating agreement or shareholder agreement or other organizational document with respect to any Debtor, any Non-Debtor or any of the respective insiders, subsidiaries or affiliates of a Debtor or a Non-Debtor (including, without limitation, change of control and transfer consents, consents to appoint a successor general partner or manager, requirements to provide opinions, rights of first refusal, rights of first offer, transfer notice requirements, consent to the sale or other disposition of assets and change of management consents) and that such mortgages, security agreements and other loan documents, and shareholder agreements, operating agreements, partnership agreements and other organizational documents shall and shall be deemed to be not in default and shall be deemed in full force and effect notwithstanding anything in the Plan or in the transactions, documents and agreements contemplated by the Plan.

Notwithstanding anything to the contrary in the Plan, the Confirmation Order or any documents ancillary to the Plan and/or the Confirmation Order (including any amendment or modification of each thereof), the provisions of this Section V(B)(1) shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents or the Ursa Documents, as applicable, and nothing contained in this Section V(B)(1) shall alter, amend, impair or modify the rights of the parties under the BofA Documents or the Ursa Documents, as applicable.

For avoidance of doubt, the Equity Interests of 800 Madison and Block 88 are not being conveyed, transferred or assigned to New Ansonia.

2. **Abandonment**

At any time prior to the Effective Date, a Debtor, with the written consent of UTA and the Creditors' Committee, may abandon or surrender (i) real properties to the mortgagee and/or holder of security interest(s), or (ii) pursuant to section 554 of the Bankruptcy Code, such Debtor's equity interest in a non-Debtor Affiliate.

3. **Transfer Taxes**

To the fullest extent permitted under section 1146(a) of the Bankruptcy Code and applicable law, the sale, transfer, conveyance and/or assignment of any assets, equity, real property and interests in real property pursuant to the Plan shall not be taxed under any law imposing any such tax.

C. Classification of Claims and Interests and Their Treatment Under the Plan

1. Classification of Claims and Interests

Section 1122 of the Bankruptcy Code requires the Plan to place a Claim or Interest in a particular Class only if such Claim or Interest is substantially similar to the other Claims or

Interests in such Class. The Plan creates separate Classes to deal respectively with Secured Claims, Unsecured Claims and Interests. The Debtors believe that the Plan's classifications place substantially similar Claims or Interests in the same Class and thus, meet the requirements of Section 1122 of the Bankruptcy Code. As described more fully below, the Plan provides, separately for each Class, that Holders of Claims will receive various types of or no distributions under the Plan.

2. **Unclassified Claims**

Certain types of Claims are not placed into voting Classes; instead they are unclassified. Such Claims are not considered impaired and they do not vote on the Plan because they are automatically entitled to specific treatment provided under the Bankruptcy Code. As such, the Debtors have not placed such Claims in a Class. The treatment of these Claims is provided below:

a. **Administrative Expense Claims**

(i) Administrative Expense Claims are Claims against the Debtors constituting a cost or expense of administration of the Chapter 11 Cases allowed under Sections 503(b) and 507(a)(2) of the Bankruptcy Code, including any actual and necessary costs and expenses of operating the Debtors' businesses, any indebtedness or obligations incurred or assumed by the Debtors in connection with the conduct of its business, any allowance of compensation or reimbursement of expenses for Professionals to the extent allowed by the Bankruptcy Court under sections 330 and 331 of the Bankruptcy Code, and fees or charges assessed against the Debtors' Estate under section 1930, chapter 12, title 28, United States Code ("Statutory Fees"), which are treated separately below.

(ii) Subject to the allowance procedures and the deadlines provided in the Plan, and except to the extent that any entity entitled to payment of any Allowed

Administrative Expense Claim agrees to a different treatment, each Holder of an Allowed Administrative Expense Claim, including Allowed Section 503(b)(9) Administrative Claims, shall receive Cash in an amount equal to such Allowed Administrative Expense Claim on the later of (a) the Effective Date, and (b) and seven Business Days after the entry of a Final Order Allowing such Administrative Expense Claim, or as soon thereafter as is practicable; provided, however, that (i) Allowed Administrative Expense Claims and Priority Claims representing liabilities incurred in the ordinary course of business by the Debtors or liabilities arising under loans or advances to or other obligations incurred by the Debtors, to the extent approved by the Bankruptcy Court if such approval was required under the Bankruptcy Code, shall be paid in full and performed by Reorganized Tarragon in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements or Bankruptcy Court Orders governing, instruments evidencing or other documents relating to, such transactions, and (ii) Deferred Confirmation Expenses shall be paid pursuant to Section V(A)(7)(c) hereof.

b. **Priority Tax Claims**

Each Holder of an Allowed Priority Tax Claim shall receive in full satisfaction of such Allowed Priority Tax Claim, at the election of the Debtors, in their sole discretion, either (i) Cash equal to the amount of such Claim on the later of (a) the Effective Date and (b) seven Business Days after entry of a Final Order Allowing such Priority Tax Claim, or as soon thereafter as is practicable, but in no event later than thirty days after entry of the Final Order, unless such Holder shall have agreed to different treatment of such Allowed Claim, (ii) in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, Cash payments in equal quarterly installments commencing on the first Business Day of the succeeding quarter in which the Effective Date occurs and continuing on the first Business Day of each quarter thereafter, until the quarter which is five years after the Commencement Date totaling the

principal amount of such Claim plus interest on any outstanding balance from the Effective Date calculated at the interest rate equal to the applicable federal rate as determined in accordance with section 1274(d) of the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder, or (iii) such other treatment as to which the Holder of such Allowed Priority Tax Claim shall have agreed in writing; provided, however, that any Claim or demand for payment of a penalty (other than a penalty of the type specified in section 507(a)(8)(G) of the Bankruptcy Code) shall be disallowed pursuant to the Plan and the Holder of an Allowed Priority Tax Claim shall not assess or attempt to collect such penalty from the Debtors, their Estates or any property of such Entities.

3. **Classified Claims and Interests**

Except for the Administrative Expense Claims, Professional Compensation and Reimbursement Claims, Statutory Fees and Priority Tax Claims discussed above, all Claims against, and Equity Interests in, the Debtors and with respect to all property of the Debtors and their Estates, are defined and hereinafter designated in respective Classes. A Claim or Equity Interest is classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class, and is classified in another Class or Classes to the extent that any remainder of the Claim or Equity Interest qualifies within the description of such other Class or Classes. A Claim or Equity Interest is classified in a particular Class only to the extent that the Claim or Equity Interest is an Allowed Claim or Allowed Equity Interest in that Class and has not been paid, released or otherwise satisfied or waived before the Effective Date. Notwithstanding anything to the contrary contained in the Plan, no distribution shall be made on account of any Claim that is not an Allowed Claim.

The Plan is intended to deal with all Claims against and Equity Interests in the Debtors, of whatever character, whether known or unknown, whether or not with recourse, whether or not

contingent or unliquidated, and whether or not previously Allowed by the Bankruptcy Court pursuant to section 502 of the Bankruptcy Code. However, only Holders of Allowed Claims will receive any distribution under the Plan. For purposes of determining Pro Rata distributions under the Plan and in accordance with the Plan, Disputed Claims shall be included in the Class in which such Claims would be included if Allowed, until such Claims are finally disallowed.

4. **Treatment of Claims and Interests**

Except for Administrative Claims and Priority Tax Claims, the Plan divides all Claims against the Debtors into various classes. The table set forth below summarizes the Classes of Claims and Interests under the Plan and the treatment of such Claims and Interests.

Debtor	Class	Description	Treatment Under the Plan
Not Applicable	None	Administrative Claims	Except for Deferred Confirmation Expenses that will be paid pursuant to Section V(A)(8)(b) of this Disclosure Statement, payment in full in Cash.
Not Applicable	None	Priority Tax Claims	Payment in full in Cash.
Not Applicable	Class 1	UTA Term Loan Claims	Paid pursuant to the loan documents evidencing the Term Loan and Section V(A)(8)(b) of this Disclosure Statement.
800 Madison	Class 2	BofA 800 Madison DIP Loan Claims	Paid pursuant to the terms of the loan documents evidencing the BofA 800 Madison DIP Loan and the Order of the Bankruptcy Court approving same.
Tarragon Corp.	Class 2A	Secured Claims	Holders of such Claims shall receive the treatment provided under the BofA Settlement Agreement. Reorganized Tarragon shall reaffirm the obligations of Tarragon Corp. under the BofA Guaranty.
	Class 2B(i)	Unsecured Priority Claims	Payment in full in Cash
	Class 2B(ii)	Unsecured Non-Priority Claims	In full, final, and complete satisfaction of Class 2B(ii) Claims, Holders of Class 2B(ii) Claims shall contribute such Claims to the Tarragon Creditor Entity. The Tarragon Creditor Entity shall receive (i) its share of any distributions made by New Ansonia in accordance with the terms of the New Ansonia Operating Agreement, and (ii)

Debtor	Class	Description	Treatment Under the Plan
			its share of the net proceeds of the sale of certain assets of Tarragon in accordance with the terms of the Plan, and the Holders of Class 2B(ii) Claims shall be entitled to receive their share of such distributions pursuant to the terms of the TCE Operating Agreement.
	Class 2B(iii)	Federal Home Loan Mortgage Corporation Claims	The Guaranty given to Federal Home Loan Mortgage Corporation will be reaffirmed by Reorganized Tarragon.
	Class 2B(iv)	Fannie Mae Claims	The Guaranty given to Fannie Mae will be reaffirmed by Reorganized Tarragon.
	Class 2B(v)	General Electric Credit Corporation Claims	New Ansonia shall guaranty certain debt owed to GECC by Tarragon Corp. on substantially the same terms as the Tarragon Corp. GECC Guarantees.
	Class 2B(vi)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 2B(ii) Claims.
	Class 2B(vii)	Unsecured Affiliated Debt Holder Claims	In exchange for (1) contributing the Beachwold Residential Claims, (2) giving a general release of any and all claims against Tarragon Corp. and its direct and indirect subsidiaries by Beachwold and Rothenberg, and (3) agreeing to facilitate the liquidation of Tarragon's assets, Beachwold Residential shall receive (A) 50% of the equity in New Ansonia, and (B) a portion of the net proceeds received from the liquidation of such assets as more specifically described herein. In exchange for cancelling the Affiliate Notes and any other amounts owed by Tarragon Corp. to Beachwold and Rothenberg (other than the Beachwold Residential Claims), Beachwold shall receive 60% of the equity in Reorganized Tarragon and Rothenberg shall receive 40% of the equity in Reorganized Tarragon.
	Class 2C	Equity Interests	There shall be no Distributions to Holders and all such equity interests shall be cancelled.
Tarragon Dev. Corp.	Class 3A	Secured Claims	Holders of such Claims shall receive the treatment provided under the BofA Settlement Agreement.
	Class 3B(i)	Unsecured Priority Claims	Payment in full in Cash
	Class 3B(ii)	Unsecured Non-Priority Claims	In full, final, and complete satisfaction of Class 3B(ii) Claims, Holders of Class 3B(ii) Claims shall contribute such Claims to the Tarragon Creditor Entity. The Tarragon Creditor Entity shall receive (i) its share of any distributions made by New Ansonia in accordance with the terms of the New Ansonia Operating Agreement, and (ii)

Debtor	Class	Description	Treatment Under the Plan
			its share of the net proceeds of the sale of certain assets of Tarragon in accordance with the terms of the Plan, and the Holders of Class 3B(ii) Claims shall be entitled to receive their share of such distributions pursuant to the terms of the TCE Operating Agreement.
	Class 3B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 3B(ii) Claims.
	Class 3C	Equity Interests	There shall be no Distributions to Holders and Holders shall retain their Equity Interests.
Tarragon South	Class 4A	Secured Claims	There are no Class 4A Claims
	Class 4B(i)	Unsecured Priority Claims	Payment in full in Cash
	Class 4B(ii)	Unsecured Non-Priority Claims	In full, final, and complete satisfaction of Class 4B(ii) Claims, Holders of Class 4B(ii) Claims shall contribute such Claims to the Tarragon Creditor Entity. The Tarragon Creditor Entity shall receive (i) its share of any distributions made by New Ansonia in accordance with the terms of the New Ansonia Operating Agreement, and (ii) its share of the net proceeds of the sale of certain assets of Tarragon in accordance with the terms of the Plan, and the Holders of Class 4B(ii) Claims shall be entitled to receive their share of such distributions pursuant to the terms of the TCE Operating Agreement.
	Class 4B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 4B(ii) Claims.
	Class 4C	Equity Interests	There shall be no Distributions to Holders and Holders shall retain their Equity Interests.
Tarragon Dev. LLC	Class 5A	Secured Claims	There are no Class 5A Claims
	Class 5B(i)	Unsecured Priority Claims	Payment in full in Cash
	Class 5B(ii)	Unsecured Non-Priority Claims	In full, final, and complete satisfaction of Class 5B(ii) Claims, Holders of Class 5B(ii) Claims shall contribute such Claims to the Tarragon Creditor Entity. The Tarragon Creditor Entity shall receive (i) its share of any distributions made by New Ansonia in accordance with the terms of the New Ansonia Operating Agreement, and (ii) its share of the net proceeds of the sale of certain assets of Tarragon in accordance with the terms of the Plan, and the Holders of Class 5B(ii) Claims shall be entitled to receive their share of such distributions pursuant to the terms of the TCE Operating Agreement.
	Class 5B(iii)	General Electric Credit Corporation	New Ansonia shall guaranty certain debt owed to GECC by Tarragon on substantially the

Debtor	Class	Description	Treatment Under the Plan
		Claims	same terms as the Tarragon Dev. LLC GECC Guaranty.
	Class 5B(iv)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 5B(ii) Claims.
	Class 5C	Equity Interests	There shall be no Distributions to Holders and Holders shall retain their Equity Interests.
	Class 6 Intentionally deleted.		
Bermuda Island	Class 7A	Secured Claims	Holders of such Claims shall receive the treatment provided under the BofA Settlement Agreement.
	Class 7B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Bermuda Island in accordance with Section 507 of the Bankruptcy Code.
	Class 7B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Bermuda Island in accordance with Section 507 of the Bankruptcy Code.
	Class 7B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 7B(ii) Claims.
	Class 7C	Equity Interests	There shall be no Distributions to Holders and Holders shall retain their Equity Interests.
Orion	Class 8A	Secured Claims	Holders of such Claims shall receive the treatment provided under the BofA Settlement Agreement.
	Class 8B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Orion in accordance with Section 507 of the Bankruptcy Code.
	Class 8B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Orion in accordance with Section 507 of the Bankruptcy Code.
	Class 8B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 8B(ii) Claims.
	Class 8C	Equity Interests of Debtors	There shall be no Distributions to Holders and Holders shall retain their Equity Interests.
	Class 8D	Equity Interests of Non-Debtors	There shall be no Distributions to Holders and Holders shall retain their Equity Interests.
Orlando Central	Class 9A	Secured Claims	There are no Class 9A Claims.
	Class 9B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Orlando Central in accordance with Section 507 of the Bankruptcy Code.
	Class 9B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Orlando Central in accordance with Section 507 of the Bankruptcy Code.
	Class 9B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu*

Debtor	Class	Description	Treatment Under the Plan
			with Holders of Class 9B(ii) Claims.
	Class 9C	Equity Interests	Holders shall not receive any Distributions and all such Equity Interests shall be cancelled. On the Effective Date, Orlando Central shall be deemed dissolved and the Class 9C Equity Interests will be cancelled.
Fenwick	Class 10A	Secured Claims	There are no Class 10A Claims.
	Class 10B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Fenwick in accordance with Section 507 of the Bankruptcy Code.
	Class 10B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Fenwick in accordance with Section 507 of the Bankruptcy Code.
	Class 10B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 10B(ii) Claims.
	Class 10C	Equity Interests	Holders shall not receive any Distributions and all such Equity Interests shall be cancelled. On the Effective Date, Fenwick shall be deemed dissolved and the Class 10C Equity Interests will be cancelled.
Las Olas	Class 11A(i)	Secured Claims (Bank Atlantic)	Subject to the terms of a separately presented and approved Settlement Agreement, Holders of such Claims shall receive such treatment as is set forth in the settlement that has been approved by the Bankruptcy Court.
	Class 11A(ii)	Secured Claims (Regions Bank)	Subject to the terms of a separately presented and approved Settlement Agreement, Holders of such Claims shall receive such treatment as is set forth in the settlement that has been approved by the Bankruptcy Court.
	Class 11B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Las Olas in accordance with Section 507 of the Bankruptcy Code.
	Class 11B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Las Olas, if any, in accordance with Section 507 of the Bankruptcy Code.
	Class 11B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 11B(ii) Claims.
	Class 11C	Equity Interests	There shall be no Distributions to Holders and Holders shall retain their Equity Interests.
Trio West	Class 12A	Secured Claims	There are no Class 12A Claims
	Class 12B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Trio West in accordance with Section 507 of the Bankruptcy Code.

Debtor	Class	Description	Treatment Under the Plan
	Class 12B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Trio West in accordance with Section 507 of the Bankruptcy Code.
	Class 12B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 12B(ii) Claims.
	Class 12C	Equity Interests	Holders shall not receive any Distributions and all such Equity Interests shall be cancelled. On the Effective Date, Trio West shall be deemed dissolved and the Class 12C Equity Interests will be cancelled.
800 Madison	Class 13A	Secured Claims	Holders of such Claims shall receive the treatment provided under the BofA Settlement Agreement.
	Class 13B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of 800 Madison in accordance with Section 507 of the Bankruptcy Code.
	Class 13B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of 800 Madison in accordance with Section 507 of the Bankruptcy Code; provided, however, that notwithstanding the foregoing, same shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents and the foregoing shall not alter, amend, impair or modify the rights of the parties under the BofA Documents.
	Class 13B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 13B(ii) Claims; provided, however, that notwithstanding the foregoing, same shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents and the foregoing shall not alter, amend, impair or modify the rights of the parties under the BofA Documents.
	Class 13C	Equity Interests	Holders will receive the treatment provided in the BofA Documents and all Equity Interests in 800 Madison shall be retained by such Holder. The foregoing shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents and same shall not alter, amend, impair or modify the rights of the parties under the BofA Documents.
900 Monroe	Class 14A	Secured Claims	Holders of such Claims shall receive the treatment provided under the BofA Settlement Agreement.
	Class 14B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the

Debtor	Class	Description	Treatment Under the Plan
			Assets of 900 Monroe in accordance with Section 507 of the Bankruptcy Code.
	Class 14B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of 900 Monroe in accordance with Section 507 of the Bankruptcy Code.
	Class 14B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 14B(ii) Claims.
	Class 14C	Equity Interests	There shall be no Distributions to Holders and Holders shall retain their Equity Interests.
Block 88	Class 15A	Secured Claims	There are no Class 15A Claims
	Class 15B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Block 88 in accordance with Section 507 of the Bankruptcy Code; provided, however, that notwithstanding the foregoing, same shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents and the foregoing shall not alter, amend, impair or modify the rights of the parties under the BofA Documents.
	Class 15B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Block 88 in accordance with Section 507 of the Bankruptcy Code; provided, however, that notwithstanding the foregoing, same shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents and the foregoing shall not alter, amend, impair or modify the rights of the parties under the BofA Documents.
	Class 15B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 15B(ii) Claims; provided, however, that notwithstanding the foregoing, same shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents and the foregoing shall not alter, amend, impair or modify the rights of the parties under the BofA Documents.
	Class 15C	Equity Interests	Holders will receive the treatment provided in the BofA Documents and all Equity Interests in Block 88 shall be retained by such Holder. The foregoing shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents and same shall not alter, amend, impair or modify the rights of the parties under the BofA Documents.
Central Square	Class 16A	Secured Claims	Subject to the terms of a separately presented and approved Settlement Agreement, Holders of such Claims shall receive such treatment as is set forth in the settlement that has been

Debtor	Class	Description	Treatment Under the Plan
			approved by the Bankruptcy Court.
	Class 16B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Central Square in accordance with Section 507 of the Bankruptcy Code.
	Class 16B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Central Square in accordance with Section 507 of the Bankruptcy Code.
	Class 16B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 16B(ii) Claims.
	Class 16C	Equity Interests	There shall be no Distributions to Holders and Holders shall retain their Equity Interests.
Charleston	Class 17A	Secured Claims	There are no Class 17A Claims
	Class 17B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Charleston in accordance with Section 507 of the Bankruptcy Code.
	Class 17B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Charleston in accordance with Section 507 of the Bankruptcy Code.
	Class 17B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 17B(ii) Claims.
	Class 17C	Equity Interests	Holders shall not receive any Distributions and all such Equity Interests shall be cancelled. On the Effective Date, Charleston shall be deemed dissolved and the Class 17C Equity Interests will be cancelled.
Omni	Class 18A	Secured Claims	There are no Class 18A Claims.
	Class 18B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Omni in accordance with Section 507 of the Bankruptcy Code.
	Class 18B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Omni in accordance with Section 507 of the Bankruptcy Code.
	Class 18B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 18B(ii) Claims.
	Class 18C	Equity Interests	There shall be no Distributions to Holders and Holders shall retain their Equity Interests.
Tarragon Edgewater	Class 19A	Secured Claims	There are no Class 19A Claims
	Class 19B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Tarragon Edgewater in accordance with Section 507 of the Bankruptcy Code.
	Class 19B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the

Debtor	Class	Description	Treatment Under the Plan
			Assets of Tarragon Edgewater in accordance with Section 507 of the Bankruptcy Code.
	Class 19B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 19B(ii) Claims.
	Class 19C	Equity Interests	There shall be no Distributions to Holders and all such equity interests shall be cancelled.
Trio East	Class 20A	Secured Claims	Holders of such Claims shall receive such treatment as is set forth in the BofA Settlement Agreement.
	Class 20B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Trio East in accordance with Section 507 of the Bankruptcy Code.
	Class 20B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Trio East in accordance with Section 507 of the Bankruptcy Code.
	Class 20B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 20B(ii) Claims.
	Class 20C	Equity Interests	There shall be no Distributions to Holders and all such equity interests shall be cancelled.
Vista	Class 21A	Secured Claims	There are no Class 21A Claims
	Class 21B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Vista in accordance with Section 507 of the Bankruptcy Code.
	Class 21B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Vista in accordance with Section 507 of the Bankruptcy Code.
	Class 21B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 21B(ii) Claims.
	Class 21C	Equity Interests	Holders shall not receive any Distributions and all such Equity Interests shall be cancelled. On the Effective Date, Vista shall be deemed dissolved and the Class 21C Equity Interests will be cancelled.
Murfreesboro	Class 22A	Secured Claims	There are no Class 22A Claims.
	Class 22B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Murfreesboro in accordance with Section 507 of the Bankruptcy Code.
	Class 22B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Murfreesboro in accordance with Section 507 of the Bankruptcy Code.
	Class 22B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 22B(ii) Claims.
	Class 22C	Equity Interests	Holders shall not receive any Distributions and all such Equity Interests shall be

Debtor	Class	Description	Treatment Under the Plan
			cancelled. On the Effective Date, Murfreesboro shall be deemed dissolved and the Class 22C Equity Interests will be cancelled.
Stonecrest	Class 23A	Secured Claims	There are no Class 23A Claims.
	Class 23B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Stonecrest in accordance with Section 507 of the Bankruptcy Code.
	Class 23B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Stonecrest in accordance with Section 507 of the Bankruptcy Code.
	Class 23B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 23B(ii) Claims.
	Class 23C	Equity Interests	Holders shall not receive any Distributions and all such Equity Interests shall be cancelled. On the Effective Date, Stonecrest shall be deemed dissolved and the Class 23C Equity Interests will be cancelled.
Stratford	Class 24A	Secured Claims	There are no Class 24A Claims
	Class 24B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Stratford in accordance with Section 507 of the Bankruptcy Code.
	Class 24B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Stratford in accordance with Section 507 of the Bankruptcy Code.
	Class 24B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 24B(ii) Claims.
	Class 24C	Equity Interests	Holders shall not receive any Distributions and all such Equity Interests shall be cancelled on the Effective Date. On the Effective Date, Stratford shall be deemed dissolved and the Class 24C Equity Interests will be cancelled.
MSCP	Class 25A	Secured Claims	There are no Class 25A Claims
	Class 25B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of MSCP in accordance with Section 507 of the Bankruptcy Code.
	Class 25B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of MSCP in accordance with Section 507 of the Bankruptcy Code.
	Class 25B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 25B(ii) Claims.
	Class 25C	Equity Interests	Holders shall not receive any Distributions and all such Equity Interests shall be cancelled on the Effective Date. On the Effective Date,

Debtor	Class	Description	Treatment Under the Plan
			MSCP shall be deemed dissolved and the Class 25C Equity Interests will be cancelled.
Hanover	Class 26A	Secured Claims	There are no Class 26A Claims
	Class 26B(i)	Unsecured Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Hanover in accordance with Section 507 of the Bankruptcy Code.
	Class 26B(ii)	Unsecured Non-Priority Claims	Each Holder shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Hanover in accordance with Section 507 of the Bankruptcy Code.
	Class 26B(iii)	Intercompany Claims	Holders shall receive a Distribution *pari passu* with Holders of Class 26B(ii) Claims.
	Class 26C	Equity Interests	Holders shall not receive any Distributions and all such Equity Interests shall be cancelled on the Effective Date. On the Effective Date, Hanover shall be deemed dissolved and the Class 26C Equity Interests will be cancelled.

D. Causes of Action

1. Preservation of Causes of Action. Entry of the Confirmation Order shall not be deemed or construed as a waiver or release by any of the Debtors of any Causes of Action. In accordance with section 1123(b)(3) of the Bankruptcy Code, all Causes of Action shall be either retained by the applicable Debtor that owns such Cause of Action on the Effective Date or assigned to the Tarragon Creditor Entity. Pursuant to the Plan and section 1123(b)(3)(B) of the Bankruptcy Code, the Tarragon Creditor Entity shall be designated as the representative of each Debtor's estate for purposes of bringing, prosecuting and compromising all Avoidance Actions. The proceeds of Avoidance Actions, if any, shall be distributed by the Tarragon Creditor Entity to the creditors of the applicable Debtor's estate for whose benefit each of the Avoidance Actions is brought. All Retained Actions shall be retained by Reorganized Tarragon. All funds received from the Retained Actions shall be distributed in the same manner as "Liquidation Assets" under the Plan. Subject to Article VII of the Plan, Reorganized Tarragon, the applicable Debtor that owns such Causes of Action or the Tarragon Creditor Entity, as applicable, will determine whether to bring, settle, release, compromise, or enforce any rights (or decline to do any of the foregoing) with respect to any Causes of Action.

Except as expressly provided in the Plan, the failure of the Debtors to specifically list any Claim, Causes of Action, right of action, suit or proceeding in the Schedules, the Disclosure Statement or any Schedule to the Plan Supplement does not, and will not be deemed to, constitute a waiver or release by the Debtors of such Claim, Cause of Action, right of action, suit or proceeding, and either Reorganized Tarragon, the applicable Debtor that owns such Claims or the Tarragon Creditor Entity, as applicable, will retain the right to pursue such Claims, Causes of Action, rights of action, suits or proceeding in its sole discretion and, therefore, no preclusion doctrine, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or

otherwise) or laches will apply to such claim, right of action, and suit or proceeding upon or after the Confirmation or consummation of the Plan. Further, recovery of any proceeds of Causes of Action shall be deemed "for the benefit of the [applicable] estate" as set forth in section 550(a) of the Bankruptcy Code.

2. Reservation regarding BofA Documents

Notwithstanding the foregoing, the provisions of this Section V(D)(2) shall be subject to, and to the extent inconsistent with controlled by, the terms and conditions of the BofA Documents, and nothing contained in this Section V(D)(2) shall alter, amend, impair or modify the rights of the parties under the BofA Documents.

E. Distributions under the Plan and Treatment of Disputed, Contingent and Unliquidated Claims and Equity Interests

1. Method of Distributions Under the Plan

a. In General

On the Effective Date, other than Allowed Administrative Expenses Claims and Priority Claims which shall be paid by Reorganized Tarragon in accordance with the Plan, any cash distributions that are required to be made pursuant to the Plan shall be made by Reorganized Tarragon. In addition, any distributions that are required to be made in connection with the proceeds of sale or refinance of any of the Assets shall be made by Reorganized Tarragon.

b. Timing of Distributions

Any payment or distribution required to be made under the Plan on a day other than a Business Day shall be made on the next succeeding Business Day.

c. Minimum Distributions

No payment of Cash less than One Hundred Dollars ($100.00) shall be made by the Tarragon Creditor Entity or Reorganized Tarragon to any Holder of a Claim unless a request

therefor is made in writing to the Tarragon Creditor Entity or Reorganized Tarragon, as applicable.

d. **Fractional Dollars**

Any other provisions of the Plan to the contrary notwithstanding, no payments of fractions of dollars will be made. Whenever any payment of a fraction of a dollar would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar (up or down).

e. **Unclaimed Distributions**

Any Distributions under the Plan that are unclaimed for a period of four (4) months after distribution thereof shall be revested in the Tarragon Creditor Entity and any entitlement of any Holder of any Claim to such Distributions shall be extinguished and forever barred.

f. **Distributions to Holders as of the Record Date**

As of the close of business on the Record Date (as hereinafter defined), the claims register shall be closed. The Debtors, Reorganized Tarragon and New Ansonia shall have no obligation to recognize any transfer of any Claims occurring after the Record Date unless written notice of such transfer is provided to the Disbursing Agent. The Debtors, Reorganized Tarragon and New Ansonia shall be entitled to recognize and deal for all purposes under the Plan (except as to voting to accept or reject the Plan) with only those record Holders stated on the Claims register as of the close of business on the Record Date and those parties that have provided written notice of any transfer to the Disbursing Agent.

g. **Setoffs and Recoupment**

Any of the Debtors, Reorganized Tarragon, the Tarragon Creditor Entity or New Ansonia, as the case may be, may, but shall not be required to, set off against or recoup from any Claim and the payments to be made pursuant to the Plan in respect of such Claim, any Claims of

any nature whatsoever that such Debtor, Reorganized Tarragon, the Tarragon Creditor Entity or New Ansonia, as the case may be, may have against the claimant, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors, Reorganized Tarragon, the Tarragon Creditor Entity or New Ansonia of any such Claim or right it may have against such Claimant.

h. **Procedures for resolving and treating contested claims**

(i) Objections to and Resolution of Disputed Administrative and Priority Claims: Reorganized Tarragon and the Tarragon Creditor Entity shall have the exclusive right to make and file objections to Administrative Expense Claims and Priority Claims after the Effective Date. All objections shall be litigated to Final Order; provided, however, that Reorganized Tarragon and/or the Tarragon Creditor Entity shall have the authority to compromise, settle, resolve or withdraw any objections, without approval of the Bankruptcy Court. Unless otherwise ordered by the Bankruptcy Court, Reorganized Tarragon and/or the Tarragon Creditor Entity shall file and serve all objections to Administrative Expense Claims and Priority Claims that are the subject of proofs of Claim or requests for payment filed with the Bankruptcy Court no later than ninety (90) days after the Effective Date or such later date as may be approved by the Bankruptcy Court.

(ii) Objections to and Resolution of Disputed General Unsecured Claims: The Tarragon Creditor Entity shall have the exclusive right to make and file objections to General Unsecured Claims after the Effective Date. All objections shall be litigated to Final Order; provided, however, that the Tarragon Creditor Entity shall have the authority to compromise, settle, resolve or withdraw any objections, without approval of the Bankruptcy

Court. Unless otherwise ordered by the Bankruptcy Court, the Tarragon Creditor Entity shall file and serve all objections to General Unsecured Claims that are the subject of proofs of Claim or requests for payment filed with the Bankruptcy Court no later than one-hundred eighty (180) days after the Effective Date or such later date as may be approved by the Bankruptcy Court. Any Disputed General Unsecured Claim shall be defended and liquidated in the Bankruptcy Court or any other administrative or judicial tribunal of appropriate jurisdiction as selected by the Tarragon Creditor Entity and approved by the Bankruptcy Court.

(iii) Procedure for Omnibus Objections to Claims: Notwithstanding Bankruptcy Rule 3007, Reorganized Tarragon and/or the Tarragon Creditor Entity are permitted to file omnibus objections to Claims (an "Omnibus Objection") on any grounds, including but not limited to those grounds specified in Bankruptcy Rule 3007(d). Reorganized Tarragon and/or the Tarragon Creditor Entity, as the case may be, shall supplement each Omnibus Objection with particularized notices of objection (a "Notice") to the specific person identified on the first page of each relevant proof of claim. For claims that have been transferred, a Notice shall be provided only to the person or persons listed as being the owner of such claim on the Debtors' claims register as of the date the objection is filed. The Notice shall include a copy of the relevant Omnibus Objection but not the exhibits thereto listing all claims subject to the objection thereby; rather, the Notice shall (a) identify the particular claim or claims filed by the claimant that are the subject of the Omnibus Objection, (b) provide a unique, specified and detailed basis for the objection, (c) explain the Debtors' proposed treatment of the claim, (d) notify such claimant of the steps that must be taken to contest the objection, and (e) otherwise comply with the Bankruptcy Rules.

(iv) Estimation of Claims: Reorganized Tarragon, New Ansonia and/or the Tarragon Creditor Entity, as the case may be, may, at any time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to Section 502(c) of the Bankruptcy Code regardless of whether Reorganized Tarragon, New Ansonia and/or the Tarragon Creditor Entity has previously objected to such claim or whether the Bankruptcy Court has ruled on any such objection. The Bankruptcy Court shall retain jurisdiction to estimate any Disputed Claim at any time during litigation concerning an objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event the Bankruptcy Court estimates any Disputed Claim, that estimated amount will constitute the Allowed amount of such claim for all purposes under the Plan. All of the objection and estimation procedures set forth in the Plan are cumulative and not necessarily exclusive of one another. Claims may be estimated and subsequently comprised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

(v) Entitlement to Plan Distributions Upon Allowance: Notwithstanding any other provision of the Plan, no distribution shall be made with respect to any Claim to the extent it is a Disputed Claim, unless and until such Disputed Claim becomes an Allowed Claim. When a Claim that is not an Allowed Claim as of the Effective Date becomes an Allowed Claim (regardless of when), the holder of such Allowed Claim shall thereupon become entitled to distributions in respect of such Claim, the same as though such Claim has been an Allowed Claim on the Effective Date.

(vi) Reserve. The Tarragon Creditor Entity shall reserve from the Distributions to be made to Holders of Allowed General Unsecured Claims an amount equal to 100% of the Distribution to which Holders of Disputed Claims would be entitled to under the

Plan if such Disputed Claims were Allowed Claims in their Disputed Claim Amount or such other amount as is ordered by the Bankruptcy Court after notice and hearing (the "Reserve"). The creation of any such Reserve shall not delay or impair the Distributions to all Holders of Allowed General Unsecured Claims.

Notwithstanding the foregoing, the provisions of this Section V(E) shall be subject to, and to the extent inconsistent with controlled by, the terms and conditions of the BofA Documents, and nothing contained in this Section V(E) shall alter, amend, impair or modify the rights of the parties under the BofA Documents.

F. Treatment of Executory Contracts and Unexpired Leases

1. **Assumption and Assignment of Executory Contracts and Unexpired Leases**

(i) Executory Contracts and Unexpired Leases. Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all Executory Contracts and unexpired leases that exist between the applicable Debtor and any Person as of the Confirmation Date and which are set forth on Schedule 5(F) hereto, shall be deemed assumed by such applicable Debtor as of the Effective Date, except for any Executory Contract or unexpired lease (i) which has been previously assumed pursuant to an Order of the Bankruptcy Court entered before the Confirmation Date, (ii) which has been previously rejected pursuant to an Order of the Bankruptcy Court entered before the Confirmation Date, (iii) as to which a motion for approval of the rejection of such Executory Contract or unexpired lease has been filed and served before the Confirmation Date, or (iv) the Block 88 Operating Agreement and any express or implied operating agreement or corporate governance agreement with respect to 800 Madison, it being understood that the BofA Documents, as applicable, shall govern the treatment of the Block 88 Operating Agreement and any express or implied operating agreement or corporate governance

agreement with respect to 800 Madison. All Executory Contracts, other contracts and agreements and any unexpired leases that exist between any of the Debtors and any of their subsidiaries and/or affiliates and any Person shall be rejected by the Debtors as of the Confirmation Date unless expressly assumed on Schedule 5(F); provided, however, the treatment of the Block 88 Operating Agreement and any express or implied operating agreement or corporate governance agreement with respect to 800 Madison shall be governed by the BofA Documents, as applicable. The applicable Debtor shall provide notice of any amendments to Schedule 5(F) to the parties to the Executory Contracts and unexpired leases affected thereby. The listing of a document on Schedule 5(F) shall not constitute an admission by the applicable Debtor that such agreement is an Executory Contract or an unexpired lease or that the applicable Debtor has any liability thereunder.

Each Executory Contract and unexpired lease listed or to be listed on Schedule 5(F) shall include (i) modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such Executory Contract or unexpired lease, without regard to whether such agreement, instrument or other document is listed on Schedule 5(F) and (ii) Executory Contracts or unexpired leases appurtenant to the premises listed on Schedule 5(F) including, without limitation, all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, usufructs, reciprocal easement agreements, vault, tunnel or bridge agreements or franchises, and any other interests in real estate or rights in rem relating to such premises to the extent any of the foregoing are Executory Contracts or unexpired leases, unless any of the foregoing agreements previously have been assumed.

(ii) Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan. Claims arising out of the rejection of an Executory Contract or unexpired lease, after the Bar Date, pursuant to the Plan must be filed with the Bankruptcy Court and served upon the Clerk and the Debtors' counsel or as otherwise may be provided in the Confirmation Order, by no later than thirty days after notice of entry of the Confirmation Order and/or notice of an amendment to Schedule 5(F). Any Claims not filed within such time will be forever barred from assertion against the Debtors and their Estates (including Reorganized Tarragon) and New Ansonia and their respective property. Any Claim arising out of the rejection, prior to the Bar Date, of an Executory Contract or unexpired lease, shall have been filed with the Bankruptcy Court and served upon the Debtors prior the Bar Date or is forever barred from assertion against the Debtors and their Estates (including Reorganized Tarragon) and New Ansonia and their respective property. Unless otherwise Ordered by the Bankruptcy Court, all Claims arising from the rejection of Executory Contracts and unexpired leases shall be treated as General Unsecured Claims under the Plan.

(iii) Indemnification Obligations. For purposes of the Plan, the obligations of each of the Debtors to defend, indemnify, reimburse or limit the liability of any present member, manager, director, officer or employee who is or was a member, manager, director, officer or employee, respectively, on or after the Commencement Date against any Claims or obligations pursuant to any operating agreement, certificates of formation or similar corporate governance documents, applicable state law, or specific agreement, or any combination of the foregoing, shall: (i) be assumed or reaffirmed by such Debtor; (ii) survive confirmation of the Plan; (iii) remain unaffected thereby; and (iv) not be discharged, irrespective of whether

indemnification, defense, reimbursement or limitation is owed in connection with an event occurring before, on or after the Commencement Date.

2. **Reservation regarding BofA Documents**

Notwithstanding the foregoing, the provisions of this Section V(F) shall be subject to, and to the extent inconsistent with controlled by, the terms and conditions of the BofA Documents, and nothing contained in this Section V(F) shall alter, amend, impair or modify the rights of the parties under the BofA Documents. The treatment of the Block 88 Operating Agreement and any express or implied operating agreement or corporate governance agreement with respect to 800 Madison shall be governed by the BofA Documents, as applicable.

3. **Reservation regarding Ursa Documents**

Notwithstanding the foregoing, the provisions of this Section V(F) shall be subject to, and to the extent inconsistent with controlled by, the terms and conditions of the Ursa Documents, and nothing contained in this Section V(F) shall alter, amend, impair or modify the rights of the parties under the Ursa Documents.

G. <u>Releases and Related Provisions</u>

1. **Releases**

Pursuant to section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, for good and valuable consideration, on and after the Effective Date, the Debtors, the Tarragon Creditor Entity, the TCE Trustee, Reorganized Tarragon, New Ansonia, the Creditors' Committee, the members of the Creditors' Committee and all Holders of Claims and/or Interests and each of their respective affiliates, principals, officers, directors, partners, members, attorneys, accountants, financial advisors, advisory affiliates, employees and agents (each a "Released Party") shall each conclusively, absolutely, unconditionally, irrevocably, and forever release and discharge each other Released Party from any and all Claims, obligations,

rights, suits, damages, causes of action, remedies, and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that any Released Party would have been legally entitled to assert in their own right (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, Reorganized Tarragon, New Ansonia, the Creditors' Committee, the members of the Creditors' Committee, the Chapter 11 Case, the Plan, the purchase, sale, or rescission of the purchase or sale of any assets of the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Equity Interests prior to or in the Chapter 11 Case, the negotiation, formulation, or preparation of the Plan and the Disclosure Statement, or any related agreements, instruments, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date, other than any Claims, direct actions, causes of action, demands, rights, judgments, debts, obligations, assessments, compensations, costs, deficiencies or other expenses of any nature whatsoever (including without limitation, attorneys' fees) (i) arising under or based on the Plan or any other documents, instrument or agreement to be executed or delivered therewith, or (ii) arising under Chapter 5 of the Bankruptcy Code, or (iii) in the case of gross negligence, willful misconduct or fraud; provided, however, that nothing herein shall limit the Securities Class Action Plaintiff from pursuing its claims against Tarragon Corp. solely to the extent of available insurance coverage and proceeds. Notwithstanding any language to the contrary contained in the Plan or this Disclosure Statement, no provision shall release any non-Debtor, including any current and/or former officer and/or director of the Debtors from any liability in connection with any legal action or claim brought by

the United States Securities and Exchange Commission in connection with a violation of securities laws. Notwithstanding the foregoing, (i) the provisions of this Section V(G)(1) shall be subject to the terms and conditions of the BofA Documents, and nothing contained in this Section V(G)(1) shall alter the rights of the parties under the BofA Documents, and (ii) no release, waiver or discharge of any Claims, obligations, rights, suits, damages, causes of action, remedies, and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise against any non-Debtor shall be binding on or enforceable against Ursa.

2. **Injunctions or Stays**

All injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code and in the Plan, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date. Except as otherwise expressly provided in the Plan or to the extent necessary to enforce the terms and conditions of the Plan, the Confirmation Order or a separate Order of the Bankruptcy Court, all entities, creditors and equity and/or interest holders who have held, hold, or may hold Claims against or Equity Interest in the Debtors, are permanently enjoined, on and after the Confirmation Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim or Equity Interest, (ii) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or Order against the Debtors, the Tarragon Creditor Entity, the TCE Trustee, Reorganized Tarragon or New Ansonia on account of any such Claim or Equity Interest, (iii) creating, perfecting or enforcing any encumbrance of any kind against the Debtors, the Tarragon Creditor Entity, the TCE Trustee, Reorganized Tarragon or New Ansonia or against the property or interests in property of the Debtors or New Ansonia on account of any such Claim or Equity Interest, and (iv) asserting any

right of setoff, subrogation or recoupment of any kind against any obligation due from the Debtors, the Tarragon Creditor Entity, the TCE Trustee, Reorganized Tarragon or New Ansonia or against the property or interests in property of the Debtors, the Tarragon Creditor Entity, the TCE Trustee, Reorganized Tarragon or New Ansonia on account of any such Claim or Equity Interest. Such injunction shall extend to successors of the Debtors, the Tarragon Creditor Entity, the TCE Trustee, Reorganized Tarragon or New Ansonia and their respective properties and interests in property. Notwithstanding the foregoing, the provisions of this Section V(G)(2) shall be subject to, and to the extent inconsistent with controlled by, the terms and conditions of the BofA Documents or the Ursa Documents, as applicable, and nothing contained in this Section V(G)(2) shall alter, amend, impair or modify the rights of the parties under the BofA Documents or the Ursa Documents, as applicable.

3. **Exculpation**

The Debtors, Reorganized Tarragon, New Ansonia, the Tarragon Creditor Entity, the TCE Trustee, the Creditors' Committee, each of the members of the Creditors' Committee, and their respective members, partners, officers, directors, employees and agents (including any attorneys, financial advisors, investment bankers and other professionals retained by such Persons) shall have no liability to any Holder of any Claim or Equity Interest for any act or omission in connection with, or arising out of the Chapter 11 Cases, the Disclosure Statement, the Plan, the Plan Documents, the solicitation of votes for and the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence as determined by a Final Order of the Bankruptcy Court and, in all respects, shall be entitled to rely on the advice of counsel with respect to their duties and responsibilities under the Plan. Notwithstanding the foregoing, the provisions of this Section V(G)(3) shall be subject to, and to the extent

inconsistent with controlled by, the terms and conditions of the BofA Documents or the Ursa Documents, as applicable, and nothing contained in this Section V(G)(3) shall alter, amend, impair or modify the rights of the parties under the BofA Documents or the Ursa Documents, as applicable.

4. **Survival of the Debtors' Indemnification Obligations**

Any obligations of the Debtors pursuant to their corporate charters and bylaws or other organizational documents to indemnify current and former officers and directors of the Debtors with respect to all present and future actions, suits and proceedings against the Debtors or such directors and/or officers, based upon any act or omission for or on behalf of the Debtors shall not be discharged or impaired by confirmation of the Plan. To the extent provided in this section, such obligations shall be deemed and treated as executory contracts to be assumed by the Debtors hereunder and shall continue as obligations of Reorganized Tarragon Upon the Effective Date, except in the case of gross negligence, willful misconduct or fraud, the commencement or prosecution by any person or entity, whether directly, derivatively or otherwise, of any Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liability subject to indemnification by the Debtors, Reorganized Tarragon or New Ansonia shall be enjoined.

H. <u>Conversion of Bankruptcy Cases.</u>

At or prior to the hearing regarding the confirmation of the Plan, the Debtors may request that the Bankruptcy Court order the conversion to Chapter 7 of one or more of the Debtors' Chapter 11 Cases pursuant to Bankruptcy Code section 1112(a). As of the date hereof, the Debtors anticipate requesting that the Bankruptcy Court convert TMI's Chapter 11 Case to Chapter 7.

I. Merger of Certain Entities.

Prior to or following the hearing regarding the confirmation of the Plan, one or more of Morningside National, Inc., a Florida corporation, Mountain View National, Inc., a Nevada corporation, National Income Realty Investors, Inc., a Nevada corporation, Orion Tarragon GP, Inc., a Texas corporation, Orion Tarragon LP, Inc., a Nevada corporation, Parkdale Gardens National Corp., a Texas corporation, Tarragon Limited, Inc., a Nevada corporation, Vinland Property Investors, Inc., a Nevada corporation and Vintage National, Inc., a Texas corporation, shall merge with and into Tarragon Corp. with Tarragon Corp. being the surviving corporation.

J. Miscellaneous Provisions

1. **Effectuating Documents and Further Transactions**

The Debtors, Reorganized Tarragon, the Tarragon Creditor Entity and New Ansonia are each authorized to execute, deliver, file or record such contracts, instruments, releases, and other agreements or documents and to take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan and any securities issued pursuant to the Plan.

2. **Post-Confirmation Date Fees and Expenses**

From and after the Confirmation Date, the Debtors and Reorganized Tarragon shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, but only to the extent funds are available taking into account the reasonable working capital needs of Reorganized Tarragon, pay the reasonable fees and expenses of Professionals thereafter incurred by the Debtors and Reorganized Tarragon until its termination in accordance with the provisions of the Plan, including, without limitation, those fees and expenses incurred in connection with the implementation and consummation of the Plan.

3. **Amendment or Modification of the Plan**

Alterations, amendments or modifications of the Plan may be proposed in writing by the Debtors at any time before the Confirmation Date, provided that the Plan, as altered, amended or modified, satisfies the conditions of sections 1122 and 1123 of the Bankruptcy Code, and the Debtors shall have complied with section 1125 of the Bankruptcy Code.

4. **Severability**

In the event that the Bankruptcy Court determines, before the Confirmation Date, that any provision in the Plan is invalid, void or unenforceable, such provision shall be invalid, void or unenforceable with respect to the Holder or Holders of such Claims or Equity Interests as to which the provision is determined to be invalid, void or unenforceable. The invalidity, voidability or unenforceability of any such provision shall in no way limit or affect the enforceability and operative effect of any other provision of the Plan.

5. **Binding Effect**

The Plan shall be binding upon and inure to the benefit of the Debtors, the Tarragon Creditor Entity, the Holders of Claims, and Equity Interests, and their respective successors and assigns, including, without limitation, New Ansonia.

6. **Notices**

All notices, requests and demands to or upon the Debtors, New Ansonia, Reorganized Tarragon or the Tarragon Creditor Entity to be effective shall be in writing and, unless otherwise expressly provided herein or in the Plan, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

If to the Debtors or Reorganized Tarragon:	Tarragon Corporation 192 Lexington Ave., 15th Floor New York, New York 10016 Attention: William S. Friedman, CEO
with copies to:	Cole, Schotz, Meisel, Forman & Leonard, P.A. 25 Main Street P.O. Box 800 Hackensack, NJ 07602-0800 Attn: Michael D. Sirota, Esq. Warren A. Usatine, Esq. Telephone: (201) 489-3000 Facsimile: (201) 489-1536
If to the Tarragon Creditor Entity:	The Creditors' Committee shall select and identify the TCE Trustee, in a notice to be filed with the Bankruptcy Court, no later than three business days prior to the deadline established by the Bankruptcy Court for the filing of objections to confirmation of the Plan.
with copies to:	Patterson Belknap Webb & Tyler LLP 1133 Avenue of the Americas New York, NY 10036-6710 Attn: Daniel A. Lowenthal, Esq. - and - Harry M. Gutfleish, Esq. Forman Holt Eliades & Ravin LLC 80 Route 4 East, Suite 290 Paramus, New Jersey 07652
If to New Ansonia:	192 Lexington Ave., 15th Floor New York, New York 10016 Attention: William S. Friedman, CEO

with copies to:

Robert Rothenberg
122 Oak Street
Woodmere, New York 11598

- and –

William S. Friedman
320 Central Park West
New York, New York 10025

7. **Governing Law**

Except to the extent the Bankruptcy Code, Bankruptcy Rules or other federal law is applicable, or to the extent an exhibit to the Plan provides otherwise, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New Jersey, without giving effect to the principles of conflicts of law of such jurisdiction.

8. **Withholding and Reporting Requirements**

In connection with the consummation of the Plan, the Debtors, the Tarragon Creditor Entity, Reorganized Tarragon or New Ansonia, as the case may be, shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements.

9. **Plan Supplement**

Forms of all material agreements or documents related to any the Plan, including but not limited to those identified in the Plan, shall be contained in the Plan Supplement. The Plan Supplement shall be filed by the Debtors with the Clerk of the Bankruptcy Court no later than five days before the Voting Deadline. Upon its filing with the Bankruptcy Court, the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal

court hours. Holders of Claims, or Equity Interest may obtain a copy of the Plan Supplement upon written request to the Debtors' counsel.

10. **Allocation of Plan Distributions Between Principal and Interest**

To the extent that any Allowed Claim entitled to a Distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such Distribution shall be allocated to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim, to accrued but unpaid interest.

11. **Headings**

Headings are used in the Plan for convenience and reference only, and shall not constitute a part of the Plan for any other purpose.

12. **Exhibits/Schedules**

All exhibits and schedules to the Plan, including the Plan Supplement, are incorporated into and are a part of the Plan as if set forth in full therein.

13. **Filing of Additional Documents**

On or before substantial consummation of the Plan, the Debtors shall file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

14. **No Admissions**

Notwithstanding anything herein to the contrary, nothing contained in the Plan shall be deemed as an admission by any Person or Entity with respect to any matter set forth therein.

15. **Successors and Assigns**

The rights, benefits and obligations of any Person or Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign of such Person or Entity.

16. **Reservation of Rights**

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. Neither the filing of the Plan, any statement or provision contained in the Plan, or the taking of any action by the Debtors with respect to the Plan shall be or shall be deemed to be an admission or waiver of any rights of the Debtors with respect to the Holders of Claims or Equity Interests before the Effective Date.

17. **Section 1145 Exemption**

Pursuant to section 1145(a) of the Bankruptcy Code, the offer, issuance, transfer or exchange of any security under the Plan, or the making or delivery of an offering memorandum or other instrument of offer or transfer under the Plan, shall be exempt from Section 5 of the Securities Act of 1933 or any similar state or local law requiring the registration for offer or sale of a security or registration or licensing of an issuer or a security.

18. **Implementation**

The Debtors shall take all steps, and execute all documents, including appropriate releases, necessary to effectuate the provisions contained in the Plan.

19. **Inconsistency**

In the event of any inconsistency among the Plan, this Disclosure Statement, the Plan Documents, the Plan Supplement, or any other instrument or document created or executed pursuant to the Plan, the provisions of the Plan shall control; provided, however, that in the event of any inconsistency among the Plan, this Disclosure Statement, the Plan Documents, the Plan Supplement, or any other instrument or document created or executed pursuant to the Plan and the BofA Documents or the Ursa Documents, as applicable, the BofA Documents or the Ursa Documents, as applicable, shall control.

20. **Compromise of Controversies**

Pursuant to Bankruptcy Rule 9019, and in consideration for the classification, distribution and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims or controversies resolved pursuant to the Plan. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements, and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtors, Reorganized Tarragon, the Tarragon Creditor Entity, New Ansonia, the Estates, and all Holders of Claims and Equity Interests against the Debtors.

VI. VOTING AND CONFIRMATION PROCEDURES

The following is a brief summary regarding the acceptance and confirmation of the Plan. Holders of Claims and Interests are encouraged to review the relevant provisions of the Bankruptcy Code and/or to consult their own attorneys. Additional information regarding voting procedures is set forth in the notice accompanying this Disclosure Statement.

A. Voting Instructions

Accompanying this Disclosure Statement is a Ballot for acceptance or rejection of the Plan. Your Claims may be classified in multiple classes. When you vote and return your Ballot, please indicate the Class or Classes in which your Claims and/or Interests are classified by marking the appropriate space provided on your Ballot for such purpose.

The Bankruptcy Court has directed that, to be counted for voting purposes, Ballots for the acceptance or rejection of the Plan must be filed with Kurtzman at 2335 Alaska Avenue, El Segundo, California 90245, no later than the Voting Deadline. Ballots not received by the Voting Deadline may not be counted. A Ballot that partially rejects and partially

accepts the Plan or a Ballot that improperly indicates or fails to indicate acceptance or rejection of the Plan will be counted as an acceptance.

If you have any questions regarding the procedure for voting, please contact:

Michael D. Sirota, Esq.
Warren A. Usatine, Esq.
Cole, Schotz, Meisel,
Forman & Leonard, P.A.
Court Plaza North
25 Main Street
Hackensack, New Jersey 07602-0800
tel #: (201) 489-3000
fax #: (201) 489-1536

It is important for all Creditors that are entitled to vote on the Plan to exercise their right to vote to accept or reject the Plan. Even if you do not vote to accept the Plan, you may be bound by the Plan if it is accepted by the requisite Holders of Claims and confirmed by the Bankruptcy Court.

For all Holders:

By signing and returning a Ballot, each Holder of a Claim in each Class also will be certifying to the Debtors and to the Bankruptcy Court that, among other things:

• such Holder has received and reviewed (or has had the opportunity to do so on the website) a copy of this Disclosure Statement and related Ballot and acknowledges that the solicitation is being made pursuant to the terms and conditions set forth in the Plan;

• such Holder has cast the same vote on every Ballot completed by such Holder with respect to holdings of such Class of Claims;

• no other Ballots with respect to such Class of Claims have been cast or, if any other Ballots have been cast with respect to such Class of Claims, such earlier Ballots are thereby revoked;

• the Debtors have made available to such Holder or its agents all documents and information relating to the Plan and related matters reasonably requested by or on behalf of such Holder; and

• except for information the Debtors, or their own agents, have provided in writing, such Holder has not relied on any statements made or other information received from any person with respect to the Plan.

B. Parties in Interest Entitled to Vote

Any Holder of a Claim against the Debtors whose Claim has not been disallowed previously by the Bankruptcy Court is entitled to vote to accept or reject the Plan, if such Claim is impaired under the Plan and such Holder's Claim has been scheduled by the Debtors and is not scheduled as disputed, contingent or unliquidated. Any Claim to which an objection has been filed is not entitled to vote. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

1. **Definition of Impairment**

Pursuant to section 1124 of the Bankruptcy Code, a Class of Claims or Interests is impaired under a the Plan unless, with respect to each Claim or Interest of such Class, the Plan:

- leaves unaltered the legal, equitable, and contractual rights of the Holder of such Claim or equity Interest; or
- notwithstanding any contractual provision or applicable law that entitles the Holder of a Claim or Interest to demand or receive accelerated payment of such Claim or Interest after the occurrence of a default:

- cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) expressly does not require to be cured;

- reinstates the maturity of such Claim or Interest as it existed before such default;

- compensates the Holder of such Claim or Interest for any damages incurred as a result of any reasonable reliance on such contractual provision or such applicable law;

- if such Claim or such Interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A), compensates the Holder of such Claim or such Interest (other than the debtor or an insider) for any actual pecuniary loss incurred by such Holder as a result of such failure; and

- does not otherwise alter the legal, equitable or contractual rights to which such Claim or Interest entitles the Holder of such Claim or Interest.

C. Voting Tabulation

In tabulating votes, the following rules shall be used to determine the Claim amount associated with a Creditor's vote:

• If the applicable Debtor or any other party in interest does not object to a Claim prior to the Voting Deadline, the Claim amount for voting purposes shall be the Claim amount contained on a timely filed proof of Claim or, if no proof of Claim was filed, the non-contingent, liquidated and undisputed Claim amount listed in its Schedules.

• If the applicable Debtor or any other party in interest objects to a Claim prior to the Voting Deadline, such Creditor's Ballot shall not be counted in accordance with Bankruptcy Rule 3018(a), unless temporarily Allowed by the Bankruptcy Court for voting purposes, after notice and a hearing.

• If a Creditor believes that it should be entitled to vote on the Plan, then such Creditor must serve on the Debtors, the Creditors' Committee and the UST and file with the Bankruptcy Court a motion for an Order pursuant to Bankruptcy Rule 3018(a) (a "Rule 3018(a) Motion") seeking temporary allowance for voting purposes. Such Rule 3018(a) Motion, with evidence in support thereof, must be filed by the Plan Objection Deadline (as hereinafter defined).

• The Claim amount established through the above process controls for voting purposes only and does not constitute the Allowed amount of any Claim for distribution purposes.

• To ensure that its vote is counted, each Holder of a Claim must (i) complete a Ballot; (ii) indicate the Holder's decision either to accept or reject the Plan in the boxes provided on the respective Ballot; and (iii) sign and return the Ballot to the address set forth above.

• The Ballot does not constitute, and shall not be deemed to be, a proof of Claim or an assertion or admission of a Claim.

• If a Holder holds Claims in more than one Class under the Plan, the Holder may receive one Ballot coded for each Class of Claims held by such Holder.

• A Ballot that partially rejects and partially accepts the Plan or a Ballot that improperly indicates or fails to indicate acceptance or rejection of the Plan will be counted as an acceptance.

• The Debtors may not accept or count Ballots received after the Voting Deadline in connection with its request for confirmation of the Plan. **The method of delivery of Ballots to be sent to Kurtzman is at the election and risk of each Holder of a Claim**, provided that, except as otherwise provided in the Plan, such delivery will be deemed made only when the original executed Ballot is actually received by Kurtzman. In all cases, sufficient time should be allowed to assure timely delivery. **Original executed Ballots are required. Delivery of a Ballot by facsimile, e-mail or any other electronic means will not be accepted. No Ballot**

should be sent to the Debtors, Debtors' counsel, the Creditors' Committee, or the Debtors' financial advisors. The Debtors expressly reserve the right to amend, at any time and from time to time, the terms of the Plan (subject to compliance with the requirements of section 1127 of the Bankruptcy Code and the Plan). If the Debtors make material changes in the terms of the Plan or if the Debtors waive a material condition, the Debtors will disseminate additional solicitation materials and will extend the solicitation, in each case, to the extent directed by the Bankruptcy Court.

• If multiple Ballots are received from or on behalf of an individual Holder of a Claim with respect to the same Claim prior to the Voting Deadline, the last Ballot timely received will be deemed to reflect the voter's intent and to supersede and revoke any prior Ballot.

• If a Ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or other person acting in a fiduciary or representative capacity, such person shall be required to (i) indicate such capacity when signing and (ii) unless the Debtors otherwise determine, submit proper evidence satisfactory to the Debtors to so act on behalf of a beneficial interest Holder.

• The Debtors, in their reasonable discretion, subject to contrary Order of the Bankruptcy Court, and consistent with the Plan, may waive any defect in any Ballot at any time, either before or after the close of voting, with the approval of the Creditors' Committee. Except as otherwise provided herein, unless the Ballot being furnished is timely submitted on or prior to the Voting Deadline, the Debtors may, with the approval of the Creditors' Committee, reject such Ballot as invalid and, therefore, not count it in connection with confirmation of the Plan.

• In the event a designation is requested under section 1126(e) of the Bankruptcy Code, any vote to accept or reject the Plan cast with respect to such Claim will not be counted for

purposes of determining whether the Plan has been accepted or rejected, unless the Bankruptcy Court orders otherwise.

• Any Holder of impaired Claims who has delivered a valid Ballot voting on the Plan may withdraw such vote solely in accordance with Bankruptcy Rule 3018(a).

• Subject to any contrary Order of the Bankruptcy Court, the Debtors reserve the right, with the approval of the Creditors' Committee, to reject any and all Ballots not proper in form, the acceptance of which would, in the Debtors' or their counsel's opinion, not be in accordance with the provisions of the Bankruptcy Code. Subject to any contrary Order of the Bankruptcy Court, the Debtors further reserve the right, with the approval of the Creditors' Committee, to waive any defects or irregularities or conditions of delivery as to any particular Ballot unless otherwise directed by the Bankruptcy Court. Neither the Debtors, nor any other person or entity, will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots previously furnished (as to which any irregularities have not theretofore been cured or waived) will not be counted.

D. Voting Record Date

The record date for purposes of determining which Holders of Claims are entitled to vote on the Plan is May 11, 2010 ("Record Date"). As of the close of business on the Record Date, the claims register shall be closed, and there shall be no further changes in the record Holders of any Claims. The Debtors shall have no obligation to recognize any transfer of any Claims occurring after the Record Date. The Debtors shall instead be entitled to recognize and deal for

all purposes under the Plan with only those record Holders stated on the claims register as of the close of business on the Record Date.

E. The Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a Confirmation Hearing. Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of the Plan.

The Bankruptcy Court has scheduled the Confirmation Hearing for June 18, 2010, at 10:00 a.m. (prevailing Eastern Time) before the Honorable Donald H. Steckroth, United States Bankruptcy Judge, at the United States Bankruptcy Court for the District of New Jersey, Martin Luther King, Jr. Federal Building, 50 Walnut Street, 3rd Floor, Newark, New Jersey 07102. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

Objections to confirmation of the Plan must be filed and served on or before June 11, 2010, at 5:00 p.m. (prevailing Eastern Time) (the "Plan Objection Deadline") in accordance with the Confirmation Hearing notice served on you. UNLESS OBJECTIONS TO CONFIRMATION ARE TIMELY SERVED AND FILED IN COMPLIANCE WITH THE PROCEDURES SET FORTH IN THE CONFIRMATION HEARING NOTICE, THEY WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

F. Procedure for Objections

Any objection to confirmation of the Plan must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or Interest held by the objector. Any such objection must be filed with the Bankruptcy Court and served on the Debtors' counsel and all parties who have filed a notice of appearance by 5:00 p.m.

prevailing Eastern Time on June 11, 2010. Unless an objection is timely filed and served, it may not be considered by the Bankruptcy Court.

G. Statutory Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of section 1129 of the Bankruptcy Code have been satisfied. If so, the Bankruptcy Court shall enter the Confirmation Order. The Debtors believe that the Plan satisfies or will satisfy the applicable requirements, as follows:

• The Plan complies with the applicable provisions of the Bankruptcy Code.

• The Debtors, as Plan proponent, will have complied with the applicable provisions of the Bankruptcy Code.

• The Plan has been proposed in good faith and not by any means forbidden by law.

• Any payment made or promised under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan is reasonable, or if such payment is to be fixed after the confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.

• With respect to each Class of impaired Claims, either each Holder of a Claim of such Class has accepted the Plan, or will receive or retain under the Plan on account of such Claim, property of a value, as of the Effective Date of the Plan, that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated on such date under Chapter 7 of the Bankruptcy Code.

• Each Class of Claims that is entitled to vote on the Plan has either accepted the Plan or is not impaired under the Plan, or the Plan can be confirmed without the approval of each voting Class pursuant to section 1129(b) of the Bankruptcy Code.

• Except to the extent that the Holder of a particular Claim will agree to a different treatment of such Claim, the Plan provides that Allowed Administrative Expense Claims and Priority Claims will be paid in full on the Effective Date, or as soon thereafter as practicable.

• At least one Class of impaired Claims will accept the Plan, determined without including any acceptance of the Plan by any insider holding a Claim of such Class.

• All fees of the type described in 28 U.S.C. § 1930, including the fees of the United States Trustee, will be paid as of the Effective Date.

The Debtors believe that (i) the Plan satisfies or will satisfy all of the statutory requirements of Chapter 11 of the Bankruptcy Code, (ii) the Debtors have complied or will have complied with all of the requirements of Chapter 11, and (iii) the Plan has been proposed in good faith.

1. **Best Interest of Creditors and Liquidation Analysis**

Pursuant to section 1129(a)(7) of the Bankruptcy Code, for the plan to be confirmed, it must provide that Holders of Claims or Interests will receive at least as much under a plan as they would receive in a liquidation of the Debtors under Chapter 7 of the Bankruptcy Code (the "Best Interest Test"). The Best Interest Test with respect to each impaired class requires that each Holder of an Allowed Claim or Interest of such Class either: (i) accepts the Plan; or (ii) receives or retains under the plan property of a value, as of the effective date, that is not less than the value such Holder would receive or retain if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. The Bankruptcy Court will determine whether the value received under the Plan by the Holders of Allowed Claims in each Class or Equity Interests equals or exceeds

the value that would be allocated to such Holders in a liquidation under Chapter 7 of the Bankruptcy Code.

The Debtors believe that the Plan meets the Best Interest Test and provides value which is greater than that which would be recovered by each such Holder in a Chapter 7 bankruptcy proceeding. Attached as Exhibit E is the Estimated Recovery to Creditors, which reflects the Debtors' forecast of unsecured Creditor recoveries in the Debtors' Chapter 11 Case. The Estimated Recovery to Creditors is based on the results of the liquidation of Assets and necessarily are not less than which would be recovered by each Holder in a Chapter 7 bankruptcy proceeding.

Generally, to determine what Holders of Allowed Claims and Equity Interests in each impaired Class would receive if the Debtors were liquidated, the Bankruptcy Court must determine what funds would be generated from the liquidation of Debtors' Assets and properties in the context of a Chapter 7 liquidation case, which for unsecured creditors would consist of the proceeds resulting from the disposition of the Assets of Debtor, augmented by the unencumbered Cash held by Debtor at the time of the commencement of the liquidation case. Such Cash amounts would be reduced by the costs and expenses of the liquidation and by such additional Administrative Claims and Priority Claims as may result from the termination of Debtors' business and the use of Chapter 7 for the purpose of liquidation.

In a Chapter 7 liquidation, Holders of Allowed Claims would receive distributions based on the liquidation of the assets of Debtors. Such assets would include the same assets being collected and liquidated under the Plan – the interest of Debtors in the Cash, the Assets, and the Causes of Action. However, the net proceeds from the collection of property of the Estates available for distribution to Creditors would be reduced by any commission payable to the

Chapter 7 trustee and the trustee's attorney's and accounting fees, as well as the unpaid administrative costs of the Chapter 11 estate (such as the compensation for Professionals). In a Chapter 7 case, the Chapter 7 trustee would be entitled to seek a sliding scale commission based upon the funds distributed by such trustee to creditors, even though the Debtors will have already accumulated much of the funds and the Estates will have already incurred many of the expenses associated with generating those funds. Accordingly, there is a reasonable likelihood that creditors would "pay again" for the funds accumulated by the Debtors because the Chapter 7 trustee would be entitled to receive a commission in some amount for all funds distributed from the Estates.

It is further anticipated that a Chapter 7 liquidation would result in delay in the payment to creditors. Among other things, a Chapter 7 case could trigger a new bar date for filing Claims that would be more than ninety days following conversion of the Chapter 11 Cases to Chapter 7. Fed. R. Bankr. P. 3002(c). Hence, a Chapter 7 liquidation would not only delay distribution but raise the prospect of additional claims that were not asserted in the Chapter 11 Cases.

Moreover, Claims that may arise in the Chapter 7 case or result from the Chapter 11 Cases would be paid in full from the Assets before the balance of the Assets would be made available to pay pre-Chapter 11 Allowed Priority Claims, Allowed General Unsecured Claims, and Equity Interests. The distributions from the Assets would be paid Pro Rata according to the amount of the aggregate Claims held by each creditor. The Debtors believe that the most likely outcome under Chapter 7 would be the application of the "absolute priority rule." Under that rule, no junior creditor may receive any distribution until all senior creditors are paid in full, with interest, and no equity security holder would be entitled to receive any distribution until all creditors are paid in full. The Debtors have determined that confirmation of the Plan will

provide each Holder of a Claim or Equity Interest with no less of a recovery than it would receive if Debtor were liquidated under a Chapter 7. This determination is based upon the effect that a Chapter 7 liquidation would have on the Assets available for distribution to Holders of Claims and Equity Interests, including: (i) the increased costs and expenses of a liquidation under Chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee; and (ii) the amount of existing Claims and the potential increases in Claims that would have to be satisfied on a priority basis or on a parity basis with Holders of Claims in the Chapter 11 Cases. The Debtors also believe that the value of any distributions from the Assets to Allowed Claims in a Chapter 7 case would be less than the value of distributions under the Plan because such distributions in the Chapter 7 case would not occur for a substantial period of time. In the likely event litigation were necessary to resolve Claims asserted in the Chapter 7 case, the delay could be prolonged for several years. As described in the Debtors' Liquidation Analysis attached hereto as Exhibit F, when the cost of liquidation is considered, as well as the time delay in receiving distributions, the Debtors believe that certain Holders of Claims will receive substantially smaller distributions pursuant to a Chapter 7 liquidation than under the Plan.

2. **Financial Feasibility**

Section 1129(a)(11) of the Bankruptcy Code provides that a Chapter 11 plan may be confirmed only if the Bankruptcy Court finds that such plan is feasible. A feasible plan is one which will not lead to a need for further reorganization or liquidation of the debtor, unless reorganization or liquidation is proposed in the Plan. The Plan proposed by the Debtors provides for a liquidation of the Debtors' Assets and a distribution of Cash and other consideration to Creditors in accordance with the terms of the Plan. The Debtors' cash flow projections are attached as Exhibit D. In addition, the Debtors will be able to satisfy the conditions precedent to the Effective Date and will otherwise have sufficient funds to meet its post-Effective Date

expenses, including payment for the costs of administering and fully consummating the Plan and closing the Chapter 11 Cases. Accordingly, the Debtors believe that the Plan satisfies the financial feasibility requirement imposed by the Bankruptcy Code.

3. **Acceptance by Impaired Classes**

The Bankruptcy Code requires, as a condition to confirmation, that each Class of Claims or Equity Interests that is impaired under a plan to accept the Plan, with the exception described in the following section. A Class that is not impaired under the Plan is deemed to have accepted the Plan and, therefore, solicitation of acceptances with respect to such Class is not required.

4. **Confirmation Without Acceptance by All Impaired Classes**

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan, even if such plan has not been accepted by all impaired classes entitled to vote on such plan, provided that such plan has been accepted by at least one impaired class (without considering the vote of an "insider" class). The Debtors will seek to confirm the Plan notwithstanding the nonacceptance or deemed nonacceptance of the Plan by any impaired Class of Claims.

Section 1129(b) of the Bankruptcy Code states that notwithstanding the failure of an impaired class to accept a plan, the plan shall be confirmed, on request of the proponent of the plan, in a procedure commonly known as "cram-down," so long as the plan does not "discriminate unfairly," and is "fair and equitable" with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan.

In general, a plan does not discriminate unfairly if it provides a treatment to the Class that is substantially equivalent to the treatment that is provided to other Classes that have equal rank. In determining whether a plan discriminates unfairly, courts will take into account a number of factors, including the effect of applicable subordination agreements between parties.

Accordingly, two Classes of unsecured creditors could be treated differently without unfairly discriminating against either Class.

The condition that a plan be "fair and equitable" with respect to a non-accepting Class of secured claims includes the requirements that (i) the Holders of such secured claims retain the liens securing such claims to the extent of the allowed amount of the claims, whether the property subject to the liens is retained by debtor or transferred to another entity under the plan and (ii) each Holder of a secured claim in the class receives deferred cash payments totaling at least the allowed amount of such claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured claimant's interest in the debtors' property subject to the liens.

The condition that a plan be "fair and equitable" with respect to a non-accepting class of unsecured claims includes the following requirement that either: (i) the plan provides that each Holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (ii) the Holder of any claim or equity interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or equity interest any property.

THE DEBTORS BELIEVE THAT THE PLAN MAY BE CONFIRMED ON A NONCONSENSUAL BASIS (PROVIDED AT LEAST ONE IMPAIRED CLASS VOTES TO ACCEPT THE PLAN). ACCORDINGLY, THE DEBTORS WILL DEMONSTRATE AT THE CONFIRMATION HEARING THAT THE PLAN SATISFIES THE REQUIREMENTS OF SECTION 1129(b) OF THE BANKRUPTCY CODE AS TO ANY NON-ACCEPTING CLASS.

5. **Acceptance**

The Claims in Classes 1, 2, 2A, 2B(i), 3A, 3B(i), 3C, 4B(i), 4C, 5B(i), 5C, 7C, 8C, 8D, 11C, 13C, 14C, 15C, 15D, 16C, 18C, 19C and 20C are not impaired under the Plan and as a result the Holders of such Claims are deemed to have accepted the Plan.

Claims in all other applicable Classes are impaired and will receive certain distributions under the Plan, and as a result, the Holders of such Claims and Equity Interests are entitled to vote thereon. Pursuant to section 1129 of the Bankruptcy Code, the Claims in such Classes must accept the Plan in order for it to be confirmed without application of the "fair and equitable test," described above, to such Classes. As stated above, Classes of Claims will have accepted the Plan if the Plan is accepted by at least two-thirds in dollar amount and a majority in number of the Claims of each such Class (other than any Claims of Creditors designated under section 1126(e) of the Bankruptcy Code that have voted to accept or reject the Plan.)

VII. PLAN-RELATED RISK FACTORS AND ALTERNATIVES TO CONFIRMING AND CONSUMMATING THE PLAN

ALL IMPAIRED HOLDERS SHOULD READ AND CAREFULLY CONSIDER THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT, PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN.

The alternative to the Plan is the Debtors' liquidation under Chapter 7 of the Bankruptcy Code. As set forth above, after evaluating this alternative, the Debtors have concluded that the Plan is the best alternative and will maximize recoveries to claimants assuming confirmation of the Plan. Nonetheless, there are a number of risk factors that Holders of Claims should consider. Moreover, Holders should also consider the impact of a Chapter 7 alternative. Included above is

a summary of the Debtors' analysis supporting its conclusion that such a Chapter 7 liquidation would not provide the highest value to claimants.

A. Certain Bankruptcy Considerations

1. Parties in Interest May Object to The Debtors' Classification of Claims

Section 1122 of the Bankruptcy Code provides that a plan may place a class or an interest in a particular class only if such claim or interest is substantially similar to the other claims or equity interests in such class. The Debtors believe that the classification of Claims and Equity Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. However, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

2. The Debtors May Not Be Able to Secure Confirmation of the Plan

The Debtors cannot assure you that the Debtors will receive the requisite acceptances to confirm the Plan. Even if the Debtors receive the requisite acceptances, the Debtors cannot assure you that the Bankruptcy Court will confirm the Plan. A non-accepting Creditor might challenge the adequacy of this Disclosure Statement or the balloting procedures and results as not being in compliance with the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determined that this Disclosure Statement and the balloting procedures and results were appropriate, the Bankruptcy Court could still decline to confirm the Plan if it found that any of the statutory requirements for confirmation had not been met, including that the terms of the Plan are fair and equitable to non-accepting Classes. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, (i) a finding by the Bankruptcy Court that the plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes, (ii) confirmation of the plan is not likely to be followed by a liquidation or a need for further financial reorganization and (iii) the value of distributions to

non-accepting Holders of claims and equity interests within a particular class under the plan will not be less than the value of distributions such Holders would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. Although there can be no assurance that these requirements will be met, the Debtors believe that the Plan will not be followed by a need for further financial reorganization and that non-accepting Holders within each Class under the Plan will receive distributions at least as great as would be received following a liquidation under Chapter 7 of the Bankruptcy Code when taking into consideration the higher value of assets under the Plan and all administrative expense claims and costs associated with any such Chapter 7 case. If the Plan is not confirmed, it is unclear what distributions Holders of Claims or Equity Interests ultimately would receive with respect to their Claims or Equity Interests. If an alternative reorganization could not be agreed to, it is possible that the Debtors would have to liquidate their assets under Chapter 7, in which case it is likely that Holders of Claims and Equity Interests would receive substantially less favorable treatment than they would receive under the Plan.

3. **The Debtors May Object to the Amount or Classification of a Claim**

The Debtors and the other parties as authorized in the Plan each reserve the right to object to the amount or classification of any Claim or Equity Interest. The estimates set forth in this Disclosure Statement cannot be relied on by any Holder of a Claim or Equity Interest whose Claim or Equity Interest is subject to an objection. Any such Holder of a Claim or Equity Interest may not receive its specified share of the estimated distributions described in this Disclosure Statement.

B. Factors Affecting Distributions to Holders of Allowed Claims after the Effective Date

1. Financial Information; Disclaimer.

Although the Debtors have used their best efforts to ensure the accuracy of the financial information provided in this Disclosure Statement, all financial information contained in this Disclosure Statement has not been audited and is based upon an analysis of data available at the time of the preparation of the Plan and Disclosure Statement. Although the Debtors believe that such financial information fairly reflects the financial condition of the Debtors, the Debtors are unable to warrant or represent that the information contained herein and attached hereto is without inaccuracies.

2. The Amount of Liabilities Projected Under the Plan Could Increase.

The Debtors' management has assumed a certain dollar value of the Debtors' liabilities for purposes of allocating distribution to Holders of the several Classes of Claims under the Plan. Although these are good faith estimates as of the date of the Plan, there can be no certainty that either unknown liabilities may arise or the aggregate value of liabilities may increase. If the projected value of liabilities assumed by management underestimates actual liabilities or contingent liabilities or disputed claims arise that result in an increase in the dollar value of the Debtors' aggregate liabilities, the level of recovery for Holders of Claims and Equity Interests under the Plan could be negatively impacted.

3. Certain Tax Consequences of the Plan Raise Unsettled and Complex Legal Issues and Involve Various Factual Determinations.

Some of the material consequences of the Plan regarding United States federal income taxes are summarized in Article VII hereof. Many of these tax issues raise unsettled and complex legal issues, and also involve various factual determinations, that raise additional uncertainties. The Debtors cannot assure you that the IRS will not take a contrary view, and no

ruling from the IRS has been or will be sought. The Debtors cannot assure you that the IRS will not challenge any position the Debtors have taken, or intend to take, with respect to any tax treatment, or that a court would not sustain such a challenge. FOR A MORE DETAILED DISCUSSION OF RISKS RELATING TO THE SPECIFIC POSITIONS THE DEBTORS INTEND TO TAKE WITH RESPECT TO VARIOUS TAX ISSUES, PLEASE REVIEW ARTICLE VII(C) HEREOF.

4. **Liquidation Under Chapter 7**

If no plan can be confirmed, the Chapter 11 Case may be converted to Case under Chapter 7 of the Bankruptcy Code in which a trustee would be elected or appointed to liquidate the Debtors' assets for distribution to the Holders of Claims in accordance with the priorities established by the Bankruptcy Code. A further description of the effect of the conversion of the Chapter 11 Case to a liquidation under Chapter 7 is set forth above.

THESE RISK FACTORS CONTAIN CERTAIN STATEMENTS THAT ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS ARE SUBJECT TO A NUMBER OF ASSUMPTIONS, RISKS AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS, INCLUDING THE IMPLEMENTATION OF THE PLAN, EXISTING AND FUTURE GOVERNMENTAL REGULATIONS AND ACTIONS OF GOVERNMENTAL BODIES, NATURAL DISASTERS, ACTS OF TERRORISM OR WAR, AND OTHER MARKET AND COMPETITIVE CONDITIONS. HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE CAUTIONED THAT THE FORWARD-LOOKING STATEMENTS SPEAK AS OF THE DATE MADE AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THE

EXPECTATIONS EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS, AND THE DEBTORS UNDERTAKE NO OBLIGATION TO UPDATE ANY SUCH STATEMENTS.

C. Certain Federal Income Tax Consequences of the Plan

1. General

The following discussion addresses certain United States federal income tax consequences of the consummation of the Plan. This discussion is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), existing and proposed regulations thereunder, current administrative rulings, and judicial decisions as in effect on the date hereof, all of which are subject to change, possibly retroactively. No rulings or determinations by the Internal Revenue Service have been obtained or sought by the Debtors with respect to the Plan.

An opinion of counsel has not been obtained with respect to the tax aspects of the Plan. This discussion does not purport to address the federal income tax consequences of the Plan to particular classes of taxpayers (such as foreign persons, S corporations, mutual funds, small business investment companies, regulated investment companies, broker-dealers, insurance companies, tax-exempt organizations and financial institutions) or the state, local or foreign income and other tax consequences of the Plan.

NO REPRESENTATIONS ARE MADE REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE PLAN TO ANY HOLDER OF A CLAIM OR EQUITY INTEREST. SUBSTANTIAL UNCERTAINTY EXISTS WITH RESPECT TO THE TAX ISSUES DISCUSSED BELOW. EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS STRONGLY URGED TO CONSULT A TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.

2. **Federal Income Tax Consequences to Holders of Claims and Equity Interests**

A Holder of an Allowed Claim or Equity Interest will generally recognize ordinary income to the extent that the amount of Cash or property received (or to be received) under the Plan is attributable to interest that accrued on a Claim but was not previously paid by the Debtors or included in income by the Holder of the Allowed Claim or Equity Interest. A Holder of an Allowed Claim or Equity Interest will generally recognize gain or loss equal to the difference between the Holder's adjusted basis in its Claim and the amount realized by the Holder upon consummation of the Plan that is not attributable to accrued but unpaid interest. The amount realized will equal the sum of Cash and the fair market value of other consideration received (or to be received). The character of any gain or loss that is recognized will depend upon a number of factors, including the status of the Holder of the Claim, the nature of the Claim or Equity Interest in its hands, whether the Claim was purchased at a discount, whether and to what extent the Creditor has previously claimed a bad debt deduction with respect to the Claim, and the Creditor's holding period of the Claim or Equity Interest. If the Claim or Equity Interest in the Creditor's hands is a capital asset, the gain or loss realized will generally be characterized as a capital gain or loss. Such gain or loss will constitute long-term capital gain or loss if the Holder of the Claim is a non-corporate taxpayer and held such Claim or Equity Interest for longer than one year or short-term capital gain or loss if the Holder of the Claim held such Claim or Equity Interest for less than one year.

A Holder of an Allowed Claim or Equity Interest who receives, in respect of its Claim, an amount that is less than its tax basis in such Claim or Equity Interest may be entitled to a bad debt deduction if either: (i) the Holder is a corporation; or (ii) the Claim or Equity Interest constituted (a) a debt created or acquired (as the case may be) in connection with a trade or

business of the Holder or (b) a debt the loss from the worthlessness of which is incurred in the Holder's trade or business. A Holder that has previously recognized a loss or deduction in respect of its Claim or Equity Interest may be required to include in its gross income (as ordinary income) any amounts received under the Plan to the extent such amounts exceed the Holder's adjusted basis in such Claim or Equity Interest. Holders of Claims or Equity Interests who were not previously required to include any accrued but unpaid interest with respect to in their gross income on a Claim or Equity Interest may be treated as receiving taxable interest income to the extent any consideration they receive under the Plan is allocable to such interest. Holders previously required to include in their gross income any accrued but unpaid interest on a Claim may be entitled to recognize a deductible loss to the extent such interest is not satisfied under the Plan.

Holders of a Claim constituting any installment obligation for tax purposes may be required to currently recognize any gain remaining with respect to such obligation if, pursuant to the Plan, the obligation is considered to be satisfied at other than its face value, distributed, transmitted, sold or otherwise disposed of within the meaning of section 453B of the Tax Code. General Unsecured Claims may receive only a partial distribution of their Allowed Claims depending upon the aggregate dollar amount of Allowed Claims in each Class. Whether the Holder of such Claims or Equity Interests will recognize a loss, a deduction for worthless securities or any other tax treatment will depend upon facts and circumstances that are specific to the nature of the Holder and its Claims or Equity Interests. Accordingly, the Holders of Claims and Equity Interests should consult their own tax advisors. Under backup withholding rules, a Holder of an Allowed Claim may be subject to backup withholding at the rate of 31% with respect to payments made pursuant to the Plan unless such Holder (a) is a corporation or is

otherwise exempt from backup withholding and, when required, demonstrates this fact or (b) provides a correct taxpayer identification and certifies under penalty of perjury that the taxpayer identification number is correct and that the Holder is not subject to backup withholding because of failure to report all dividend and interest income. Any amount withheld under these rules will be credited against the Holder's federal income tax liability. Holders of Claims may be required to establish an exemption from backup withholding or to make arrangements with regard to payment thereof.

The receipt of an interest in the Tarragon Creditor Entity in consideration for the contribution of its Claims by the unsecured creditors of Tarragon Corp., Tarragon Dev. Corp., Tarragon South and/or Tarragon Dev. LLC may not constitute a realization event for tax purposes. Such creditors will recognize taxable income or loss based upon subsequent income allocations and distributions by New Ansonia to them pursuant to the New Ansonia Operating Agreement.

3. **Federal Income Tax Consequences to the Debtor**

Under the Tax Code, a taxpayer generally must include in gross income the amount of any cancellation of indebtedness income ("COD income") realized during the taxable year. Section 108 of the Tax Code provides an exception to this general rule, however, if the cancellation occurs in a case under the Bankruptcy Code, but only if the taxpayer is under the jurisdiction of the Bankruptcy Court and the cancellation is granted by the Court or is pursuant to a plan approved by the Court.

Section 108 of the Tax Code requires the amount of COD income so excluded from gross income to be applied to reduce certain tax attributes of the taxpayer. The tax attributes that may be subject to reduction include the taxpayer's NOL, certain tax credits and most tax credit carryovers, capital losses and capital loss carryovers, tax bases in assets, and foreign tax credit

carryovers. Attribute reduction is calculated only after the tax for the year of the discharge has been determined. Section 108 of the Tax Code further provides that a taxpayer does not realize COD income from cancellation of indebtedness to the extent that payment of such indebtedness would have given rise to a deduction.

Under the Plan, it is possible that Holders of Claims will receive less than full payment on their Claims. The Debtors' liability to the Holders of Claims in excess of the value of the property transferred pursuant to the Reorganization Agreement will be canceled and therefore, will result in COD income or gain to the Debtors. The Debtors should not realize any COD income, however, to the extent that payment of such Claims would have given rise to a deduction to the Debtors had such amounts been paid. In addition, any COD income that the Debtors realize should be excluded from the Debtors' gross income pursuant to the bankruptcy exception to section 108 of the Tax Code described in the immediately preceding paragraph. The Debtors anticipate sufficient net operating losses to offset any remaining taxable gain.

4. **Importance of Obtaining Professional Tax Assistance**

The foregoing is intended to be only a summary of certain of the United States federal income tax consequences of the Plan and is not a substitute for careful tax planning with a tax professional. Holders of Claims or Equity Interests are strongly urged to consult with their own tax advisors regarding the federal, state, local and foreign income and other tax consequences of the Plan, including, in addition to the issues discussed above, whether a bad debt deduction may be available with respect to their Claims and if so, when such deduction or loss would be available.

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT

TAX ADVICE. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF THE CLAIMS AND EQUITY INTERESTS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTION CONTEMPLATED BY THE RESTRUCTURING, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

VIII. RECOMMENDATION

In the Debtors' opinion, the Plan is preferable to the alternatives described herein because it provides for a larger distribution to the Holders than would otherwise result in a liquidation under Chapter 7 of the Bankruptcy Code. In addition any alternative other than confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in smaller distributions to the Holders of Claims and Equity Interests. Accordingly, the Debtors recommend that Holders of Claims and Equity Interests entitled to vote on the Plan support confirmation of the Plan and vote to accept the Plan.

Dated: May 11, 2010

[*Signature pages of the Disclosure Statement follow*.]

TARRAGON CORPORATION

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer

TARRAGON DEVELOPMENT CORPORATION

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer

TARRAGON SOUTH DEVELOPMENT CORP.

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer

TARRAGON DEVELOPMENT COMPANY LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Managing Member

TARRAGON MANAGEMENT, INC.

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer

BERMUDA ISLAND TARRAGON LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Managing Member

ORION TOWERS TARRAGON, LLP

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Orion Tarragon GP, Inc., its General Partner

ORLANDO CENTRAL PARK TARRAGON LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Managing Member

FENWICK PLANTATION TARRAGON LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, the Manager of Charleston Tarragon Manager, LLC, its Manager

CHARLESTON TARRAGON MANAGER, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, its Manager

800 MADISON STREET URBAN RENEWAL, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, the Manager of Block 88 Development, LLC, its Managing Member

BLOCK 88 DEVELOPMENT, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, its Manager

900 MONROE DEVELOPMENT, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Manager

THE PARK DEVELOPMENT EAST, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, the Managing Member of Palisades Park East Tarragon, LLC, its Managing Member

ONE LAS OLAS, LTD.

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Omni Equities Corporation, its General Partner

OMNI EQUITIES CORPORATION

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer

CENTRAL SQUARE TARRAGON LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Managing Member

THE PARK DEVELOPMENT WEST, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, the Managing Member of Palisades Park West Tarragon, LLC, its Managing Member

VISTA LAKES TARRAGON, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Manager

TARRAGON EDGEWATER ASSOCIATES, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, its Manager

MURFREESBORO GATEWAY PROPERTIES, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Morningside National, Inc., its Manager

TARRAGON STONECREST, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Morningside National, Inc., its Manager

TARRAGON STRATFORD, INC.

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer

MSCP, INC.

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer

TDC HANOVER HOLDINGS, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, its Managing Member

Exhibit A

Second Amended and Restated Joint Plan of Reorganization Under
Chapter 11 of the Bankruptcy Code

[See attached.]

COLE, SCHOTZ, MEISEL,
FORMAN & LEONARD, P.A.
A Professional Corporation
Court Plaza North
25 Main Street
P.O. Box 800
Hackensack, New Jersey 07602-0800
(201) 489-3000
(201) 489-1536 Facsimile
Michael D. Sirota, Esq.
Warren A. Usatine, Esq.
Attorneys for Tarragon Corporation, *et al.*,
Debtors-in-Possession

In re: TARRAGON CORPORATION, *et al*., Debtors-in-Possession.	UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF NEW JERSEY HONORABLE DONALD H. STECKROTH CASE NO. 09-10555 (DHS) Chapter 11 **(Jointly Administered)**

SECOND AMENDED AND RESTATED JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Dated: May 11, 2010

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INTRODUCTION TO PLAN

Tarragon Corporation ("Tarragon Corp.") and its affiliated debtors, as the debtors and debtors-in-possession in the above-captioned Chapter 11 Cases, propose the following Second Amended Plan of Reorganization pursuant to Chapter 11 of the Bankruptcy Code.

On January 12, 2009, Tarragon Corp. and certain of its affiliates (collectively, the "January 12, 2009 Debtors") filed petitions for relief under the Bankruptcy Code. In addition to Tarragon Corp., the affiliated entities that filed for Chapter 11 protection on January 12, 2009 were: Tarragon Development Corporation ("Tarragon Dev. Corp."), Tarragon South Development Corp. ("Tarragon South"), Tarragon Development Company LLC ("Tarragon Dev. LLC"), Tarragon Management, Inc. ("TMI"), Bermuda Island Tarragon LLC ("Bermuda Island"), Orion Towers Tarragon, LLP ("Orion"), Orlando Central Park Tarragon L.L.C. ("Orlando Central"), Fenwick Plantation Tarragon LLC ("Fenwick"), One Las Olas, Ltd. ("Las Olas"), The Park Development West LLC ("Trio West"), 800 Madison Street Urban Renewal, LLC ("800 Madison"), 900 Monroe Development LLC ("900 Monroe"), Block 88 Development, LLC ("Block 88"), Central Square Tarragon LLC ("Central Square"), Charleston Tarragon Manager, LLC ("Charleston"), Omni Equities Corporation ("Omni"), Tarragon Edgewater Associates, LLC ("Tarragon Edgewater"), The Park Development East LLC ("Trio East"), and Vista Lakes Tarragon, LLC ("Vista").

On January 13, 2009, Murfreesboro Gateway Properties, LLC ("Murfreesboro") and Tarragon Stonecrest, LLC ("Stonecrest," and together with Murfreesboro, the "January 13, 2009 Debtors") filed petitions for Chapter 11 bankruptcy protection as well. Finally, on February 5, 2009, Tarragon Stratford, Inc. ("Stratford"), MSCP, Inc. ("MSCP") and TDC Hanover Holdings LLC ("Hanover" and collectively with Stratford and MSCP, the "February 5, 2009 Debtors", and

together with the January 12, 2009 Debtors and the January 13, 2009 Debtors, the "Debtors ") filed their petitions for Chapter 11 bankruptcy protection.

This document is the Plan proposed by the Debtors. Filed contemporaneously with this Plan is the Debtors' Disclosure Statement, which is provided to help you understand this Plan.[1] The Disclosure Statement contains, among other things, a discussion of the Debtors' history, a description of the Debtors' business, a summary of the material events that have occurred during the Chapter 11 proceedings and a summary of the Plan.

THE DEBTORS URGE ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS TO READ THIS PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY. NO SOLICITATION MATERIALS OTHER THAN THE DISCLOSURE STATEMENT AND ANY DOCUMENTS, SCHEDULES, EXHIBITS OR LETTERS ATTACHED THERETO OR REFERENCED THEREIN HAVE BEEN AUTHORIZED BY THE DEBTORS OR THE BANKRUPTCY COURT FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THIS PLAN.

The Distributions to be made to Holders of Claims and Interests, in each of the Classes of Claims and Equity Interests for the Debtor, are set forth in Article II herein.

ARTICLE I.

RULES OF INTERPRETATION, COMPUTATION OF TIME AND DEFINED TERMS

Rules of Interpretation

For purposes of interpreting the Plan: (i) any reference herein to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular

[1] If you would like a copy of the Disclosure Statement sent to you at the Debtors' expense, please make such request in writing to Cole, Schotz, Meisel, Forman & Leonard P.A., c/o Frances Pisano, 25 Main Street, Hackensack, New Jersey 07601, or email to fpisano@coleschotz.com.

terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (ii) any reference herein to an existing document or exhibit filed, or to be filed, shall mean such document or exhibit, as it may have been or may be amended, modified or supplemented from time to time; (iii) unless otherwise specified, all references herein to articles and sections are references to articles and sections of this Plan; (iv) the words "herein," "hereof," and "hereto" refer to this Plan in its entirety rather than to a particular portion of this Plan; (v) captions and headings to articles and sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (vi) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (vii) all exhibits to this Plan are incorporated into this Plan, and shall be deemed to be included in this Plan, regardless of when filed with the Bankruptcy Court; and (viii) whenever a distribution of property is required to be made on a particular date, the distribution shall be made on such date, or as soon as practicable thereafter.

1.1. Computation of Time

In computing any period of time prescribed or allowed hereby, the provisions of Bankruptcy Rule 9006(a) shall apply.

1.2. Defined Terms

For purposes of this Plan, unless the context otherwise requires, all capitalized terms not otherwise defined shall have the meanings ascribed to them below. Any term used in this Plan that is not defined herein, but is defined in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to that term in the Bankruptcy Code or Bankruptcy Rules, as applicable.

1.3. "800 Madison Property" shall mean that certain real property and all improvements thereon commonly known and referred to as 800 Madison Street, Hoboken, New Jersey.

1.4. "Administrative Expense Claim" means any right to payment constituting a cost or expense of administration of the Chapter 11 Cases under sections 503(b) and 507(a)(2) of the Bankruptcy Code including, without limitation, any Claims arising under the UTA Term Loan, Section 503(b)(9) Administrative Claims, any actual and necessary costs and expenses of preserving the Estate of any Debtor, any actual and necessary costs and expenses of operating the business of the Debtors, any indebtedness or obligations incurred or assumed by the Debtors-in-Possession in connection with the conduct of its business including, without limitation, for the acquisition or lease of property or an interest in property or the rendition of services, all compensation and reimbursement of expenses to the extent Allowed by the Bankruptcy Court under section 330 or 503(b) of the Bankruptcy Code, and any fees or charges assessed against the Estates of the Debtors under section 1930 of chapter 123 of Title 28 of the United States Code.

1.5. "Administrative Expense Claim Bar Date" means the date fixed by an Order of the Bankruptcy Court, by which all applications or requests for treatment of an Administrative Expense Claim as an Allowed Administrative Expense Claim, other than (i) Administrative Expense Claims of Professionals retained pursuant to Sections 327, 328 or 1103 of the Bankruptcy Code, (ii) all fees payable and unpaid pursuant to 28 U.S.C. § 1930, (iii) a liability incurred and payable in the ordinary course of business by any Debtor (and not past due); (iv) Administrative Expense Claims of all employees (other than insiders as that term is defined in section 101(31) of the Bankruptcy Code) that are or were employed by the Debtors as of January

12, 2009, including claims for wages, salaries and commissions and for accrued but unused vacation, sick or personal days of such employees; (v) any Administrative Expense Claims that have already been paid by the Debtors; and (vi) Section 503(b)(9) Administrative Claims, must be filed with the Bankruptcy Court.

1.6. "Affiliate" shall have the meaning set forth in section 101(2) of the Bankruptcy Code.

1.7. "Affiliate Notes" means certain promissory notes dated January 7, 2008 in the approximate amount of $40 million given by Tarragon Corp. to Beachwold Partners, L.P. and Robert P. Rothenberg.

1.8. "Affiliated Debt Holders" shall collectively mean Beachwold Partners L.P. and Robert Rothenberg.

1.9. "Allowed" means, with reference to any Claim or Equity Interest, proof of which was timely and properly filed or, if no proof of a Claim or Equity Interest was filed, which has been or hereafter is listed by the Debtors in their Schedules, as liquidated in amount and not disputed or contingent and, in each case, as to which: (i) no objection to allowance has been interposed within the applicable period fixed by this Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or (ii) an objection has been interposed and such Claim has been allowed, in whole or in part, by a Final Order; provided, however, that any Claims allowed solely for the purpose of voting to accept or reject this Plan pursuant to an Order of the Bankruptcy Court shall not be considered "Allowed Claims" hereunder. Unless otherwise specified herein or by Order of the Bankruptcy Court, "Allowed Administrative Expense Claim," or "Allowed Claim," shall not, for purposes of computation of distributions under this Plan, include interest on such Administrative Expense Claim or Claim from and after the Commencement Date. The

allowance of Equity Interests in Block 88 and 800 Madison and Intercompany Claims against Block 88 and 800 Madison (as defined in the Block 88/800 Madison Stipulation and Order) shall be determined in accordance with the Block 88 Dispute Resolution Provisions.

1.10. "Ansonia" means Ansonia LLC.

1.11. "Ansonia LP" means Ansonia Apartments, L.P., a Delaware limited partnership.

1.12. "Ansonia Properties" shall mean those properties owned by certain subsidiaries of Ansonia LP and Tarragon which are encumbered by the GECC Ansonia Loan.

1.13. "Assets" means all assets and property (real, personal and mixed) of the Estates of the Debtors, regardless of whether reflected in the financial records of the Debtors or on the Schedules, including but not limited to: equipment, Cash, deposits, refunds, rebates, abatements, fixtures, real property interests, contractual interests, intangibles, Claims, Causes of Action, suits, setoffs, recoupments, equitable or legal rights, interests and remedies.

1.14. "Avoidance Actions" means any and all Causes of Action that any Debtor may assert under Chapter 5 of the Bankruptcy Code or any similar applicable law, regardless of whether or not such Causes of Action are commenced as of the Effective Date

1.15. "Ballot" means each of the ballot forms distributed by the Debtors to each member of an impaired Class entitled to vote under Article II hereof in connection with the solicitation of acceptances or rejections of the Plan.

1.16. "Bankruptcy Code" means Title 11 of the United States Code, as amended from time to time, as applicable to the Chapter 11 Cases.

1.17. "Bankruptcy Court" means the United States Bankruptcy Court for the District of New Jersey, having jurisdiction over the Chapter 11 Cases, or if such Court ceases to exercise jurisdiction over the Chapter 11 Cases, such court or adjunct thereof that exercises jurisdiction

over the Chapter 11 Cases in lieu of the United States Bankruptcy Court for the District of New Jersey.

1.18. "Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of Title 28 of the United States Code, and any Local Rules of the Bankruptcy Court, as amended from time to time, and as applicable to the Chapter 11 Cases.

1.19. "Bar Date" means May 4, 2009, the last date fixed by an order of the Bankruptcy Court for Creditors and Governmental Units, respectively, to file proofs of Claim in the Chapter 11 Cases.

1.20. "Beachwold" shall mean Beachwold Partners, L.P.

1.21. "Block 88 Dispute Resolution Provisions" shall mean the dispute resolution provision of Article XVI of the Block 88 Operating Agreement, and is intended to have the same meaning as the term "Dispute Resolution Provisions" as such term is defined in the Block 88/800 Madison Stipulation and Order.

1.22. "Block 88 Operating Agreement" shall mean that certain Block 88 Development, LLC Operating Agreement dated effective as of December 6, 2002.

1.23. "Block 88/800 Madison Stipulation and Order" shall mean that certain Stipulation and Consent Order Resolving Objection of Mia M. Macri Irrevocable Living Trust ("Macri Trust") and Frank Raia ("Raia") to the Debtors' Motion: (A) for an Order Approving a Settlement Agreement with BofA Pursuant to Fed. R. Bankr. P. 9019; (B) for a Final Order (I) Approving Post-Petition Financing for 800 Madison Street Urban Renewal LLC, (II) Granting Liens and Superpriority Administrative Expense Status Pursuant to 11 U.S.C. §§ 363 and 364 and (III) Modifying Automatic Stay Pursuant to 11 U.S.C. § 362; and

(C) Granting Related Relief, as entered by the Bankruptcy Court on October 14, 2009 as Docket No. 1151.

1.24. "BofA" shall mean Bank of America, N.A.

1.25. "BofA 800 Madison DIP Loan" shall mean the post-petition financing provided by BofA to 800 Madison approved by Final Order of the Bankruptcy Court entered on October 14, 2009.

1.26. "BofA Documents" means collectively (i) the Block 88/800 Madison Stipulation and Order, (ii) the BofA Settlement Agreement and the BofA Settlement Approval Order, (iii) that certain Final Order (A) Authorizing 800 Madison Street Urban Renewal, LLC to Obtain Post-Petition Financing and Grant Liens, Security Interests and Superpriority Administrative Claims Pursuant to 11 U.S.C. § 364(c) and (d); (B) Granting Adequate Protection; (C) Modifying the Automatic Stay Pursuant to 11 U.S.C. § 362; and (D) Granting Related Relief, as entered by the Bankruptcy Court on October 14, 2009, and (iv) that certain Super-Priority Debtor in Possession Building Loan Agreement, dated as of August 20, 2009, by and among 800 Madison and BofA.

1.27. "BofA Guaranty" shall mean the Guaranty made as of August 20, 2009 by Tarragon Corp. and Tarragon Dev. Corp. and all documents related thereto in favor of BofA in connection with the BofA Settlement Agreement.

1.28. "BofA Settlement Agreement" shall mean the Settlement Agreement entered on August 20, 2009 between certain Debtors and BofA, and all documents related thereto, as approved by the BofA Settlement Approval Order.

1.29. "BofA Settlement Approval Order" shall mean that certain Order Pursuant to Fed. R. Bankr.P.9019 Approving Settlement and Entry into a Settlement Agreement with BofA, as entered by the Bankruptcy Court on October 14, 2009 as Docket No. 1152.

1.30. "Borrowers" shall having the meaning set forth in the Term Loan.

1.31. "Business Day" means any day other than a Saturday, Sunday or any other day on which commercial banks in New York, New York are required or authorized to close by law or executive order.

1.32. "Cash" means legal tender of the United States of America or the equivalent thereof, including bank deposits, checks and wire transfers.

1.33. "Causes of Action" means any and all causes of action, grievances, arbitrations, actions, suits, demands, demand letters, Claims, complaints, notices of non-compliance or violation, enforcement actions, investigations or proceedings of the Debtors and/or their Estates that are or may be pending on the Effective Date or that could be instituted or prosecuted by the Debtors.

1.34. "Chapter 11 Cases" means the cases under Chapter 11 of the Bankruptcy Code commenced by (i) the following Debtors on January 12, 2009: Tarragon Corp., Tarragon Dev. Corp., Tarragon South, Tarragon Dev. LLC, TMI, Bermuda Island, Orion, Orlando Central, Fenwick, Las Olas, Trio West, 800 Madison, 900 Monroe, Block 88, Central Square, Charleston, Omni, Tarragon Edgewater, Trio East, and Vista; (ii) the following Debtors on January 13, 2009: Murfreesboro and Stonecrest; and (iii) the following Debtors on February 5, 2009: Stratford, MSCP and Hanover.

1.35. "Claim" shall mean a "claim" against any Debtor, as that term is defined in section 101(5) of the Bankruptcy Code.

1.36. "Class" means any group of substantially similar Claims or Equity Interests classified by this Plan pursuant to section 1123(a)(1) of the Bankruptcy Code.

1.37. "Clerk" means the clerk of the Bankruptcy Court.

1.38. "Closing Date" means the date on which the transactions with Reorganized Tarragon and New Ansonia as set forth in this Plan are consummated.

1.39. "Collateral" means any property or interest in property of the Estate of any Debtor subject to a lien, charge, or other encumbrance to secure the payment or performance of a Claim, which lien, charge or other, encumbrance is valid, perfected and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code.

1.40. "Commencement Date" means January 12, 2009 with respect to the January 12, 2009 Debtors, January 13, 2009 with respect to the January 13, 2009 Debtors, and February 5, 2009 with respect to the February 5, 2009 Debtors, the respective dates on which the Debtors commenced their Chapter 11 Cases.

1.41. "Confirmation Date" means the date upon which the Bankruptcy Court enters the Confirmation Order on its docket.

1.42. "Confirmation Hearing" means the duly noticed hearing to be held in accordance with section 1128(a) of the Bankruptcy Code at which confirmation of this Plan is considered by the Bankruptcy Court, as such hearing may be adjourned or continued from time to time.

1.43. "Confirmation Order" means the order of the Bankruptcy Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code.

1.44. "Credit Agreement" means that certain Secured, Super-Priority Debtor-in-Possession and Exit Financing Credit and Security Agreement dated as of March 24, 2010, by and among the Borrowers and UTA, as Lender.

1.45. "Creditor" means any Person that is the Holder of a Claim against a Debtor or Debtors.

1.46. "Creditors' Committee" means the statutory committee of unsecured creditors appointed in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code.

1.47. "Cure" means with respect to the assumption of an Executory Contract or unexpired lease pursuant to Section 365(b) of the Bankruptcy Code, (i) the distribution of Cash, or the distribution of such other property as may be agreed upon by the parties or ordered by the Bankruptcy Court, in an amount equal to all unpaid monetary obligations, without interest, or such other amount as may be agreed upon by the parties under an Executory Contract or unexpired lease, to the extent such obligations are enforceable under the Bankruptcy Code and applicable bankruptcy law or (ii) the taking of such other actions as may be agreed upon by the parties or ordered by the Bankruptcy Court.

1.48. "Debtors" has the meaning set forth in the Introduction to the Plan.

1.49. "Debtors-in-Possession" means the Debtors in their capacity as debtors-in-possession in the Chapter 11 Cases pursuant to sections 1101, 1107(a) and 1108 of the Bankruptcy Code.

1.50. "Deferred Confirmation Expenses" shall mean, to the extent not already paid on or before the Effective Date of the Plan, (i) all Allowed Administrative and Priority Claims in the Chapter 11 Cases of Tarragon Corp., Tarragon Dev. Corp., Tarragon Dev. LLC and Tarragon South, including any fees and expenses of Professionals and all costs associated with the Tarragon Creditor Entity, except as otherwise specifically set forth herein or in the Credit Agreement, and (ii) all pre-confirmation and post-confirmation fees due to the Office of the UST.

1.51. "Disbursing Agent" means either (i) Reorganized Tarragon with respect to any Distributions that are to be made pursuant to the Plan for Allowed Administrative Expense Claims and Priority Claims, (ii) Reorganized Tarragon with respect to any Distributions that are to be made pursuant to the BofA Settlement Agreement, the BofA Settlement Approval Order and/or the Block 88 Operating Agreement to Holders of Allowed Claims against or Equity Interests in 800 Madison or Block 88, or (iii) the Tarragon Creditor Entity or Reorganized Tarragon, as applicable, with respect to all other Distributions that are to be made pursuant to the Plan.

1.52. "Disclosure Statement" means the Debtors' Second Amended and Restated Disclosure Statement pursuant to Section 1125 of the Bankruptcy Code relating to this Plan including, without limitation, all exhibits and schedules thereto, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code.

1.53. "Disputed" means, with reference to any Claim or Equity Interest, any Claim or Equity Interest proof of which was timely and properly filed and that has been or hereafter is listed on the Schedules as unliquidated, disputed or contingent and, in either case, or in the case of an Administrative Expense Claim, any Administrative Expense Claim, Claim or Equity Interest which is disputed under this Plan or as to which any of the Debtors or, if not prohibited by this Plan, any other party in interest has interposed a timely objection and/or request for estimation in accordance with section 502(c) of the Bankruptcy Code and Bankruptcy Rule 3018, which objection and/or request for estimation has not been withdrawn or determined by a Final Order, and any Claim or Equity Interest proof of which was required to be filed by Order of the Bankruptcy Court but as to which a proof of claim or interest was not timely or properly filed. With reference to the Equity Interests in Block 88 or 800 Madison and Intercompany Claims

against Block 88 and 800 Madison (as defined in the Block 88/800 Madison Stipulation and Order), whether such Equity Interests and Intercompany Claims are disputed shall be determined and resolved in accordance with the Block 88/800 Madison Stipulation and Order and the Block 88 Dispute Resolution Provisions.

1.54. "Disputed Claim" means that portion (including, when appropriate, the whole) of a Claim to which an objection has been filed by the applicable deadline for bringing such objection and which objection has not been resolved in accordance with the procedures set forth in this Plan. To the extent that a Disputed Claim might refer to the Equity Interests in Block 88 or 800 Madison or Intercompany Claims against Block 88 or 800 Madison (as defined in the Block 88/800 Madison Stipulation and Order), such Equity Interests and Intercompany Claims shall be determined and resolved in accordance with the Block 88/800 Madison Stipulation and Order and the Block 88 Dispute Resolution Provisions. To the extent that a Disputed Claim might refer to the Equity Interests in any of the Ursa LLCs or Intercompany Claims against an Ursa LLC, such Equity Interests and Intercompany Claims shall be determined and resolved in accordance with the Ursa Documents and the Ursa Dispute Resolution Provisions.

1.55. "Disputed Claim Amount" means the amount set forth in the proof of Claim relating to a Disputed Claim or, if an amount is estimated with respect to a Disputed Claim in accordance with section 502(c) of the Bankruptcy Code and Bankruptcy Rule 3018, the amount so estimated pursuant to an Order of the Bankruptcy Court. To the extent that a Disputed Claim Amount might refer to the Equity Interests in Block 88 or 800 Madison or Intercompany Claims against Block 88 and 800 Madison (as defined in the Block 88/800 Madison Stipulation and Order), such Equity Interests and Intercompany Claims shall be determined and resolved in accordance with the Block 88/800 Madison Stipulation and Order and the Block 88 Dispute

Resolution Provisions. To the extent that a Disputed Claim might refer to the Equity Interests in any of the Ursa LLCs or Intercompany Claims against an Ursa LLC, such Equity Interests and Intercompany Claims shall be determined and resolved in accordance with the Ursa Documents and the Ursa Dispute Resolution Provisions.

1.56. "Distribution" means any distribution by Reorganized Tarragon or the Tarragon Creditor Entity, as applicable, to the Holders of Allowed Claims and Holders of Allowed Equity Interests as of the Commencement Date.

1.57. "Docket" means the dockets in the Chapter 11 Cases maintained by the Clerk of the Bankruptcy Court.

1.58. "Effective Date" means the date which is (i) at least one (1) day after the Confirmation Order becomes a Final Order, and (ii) all conditions to the Effective Date as set forth in Article 9.2 of this Plan have been satisfied or, if waivable, waived.

1.59. "Entity" means an entity as defined in section 101(15) of the Bankruptcy Code.

1.60. "Equity Interests" or "Interests" means all equity interests in the Debtors including, but not limited to, all issued, unissued, authorized or outstanding shares of stock together with any warrants, options or contract rights to purchase or acquire such interests at any time or membership interests in a limited liability corporation or partnership interests.

1.61. "Estate" means the estates created upon the commencement of the Chapter 11 Cases pursuant to section 541 of the Bankruptcy Code.

1.62. "Executory Contract" means any executory contract or unexpired lease as of the Commencement Date, subject to section 365 of the Bankruptcy Code, between a Debtor and any other Person or Persons, specifically excluding contracts and agreements entered into pursuant to this Plan or subject to section 1113 of the Bankruptcy Code.

1.63. "Fee Application" means an application by a Professional for a Professional Compensation and Reimbursement Claim.

1.64. "Final Order" means an Order of the Bankruptcy Court or a Court of competent jurisdiction to hear appeals from the Bankruptcy Court, that has not been reversed, stayed, modified or amended and as to which the time to appeal, to petition for certiorari, or to move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending or, if pending, as to which any right to appeal, petition for certiorari, reargue, or rehear shall have been waived in writing, provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rules under the Bankruptcy Rules or applicable state court rules of civil procedure, may be filed with respect to such Order shall not cause such Order to not be a Final Order.

1.65. "Friedman" shall mean William S. Friedman.

1.66. "GECC Ansonia Loan" shall mean those certain loans made by GECC that are secured by the Ansonia Properties.

1.67. "General Unsecured Claim" means any Unsecured Claim against a Debtor that is not a Secured Claim, UTA Term Loan Claim, Administrative Expense Claim, Priority Tax Claim, or Other Priority Claim, but including, without limitation, Claims arising from the rejection of an unexpired lease or Executory Contract pursuant to this Plan or otherwise.

1.68. "Governmental Unit" shall have the meaning set forth in section 101(27) of the Bankruptcy Code.

1.69. "Holder" means the beneficial holder of any Claim or Equity Interest.

1.70. "Indenture Trustee" means The Bank of New York Mellon Trust Company, N.A., as successor to JP Morgan Chase Bank, National Association.

1.71. "Indenture Trustee Charging Lien" shall mean the charging liens granted to secure Tarragon Corp.'s payment obligations under the Indentures and authorized pursuant to §6.6 of the Indentures, granting the Indenture Trustee a lien prior to the securities issued pursuant to the Indentures on all money or property held or collected by the Indenture Trustee, other than money or property held in trust to pay principal and interest on particular securities.

1.72. "Indentures" shall mean the Junior Subordinated Indentures, dated as of June 14, 2005, September 12, 2005 and March 1, 2006 (as amended and supplemented) between Tarragon Corp. and JPMorgan Chase Bank, National Association, as Trustee, pursuant to which subordinated notes in the aggregate principal amount of $125,000,000.00 were issued, which are now owned or controlled by Taberna.

1.73. "Intercompany Claim" means a Claim by a Debtor against another Debtor. When used herein in connection with the Block 88/800 Madison Stipulation and Order, "Intercompany Claims" shall and is intended to have the meaning ascribed to such term in the Block 88/800 Madison Stipulation and Order.

1.74. "Lien" shall have the meaning set forth in section 101(37) of the Bankruptcy Code.

1.75. "Order" means an order or judgment of the Bankruptcy Court as entered on the Docket.

1.76. "Other Priority Claim" means any Claim, other than an Administrative Expense Claim or a Priority Tax Claim, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.

1.77. "Other Secured Claim" means any Secured Claim arising prior to the Commencement Date against any of the Debtors, other than a Secured Claim of a claimant separately classified under this Plan and not otherwise paid or satisfied by an other Order authorizing the payment of such Other Secured Claim before the Effective Date.

1.78. "Person" shall have the meaning set forth in section 101(41) of the Bankruptcy Code.

1.79. "Plan" means this Second Amended and Restated Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code, including, without limitation, the Plan Supplement and all exhibits, supplements, appendices and schedules hereto, either in their present form or as the same may be altered, amended or modified from time to time.

1.80. "Plan Documents" mean the agreements, documents and instruments entered into on or as of the Effective Date as contemplated by, and in furtherance of, the Plan.

1.81. "Plan Supplement" means the forms of documents specified in Article 11.12 of this Plan.

1.82. "Post-Petition Administrative Trade Claims" means all liabilities of the Debtors for post-Commencement Date ordinary course obligations and trade payables of the Debtors' business as of the Effective Date (excluding any expenses incurred with respect to the administration of the Cases such as Professional Compensation and Reimbursement Claims) which would qualify as Allowed Administrative Expense Claims under Section 503(b) of the Bankruptcy Code.

1.83. "Priority Claim" means a Priority Tax Claim or Other Priority Claim.

1.84. "Priority Tax Claim" means any Claim of a governmental unit of the kind specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code.

1.85. "Professional" means a Person or Entity employed pursuant to a Final Order in accordance with sections 327 or 1103 of the Bankruptcy Code and to be compensated for services rendered prior to the Confirmation Date, pursuant to sections 327, 328, 329, 330 and/or 331 of the Bankruptcy Code, or for which compensation and reimbursement has been Allowed by the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code.

1.86. "Professional Compensation and Reimbursement Claim" means a Claim of a Professional for compensation or reimbursement of costs and expenses relating to services incurred after the Commencement Date and prior to and including the Effective Date.

1.87. "Pro Rata, Ratable or Ratable Share" each mean a number (expressed as a percentage) equal to the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of or number of: (i) Allowed Claims plus (ii) Disputed Claims (in their aggregate face or, if applicable, estimated amount) in such Class as of the date of determination.

1.88. "Reorganized Tarragon" means Tarragon Corp. on and after the Effective Date.

1.89. "Record Date" shall have the meaning set forth in the Disclosure Statement.

1.90. "Reinstated" means (i) leaving unaltered the legal, equitable, and contractual rights to which a Claim entitles the Holder of such Claim so as to leave such Claim unimpaired or (ii) notwithstanding any contractual provision or applicable law that entitles the Holder of a Claim to demand or receive accelerated payment of such Claim after the occurrence of a default*:* (a) curing any such default that occurred before or after the Commencement Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) expressly does not require to be cured; (b) reinstating the maturity (to the extent such maturity has not otherwise accrued by the passage of time) of such Claim as such maturity existed before such default; (c) compensating the Holder of such Claim for any damages incurred

as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; (d) if such Claim arises from a failure to perform a nonmonetary obligation other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b)(l)(A) of the Bankruptcy Code, compensating the Holder of such Claim (other than a Debtor or an Insider) for any actual pecuniary loss incurred by such Holder as a result of such failure; and (e) not otherwise altering the legal, equitable, or contractual rights to which such Claim entitles the Holder.

1.91. "Retained Actions" means the Ridgefield Claim and any Cause of Action which any of the Debtors may hold against any Person that is pending before a court of competent jurisdiction or through arbitration as of the Effective Date, including without limitation, (i) that certain litigation entitled *Tarragon Development Corp. v. Brown's Farm et al.* Adv. Pro No. 09-1867 (DHS), (ii) that certain demand for arbitration filed by Soares Da Costa Construction Services, LLC against Alta Mar Development LLC, Balsam Acquisition, LLC and Tarragon Dev. Corp. with the American Arbitration Association, bearing case number 50 110 S 00346 06, (iii) that certain litigation commenced by Central Square against Great Divide Insurance Company in the Circuit Court of the 17th Judicial Circuit, Broward County, Florida, bearing Case No. 07000612, and (iv) that certain litigation filed by Tarragon Stoneybrook Apartments, LLC against Summitt Contractors, Inc. and its bonding company Federal Insurance Company in the Circuit Court for Orange County, Florida.

1.92. "Ridgefield Claim" means any claim of Tarragon Corp. for the return of a $1,000,000 deposit paid in conjunction with an Agreement of Sale to purchase property located at 1 Bell Drive, Ridgefield Borough, New Jersey.

1.93. "Rothenberg" shall mean Robert P. Rothenberg.

1.94. "Schedules" means the schedules of assets and liabilities, the list of Holders of Equity Interests and the statements of financial affairs filed by the Debtors under section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, and all amendments pursuant to Bankruptcy Rule 1009 and modifications thereto through the Confirmation Date.

1.95. "Section 503(b)(9) Administrative Claim" means a Claim against a Debtor alleged to be entitled to an administrative expense priority under 11 U.S.C. §503(b)(9) for goods sold to such Debtor in the ordinary course of the Debtor's business and received by such Debtor within 20 days before the Commencement Date.

1.96. "Secured Claim" means a Claim that is secured by a lien on property in which the Estate has an interest, which lien is valid, perfected and enforceable under applicable law or by reason of a Final Order, or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Creditor's interest in the Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code, provided, however, that a Secured Claim shall not include any portion of the Claim to the extent that the value of such entity's Collateral is less than the amount of such Claim.

1.97. "Securities Action Plaintiff" means the plaintiff in the consolidated securities putative class action lawsuit entitled *In re Tarragon Corporation Securities Litigation*, Civil Action No. 07-7972, pending in the United States District Court for the Southern District of New York.

1.98. "Sponsor" shall mean the Plan funder and sponsor of the Debtors.

1.99. "Surplus Cash" means all cash on hand of Reorganized Tarragon and the other Borrowers under the Term Loan in excess of $500,000 other than proceeds of the Term Loan.

1.100. "Taberna" shall mean Taberna Capital Management LLC and certain of its affiliates

1.101. "Taberna Claims" shall mean those certain Claims of Taberna against Tarragon Corp.

1.102. "Unsecured Claim" means any Claim against a Debtor that arose or is deemed by the Bankruptcy Code or Bankruptcy Court, as the case may be, to have arisen before the Commencement Date and that is not a Secured Claim, Other Secured Claim, Administrative Expense Claim, Priority Tax Claim or Other Priority Claim.

1.103. "Ursa Dispute Resolution Provisions" shall mean the dispute resolution provision of the applicable Ursa Operating Agreement.

1.104. "Ursa Documents" means that certain (i) Order (A) Authorizing the Debtors to Sell Their Interests in Block 112 Development, LLC Free and Clear of Liens, Claims and Interests; (B) Waiving the Ten Day Stay Pursuant to Fed.R.Bankr.P. 6004(h); and (C) Granting Other Related Relief, as entered by the Bankruptcy Court on September 10, 2009, and (ii) Agreement by and among Tarragon Corp., Tarragon Dev. Corp., URSA Development Group, LLC and Block 112 Development, LLC dated August, 2009.

1.105. "Ursa LLCs" shall have the meaning set forth in the Disclosure Statement.

1.106. "Ursa Operating Agreement" shall have the meaning set forth in the Disclosure Statement.

1.107. "UST" means the United States Trustee.

1.108. "UTA" means UTA Capital LLC.

1.109. "UTA Term Loan Claims" means all Claims of UTA arising under or pursuant to the Term Loan, including, without limitation, principal and interest on the Term Loan, plus all reasonable fees and expenses arising under the Term Loan.

1.110. "Voting Deadline" means the date fixed by the Court pursuant to an Order: (i) Approving the Disclosure Statement Pursuant to 11 U.S.C. § 1125(b); (ii) Fixing a Record Date for Voting and Procedures for Filing Objections to the Plan and Temporary Allowance of Claims; (iii) Scheduling a Hearing and Approving Notice and Objection Procedures in Respect of Plan Confirmation; (iv) Approving Solicitation Packages and Procedures for Distribution Thereof; and (v) Approving the Form of Ballot and Establishment of Procedures for Voting on the Plan.

ARTICLE II.

CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

2.1. Overview

This section classifies Claims and Equity Interests -- except for Administrative Expense Claims and Priority Tax Claims, which are not classified -- for all purposes, including voting, confirmation and distribution under this Plan. This section also provides whether each Class of Claims or Equity Interests is impaired or unimpaired, and provides the treatment each Class will receive under this Plan. References in this Plan to the amount of Claims are based on information reflected in the Debtor's Schedules or in filed proofs of Claim, and are not intended to be admissions regarding the Allowed amount of the Claims or waivers of the Debtors or their respective successors' rights to assert any otherwise available objection, defense, recoupment, setoff, claim, or counterclaim against any Claim. The following table ("Claims Treatment Table") summarizes the Classes of Claims and Equity Interests under this Plan:

CLASS	DESCRIPTION	IMPAIRED/UNIMPAIRED	VOTING STATUS

None	Administrative Expense Claims	Unimpaired	Not Entitled to Vote
None	Priority Tax Claims	Unimpaired	Not Entitled to Vote
Class 1	UTA Term Loan Claims	Unimpaired	Not Entitled to Vote
Class 2	BofA 800 Madison DIP Loan Claims	Unimpaired	Not Entitled to Vote
2. Claims Against Tarragon Corp.			
Class 2A	Secured Claims	Unimpaired	Not Entitled to Vote
Class 2B(i)	Unsecured Priority Claims	Unimpaired	Not Entitled to Vote
Class 2B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 2B(iii)	Federal Home Loan Mortgage Corporation Claims	Impaired	Entitled to Vote
Class 2B(iv)	Fannie Mae Claims	Impaired	Entitled to Vote
Class 2B(v)	GECC Claims	Impaired	Entitled to Vote
Class 2B(vi)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 2B(vii)	Unsecured Affiliated Debt Holders Claims	Impaired	Not Entitled to Vote
Class 2C	Equity Interests	Impaired	Deemed to Reject Plan
3. Claims Against Tarragon Dev. Corp.			
Class 3A	Secured Claims	Unimpaired	Not Entitled to Vote
Class 3B(i)	Unsecured Priority Claims	Unimpaired	Not Entitled to Vote
Class 3B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 3B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 3C	Equity Interests	Unimpaired	Not Entitled to Vote
4. Claims Against Tarragon South			
Class 4A	Secured Claims	Not Applicable	Not Applicable
Class 4B(i)	Unsecured Priority Claims	Unimpaired	Not Entitled to Vote
Class 4B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 4B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 4C	Equity Interests	Unimpaired	Not Entitled to Vote
5. Claims Against Tarragon Dev. LLC			
Class 5A	Secured Claims	Not Applicable	Not Applicable

Class 5B(i)	Unsecured Priority Claims	Unimpaired	Not Entitled to Vote
Class 5B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 5B(iii)	GECC Claims	Impaired	Entitled to Vote
Class 5B(iv)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 5C	Equity Interests	Unimpaired	Not Entitled to Vote
6. Intentionally Deleted.			
7. Claims Against Bermuda Island			
Class 7A	Secured Claims	Impaired	Entitled to Vote
Class 7B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 7B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 7B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 7C	Equity Interests	Unimpaired	Not Entitled to Vote
8. Claims Against Orion			
Class 8A	Secured Claims	Impaired	Entitled to Vote
Class 8B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 8B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 8B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 8C	Equity Interests of Debtors and/or Affiliates of Debtors	Unimpaired	Not Entitled to Vote
Class 8D	Equity Interests of non-Debtors and/or non-Affiliates of Debtors	Unimpaired	Not Entitled to Vote
9. Claims Against Orlando Central			
Class 9A	Secured Claims	Not Applicable	Not Applicable
Class 9B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 9B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 9B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 9C	Equity Interests	Impaired	Deemed to Reject Plan
10. Claims Against Fenwick			
Class 10A	Secured Claims	Not Applicable	Not Applicable

Class 10B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 10B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 10B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 10C	Equity Interests	Impaired	Deemed to Reject Plan
11. Claims Against Las Olas			
Class 11A(i)	Secured Claims (Bank Atlantic)	Impaired	Entitled to Vote
Class 11A(ii)	Secured Claims (Regions Bank)	Impaired	Entitled to Vote
Class 11B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 11B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 11B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 11C	Equity Interests	Unimpaired	Not Entitled to Vote
12. Claims Against Trio West			
Class 12A	Secured Claims	Not Applicable	Not Applicable
Class 12B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 12B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 12B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 12C	Equity Interests	Impaired	Deemed to Reject Plan
13. Claims Against 800 Madison			
Class 13A	Secured Claims	Impaired	Entitled to Vote
Class 13B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 13B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 13B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 13C	Equity Interests	Unimpaired	Not Entitled to Vote
14. Claims Against 900 Monroe			
Class 14A	Secured Claims	Impaired	Entitled to Vote
Class 14B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 14B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote

Class 14B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 14C	Equity Interests	Unimpaired	Not Entitled to Vote
15. Claims Against Block 88			
Class 15A	Secured Claims	Not Applicable	Not Applicable
Class 15B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 15B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 15B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 15C	Equity Interests	Unimpaired	Not Entitled to Vote
16. Claims Against Central Square			
Class 16A	Secured Claims	Impaired	Entitled to Vote
Class 16B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 16B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 16B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 16C	Equity Interests	Unimpaired	Not Entitled to Vote
17. Claims Against Charleston			
Class 17A	Secured Claims	Not Applicable	Not Applicable
Class 17B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 17B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 17B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 17C	Equity Interests	Impaired	Deemed to Reject Plan
18. Claims Against Omni			
Class 18A	Secured Claims	Not Applicable	Not Applicable
Class 18B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 18B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 18B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 18C	Equity Interests	Unimpaired	Not Entitled to Vote
19. Claims Against Tarragon Edgewater			
Class 19A	Secured Claims	Not Applicable	Not Applicable
Class 19B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 19B(ii)	Unsecured Non-Priority	Impaired	Entitled to Vote

	Claims		
Class 19B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 19C	Equity Interests	Unimpaired	Not Entitled to Vote
20. Claims Against Trio East			
Class 20A	Secured Claims	Impaired	Entitled to Vote
Class 20B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 20B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 20B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 20C	Equity Interests	Unimpaired	Not Entitled to Vote
21. Claims Against Vista			
Class 21A	Secured Claims	Not Applicable	Not Applicable
Class 21B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 21B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 21B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 21C	Equity Interests	Impaired	Deemed to Reject Plan
22. Claims Against Murfreesboro			
Class 22A	Secured Claims	Not Applicable	Not Applicable
Class 22B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 22B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 22B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 22C	Equity Interests	Impaired	Deemed to Reject Plan
23. Claims Against Stonecrest			
Class 23A	Secured Claims	Not Applicable	Not Applicable
Class 23B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 23B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 23B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 23C	Equity Interests	Impaired	Deemed to Reject Plan
24. Claims Against Stratford			
Class 24A	Secured Claims	Not Applicable	Not Applicable

Class 24B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 24B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 24B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 24C	Equity Interests	Impaired	Deemed to Reject Plan
25. Claims Against MSCP			
Class 25A	Secured Claims	Not Applicable	Not Applicable
Class 25B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 25B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 25B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 25C	Equity Interests	Impaired	Deemed to Reject Plan
26. Claims Against Hanover			
Class 26A	Secured Claims	Not Applicable	Not Applicable
Class 26B(i)	Unsecured Priority Claims	Impaired	Entitled to Vote
Class 26B(ii)	Unsecured Non-Priority Claims	Impaired	Entitled to Vote
Class 26B(iii)	Intercompany Claims	Impaired	Not Entitled to Vote
Class 26C	Equity Interests	Impaired	Deemed to Reject Plan

2.2. Unclassified Claims

Certain types of Claims are not placed into voting classes; instead, they are unclassified. Such Claims are not considered impaired, and Holders of such Claims do not vote on this Plan because their claims are automatically entitled to specific treatment provided under the Bankruptcy Code. As such, the Debtors have not placed such Claims in a Class. The treatment of these Claims is provided below:

2.3. Administrative Expense Claims

Administrative Expense Claims are Claims against the Debtors constituting a cost or expense of administration of the Chapter 11 Cases allowed under sections 503(b) and 507(a)(2)

of the Bankruptcy Code, including any actual and necessary costs and expenses of operating the Debtors' business, any indebtedness or obligations incurred or assumed by the Debtors in connection with the conduct of its business, any allowance of compensation or reimbursement of expenses for Professionals to the extent allowed by the Bankruptcy Court under sections 330 and 331 of the Bankruptcy Code, and fees or charges assessed against the Debtors' Estates under section 1930, chapter 12, title 28, United States Code ("Statutory Fees", which are treated separately below) and Allowed 503(b)(9) Administrative Claims.

Subject to the allowance procedures and the deadlines provided herein, and except (i) to the extent that any entity entitled to payment of any Allowed Administrative Expense Claim agrees to a different treatment, or (ii) with respect to Deferred Confirmation Expenses which shall be paid in accordance with the specific terms of the Plan, Allowed Administrative Expense Claims (excluding Assumed liabilities, which include but are not limited to Allowed 503(b)(9) Administrative Claims and Post-Petition Administrative Trade Claims) shall be paid Cash without interest in full by the Debtors on the later of: (i) twenty days after the Effective Date; or (ii) thirty days from the date of entry of a Final Order determining and Allowing such Claim as an Administrative Expense Claim, or as soon thereafter as is practicable.

Allowed Administrative Expense Claims representing Post-Petition Administrative Trade Claims shall be paid in full and/or performed by the Debtors in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements or Bankruptcy Court Orders governing, instruments evidencing or other documents relating to, such transactions.

Allowed 503(b)(9) Administrative Claims shall be paid in full and/or performed by the Debtors within 120 days from the later of the Closing Date or the date such Allowed 503(b)(9) Administrative Claims are Allowed by the Bankruptcy Court.

2.4. Professional Compensation and Reimbursement Claims

Except with respect to Deferred Confirmation Expenses which shall be paid in accordance with the specific terms of the Plan, any Person seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date under sections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code: (i) shall file respective final Fee Applications for services rendered and reimbursement of expenses incurred through the Confirmation Date no later than sixty days after the Confirmation Date or such other date as may be fixed by the Bankruptcy Court and, (ii) if granted such an award by the Bankruptcy Court, shall be paid by Reorganized Tarragon in full in such amounts as are Allowed by the Bankruptcy Court (a) seven days after such Professional Compensation and Reimbursement Claim becomes an Allowed Professional Compensation and Reimbursement Claim, or as soon thereafter as is practicable, or (b) upon such other terms as may be mutually agreed upon between such Holder of an Allowed Professional Compensation and Reimbursement Claim and the Debtor, on and after the Effective Date; provided, however, that Deferred Confirmation Expenses shall be paid in accordance with the specific terms of the Plan. Failure to file a final Fee Application timely shall result in the Professional Compensation and Reimbursement Claim being forever barred and discharged.

Notwithstanding anything herein to the contrary, and except as otherwise provided by prior Order of the Bankruptcy Court or with respect to Deferred Compensation Expenses: (i) payment of a Professional Compensation and Reimbursement Claim that is an Allowed Claim as of the Confirmation Date shall be made on the Effective Date; and (ii) payment of a Professional Compensation and Reimbursement Claim that becomes an Allowed Claim following the Effective Date shall be made on or before the date that is the earlier of (a) the date such

Professional Compensation and Reimbursement Claim is required to be paid in accordance with the Administrative Order or (b) seven days after an Order deeming such Professional Compensation and Reimbursement Claim an Allowed Claim is entered by the Bankruptcy Court.

2.5. Payment of Statutory Fees

Notwithstanding anything herein to the contrary, except for Deferred Confirmation Expenses which shall be paid in accordance with the specific terms of the Plan, all fees due and payable to the Clerk's Office pursuant to section 1930 of title 28 of the United States Code, including, without limitation, any United States Trustee quarterly fees incurred pursuant to section 1930(a)(6) of title 28 of the United States Code shall be paid on the Effective Date.

2.6. Priority Tax Claims

Each Holder of an Allowed Priority Tax Claim shall receive, in full satisfaction of such Allowed Priority Tax Claim, (a) payment in Cash equal to the amount of such Claim on the later of (i) the Effective Date, or (ii) seven Business Days after entry of a Final Order Allowing such Priority Tax Claim, or as soon thereafter as is practicable, but in no event later than thirty days after entry of such Final Order, unless such Holder shall have agreed to different treatment of such Allowed Claim, or (b) pursuant to Section 1129(a)(9)(C) of the Bankruptcy Code, in regular quarterly installments over a period of five (5) years with interest at the rate permitted under the Internal Revenue Code; provided, however, that any Claim or demand for payment of a penalty (other than a penalty of the type specified in section 507(a)(8)(G) of the Bankruptcy Code) shall be disallowed pursuant to this Plan and the Holder of an Allowed Priority Tax Claim shall not assess or attempt to collect such penalty from the Debtors, their Estates, or any property of such Entities.

ARTICLE III.

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

Claims, other than Administrative Expense Claims, Professional Compensation and Reimbursement Claims and Priority Tax Claims are classified for all purposes, including voting, confirmation and distribution pursuant to the Plan, as follows:

Except for the Administrative Expense Claims and Priority Tax Claims discussed above, all Claims against, and Equity Interests in, the Debtors and with respect to all property of the Debtors and their Estates, are defined and hereinafter designated in respective Classes. A Claim or Equity Interest is classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class, and is classified in another Class or Classes, to the extent that any remainder of the Claim or Equity Interest qualifies within the description of such other Class or Classes. A Claim or Equity Interest is classified in a particular Class only to the extent that the Claim or Equity Interest is an Allowed Claim[2] or Allowed Equity Interest in that Class and has not been paid, released or otherwise satisfied or waived before the Effective Date. Notwithstanding anything to the contrary contained in this Plan, no Distribution shall be made on account of any Claim that is not an Allowed Claim.

This Plan is intended to deal with all Claims against and Equity Interests in the Debtors of whatever character, whether known or unknown, whether or not with recourse, whether or not contingent or unliquidated, and whether or not previously Allowed by the Bankruptcy Court pursuant to section 502 of the Bankruptcy Code. However, only Holders of Allowed Claims will receive any distribution under this Plan. For purposes of determining Pro Rata distributions under this Plan and in accordance with this Plan, Disputed Claims shall be included in the Class

[2] For purposes of this Plan, any general reference to "Allowed Claim" shall include Allowed Administrative Expense Claims.

in which such Claims would be included if Allowed, until such Claims are finally disallowed. Nothing in this Plan is intended to and shall not be deemed to alter, amend, impair or modify the terms of the BofA Documents or the Ursa Documents, as applicable; in the event and to the extent that there are any inconsistencies between this Plan and the terms of the BofA Documents or the Ursa Documents, as applicable, the terms of the BofA Documents or the Ursa Documents, as applicable, shall control.

ARTICLE IV.

TREATMENT OF CLASSIFIED CLAIMS AND EQUITY INTERESTS

4.1. UTA Term Loan Claims / 800 Madison DIP Loan Claims

(A) Class 1: UTA Term Loan Claims

(i) Classification. The Claims in Class 1 are the UTA Term Loan Claims.

(ii) Treatment. Each Holder of a Class 1 Claim shall, in full, final, and complete satisfaction of such Class 1 Claim, be paid pursuant to the terms of the loan documents evidencing the Term Loan and Section 7.1(E) hereof.

(iii) Impairment and Voting. Class 1 is unimpaired by this Plan. Therefore, the Holders of Class 1 Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

(B) Class 2: BofA 800 Madison DIP Loan Claims

(i) Classification. The Claims in Class 2 are the BofA 800 Madison DIP Loan Claims.

(ii) Treatment. Each Holder of a Class 2 Claim shall, in full, final, and complete satisfaction of such Class 2 Claim, be paid pursuant to the terms of the loan documents evidencing the BofA 800 Madison DIP Loan and the Order of the Bankruptcy Court approving same.

(iii) Impairment and Voting. Class 2 is unimpaired by this Plan. Therefore, the Holders of Class 2 Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

4.2. Tarragon Corp.

(A) Class 2A: Secured Claims

(i) Classification. Class 2A consists of the BofA Guaranty Claim.

(ii) Treatment. In full and final satisfaction of the Class 2A Claim, BofA shall receive the treatment provided under the BofA Settlement Agreement. Reorganized Tarragon shall reaffirm the obligations of Tarragon Corp. under the BofA Guaranty.

(iii) Impairment and Voting. Class 2A is unimpaired by this Plan. Therefore, the Holders of Class 2A Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

(B) Class 2B(i): Unsecured Priority Claims

(i) Classification. Class 2B(i) shall consist of unsecured Priority Claims.

(ii) Treatment. Each Holder of a Class 2B(i) Claim shall, in full, final, and complete satisfaction of such Class 2B(i) Claim, be paid in full in Cash in accordance with Section 507 of the Bankruptcy Code within ten (10) days after the Effective Date.

(iii) Impairment and Voting. Class 2B(i) is unimpaired by this Plan. Therefore, the Holders of Class 2B(i) Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

(C) Class 2B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 2B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. In full, final, and complete satisfaction of Class 2B(ii) Claims, Holders of Class 2B(ii) Claims shall contribute such Claims to the Tarragon Creditor Entity. The Tarragon Creditor Entity shall receive (i) its share of any distributions made by New Ansonia in accordance with the terms of the New Ansonia Operating Agreement, and (ii) its share of the net proceeds of the sale of certain assets of Tarragon in accordance with the terms of the Plan, and the Holders of Class 2B(ii) Claims shall be entitled to receive their share of such distributions pursuant to the terms of the TCE Operating Agreement.

(iii) Impairment and Voting. Class 2B(ii) is impaired, and the Holders of Allowed Class 2B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 2B(iii): Federal Home Loan Mortgage Corporation Claims

(i) Classification. Class 2B(iii) consists of Claims arising under (1) that certain Guaranty (Multistate) effective as of February 5, 2007 given by Tarragon Corp. in favor of ARCS Commercial Mortgage Co., L.P., and (2) that certain Guaranty (Multistate) effective as of December 6, 2006 given by Tarragon Corp. in favor of ARCS Commercial Mortgage Co., L.P. (collectively, the "Freddie Mac Guarantees").

(ii) Treatment. The guaranty given to Federal Home Loan Mortgage Corporation by Tarragon Corp. shall be reaffirmed by Reorganized Tarragon.

(iii) Impairment and Voting. Class 2B(iii) is impaired, and the Holders of Allowed Class 2B(iii) Claims are entitled to vote to accept or reject this Plan.

(E) Class 2B(iv): Fannie Mae Claims

(i) Classification. Class 2B(iv) consists of Claims arising under (i) that certain Acknowledgment and Agreement of Key Principal to Personal Liability for Exceptions to Non-Recourse Liability that was executed by Tarragon Corp. in connection with that certain Consolidated, Amended and Restated Multifamily Note in the original principal amount of $14,600,000, dated as of November 30, 2006 by and between Woodcreek National, L.C. and ARCS Commercial Mortgage Co., L.P., (ii) that certain Acknowledgment and Agreement of Key Principal to Personal Liability for Exceptions to Non-Recourse Liability that was executed by Tarragon Corp. in connection with that certain Multifamily Note in the original principal amount of $5,880,000 dated June 7, 2000 by and between Mustang Creek National, L.P. and ARCS Commercial Mortgage Co., L.P., (iii) that certain Acknowledgment and Agreement of Key Principal to Personal Liability for Exceptions to Non-Recourse Liability that was executed by Tarragon Corp. in connection with that certain Multifamily

Note in the original principal amount of $6,000,000 dated as of October 31, 2006 by and between Summit on the Lake Associates, Ltd. and Wells Fargo Bank, N.A., and (iv) that certain Acknowledgment and Agreement of Key Principal to Personal Liability for Exceptions to Non-Recourse Liability that was executed by Tarragon Corp. in connection with that certain Multifamily Note in the original principal amount of $2,177,800 dated March 29, 2007 by and between So. Elms National Associates Limited Partnership and Wachovia Multifamily Capital, Inc. (collectively, the "Fannie Mae Guarantees").

(ii) Treatment. The guaranty given to Fannie Mae by Tarragon Corp. shall be reaffirmed by Reorganized Tarragon.

(iii) Impairment and Voting. Class 2B(iv) is impaired, and the Holders of Allowed Class 2B(iv) Claims are entitled to vote to accept or reject this Plan.

(F) Class 2B(v): General Electric Credit Corporation Claims

(i) Classification. Class 2B(v) consists of Claims arising under (1) that certain Amended and Restated Guaranty of the Non-Recourse Exceptions dated June 30, 2006 by and among General Electric Credit Corporation ("GECC"), Tarragon Corp. and William S. Friedman, (2) that certain Guaranty dated August 29, 2005 by and between Tarragon Corp. and GECC, (3) that certain Cross Collateralization Guaranty dated November 30, 2005 by and between Tarragon Corp. and GECC, as amended by that certain First Amendment to Cross Collateralization Guaranty dated September 12, 2007, (4) that certain General Guaranty dated March 27, 2007 by and between Tarragon Corp. and GECC, and (5) that certain Cross-Collateralization Guaranty dated September 29, 2006 between Tarragon Corp. and GECC (collectively, the "Tarragon Corp. GECC Guarantees").

(ii) Treatment. New Ansonia shall guaranty certain debt owed to GECC by Tarragon Corp. on substantially the same terms as the Tarragon Corp. GECC Guarantees.

(iii) Impairment and Voting. Class 2B(v) is impaired and the Holders of Allowed Class 2B(v) Claims are entitled to vote to accept or reject this Plan.

(G) Class 2B(vi): Intercompany Claims

(i) Classification. Class 2B(vi) is comprised of Intercompany Claims.

(ii) Treatment. Holders of Class 2B(vi) Claims shall receive a Distribution *pari passu* with Holders of Class 2B(ii) Claims.

(iii) Impairment and Voting. Class 2B(vi) is impaired and Holders of Allowed Class 2B(vi) Claims are not entitled to vote to accept or reject this Plan.

(H) Class 2B(vii): Unsecured Affiliated Debt Holders Claims

(i) Classification. Class 2B(vii) consists of the Affiliated Debt of Beachwold Partners L.P. and Robert Rothenberg.

(ii) Treatment.

(a) In exchange for (1) contributing the Beachwold Residential Claims, (2) giving a general release of any and all claims against Tarragon Corp. and its direct and indirect subsidiaries by Beachwold and Rothenberg, and (3) agreeing to facilitate the liquidation of Tarragon's assets, Beachwold Residential shall receive (A) 50% of the equity in New Ansonia, and (B) a portion of the net proceeds received from the liquidation of such assets as more specifically described herein.

(b) In exchange for cancelling the Affiliate Notes and any other amounts owed by Tarragon Corp. to Beachwold and Rothenberg (other than the Beachwold Residential Claims), Beachwold shall receive 60% of the equity in Reorganized Tarragon and Rothenberg shall receive 40% of the equity in Reorganized Tarragon.

(iii) Impairment and Voting. Class 2B(vii) is impaired and Holders of Class 2B(vii) Claims will not be entitled to vote to accept or reject the Plan.

(I) Class 2C: Equity Interests

(i) Classification. Class 2C is comprised of the Equity Interests in Tarragon Corp.

(ii) Treatment. Holders of Class 2C Equity Interests will not receive any Distribution of property nor retain any property under this Plan and all Equity Interests in Tarragon Corp. shall be cancelled on the Effective Date without the payment of any monies or consideration.

(iii) Impairment and Voting Class 2C is impaired, and the Holders of Allowed Class 2C Claims are deemed to have rejected the Plan.

4.3. Tarragon Dev. Corp.

(A) Class 3A: Secured Claims

(i) Classification. Class 3A consists of the BofA Guaranty Claim.

(ii) Treatment. In full and final satisfaction of the Class 3A Claim, BofA shall receive the treatment provided under the BofA Settlement Agreement.

(iii) Impairment and Voting. Class 3A is unimpaired by this Plan. Therefore, the Holders of Class 3A Claims are not entitled to vote to accept or reject this Plan

and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

(B) Class 3B(i): Unsecured Priority Claims

(i) Classification. Class 3B(i) shall consist of unsecured Priority Claims.

(ii) Treatment. Each Holder of a Class 3B(i) Claim shall, in full, final, and complete satisfaction of such Class 3B(i) Claim, be paid in full in Cash in accordance with Section 507 of the Bankruptcy Code within ten (10) days after the Effective Date.

(iii) Impairment and Voting. Class 3B(i) is unimpaired by this Plan. Therefore, the Holders of Class 3B(i) Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

(C) Class 3B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 3B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. In full, final, and complete satisfaction of Class 3B(ii) Claims, Holders of Class 3B(ii) Claims shall contribute such Claims to the Tarragon Creditor Entity. The Tarragon Creditor Entity shall receive (i) its share of any distributions made by New Ansonia in accordance with the terms of the New Ansonia Operating Agreement, and (ii) its share of the net proceeds of the sale of certain assets of Tarragon in accordance with the terms of the Plan, and the Holders of Class 3B(ii) Claims shall be entitled

to receive their share of such distributions pursuant to the terms of the TCE Operating Agreement.

(iii) Impairment and Voting. Class 3B(ii) is impaired, and the Holders of Allowed Class 3B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 3B(iii): Intercompany Claims

(i) Classification. Class 3B(iii) is comprised of Intercompany Claims.

(ii) Treatment. Holders of Class 3B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 3B(ii) Claims.

(iii) Impairment and Voting. Class 3B(iii) is impaired and Holders of Class 3B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 3C: Equity Interests

(i) Classification. Class 3C is comprised of the Equity Interests in Tarragon Dev. Corp.

(ii) Treatment. Holders of Class 3C Equity Interests will not receive any Distribution of property under this Plan and all Equity Interests in Tarragon Dev. Corp. shall be retained by such Holder.

(iii) Impairment and Voting Class 3C is unimpaired by this Plan. Therefore, the Holders of Class 3C Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

4.4. Tarragon South

(A) Class 4A: Secured Claims There are no Class 4A Claims.

(B) Class 4B(i): Unsecured Priority Claims

(i) Classification. Class 4B(i) shall consist of unsecured Priority Claims.

(ii) Treatment. Each Holder of a Class 4B(i) Claim shall, in full, final, and complete satisfaction of such Class 4B(i) Claim, be paid in full in Cash in accordance with Section 507 of the Bankruptcy Code within ten (10) days after the Effective Date.

(iii) Impairment and Voting. Class 4B(i) is unimpaired by this Plan. Therefore, the Holders of Class 4B(i) Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

(C) Class 4B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 4B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. In full, final, and complete satisfaction of Class 4B(ii) Claims, Holders of Class 4B(ii) Claims shall contribute such Claims to the Tarragon Creditor Entity. The Tarragon Creditor Entity shall receive (i) its share of any distributions made by New Ansonia in accordance with the terms of the New Ansonia Operating Agreement, and (ii) its share of the net proceeds of the sale of certain assets of Tarragon in accordance with the terms of the Plan, and the Holders of Class 4B(ii) Claims shall be entitled

to receive their share of such distributions pursuant to the terms of the TCE Operating Agreement.

(iii) Impairment and Voting. Class 4B(ii) is impaired, and the Holders of Allowed Class 4B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 4B(iii): Intercompany Claims

(i) Classification. Class 4B(iii) is comprised of Intercompany Claims.

(ii) Treatment. Holders of Class 4B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 4B(ii) Claims.

(iii) Impairment and Voting. Class 4B(iii) is impaired by this Plan and Holders of Class 4B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 4C: Equity Interests

(i) Classification. Class 4C is comprised of the Equity Interests in Tarragon South.

(ii) Treatment. Holders of Class 4C Equity Interests will not receive any Distribution of property under this Plan and all Equity Interests in Tarragon South shall be retained by such Holder.

(iii) Impairment and Voting Class 4C is unimpaired by this Plan. Therefore, the Holders of Class 4C Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

4.5. Tarragon Dev. LLC

(A) Class 5A: Secured Claims There are no Class 5A Claims.

(B) Class 5B(i): Unsecured Priority Claims

(i) Classification. Class 5B(i) shall consist of unsecured Priority Claims.

(ii) Treatment. Each Holder of a Class 5B(i) Claim shall, in full, final, and complete satisfaction of such Class 5B(i) Claim, be paid in full in Cash in accordance with Section 507 of the Bankruptcy Code within ten (10) days after the Effective Date.

(iii) Impairment and Voting. Class 5B(i) is unimpaired by this Plan. Therefore, the Holders of Class 5B(i) Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

(C) Class 5B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 5B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. In full, final, and complete satisfaction of Class 5B(ii) Claims, Holders of Class 5B(ii) Claims shall contribute such Claims to the Tarragon Creditor Entity. The Tarragon Creditor Entity shall receive (i) its share of any distributions made by New Ansonia in accordance with the terms of the New Ansonia Operating Agreement, and (ii) its share of the net proceeds of the sale of certain assets of Tarragon in accordance with the terms of the Plan, and the Holders of Class 5B(ii) Claims shall be entitled to receive their share of such distributions pursuant to the terms of the TCE Operating Agreement.

(iii) Impairment and Voting. Class 5B(ii) is impaired, and the Holders of Allowed Class 5B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 5B(iii): General Electric Credit Corporation Claims

(i) Classification. Class 5B(iii) consists of Claims arising under that certain Non-Recourse Loan Guaranty dated September 29, 2006 by and between Tarragon Dev. LLC and GECC, as amended by that certain First Amendment to Non-Recourse Loan Guaranty dated September 12, 2007 (the "Tarragon Dev. LLC Guaranty").

(ii) Treatment. New Ansonia shall guaranty certain debt owed to GECC by Tarragon on substantially the same terms as the Tarragon Dev. LLC GECC Guaranty.

(iii) Impairment and Voting. Class 5B(iii) is impaired, and the Holders of Allowed Class 5B(iii) Claims are entitled to vote to accept or reject this Plan.

(E) Class 5B(iv): Intercompany Claims

(i) Classification. Class 5B(iv) is comprised of Intercompany Claims.

(ii) Treatment. Holders of Class 5B(iv) Claims shall receive a Distribution *pari passu* with Holders of Class 5B(ii) Claims.

(iii) Impairment and Voting. Class 5B(iv) is impaired by this Plan and Holders of Class 5B(iv) Claims are not entitled to vote to accept or reject this Plan.

(F) Class 5C: Equity Interests

(i) Classification. Class 5C is comprised of the Equity Interests in Tarragon Dev. LLC.

(ii) Treatment. Holders of Class 5C Equity Interests will not receive any Distribution of property under this Plan and all Equity Interests in Tarragon Dev. LLC shall be retained by such Holder.

(iii) Impairment and Voting Class 5C is unimpaired by this Plan. Therefore, the Holders of Class 5C Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

4.6. Intentionally Deleted.

4.7. Bermuda Island

(A) Class 7A: Secured Claims

(i) Classification. Class 7A consists of the Claims held by BofA. Class 7A Claims shall be Allowed in an amount equal to the amount of outstanding obligations owed by Bermuda Island as of the Commencement Date and shall be administered by the Disbursing Agent.

(ii) Treatment. Subject to the terms of a separately presented and approved BofA Settlement Agreement, Holders of such Claims shall receive such treatment as is set forth in the BofA Settlement Agreement.

(iii) Impairment and Voting. Class 7A is impaired by this Plan. Holders of Allowed Class 7A Claims are entitled to vote to accept or reject this Plan.

(B) Class 7B(i): Unsecured Priority Claims

(i) Classification. Class 7B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 7B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Bermuda Island in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 7B(i) is impaired by this Plan. Holders of Allowed Class 7B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 7B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 7B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 7B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Bermuda Island in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 7B(ii) is impaired, and the Holders of Allowed Class 7B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 7B(iii): Intercompany Claims

(i) Classification. Class 7B(iii) is comprised of Intercompany Claims.

(ii) Treatment. Holders of Class 7B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 7B(ii) Claims.

(iii) Impairment and Voting. Class 7B(iii) is impaired by this Plan and Holders of Class 7B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 7C: Equity Interests

(i) Classification. Class 7C is comprised of the Equity Interests in Bermuda Island.

(ii) Treatment. Holders of Class 7C Equity Interests will not receive any Distribution of property under this Plan and all Equity Interests in Bermuda Island shall be retained by such Holder.

(iii) Impairment and Voting Class 7C is unimpaired by this Plan. Therefore, the Holders of Class 7C Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

4.8. Orion

(A) Class 8A: Secured Claims

(i) Classification. Class 8A consists of the Claims held by BofA. Class 8A Claims shall be Allowed in an amount equal to the amount of outstanding obligations owed by Orion as of the Commencement Date.

(ii) Treatment. Subject to the terms of a separately presented and approved BofA Settlement Agreement, Holders of such Claims shall receive such treatment as is set forth in the BofA Settlement Agreement.

(iii) Impairment and Voting. Class 8A is impaired by this Plan. Holders of Allowed Class 8A Claims are entitled to vote to accept or reject this Plan.

(B) Class 8B(i): Unsecured Priority Claims

(i) Classification. Class 8B(i) shall consist of unsecured Priority Claims.

(ii) Treatment. Holders of Class 8B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Orion in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 8B(i) is impaired by this Plan. Holders of Allowed Class 8B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 8B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 8B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 8B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Orion in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 8B(ii) is impaired, and the Holders of Allowed Class 8B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 8B(iii): Intercompany Claims

(i) Classification. Class 8B(iii) is comprised of Intercompany Claims.

(ii) Treatment. Holders of Class 8B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 8B(ii) Claims.

(iii) Impairment and Voting. Class 8B(iii) is impaired by this Plan and Holders of Class 8B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 8C: Equity Interests of Debtors and/or an Affiliate of a Debtor.

(i) Classification. Class 8C is comprised of the Equity Interests in Orion owned by a Debtor and/or an Affiliate of a Debtor.

(ii) Treatment. Holders of Class 8C Equity Interests will not receive any Distribution of property under this Plan and all Equity Interests in Orion owned by a Debtor and/or an Affiliate of a Debtor shall be retained by such Holder.

(iii) Impairment and Voting Class 8C is unimpaired by this Plan. Therefore, the Holders of Class 8C Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

(F) Class 8D: Equity Interests of non-Debtors and/or non-Affiliates of a Debtor

(i) Classification. Class 8D is comprised of the Equity Interests in Orion owned by a non-Debtor and/or non-Affiliates of a Debtor.

(ii) Treatment. Holders of Class 8D Equity Interests will not receive any Distribution of property under this Plan and all Equity Interests in Orion owned by a non-Debtor and/or an non-Affiliate of a Debtor shall be retained by such Holder.

(iii) Impairment and Voting Class 8D is unimpaired by this Plan. Therefore, the Holders of Class 8D Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

4.9. Orlando Central

(A) Class 9A: Secured Claims. There are no Class 9A Claims.

(B) Class 9B(i): Unsecured Priority Claims

(i) Classification. Class 9B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 9B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Orlando Central in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 9B(i) is impaired by this Plan. Holders of Allowed Class 9B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 9B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 9B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 9B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Orlando Central in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 9B(ii) is impaired, and the Holders of Allowed Class 9B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 9B(iii): Intercompany Claims

(i) Classification. Class 9B(iii) is comprised of Intercompany Claims.

(ii) Treatment. Holders of Class 9B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 9B(ii) Claims.

(iii) Impairment and Voting. Class 9B(iii) is impaired by this Plan and Holders of Class 9B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 9C: Equity Interests

(i) Classification. Class 9C is comprised of the Equity Interests in Orlando Central.

(ii) Treatment. Holders of Class 9C Equity Interests will not receive any Distribution of property nor retain any property under this Plan and all Equity Interests in Orlando Central shall be cancelled on the Effective Date without the payment of any monies or consideration. On the Effective Date, Orlando Central shall be deemed dissolved and the Class 9C Equity Interests will be cancelled.

(iii) Impairment and Voting. Class 9C is impaired, and the Holders of Class 9C Claims will be conclusively deemed to have rejected the Plan. Therefore, Holders of Class 9C Claims will not be entitled to vote to accept or reject the Plan.

4.10. Fenwick

(A) Class 10A: Secured Claims. There are no Class 10A Claims.

(B) Class 10B(i): Unsecured Priority Claims

(i) Classification. Class 10B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 10B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Fenwick in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 10B(i) is impaired by this Plan. Holders of Allowed Class 10B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 10B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 10B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 10B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Fenwick in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 10B(ii) is impaired, and the Holders of Allowed Class 10B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 10B(iii): Intercompany Claims

(i) Classification. Class 10B(iii) is comprised of Intercompany Claims.

(ii) Treatment. Holders of Class 10B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 10B(ii) Claims.

(iii) Impairment and Voting. Class 10B(iii) is impaired by this Plan and Holders of Class 10B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 10C: Equity Interests

(i) Classification. Class 10C is comprised of the Equity Interests in Fenwick.

(ii) Treatment. Holders of Class 10C Equity Interests will not receive any Distribution of property nor retain any property under this Plan and all Equity Interests in Fenwick shall be cancelled on the Effective Date without the payment of any

monies or consideration. On the Effective Date, Fenwick shall be deemed dissolved and the Class 10C Equity Interests will be cancelled.

(iii) Impairment and Voting Class 10C is impaired, and the Holders of Class 10C Claims will be conclusively deemed to have rejected the Plan. Therefore, Holders of Class 10C Claims will not be entitled to vote to accept or reject the Plan.

4.11. Las Olas

(A) Class 11A(i): Secured Claims (Bank Atlantic)

(i) Classification. Class 11A(i) consists of the Claims held by Bank Atlantic. Class 11A Claims(i) shall be Allowed in an amount equal to the amount of outstanding obligations owed by Las Olas to Bank Atlantic as of the Commencement Date and shall be administered by the Disbursing Agent.

(ii) Treatment. Subject to the terms of a separately presented and approved Settlement Agreement, Holders of such Claims shall receive such treatment as is set forth in the settlement that has been approved by the Bankruptcy Court.

(iii) Impairment and Voting. Class 11A(i) is impaired by this Plan. Holders of Allowed Class 11A(i) Claims are entitled to vote to accept or reject this Plan.

(B) Class 11A(ii): Secured Claims (Regions Bank)

(i) Classification. Class 11A(ii) consists of the Claims held by Regions Bank. Class 11A(ii) Claims shall be Allowed in an amount equal to the amount of outstanding obligations owed by Las Olas to Regions Bank as of the Commencement Date and shall be administered by the Disbursing Agent.

(ii) Treatment. Subject to the terms of a separately presented and approved Settlement Agreement, Holders of such Claims shall receive such treatment as is set forth in the settlement that has been approved by the Bankruptcy Court.

(iii) Impairment and Voting. Class 11A(ii) is impaired by this Plan. Holders of Allowed Class 11A(ii) Claims are entitled to vote to accept or reject this Plan.

(C) Class 11B(i): Unsecured Priority Claims

(i) Classification. Class 11B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 11B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Las Olas in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 11B(i) is impaired by this Plan. Holders of Allowed Class 11B(i) Claims are entitled to vote accept or reject this Plan.

(D) Class 11B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 11B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 11B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Las Olas, if any, in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 11B(ii) is impaired, and the Holders of Allowed Class 11B(ii) Claims are entitled to vote to accept or reject this Plan.

(E) Class 11B(iii): Intercompany Claims

(i) Classification. Class 11B(iii) is comprised of Intercompany Claims.

(ii) Treatment. Holders of Class 11B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 11B(ii) Claims.

(iii) Impairment and Voting. Class 11B(iii) is impaired by this Plan and Holders of Class 11B(iii) Claims are not entitled to vote to accept or reject this Plan.

(F) Class 11C: Equity Interests

(i) Classification. Class 11C is comprised of the Equity Interests in Las Olas.

(ii) Treatment. Holders of Class 11C Equity Interests will not receive any Distribution of property under this Plan and all Equity Interests in Las Olas shall be retained by such Holder.

(iii) Impairment and Voting Class 11C is unimpaired by this Plan. Therefore, the Holders of Class 11C Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

4.12. Trio West

(A) Class 12A: Secured Claims There are no Class 12A Claims.

(B) Class 12B(i): Unsecured Priority Claims

(i) Classification. Class 12B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 12B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Trio West in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 12B(i) is impaired by this Plan. Holders of Allowed Class 12B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 12B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 12B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 12B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Trio West in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 12B(ii) is impaired, and the Holders of Allowed Class 12B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 12B(iii): Intercompany Claims

(i) Classification. Class 12B(iii) is comprised of Intercompany Claims.

(ii) Treatment. Holders of Class 12B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 12B(ii) Claims.

(iii) Impairment and Voting. Class 12B(iii) is impaired by this Plan and Holders of Class 12B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 12C: Equity Interests

(i) Classification. Class 12C is comprised of the Equity Interests in Trio West.

(ii) Treatment. Holders of Class 12C Equity Interests will not receive any Distribution of property nor retain any property under this Plan and all Equity Interests in Trio West shall be cancelled on the Effective Date without the payment of any monies or consideration. On the Effective Date, Trio West shall be deemed dissolved and the Class 12C Equity Interests will be cancelled.

(iii) Impairment and Voting Class 12C is impaired, and the Holders of Class 12C Claims will be conclusively deemed to have rejected the Plan. Therefore, Holders of Class 12C Claims will not be entitled to vote to accept or reject the Plan.

4.13. 800 Madison

(A) Class 13A: Secured Claims

(i) Classification. Class 13A consists of the Claims held by BofA. Class 13A Claims shall be Allowed in an amount equal to the amount of outstanding obligations owed by 800 Madison as of the Commencement Date and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 13A Claims shall receive such treatment as is set forth in the BofA Settlement Agreement.

(iii) Impairment and Voting. Class 13A is impaired by this Plan. Holders of Allowed Class 13A Claims are entitled to vote to accept or reject this Plan.

(B) Class 13B(i): Unsecured Priority Claims

(i) Classification. Class 13B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 13B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of 800 Madison in accordance with Section 507 of the Bankruptcy Code; provided, however, that notwithstanding the foregoing, the provisions of this subsection shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents and nothing contained in this subsection shall alter, amend, impair or modify the rights of the parties under the BofA Documents.

(iii) Impairment and Voting. Class 13B(i) is impaired by this Plan. Holders of Allowed Class 13B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 13B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 13B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 13B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of 800 Madison in accordance with Section 507 of the Bankruptcy Code; provided, however, that notwithstanding the foregoing, the provisions of this subsection shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents and nothing contained in this subsection shall alter, amend, impair or modify the rights of the parties under the BofA Documents.

(iii) Impairment and Voting. Class 13B(ii) is impaired, and the Holders of Allowed Class 13B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 13B(iii): Intercompany Claims

(i) Classification. Class 13B(iii) is comprised of Intercompany Claims.

(ii) Treatment. Holders of Class 13B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 13B(ii) Claims; provided, however, that notwithstanding the foregoing, the provisions of this subsection shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents and nothing contained in this subsection shall alter, amend, impair or modify the rights of the parties under the BofA Documents.

(iii) Impairment and Voting. Class 13B(iii) is impaired by this Plan and Holders of Class 13B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 13C: Equity Interests

(i) Classification. Class 13C comprises the Equity Interests in 800 Madison.

(ii) Treatment. Holders of Class 13C Equity Interests will receive the treatment provided in the BofA Documents and all Equity Interests in 800 Madison shall be retained by such Holder. The provisions of this subsection shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents and nothing contained in this subsection shall alter, amend, impair or modify the rights of the parties under the BofA Documents.

(iii) Impairment and Voting Class 13C is unimpaired by this Plan. Therefore, the Holders of Class 13C Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

4.14. 900 Monroe

(A) Class 14A: Secured Claims

(i) Classification. Class 14A consists of the Claims held by BofA. Class 14A Claims shall be Allowed in an amount equal to the amount of outstanding obligations owed by 900 Monroe as of the Commencement Date.

(ii) Treatment. Holders of such Claims shall receive such treatment as is set forth in the BofA Settlement Agreement.

(iii) Impairment and Voting. Class 14A is impaired by this Plan. Holders of Allowed Class 14A Claims are entitled to vote to accept or reject this Plan.

(B) Class 14B(i): Unsecured Priority Claims

(i) Classification. Class 14B(i) shall consist of unsecured Priority Claims.

(ii) Treatment. Holders of Class 14B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of 900 Monroe in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 14B(i) is impaired by this Plan. Holders of Allowed Class 14B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 14B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 14B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 14B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of 900 Monroe in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 14B(ii) is impaired, and the Holders of Allowed Class 14B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 14B(iii): Intercompany Claims

(i) Classification. Class 14B(iii) comprises of Intercompany Claims.

(ii) Treatment. Holders of Class 14B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 14B(ii) Claims.

(iii) Impairment and Voting. Class 14B(iii) is impaired by this Plan and Holders of Class 14B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 14C: Equity Interests

(i) Classification. Class 14C is comprised of the Equity Interests in 900 Monroe.

(ii) Treatment. Holders of Class 14C Equity Interests will not receive any Distribution of property under this Plan and all Equity Interests in 900 Monroe shall be retained by such Holder.

(iii) Impairment and Voting Class 14C is unimpaired by this Plan. Therefore, the Holders of Class 14C Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

4.15. Block 88

(A) Class 15A: Secured Claims There are no Class 15A Claims.

(B) Class 15B(i): Unsecured Priority Claims

(i) Classification. Class 15B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 15B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Block 88 in accordance with Section 507 of the Bankruptcy Code; provided, however, that notwithstanding the foregoing, the provisions of this subsection shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents and nothing contained in this subsection shall alter, amend, impair or modify the rights of the parties under the BofA Documents.

(iii) Impairment and Voting. Class 15B(i) is impaired by this Plan. Holders of Allowed Class 15B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 15B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 15B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 15B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from

the liquidation of the Assets of Block 88 in accordance with Section 507 of the Bankruptcy Code; provided, however, that notwithstanding the foregoing, the provisions of this subsection shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents and nothing contained in this subsection shall alter, amend, impair or modify the rights of the parties under the BofA Documents.

(iii) Impairment and Voting. Class 15B(ii) is impaired, and the Holders of Allowed Class 15B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 15B(iii): Intercompany Claims

(i) Classification. Class 15B(iii) comprises of Intercompany Claims.

(ii) Treatment. Holders of Class 15B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 15B(ii) Claims; provided, however, that notwithstanding the foregoing, the provisions of this subsection shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents and nothing contained in this subsection shall alter, amend, impair or modify the rights of the parties under the BofA Documents.

(iii) Impairment and Voting. Class 15B(iii) is impaired by this Plan and Holders of Class 15B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 15C: Equity Interests.

(i) Classification. Class 15C is comprised of the Equity Interests in Block 88.

(ii) Treatment. Holders of Class 15C Equity Interests will receive the treatment provided in the BofA Documents and all Equity Interests in Block 88 shall be

retained by such Holder. The provisions of this subsection shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents and nothing contained in this subsection shall alter, amend, impair or modify the rights of the parties under the BofA Documents.

(iii) Impairment and Voting Class 15C is unimpaired by this Plan. Therefore, the Holders of Class 15C Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

4.16. Central Square

(A) Class 16A: Secured Claims

(i) Classification. Class 16A consists of the Claims held by Regions Bank. Class 16A Claims shall be Allowed in an amount equal to the amount of outstanding obligations owed by Central Square as of the Commencement Date and shall be administered by the Disbursing Agent.

(ii) Treatment. Subject to the terms of a separately presented and approved Settlement Agreement, Holders of such Claims shall receive such treatment as is set forth in the settlement that has been approved by the Bankruptcy Court.

(iii) Impairment and Voting. Class 16A is impaired by this Plan. Holders of Allowed Class 16A Claims are entitled to vote to accept or reject this Plan.

(B) Class 16B(i): Unsecured Priority Claims

(i) Classification. Class 16B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 16B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Central Square in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 16B(i) is impaired by this Plan. Holders of Allowed Class 16B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 16B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 16B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 16B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Central Square in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 16B(ii) is impaired, and the Holders of Allowed Class 16B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 16B(iii): Intercompany Claims

(i) Classification. Class 16B(iii) comprises of Intercompany Claims.

(ii) Treatment. Holders of Class 16B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 16B(ii) Claims.

(iii) Impairment and Voting. Class 16B(iii) is impaired by this Plan and Holders of Class 16B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 16C: Equity Interests

(i) Classification. Class 16C is comprised of the Equity Interests in Central Square.

(ii) Treatment. Holders of Class 16C Equity Interests will not receive any Distribution of property under this Plan and all Equity Interests in Central Square shall be retained by such Holder.

(iii) Impairment and Voting Class 16C is unimpaired by this Plan. Therefore, the Holders of Class 16C Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

4.17. Charleston

(A) Class 17A: Secured Claims There are no Class 17A Claims.

(B) Class 17B(i): Unsecured Priority Claims

(i) Classification. Class 17B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 17B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Charleston in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 17B(i) is impaired by this Plan. Holders of Allowed Class 17B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 17B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 17B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 17B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Charleston in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 17B(ii) is impaired, and the Holders of Allowed Class 17B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 17B(iii): Intercompany Claims

(i) Classification. Class 17B(iii) comprises of Intercompany Claims.

(ii) Treatment. Holders of Class 17B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 17B(ii) Claims.

(iii) Impairment and Voting. Class 17B(iii) is impaired by this Plan and Holders of Class 17B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 17C: Equity Interests

(i) Classification. Class 17C comprises the Equity Interests in Charleston.

(ii) Treatment. Holders of Class 17C Equity Interests will not receive any Distribution of property nor retain any property under this Plan and all Equity Interests in Charleston shall be cancelled on the Effective Date without the payment of any

monies or consideration. On the Effective Date, Charleston shall be deemed dissolved and the Class 17C Equity Interests will be cancelled.

(iii) Impairment and Voting Class 17C is impaired, and the Holders of Class 17C Claims will be conclusively deemed to have rejected the Plan. Therefore, Holders of Class 17C Claims will not be entitled to vote to accept or reject the Plan.

4.18. Omni

(A) Class 18A: Secured Claims There are no Class 18A Claims.

(B) Class 18B(i): Unsecured Priority Claims

(i) Classification. Class 18B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 18B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Omni in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 18B(i) is impaired by this Plan. Holders of Allowed Class 18B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 18B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 18B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 18B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Omni in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 18B(ii) is impaired, and the Holders of Allowed Class 18B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 18B(iii): Intercompany Claims

(i) Classification. Class 18B(iii) comprises of Intercompany Claims.

(ii) Treatment. Holders of Class 18B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 18B(ii) Claims.

(iii) Impairment and Voting. Class 18B(iii) is impaired by this Plan and Holders of Class 18B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 18C: Equity Interests

(i) Classification. Class 18C is comprised of the Equity Interests in Omni.

(ii) Treatment. Holders of Class 18C Equity Interests will not receive any Distribution of property under this Plan and all Equity Interests in Omni shall be retained by such Holder.

(iii) Impairment and Voting Class 18C is unimpaired by this Plan. Therefore, the Holders of Class 18C Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

4.19. Tarragon Edgewater

(A) Class 19A: Secured Claims There are no Class 19A Claims.

(B) Class 19B(i): Unsecured Priority Claims

(i) Classification. Class 19B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 19B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Tarragon Edgewater in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 19B(i) is impaired by this Plan. Holders of Allowed Class 19B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 19B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 19B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 19B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Tarragon Edgewater in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 19B(ii) is impaired, and the Holders of Allowed Class 19B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 19B(iii): Intercompany Claims

(i) Classification. Class 19B(iii) comprises of Intercompany Claims.

(ii) Treatment. Holders of Class 19B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 19B(ii) Claims.

(iii) Impairment and Voting. Class 19B(iii) is impaired by this Plan and Holders of Class 19B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 19C: Equity Interests

(i) Classification. Class 19C is comprised of the Equity Interests in Tarragon Edgewater.

(ii) Treatment. Holders of Class 19C Equity Interests will not receive any Distribution of property under this Plan and all Equity Interests in Tarragon Edgewater shall be retained by such Holder.

(iii) Impairment and Voting Class 19C is unimpaired by this Plan. Therefore, the Holders of Class 19C Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

4.20. Trio East

(A) Class 20A: Secured Claims

(i) Classification. Class 20A consists of the Claims held by BofA. Class 20A Claims shall be Allowed in an amount equal to the amount of outstanding obligations owed by Trio East as of the Commencement Date and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of such Claims shall receive such treatment as is set forth in the BofA Settlement Agreement.

(iii) Impairment and Voting. Class 20A is impaired by this Plan. Holders of Allowed Class 20A Claims are entitled to vote to accept or reject this Plan.

(B) Class 20B(i): Unsecured Priority Claims

(i) Classification. Class 20B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 20B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Trio East in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 20B(i) is impaired by this Plan. Holders of Allowed Class 20B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 20B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 20B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 20B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Trio East in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 20B(ii) is impaired, and the Holders of Allowed Class 20B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 20B(iii): Intercompany Claims

(i) Classification. Class 20B(iii) comprises of Intercompany Claims.

(ii) Treatment. Holders of Class 20B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 20B(ii) Claims.

(iii) Impairment and Voting. Class 20B(iii) is impaired by this Plan and Holders of Class 20B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 20C: Equity Interests

(i) Classification. Class 20C is comprised of the Equity Interests in Trio East.

(ii) Treatment. Holders of Class 20C Equity Interests will not receive any Distribution of property under this Plan and all Equity Interests in Trio East shall be retained by such Holder.

(iii) Impairment and Voting Class 20C is unimpaired by this Plan. Therefore, the Holders of Class 20C Claims are not entitled to vote to accept or reject this Plan and are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

4.21. Vista

(A) Class 21A: Secured Claims There are no Class 21A Claims.

(B) Class 21B(i): Unsecured Priority Claims

(i) Classification. Class 21B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 21B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Vista in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 21B(i) is impaired by this Plan. Holders of Allowed Class 21B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 21B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 21B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 21B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Vista in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 21B(ii) is impaired, and the Holders of Allowed Class 21B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 21B(iii): Intercompany Claims

(i) Classification. Class 21B(iii) comprises of Intercompany Claims.

(ii) Treatment. Holders of Class 21B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 21B(ii) Claims.

(iii) Impairment and Voting. Class 21B(iii) is impaired by this Plan and Holders of Class 21B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 21C: Equity Interests

(i) Classification. Class 21C comprises the Equity Interests in Vista.

(ii) Treatment. Holders of Class 21C Equity Interests will not receive any Distribution of property nor retain any property under this Plan and all Equity Interests in Vista shall be cancelled on the Effective Date without the payment of any monies or consideration. On the Effective Date, Vista shall be deemed dissolved and the Class 21C Equity Interests will be cancelled.

(iii) Impairment and Voting Class 21C is impaired, and the Holders of Class 21C Claims will be conclusively deemed to have rejected the Plan. Therefore, Holders of Class 21C Claims will not be entitled to vote to accept or reject the Plan.

4.22. Murfreesboro

(A) Class 22A: Secured Claims. There are no Class 22A Claims.

(B) Class 22B(i): Unsecured Priority Claims

(i) Classification. Class 22B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 22B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Murfreesboro in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 22B(i) is impaired by this Plan. Holders of Allowed Class 22B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 22B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 22B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 22B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Murfreesboro in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 22B(ii) is impaired, and the Holders of Allowed Class 22B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 22B(iii): Intercompany Claims

(i) Classification. Class 22B(iii) comprises of Intercompany Claims.

(ii) Treatment. Holders of Class 22B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 22B(ii) Claims.

(iii) Impairment and Voting. Class 22B(iii) is impaired by this Plan and Holders of Class 22B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 22C: Equity Interests

(i) Classification. Class 22C comprises the Equity Interests in Murfreesboro.

(ii) Treatment. Holders of Class 22C Equity Interests will not receive any Distribution of property nor retain any property under this Plan and all Equity Interests in Murfreesboro shall be cancelled on the Effective Date without the payment of any monies or consideration. On the Effective Date, Murfreesboro shall be deemed dissolved and the Class 22C Equity Interests will be cancelled.

(iii) Impairment and Voting. Class 22C is impaired, and the Holders of Class 22C Claims will be conclusively deemed to have rejected the Plan. Therefore, Holders of Class 22C Claims will not be entitled to vote to accept or reject the Plan.

4.23. Stonecrest

(A) Class 23A: Secured Claims. There are no Class 23A Claims.

(B) Class 23B(i): Unsecured Priority Claims

(i) Classification. Class 23B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 23B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from

the liquidation of the Assets of Stonecrest in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 23B(i) is impaired by this Plan. Holders of Allowed Class 23B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 23B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 23B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 23B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Stonecrest in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 23B(ii) is impaired, and the Holders of Allowed Class 23B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 23B(iii): Intercompany Claims

(i) Classification. Class 23B(iii) comprises of Intercompany Claims.

(ii) Treatment. Holders of Class 23B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 23B(ii) Claims.

(iii) Impairment and Voting. Class 23B(iii) is impaired by this Plan and Holders of Class 23B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 23C: Equity Interests

(i) Classification. Class 23C comprises the Equity Interests in Stonecrest.

(ii) Treatment. Holders of Class 23C Equity Interests will not receive any Distribution of property nor retain any property under this Plan and all Equity Interests in Stonecrest shall be cancelled on the Effective Date without the payment of any monies or consideration. On the Effective Date, Stonecrest shall be deemed dissolved and the Class 23C Equity Interests will be cancelled.

(iii) Impairment and Voting. Class 23C is impaired, and the Holders of Class 23C Claims will be conclusively deemed to have rejected the Plan. Therefore, Holders of Class 23C Claims will not be entitled to vote to accept or reject the Plan.

4.24. Stratford

(A) Class 24A: Secured Claims There are no Class 24A Claims.

(B) Class 24B(i): Unsecured Priority Claims

(i) Classification. Class 24B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 24B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Stratford in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 24B(i) is impaired by this Plan. Holders of Allowed Class 24B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 24B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 24B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 24B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Stratford in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 24B(ii) is impaired, and the Holders of Allowed Class 24B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 24B(iii): Intercompany Claims

(i) Classification. Class 24B(iii) comprises of Intercompany Claims.

(ii) Treatment. Holders of Class 24B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 24B(ii) Claims.

(iii) Impairment and Voting. Class 24B(iii) is impaired by this Plan and Holders of Class 24B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 24C: Equity Interests

(i) Classification. Class 24C comprises the Equity Interests in Stratford.

(ii) Treatment. Holders of Class 24C Equity Interests will not receive any Distribution of property nor retain any property under this Plan and all Equity Interests in Stratford shall be cancelled on the Effective Date without the payment of any monies or consideration. On the Effective Date, Stratford shall be deemed dissolved and the Class 24C Equity Interests will be cancelled.

(iii) Impairment and Voting Class 24C is impaired, and the Holders of Class 24C Claims will be conclusively deemed to have rejected the Plan. Therefore, Holders of Class 24C Claims will not be entitled to vote to accept or reject the Plan.

4.25. MSCP

(A) Class 25A: Secured Claims There are no Class 25A Claims.

(B) Class 25B(i): Unsecured Priority Claims

(i) Classification. Class 25B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 25B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of MSCP in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 25B(i) is impaired by this Plan. Holders of Allowed Class 25B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 25B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 25B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 25B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of MSCP in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 25B(ii) is impaired, and the Holders of Allowed Class 25B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 25B(iii): Intercompany Claims

(i) Classification. Class 25B(iii) comprises of Intercompany Claims.

(ii) Treatment. Holders of Class 25B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 25B(ii) Claims.

(iii) Impairment and Voting. Class 25B(iii) is impaired by this Plan and Holders of Class 25B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 25C: Equity Interests

(i) Classification. Class 25C comprises the Equity Interests in MSCP.

(ii) Treatment. Holders of Class 25C Equity Interests will not receive any Distribution of property nor retain any property under this Plan and all Equity Interests in MSCP shall be cancelled on the Effective Date without the payment of any monies or consideration. On the Effective Date, MSCP shall be deemed dissolved and the Class 25C Equity Interests will be cancelled.

(iii) Impairment and Voting Class 25C is impaired, and the Holders of Class 25C Claims will be conclusively deemed to have rejected the Plan. Therefore, Holders of Class 25C Claims will not be entitled to vote to accept or reject the Plan.

4.26. Hanover

(A) Class 26A: Secured Claims There are no Class 26A Claims.

(B) Class 26B(i): Unsecured Priority Claims

(i) Classification. Class 26B(i) shall consist of unsecured Priority Claims and shall be administered by the Disbursing Agent.

(ii) Treatment. Holders of Class 26B(i) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Hanover in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 26B(i) is impaired by this Plan. Holders of Allowed Class 26B(i) Claims are entitled to vote accept or reject this Plan.

(C) Class 26B(ii): Unsecured Non-Priority Claims

(i) Classification. Class 26B(ii) consists of all unsecured non-priority Claims.

(ii) Treatment. Holders of Class 26B(ii) Claims, in full, final, and complete satisfaction of such Claims, shall receive their Pro Rata share of the proceeds from the liquidation of the Assets of Hanover in accordance with Section 507 of the Bankruptcy Code.

(iii) Impairment and Voting. Class 26B(ii) is impaired, and the Holders of Allowed Class 26B(ii) Claims are entitled to vote to accept or reject this Plan.

(D) Class 26B(iii): Intercompany Claims

(i) Classification. Class 26B(iii) comprises of Intercompany Claims.

(ii) Treatment. Holders of Class 26B(iii) Claims shall receive a Distribution *pari passu* with Holders of Class 26B(ii) Claims.

(iii) Impairment and Voting. Class 26B(iii) is impaired by this Plan and Holders of Class 26B(iii) Claims are not entitled to vote to accept or reject this Plan.

(E) Class 26C: Equity Interests

(i) Classification. Class 26C comprises the Equity Interests in Hanover.

(ii) Treatment. Holders of Class 26C Equity Interests will not receive any Distribution of property nor retain any property under this Plan and all Equity Interests in Hanover shall be cancelled on the Effective Date without the payment of any monies or consideration. On the Effective Date, Hanover shall be deemed dissolved and the Class 26C Equity Interests will be cancelled.

(iii) Impairment and Voting. Class 26C is impaired, and the Holders of Class 26C Claims will be conclusively deemed to have rejected the Plan. Therefore, Holders of Class 26C Claims will not be entitled to vote to accept or reject the Plan.

ARTICLE V.

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

5.1. Assumption or Rejection of Executory Contracts and Unexpired Leases.

(A) Executory Contracts and Unexpired Leases. Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all Executory Contracts and unexpired leases that exist between the applicable Debtor and any Person as of the Confirmation Date and which are set forth on Schedule 5 hereto, shall be deemed assumed by such Debtor as of the Effective Date, except for any Executory Contract or unexpired lease (i) which has been previously assumed pursuant to an Order of the Bankruptcy Court entered before the Confirmation Date, (ii) which has been previously rejected pursuant to an Order of the Bankruptcy Court entered before the Confirmation Date, (iii) as to which a motion for approval of the rejection of such Executory Contract or unexpired lease has been filed and served before the Confirmation Date, or (iv) the Block 88 Operating Agreement and any express or implied operating agreement or corporate

governance agreement with respect to 800 Madison, it being understood that the BofA Documents, as applicable, shall govern the treatment of the Block 88 Operating Agreement and any express or implied operating agreement or corporate governance agreement with respect to 800 Madison. All Executory Contracts, other contracts and agreements and any unexpired leases that exist between any of the Debtors and any of their subsidiaries and/or affiliates and any Person shall be rejected by the Debtors as of the Confirmation Date unless expressly assumed on Schedule 5; provided, however, the treatment of the Block 88 Operating Agreement and any express or implied operating agreement or corporate governance agreement with respect to 800 Madison shall be governed by the BofA Documents, as applicable. The applicable Debtor shall provide notice of any amendments to Schedule 5 to the parties to the Executory Contracts and unexpired leases affected thereby. The listing of a document on Schedule 5 shall not constitute an admission by the applicable Debtor that such agreement is an Executory Contract or an unexpired lease or that the applicable Debtor has any liability thereunder.

Each Executory Contract and unexpired lease listed or to be listed on Schedule 5 shall include (i) modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such Executory Contract or unexpired lease, without regard to whether such agreement, instrument or other document is listed on Schedule 5 and (ii) Executory Contracts or unexpired leases appurtenant to the premises listed on Schedule 5 including, without limitation, all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, usufructs, reciprocal easement agreements, vault, tunnel or bridge agreements or franchises, and any other interests in real estate or rights in rem relating to such premises to the

extent any of the foregoing are Executory Contracts or unexpired leases, unless any of the foregoing agreements previously have been assumed.

The Debtors propose to assume certain of the Ursa Operating Agreements upon confirmation of the Plan and, therefore, the Debtors that are parties to those Ursa Operating Agreements will remain unchanged.

(B) Insurance Policies. Each of the Debtors' insurance policies and any agreements, documents or instruments relating thereto, including, without limitation, any retrospective premium rating plans relating to such policies, are treated as Executory Contracts under the Plan. Notwithstanding the foregoing, distributions under the Plan to any Holder of a Claim covered by any of such insurance policies and related agreements, documents or instruments that are assumed hereunder, shall be in accordance with the treatment provided under this Plan. Nothing contained in this Article shall constitute or be deemed a waiver of any Cause of Action that any of the Debtors may hold against any entity including, without limitation, the insurer under any of the Debtors' policies of insurance.

(C) Approval of Assumption or Rejection of Executory Contracts and Unexpired Leases. Entry of the Confirmation Order shall constitute as of the Effective Date, the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the (i) assumption of the Executory Contracts and unexpired leases to be assumed pursuant to Article 5.1(A) hereof, and (ii) rejection of the Executory Contracts and unexpired leases to be rejected pursuant to Article 5.1(A) hereof. Upon the Effective Date, each counter party to an Executory Contract or unexpired lease listed on listed on Schedule 5 shall be deemed to have consented to assumption contemplated by Bankruptcy Code Section 365(c)(1)(B), to the extent such consent is necessary for such assumption; provided, however, the treatment of the Block 88 Operating

Agreement and any express or implied operating agreement or corporate governance agreement with respect to 800 Madison shall be governed by the BofA Documents, as applicable.

(D) Cure of Defaults. Except as may otherwise be agreed to by the parties, within ninety days after the Effective Date, or as due in the ordinary course of business, and provided such Executory Contract or unexpired lease has not been rejected as of the Effective Date, Reorganized Tarragon shall cure any and all undisputed defaults under any Executory Contract or unexpired lease assumed pursuant to the Plan in accordance with section 365(b)(1) of the Bankruptcy Code or in accordance with agreements previously negotiated by the parties in respect of the reduction of pre- Commencement Date Claims, as applicable; provided, however, the treatment of the Block 88 Operating Agreement and any express or implied operating agreement or corporate governance agreement with respect to 800 Madison shall be governed by the BofA Documents, as applicable. Notice of the cure amount is set forth on Schedule 5, as applicable, to the Plan. If no Cure amount is set forth on those Schedules, the applicable Debtor believes no cure amount is due. Notwithstanding the foregoing, in the event of a dispute regarding (i) the nature or amount of any cure obligation, (ii) the ability of a Debtor, Reorganized Tarragon or any assignee to provide "adequate assurances of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or unexpired lease to be assumed or assigned, or (iii) any other matter pertaining to any such assumption, the cure obligation shall be satisfied no later than thirty days of the entry of a Final Order determining the obligation, if any, of the applicable Debtor or Reorganized Tarragon with respect thereto, or as may otherwise be agreed to by the parties.

(E) Cure Procedure. The Plan and Schedule 5 (included in the Plan Supplement) shall constitute notice to any non-Debtor party to any Executory Contract or

unexpired lease to be assumed pursuant to the Plan of the amount of any cure amount owed, if any, under the applicable Executory Contract or unexpired lease. **Any non-Debtor party that fails to respond or object on or before the deadline scheduled by the Bankruptcy Court for objections to the Plan, shall be deemed to have consented to such proposed cure amount for all purposes in the Chapter 11 Cases.** The treatment of the Block 88 Operating Agreement and any express or implied operating agreement or corporate governance agreement with respect to 800 Madison shall be governed by the BofA Documents, as applicable.

(F) Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan. Claims arising out of the rejection of an Executory Contract or unexpired lease, after the Bar Date, pursuant to Article 5.1(A) of this Plan must be filed with the Bankruptcy Court and served upon the Clerk and the Debtors' counsel or as otherwise may be provided in the Confirmation Order, by no later than thirty days after notice of entry of the Confirmation Order and/or notice of an amendment to Schedule 5. Any Claims not filed within such time will be forever barred from assertion against the applicable Debtor and its Estate, Reorganized Tarragon and New Ansonia and its property. Any Claim arising out of the rejection, prior to the Bar Date, of an Executory Contract or unexpired lease, shall have been filed with the Bankruptcy Court and served upon the applicable Debtor prior the Bar Date or is forever barred from assertion against the applicable Debtor and its Estate, Reorganized Tarragon and New Ansonia and its property. Unless otherwise Ordered by the Bankruptcy Court, all Claims arising from the rejection of Executory Contracts and unexpired leases shall be treated as General Unsecured Claims under the Plan.

(G) Indemnification Obligations. For purposes of the Plan, the obligations of any of the Debtors to defend, indemnify, reimburse or limit the liability of any present member,

manager, director, officer or employee who is or was a member, manager, director, officer or employee, respectively, on or after the Commencement Date against any Claims or obligations pursuant any to operating agreement, certificates of formation or similar corporate governance documents, applicable state law, or specific agreement, or any combination of the foregoing, shall: (i) be assumed by such Debtor; (ii) survive confirmation of the Plan; (iii) remain unaffected thereby; and (iv) not be discharged, irrespective of whether indemnification, defense, reimbursement or limitation is owed in connection with an event occurring before, on or after the Commencement Date.

5.2. Reservation regarding BofA Documents

Notwithstanding the foregoing, the provisions of this Article V shall be subject to, and to the extent inconsistent with controlled by, the terms and conditions of the BofA Documents, and nothing contained in this Article V shall alter, amend, impair or modify the rights of the parties under the BofA Documents. The treatment of the Block 88 Operating Agreement and any express or implied operating agreement or corporate governance agreement with respect to 800 Madison shall be governed by the BofA Documents, as applicable.

5.3. Reservation regarding Ursa Documents

Notwithstanding the foregoing, the provisions of this Article V shall be subject to, and to the extent inconsistent with controlled by, the terms and conditions of the Ursa Documents, and nothing contained in this Article V shall alter, amend, impair or modify the rights of the parties under the Ursa Documents.

ARTICLE VI.

ACCEPTANCE OR REJECTION OF THIS PLAN

6.1. Voting Classes

Holders of Allowed Claims in each impaired Class are entitled to vote as a class to accept or reject this Plan. Each Holder of an Allowed Claim in the applicable Classes delineated in the Claims Treatment Table are entitled to vote to accept or reject this Plan.

6.2. Acceptance by Impaired Classes

An impaired Class of Claims shall be deemed to have accepted this Plan if (i) the Holders (other than any Holder designated under section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims actually voting in such Class have voted to accept this Plan and (ii) the Holders (other than any Holder designated under section 1126(e) of the Bankruptcy Code) of more than one-half in number of the Allowed Class voting in such Class have voted to accept this Plan.

6.3. Non Consensual Confirmation

At the Debtors' request, this Plan may be confirmed under the so-called "cram down" provisions set forth in section 1129(b) of the Bankruptcy Code if, in addition to satisfying the other requirements for confirmation, this Plan "does not discriminate unfairly" and is determined to be "fair and equitable" with respect to each Class of Claims or Equity Interests that has not accepted this Plan (*i.e.*, dissenting Classes). Because certain Classes are deemed to have rejected this Plan, the Debtors are requesting confirmation of this Plan, as it may be modified from time to time in accordance with the terms of this Plan, under section 1129(b) of the Bankruptcy Code. The Debtors also will request confirmation under this provision for any impaired Class that rejects this Plan. The Debtors reserve the right to alter, amend, modify, revoke or withdraw this Plan or any amendment or supplement thereto, including to amend or modify it to satisfy the

requirements of section 1129(b) of the Bankruptcy Code, if necessary, in accordance with section 1127 of the Bankruptcy Code and this Plan.

ARTICLE VII.

IMPLEMENTATION OF THE PLAN

In addition to the provisions set forth elsewhere in the Plan, the following shall constitute the means for implementation of the Plan:

7.1. Post Confirmation Tarragon.

(A) Tarragon Creditor Entity

Upon the Effective Date, the unsecured creditors of Tarragon Corp., Tarragon Dev. Corp., Tarragon South and Tarragon Dev. LLC other than Beachwold and Rothenberg (collectively, the "Tarragon Creditors") shall contribute all of their Claims against Tarragon Corp, Tarragon Dev. Corp., Tarragon South and Tarragon Dev. LLC to a creditor trust, limited liability or other entity (the "Tarragon Creditor Entity") in exchange for 100% of the equity or other ownership interest in such Tarragon Creditor Entity.

(B) Reorganized Tarragon; Beachwold Residential and New Ansonia

1 Formation of Beachwold Residential, LLC

On or before the Effective Date, Beachwold and Rothenberg shall form Beachwold Residential, LLC, a Delaware limited liability company ("Beachwold Residential").

2 Contributions to Beachwold Residential

In exchange for collectively contributing Two Million ($2,000,000) Dollars face amount of the Affiliate Notes and other amounts owed by Tarragon Corp. to Beachwold and Rothenberg (the "Beachwold Residential Claims") and giving the release referenced in subsection 4(i) below, Beachwold and Rothenberg shall collectively receive 100% of the equity in Beachwold Residential.

3 Formation of New Ansonia

Upon the Effective Date, Beachwold Residential shall form a new Delaware limited liability company or other entity agreed to by Beachwold, Rothenberg and the Tarragon Creditors ("New Ansonia"). Beachwold Residential shall initially own 100% of the equity of New Ansonia. New Ansonia will be a privately held company and will not be subject to any filing requirements of the Securities and Exchange Commission. New Ansonia is not a successor to the Debtors.

4 Contributions to New Ansonia

(i) Beachwold Residential. In exchange for (1) Beachwold Residential contributing the Beachwold Residential Claims, (2) the general release of any and all claims against Tarragon Corp. and its direct and indirect subsidiaries by Beachwold (including Friedman) and Rothenberg, and (3) Beachwold Residential agreeing to facilitate the liquidation of Tarragon's assets, Beachwold Residential shall receive 50% of the equity in New Ansonia.

(ii) Tarragon Creditors. In exchange for collectively contributing all of their Claims against Tarragon Corp, Tarragon Dev. Corp., Tarragon South and Tarragon Dev. LLC to New Ansonia on the Effective Date (the "TCE Ansonia Claims"), the Tarragon Creditor Entity shall receive 50% of the equity in New Ansonia.

5 Contributions to Reorganized Tarragon

In exchange for cancelling the Affiliate Notes and any other amounts owed by Tarragon Corp. to Beachwold and Rothenberg (other than the Beachwold Residential Claims), Beachwold shall receive 60% of the equity in Reorganized Tarragon and Rothenberg shall receive 40% of the equity in Reorganized Tarragon.

6 Acquisition of the New Ansonia Transferred Assets by New Ansonia

On the Effective Date, New Ansonia shall purchase from the Debtors or their Affiliates in a taxable transaction all of the Debtors' or its Affiliates' interests in the entities listed on Exhibit A (the "New Ansonia Acquired Interests"). New Ansonia shall purchase the New Ansonia Acquired Interests by (i) cancelling the Beachwold Residential Claims and the TCE Ansonia Claims, and (ii) accepting a transfer of all of the New Ansonia Acquired Interests subject to all pre-existing liens and liabilities.

The transfer of the New Ansonia Acquired Interests to New Ansonia (i) shall be deemed a permitted transfer notwithstanding anything to the contrary contained in any corporate governance document, loan document or other document to which any Debtor or its Affiliates is a party to or bound by, and (ii) shall not trigger, cause or constitute a default or an event of default under any corporate governance document, loan document or other document to which any Debtor or its Affiliates is a party to or bound by. Notwithstanding the foregoing, any Person having been served or provided with a copy of the Plan and/or the Disclosure Statement, and not objecting to the transfer in accordance with the terms set forth herein, shall be deemed to have consented to the transfer of the New Ansonia Acquired Interests to New Ansonia.

The partnership interests in Ansonia LP which shall be transferred to New Ansonia as part of the New Ansonia Acquired Interests shall be held subject to a negative pledge that will preclude New Ansonia from pledging or otherwise encumbering such interests until the Term Loan (as defined below) has been satisfied in full.

In addition, prior to the repayment in full of the Term Loan and the associated exit fee, all distributions otherwise payable to the members of New Ansonia shall be distributed to UTA and applied, *first*, to any outstanding interest due on the Term Loan, *second*, to reduce the principal

amount of the Term Loan, and *third*, to pay the exit fee. Borrowers shall not owe New Ansonia any obligations to repay or reimburse any such amounts paid by New Ansonia.

(C) UTA Term Loan

UTA has agreed to provide the Borrowers with $4,820,000 in cash in the form of an eighteen month term loan ("Term Loan"); *provided*, *however*, that in the event that the Plan is not confirmed by June 15, 2010, the Term Loan shall mature on September 15, 2010. Interest on the Term Loan accrues at the rate of 15% per annum on the outstanding balance and is paid monthly in arrears. Unpaid interest accrues and compounds monthly.

The Credit Agreement evidencing the Term Loan provides that, except for the New Ansonia Acquired Interests and as otherwise set forth in the Credit Agreement, the Term Loan shall be secured by liens and security interests in and on all of Borrowers' assets that can be pledged (real, personal and mixed), subject to (i) any valid and properly perfected liens and security interest existing on the date the Plan is confirmed, (ii) to then existing restrictions on the grant of subordinated liens, and (iii) the exclusion of any Chapter 5 claims. The Bankruptcy court granted interim approval of the Term Loan on March 31, 2010, at which time the Borrowers received an initial draw of $4,200,000. A hearing to consider final approval of the Term Loan is scheduled for April 15, 2010.

Subject to the terms of the Credit Agreement evidencing the Term Loan, in the event that the existing loan made by GECC to Ansonia LP or subsidiaries of Ansonia LP is satisfied in full (or with the prior written consent of GECC if such loan is not satisfied in full), UTA shall have the option to receive (in addition to principal, interest and the exit fee) 11% of the equity of New Ansonia. Upon such option exercise, Beachwold Residential and Rothenberg's collective interest in New Ansonia shall be reduced to 29% and the Tarragon Creditor Entity's interest in New Ansonia shall be increased to 60%.

(D) Beachwold Participation in the Term Loan

Rothenberg and two individual retirement plans having Friedman and Lucy Friedman as their respective plan beneficiaries have collectively purchased an approximate 12.86% participating interest in the Term Loan for $620,000.

(E) Liquidation

1 Liquidation of Assets

Following confirmation of the Plan, Reorganized Tarragon and the Tarragon Creditor Entity shall proceed diligently to liquidate the presently owned physical and intangible assets of Tarragon Corp. and certain of its Affiliates whose assets are not being transferred to New Ansonia pursuant to the terms of the Plan[3], including all Causes of Action, but excluding the names, trade names, management manuals, facsimile numbers, telephone numbers and email addresses of Tarragon Corp. and its Affiliates (the "Liquidation Assets") in accordance with the terms and conditions of the Plan. Reorganized Tarragon will have primary responsibility for the disposition of the Liquidation Assets, but each sale or other disposition of a Liquidation Asset shall be subject to the approval of the Tarragon Creditor Entity (which approval shall not be unreasonably withheld with respect to any Material Liquidation Asset (as such term is defined below), for so long as the principal, interest and exit fee, but not additional interest, on the Term Loan remains outstanding). Notwithstanding the forgoing, with regard to certain Liquidation Assets listed on Exhibit B (the "Material Liquidation Assets"), UTA, Borrowers, Beachwold and the Creditors' Committee agreed to a schedule of estimated minimum net liquidation proceeds (the "Minimum Liquidation Proceeds") to be realized from the sale or other disposition of such Material Liquidation Assets. UTA shall have approval rights (such approval not to be

[3] The only assets that are being transferred to New Ansonia are set forth on Exhibit G of the Disclosure Statement.

unreasonably withheld, conditioned or delayed) only with regard to a proposed sale or other disposition of a Material Liquidation Asset that, if consummated, would result in net liquidation proceeds below the Minimum Liquidation Proceeds amount associated to such Material Liquidation Asset.

Notwithstanding anything to the contrary in the immediately preceding paragraph or elsewhere in this Plan, Confirmation Order or documents ancillary thereto (including any amendment or modification of each thereof), the disposition of the Liquidation Assets, including, without limitation, the Material Liquidation Assets, that comprise BofA's collateral (the "BofA Collateral") securing the Debtors' pre- and post-petition obligations to BofA (including, without limitation, the obligations under the BofA Guaranty) shall be solely in accordance with the terms and conditions of the BofA Documents, as applicable. Without limiting the foregoing, subject to the BofA Settlement Agreement, notwithstanding confirmation of the Plan, BofA shall retain the right to foreclose on any of the BofA Collateral and utilize the consents to foreclosure delivered to BofA in connection with the BofA Settlement Agreement.

Notwithstanding anything to the contrary in this Plan, the Confirmation Order or any documents ancillary to the Plan and/or the Confirmation Order (including any amendment or modification of each thereof), BofA's Claims, Liens, rights and interests shall continue unaffected by the confirmation of the Plan, the occurrence of the Effective Date or consummation of the Plan unless and until all of such Claims, Liens, rights and interests are fully satisfied in accordance with the terms and conditions of the BofA Documents.

Notwithstanding anything to the contrary in this Plan, the Confirmation Order or any documents ancillary to the Plan and/or the Confirmation Order (including any amendment or modification of each thereof), the provisions of this subsection (E)1 shall be subject to, and to the

extent inconsistent with controlled by, the terms of the BofA Documents or the Ursa Documents, as applicable, and nothing contained in this subsection (E)1 shall alter, amend, impair or modify the rights of the parties under the BofA Documents or the Ursa Documents, as applicable.

2 Duties of Reorganized Tarragon

Until such time as all Liquidation Assets have been sold or otherwise disposed of pursuant to the terms of the Plan, Reorganized Tarragon (and any Affiliate or subsidiary thereof) shall:

- provide quarterly reports to the TCE Trustee regarding the Liquidation Assets, its cash on hand, and any other matter reasonably requested by the TCE Trustee (which reports may be prepared on a consolidated basis);
- provide the TCE Trustee with access to its books and records upon reasonable notice and during normal business hours;
- keep separate books and records, account separately for, and keep separate in all respects, all costs, expenses, proceeds and business related to or derived from the Liquidation Assets on the one hand, and any after-acquired property on the other hand;
- adhere to an operating budget to be agreed upon by Reorganized Tarragon and the Tarragon Creditor Entity (or the Creditors' Committee, if such budget is finalized prior to the Effective Date);
- provide notice of any offer to purchase any Liquidation Asset to the TCE Trustee, and, upon the direction of the TCE Trustee, accept such offer (except that Reorganized Tarragon shall not be obligated to accept any offer with regard to a proposed sale or other disposition of a Material Liquidation Asset if such sale or disposition would result in net liquidation proceeds below the Minimum Liquidation Proceeds amount associated with such Material Liquidation Asset without UTA's approval);
- provide notice of any offer to settle any Cause of Action to the TCE Trustee, and, upon the direction of the TCE Trustee, accept such offer;

and Reorganized Tarragon (and any affiliate or subsidiary thereof) shall not:

- Agree to or consummate a Material Transaction without the consent of the TCE Trustee on behalf of the Tarragon Creditor Entity (which consent shall not be unreasonably withheld with respect to any Material Liquidation Asset for so long

as the principal, interest and exit fee, but not additional interest, on the Term Loan remains outstanding).

For purposes of this section E(2), "Material Transaction" shall mean (i) any pledge of any Liquidation Asset by Reorganized Tarragon (or any Affiliate or subsidiary thereof), (ii) the incurrence by Reorganized Tarragon (or any Affiliate or subsidiary thereof) of any debt (other than *de minimis* amounts incurred in the ordinary course of business or pursuant to the operating budget), (iii) any agreement or arrangement with Friedman, Rothenberg, Beachwold, or any family member, affiliate or insider (as defined section 101(31) of the Bankruptcy Code) of any of them; (iv) the sale or other disposition of any Liquidation Asset, or (v) any other transaction that could reasonably be expected to have a material impact on the proceeds received by the Tarragon Creditor Entity from the sale or other disposition of any of the Liquidation Assets.

Reorganized Tarragon and the Tarragon Creditor Entity shall work in good faith to determine the protocol for Reorganized Tarragon to secure the Tarragon Creditor Entity's approval of a potential Material Transaction in a manner reasonably calculated to maximize the value of the Liquidation Assets. The parties shall endeavor to finalize such protocol prior to confirmation of the Plan. In the event that such protocol is not agreed to prior to confirmation of the Plan, the written consent of the TCE Trustee shall be required before Reorganized Tarragon agrees to or consummates a Material Transaction (which consent shall not be unreasonably withheld with respect to any Material Liquidation Asset for so long as the principal, interest and exit fee, but not additional interest, on the Term Loan remains outstanding).

3 Distributions

All Surplus Cash, and, upon the sale or other disposition of any Liquidation Asset, net proceeds of sale, after (i) payment of all senior liens on the asset being sold that exist as of the date of such sale or disposition, (ii) payment of all other creditor claims against the owner of the

asset being sold that exist as of the date of such sale or disposition, and (iii) payment of all reasonable and customary expenses of sale, shall be distributed as set forth immediately below; provided, however, that with respect to the revenue generated by 800 Madison, the use of such revenue shall be governed by the terms and conditions of the BofA Documents:

(i) First, 100% to UTA until (a) all reimbursement obligations to UTA provided for in the loan documents evidencing the Term Loan with respect to reimbursement of any expenses incurred by UTA after the funding of the Term Loan in enforcing its rights or maintaining the collateral pledged as security for the Term Loan have been satisfied in full, and (b) all interest on the Term Loan that is then due and payable has been paid in full; *then*

(ii) Second, 100% to UTA until all principal of the Term Loan has been paid in full; *then*

(iii) Third, 100% to UTA until the exit fee under the Term Loan has been paid in full; *then*

(iv) Fourth, 100% to payment of Deferred Confirmation Expenses according to the Plan until such Deferred Confirmation Expenses are paid in full, and then to the Tarragon Creditor Entity to be distributed pursuant to the terms of the Plan until a collective total of $8 million has been paid or distributed to all parties pursuant to clauses (i)-(iii), this clause (iv) or as Permitted Overhead Expenses (as defined below); *then*

(v) Fifth, 11% to UTA as additional interest, and 89% to payment of Deferred Confirmation Expenses according to the Plan until such

Deferred Confirmation Expenses are paid in full, and then to the Tarragon Creditor Entity, until a total of $2 million has been paid or distributed pursuant to this clause (v); provided, however, that UTA shall first be reimbursed for all of its reasonable unreimbursed expenses related to the Term Loan in excess of $100,000 after a total of $1,000,000 has been paid or distributed, and before any further payments or distributions are made pursuant to this clause (v); *then*

(vi) Sixth, 22% to UTA as additional interest and the remaining 78% as follows: first, the entire 78% shall be distributed to payment of Deferred Confirmation Expenses according to the Plan until such Deferred Confirmation Expenses are paid in full, and then after such Deferred Confirmation Expenses are paid in full, 12% shall be retained by Reorganized Tarragon, and 66% shall be distributed to the Tarragon Creditor Entity.

Notwithstanding the foregoing, for any month in which Reorganized Tarragon and the other Borrowers under the Term Loan do not have Surplus Cash, up to $90,000 per month of cash flow or net liquidation proceeds may be utilized for payment of their overhead expenses and operating costs, including without limitation, taxes and priority claims ("Permitted Overhead Expenses") prior to any payment or distribution described above.

Reorganized Tarragon and the other Borrowers under the Term Loan shall be permitted to utilize any cash on hand that is less than $500,000 (excluding net proceeds from the sale of any of the collateral for the Term Loan and the proceeds of the Term Loan) for payment of their Permitted Overhead Expenses prior to any payment or distribution described above.

Notwithstanding anything contained in this Section (E)3 to the contrary, with respect to 800 Madison, the post-confirmation payments to BofA and use of cash collateral shall be subject to the terms and conditions of the BofA Documents.

Notwithstanding anything to the contrary in this Plan, the Confirmation Order or any documents ancillary to the Plan and/or the Confirmation Order (including any amendment or modification of each thereof), the provisions of this subsection (E)3 shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents and nothing contained in this subsection (E)3 shall alter, amend, impair or modify the rights of the parties under the BofA Documents.

(F) Deferred Confirmation Expenses

In accordance with the January 16, 2009 Administrative Order establishing procedures for interim compensation and reimbursement of expenses to professionals, (a) each Professional retained in the cases referenced in the preceding paragraph was authorized to file monthly fee statements for interim approval and allowance of compensation for services rendered and reimbursement of expenses incurred during the immediately preceding month, and (b) in the absence of objection, the Debtors were authorized to pay each Professional 80% of the fees and 100% of the expenses requested in the monthly fee statement. Given the Debtors' liquidity problems, they ceased paying the 80% of the fees and 100% of the expenses requested in the Professionals' monthly statements for December 2009 through the present. In addition, the Debtors did not pay the 20% holdbacks for the months of June 2009 through September 2009 that were awarded by the Court in connection with the Professionals' second interim fee applications. From the Term Loan proceeds, Professionals will be paid on the Effective Date only a portion of the fees and expenses incurred and accrued through confirmation of the Plan. Professionals will not be paid 100% of those fees and expenses at confirmation, as ordinarily

required. Rather, a material portion of professional fees will be deferred pending the repayment in full of the Term Loan post-confirmation.

(G) Dissolution of Creditors' Committee

The Plan and the Confirmation Order will provide that upon the occurrence of the Effective Date, the Creditors' Committee shall dissolve automatically, whereupon its members, professionals and agents shall be released from any duties and responsibilities in these cases and under the Bankruptcy Code (except with respect to (i) obligations arising under confidentiality agreements, which shall remain in full force and effect, (ii) applications for the payment of fees and reimbursement of expenses, and (iii) any pending motions or any motions or other actions seeking enforcement of implementation of the provisions of the Plan).

(H) Tarragon Creditor Entity

The Tarragon Creditor Entity shall be owned by the Tarragon Creditors. All rights of the Tarragon Creditors as members of the Tarragon Creditor Entity, including rights to distributions and management, shall be set forth in an Operating Agreement (the "TCE Operating Agreement"), a copy of which will be filed with the Plan Supplement. Among other things, and as set forth in the TCE Operating Agreement, the Tarragon Creditor Entity shall be administered by a trustee (the "TCE Trustee") to be appointed by the Creditors' Committee prior to its dissolution. The powers and duties of the TCE Trustee are set forth in the TCE Operating Agreement. Among other things, and as set forth more fully in the TCE Operating Agreement, the TCE Trustee shall have the authority to retain such counsel, financial advisors and other professionals it deems necessary and appropriate to discharge its duties.

Reorganized Tarragon shall pay, out of cash on hand on the Effective Date, the reasonable "start up" costs and expenses of the Tarragon Creditor Entity pursuant to a budget to be agreed upon by Reorganized Tarragon and the Creditor's Committee and such costs shall be

deemed to be a Deferred Confirmation Expense. All other costs and expenses of the Tarragon Creditor Entity related to the liquidation of the Debtors in accordance with the terms of the Plan shall be paid by the Tarragon Creditor Entity.

(I) Post Confirmation Officers

On or promptly following the Effective Date, the post-confirmation senior executive officers of New Ansonia will include Rothenberg and Friedman and the post-confirmation senior executive officers of Reorganized Tarragon will include Friedman and Rothenberg.

In addition to the above referenced senior executive officers, junior executive officers who will be responsible for the day-to-day business affairs of New Ansonia, Reorganized Tarragon and their respective Affiliates will be appointed from time to time.

(J) Operating Agreement of New Ansonia

The Tarragon Creditor Entity and Beachwold Residential have entered into an Operating Agreement, which shall become effective on the Effective Date (the "New Ansonia Operating Agreement").

(K) Property Management

New Ansonia shall enter into one or more five year property management agreement ("the Beachwold Property Management Agreement") with Beachwold or their designee (the "Beachwold Manager"). The Beachwold Property Management Agreement shall provide for, among other things, Beachwold to manage the properties directly or indirectly owned by New Ansonia, for a fee of 5% ("Beachwold Management Fee") of the gross revenues generated from such properties. The Beachwold Management Fee shall cover all overhead and administrative costs associated with managing such properties, including, without limitation, all overhead and administrative costs associated with any subcontract.

The Beachwold Manager shall enter into a three-year subcontract for property management services (the "Jupiter Management Agreement") with Jupiter Communities LLC or its designee ("Jupiter"), substantially in the form to be filed with the Plan Supplement. The Jupiter Management Agreement shall provide for, among other things, Jupiter to manage the properties owned by Tarragon or New Ansonia in Texas, Alabama and Tennessee and any other properties that are mutually agreed upon by the parties thereto for a fee of 3% of the gross revenues generated from the properties located in Texas, a fee of 2.5% of the gross revenues generated from the properties located in Alabama and Tennessee, and a fee as may agreed by the parties thereto with respect to any other properties. For the avoidance of doubt, the fees payable to Jupiter under this provision shall be payable by the Beachwold Manager out of the Beachwold Management Fee. Such management fees shall cover all overhead and administrative costs associated with managing such properties other than those overhead and administrative costs that are sufficiently discrete so as to enable Jupiter to determine the specific amount that is directly related to the applicable property and other than any operating costs or expenses related to the applicable property. In addition, the Beachwold Manager shall engage Jupiter to provide risk management services pursuant to agreements to be negotiated among the parties.

(L) Rothenberg Tax Neutrality

(A) At the time that (i) a person not currently a member of New Ansonia ("Funding Member") makes funds available to New Ansonia and is admitted to New Ansonia as a member and such person requires that Ansonia waive its right to approve and consent to transactions, (ii) New Ansonia elects to sell, lease or otherwise dispose of any assets or equity interests of New Ansonia or its direct or indirect subsidiaries, or (iii) New Ansonia elects to refinance any property owned by New Ansonia or its direct or indirect subsidiaries, to

the extent Ansonia's consent is required, Ansonia has agreed to waive, and shall be deemed by the Plan to have waived, its consent rights with respect to such transaction specified in (i)-(iii) above, on the terms and conditions set forth in this subsection (L). In the event that the Tax Neutrality Loans (as defined below) provided for herein are not made as required, the waiver would no longer be effective and Ansonia's consent will be required.

(B) If a transaction specified in (i)-(iii) above would result in a taxable gain being allocated to Ansonia, a loan will be made by the Funding Member or, with respect to (ii) or (iii) above, by New Ansonia out of the proceeds of such transaction, to cover the estimated taxes of the members of Ansonia based on the estimated gain to be allocated to Ansonia. If the loan is not made at the time of the transaction, there shall be assurances satisfactory to Ansonia that the loan will be made and that it shall be made to permit taxes (including estimated taxes) to be paid on a timely basis. If a member has no taxes to pay in any year for which a loan is made, such member receiving a loan shall repay such loan promptly upon making such determination or if the taxes payable by such member in any such year are less than the loan amount made in such year, the member receiving a loan shall repay the portion of the loan which exceeds such members taxes promptly upon making such determination. Each member receiving a loan for any year shall provide to New Ansonia reasonably promptly during the calendar year immediately following the transaction a certificate from an independent certified public accountant that the amount of the federal, state and local taxes payable by such member exceeds the amount of all loans made for the year in which such transactions occurred. If a member shall fail to provide such a certificate, then if he or she does not cure such failure within 10 business days of receiving a notice from New Ansonia that such member has not

provided such certification, the loan(s) made to such member in such year shall be due and payable.

(C) The maximum amount of all such loans will be $5 million, subject to reduction to the extent that New Ansonia makes distributions to Rothenberg and/or Ansonia (other than to cover taxes) prior to making such loans. Such loans are referred to herein as the "Tax Neutrality Loans".

(D) Loans will be non-interest bearing for five years and thereafter such loans will bear interest at 1.2% per annum. Each of the loans will be due eight years after the loan was made. Each borrower will be personally liable for 50% of an amount equal to (i) any unpaid portion of the principal of the loans made to him less (ii) the value, measured at the time of foreclosure by lender, of such member's share of Ansonia's equity in Ansonia LP as pledged to secure the Tax Neutrality Loans.

(E) The Tax Neutrality Loans will be secured by each of the Ansonia's member's interest in Ansonia. In addition, Rothenberg's loan(s) will be secured by his interests, whether direct or indirect, in Beachwold Residential and New Ansonia. Any distributions from Ansonia or New Ansonia otherwise payable or actually paid to the borrowers will be used to repay each such member's loan obligations pro rata, and other distributions to Rothenberg will be used to pay his obligations on the loans. To the extent that Rothenberg's obligations are fully satisfied before the other members, his share of future distributions shall be paid to him.

(M) Implementation of the Transaction with New Ansonia and the Plan

(A) Cure of Defaults

Any non-monetary defaults in/of (i) mortgages, security agreements or other loan documents which are secured by security interests in property owned by the Debtors and/or by

non-debtor entities which are wholly or partially owned, directly or indirectly, by the Debtors or are otherwise under the Debtors' control (collectively, the "Non-Debtors") or (ii) the Debtors, the Non-Debtors or any of their respective insiders, affiliates or subsidiaries under any shareholder, operating and/or partnership agreements or other organizational documents to which any of the Debtors, the Non-Debtors or any of their respective insiders, affiliates or subsidiaries are a party or are otherwise bound shall be deemed unenforceable and the non-monetary defaults shall be deemed cured and of no force or effect following the consummation of the transactions contemplated by the Plan and the documents referred to therein as of the Effective Date. Further, any non-monetary defaults in and/or under any mortgages, security agreements or other loan documents or any shareholder, partnership or operating agreement or other organizational document of any Debtor, any Non-Debtor or any insider, affiliate or subsidiary of a Debtor or a Non-Debtor caused by anything contained in the Plan or by the transactions, documents or agreements provided for therein, or by the commencement of the bankruptcy cases, or by any proceedings that occurred in the bankruptcy cases, shall be deemed unenforceable, shall be deemed waived and shall be of no force or effect.

Nothing in the Plan nor in the transactions, documents or agreements contemplated by the Plan shall or shall be deemed to cause or otherwise result in a default in or breach under any mortgages, security agreements or other loan documents, or any partnership, operating agreement or shareholder agreement or other organizational document with respect to any Debtor, any Non-Debtor or any of the respective insiders, subsidiaries or affiliates of a Debtor or a Non-Debtor (including, without limitation, change of control and transfer consents, consents to appoint a successor general partner or manager, requirements to provide opinions, rights of first refusal, rights of first offer, transfer notice requirements, consent to the sale or other disposition

of assets and change of management consents) and that such mortgages, security agreements and other loan documents, and shareholder agreements, operating agreements, partnership agreements and other organizational documents shall and shall be deemed to be not in default and shall be deemed in full force and effect notwithstanding anything in the Plan or in the transactions, documents and agreements contemplated by the Plan.

Notwithstanding anything to the contrary in this Plan, the Confirmation Order or any documents ancillary to the Plan and/or the Confirmation Order (including any amendment or modification of each thereof), the provisions of this Section 7.1(M)(A) shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents or the Ursa Documents, as applicable, and nothing contained in this Section 7.1(M)(A) shall alter, amend, impair or modify the rights of the parties under the BofA Documents or the Ursa Documents, as applicable.

For avoidance of doubt, the Equity Interests of 800 Madison and Block 88 are not being conveyed, transferred or assigned to New Ansonia.

(B) Abandonment

At any time prior to the Effective Date, a Debtor, with the written consent of UTA and the Creditors' Committee, may abandon or surrender (i) real properties to the mortgagee and/or holder of security interest(s), or (ii) pursuant to section 554 of the Bankruptcy Code, such Debtor's equity interest in a non-Debtor Affiliate.

(C) Transfer Taxes

To the fullest extent permitted under section 1146(a) of the Bankruptcy Code and applicable law, the sale, transfer, conveyance and/or assignment of any assets, equity, real

property and interests in real property pursuant to the Plan shall not be taxed under any law imposing any such tax.

7.2. Corporate Action for the Debtors, Reorganized Tarragon and New Ansonia. On the Effective Date, all matters and actions provided for under the Plan that would otherwise require approval of the members, partners, managers, officers and/or directors of the Debtors, Reorganized Tarragon or New Ansonia or their successors-in-interest under the Plan and all other Plan Documents, and the election or appointment, as the case may be, of managers or officers of Reorganized Tarragon or New Ansonia pursuant to the Plan, shall be deemed to have been authorized and effective in all respects as provided herein and shall be taken without any requirement for further action by members, managers or directors of Reorganized Tarragon or New Ansonia.

Notwithstanding anything to the contrary in this Plan, the Confirmation Order or any documents ancillary to the Plan and/or the Confirmation Order (including any amendment or modification of each thereof), the provisions of this Section 7.2 shall be subject to, and to the extent inconsistent with controlled by, the terms of the BofA Documents or the Ursa Documents, as applicable, and nothing contained in this Section 7.2 shall alter, amend, impair or modify the rights of the parties under the BofA Documents or the Ursa Documents, as applicable.

For avoidance of doubt, the Equity Interests of (i) 800 Madison, (ii) Block 88, and (iii) the Debtors or their Affiliates in the Ursa LLCs are not being conveyed, transferred or assigned to New Ansonia.

7.3. Approval of Agreements. The solicitation of votes on the Plan also shall be deemed as a solicitation for the approval of the Plan Documents and Plan Supplement and all

transactions contemplated by the Plan. Entry of the Confirmation Order shall constitute approval of the Plan Documents and Plan Supplement and all transactions contemplated thereby.

7.4. Special Procedures for Lost, Stolen, Mutilated or Destroyed Instruments. In addition to any requirements under any certificate of incorporation or bylaws or other similar governance document, any Holder of a Claim evidenced by an instrument that has been lost, stolen, mutilated or destroyed will, in lieu of surrendering such instrument, deliver to the Disbursing Agent: (i) evidence satisfactory to the Disbursing Agent and the Debtors, Reorganized Tarragon or New Ansonia, as the case may be, of the loss, theft, mutilation or destruction; and (ii) such security or indemnity as may be required by the Disbursing Agent to hold the Disbursing Agent and the Debtors, Reorganized Tarragon or New Ansonia, as the case may be, harmless from any damages, liabilities or costs incurred in treating such individual as a Holder of an instrument. Upon compliance with this Article, the Holder of a Claim evidenced by any such lost, stolen, mutilated or destroyed instrument will, for all purposes under the Plan, be deemed to have surrendered such instrument.

7.5. Operation of the Debtors-in-Possession Between the Confirmation Date and the Effective Date. The Debtors shall each continue to operate as Debtors-in-Possession, subject to the supervision of the Bankruptcy Court, pursuant to the Bankruptcy Code, during the period from the Confirmation Date through and until the Effective Date.

7.6. Vesting of Assets.

(A) From and after the Effective Date, Reorganized Tarragon and New Ansonia may operate its business, and may use, acquire and dispose of property without supervision or approval by the Bankruptcy Court and free of any restrictions imposed by the

Bankruptcy Code, but subject to the continuing jurisdiction of the Bankruptcy Court as set forth in Article X of this Plan.

(B) As of the Effective Date, all property of the Debtors conveyed, transferred and/or assigned to New Ansonia shall be free and clear of all Liens, Claims and Equity Interests, except as provided in the Confirmation Order. For avoidance of doubt, the Equity Interests of 800 Madison and Block 88 are not being conveyed, transferred or assigned to New Ansonia.

7.7. Discharge of Debtors. The rights afforded herein and the treatment of all Claims and Equity Interests herein shall be in exchange for and in complete satisfaction, discharge and release of Claims and Equity Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Commencement Date, against the Debtors and the Debtors-in-Possession, their Estates, or any of their assets or properties. Except as otherwise provided herein, (A) on the Effective Date, all such Claims against and Equity Interests in any of the Debtors shall be satisfied, discharged and released in full, and (B) all Persons are precluded and enjoined from asserting against Reorganized Tarragon or New Ansonia, their respective successors, or their assets or properties any other or further Claims or Equity Interests based upon any act or omission, transaction or other activity of any kind or nature that occurred before the Confirmation Date. Notwithstanding the foregoing, the provisions of this Section 7.7 shall be subject to, and to the extent inconsistent with controlled by, the terms and conditions of the BofA Documents or the Ursa Documents, as applicable, and nothing contained in this Section 7.7 shall alter, amend, impair or modify the rights of the parties under the BofA Documents or the Ursa Documents, as applicable.

7.8. Injunctions or Stays. All injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code and in the Plan, or otherwise, and in

existence on the Confirmation Date, shall remain in full force and effect until the Effective Date. Except as otherwise expressly provided in the Plan or to the extent necessary to enforce the terms and conditions of the Plan, the Confirmation Order or a separate Order of the Bankruptcy Court, all entities, creditors and equity and/or interest holders who have held, hold, or may hold Claims against or Equity Interest in the Debtors, are permanently enjoined, on and after the Confirmation Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim or Equity Interest, (ii) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or Order against the Debtors, the Tarragon Creditor Entity, the TCE Trustee, Reorganized Tarragon or New Ansonia on account of any such Claim or Equity Interest, (iii) creating, perfecting or enforcing any encumbrance of any kind against the Debtors, the Tarragon Creditor Entity, the TCE Trustee, Reorganized Tarragon or New Ansonia or against the property or interests in property of the Debtors or New Ansonia on account of any such Claim or Equity Interest, and (iv) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Debtors, the Tarragon Creditor Entity, the TCE Trustee, Reorganized Tarragon or New Ansonia or against the property or interests in property of the Debtors, the Tarragon Creditor Entity, the TCE Trustee, Reorganized Tarragon or New Ansonia on account of any such Claim or Equity Interest. Such injunction shall extend to successors of the Debtors, the Tarragon Creditor Entity, the TCE Trustee, Reorganized Tarragon or New Ansonia and their respective properties and interests in property. Notwithstanding the foregoing, the provisions of this Section 7.8 shall be subject to, and to the extent inconsistent with controlled by, the terms and conditions of the BofA Documents or the Ursa Documents, as applicable, and nothing contained

in this Section 7.8 shall alter, amend, impair or modify the rights of the parties under the BofA Documents or the Ursa Documents, as applicable.

7.9. Exculpation. The Debtors, Reorganized Tarragon, New Ansonia, the Tarragon Creditor Entity, the TCE Trustee, the Creditors' Committee, each of the members of the Creditors' Committee, and their respective members, partners, officers, directors, employees and agents (including any attorneys, financial advisors, investment bankers and other professionals retained by such Persons) shall have no liability to any Holder of any Claim or Equity Interest for any act or omission in connection with, or arising out of the Chapter 11 Cases, the Disclosure Statement, the Plan, the Plan Documents, the solicitation of votes for and the pursuit of confirmation of this Plan, the consummation of this Plan, or the administration of this Plan or the property to be distributed under this Plan, except for willful misconduct or gross negligence as determined by a Final Order of the Bankruptcy Court and, in all respects, shall be entitled to rely on the advice of counsel with respect to their duties and responsibilities under this Plan. Notwithstanding the foregoing, the provisions of this Section 7.9 shall be subject to, and to the extent inconsistent with controlled by, the terms and conditions of the BofA Documents, and nothing contained in this Section 7.9 shall alter, amend, impair or modify the rights of the parties under the BofA Documents.

7.10. Survival of the Debtors' Indemnification Obligations. Any obligations of the Debtors pursuant to their corporate charters and bylaws or other organizational documents to indemnify current and former officers and directors of the Debtors with respect to all present and future actions, suits and proceedings against the Debtors or such directors and/or officers, based upon any act or omission for or on behalf of the Debtors shall not be discharged or impaired by confirmation of the Plan. To the extent provided in this section, such obligations shall be

deemed and treated as executory contracts to be assumed by the Debtors hereunder and shall continue as obligations of Reorganized Tarragon. Upon the Effective Date, except in the case of gross negligence, willful misconduct or fraud, the commencement or prosecution by any person or entity, whether directly, derivatively or otherwise, of any Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liability subject to indemnification by the Debtors, Reorganized Tarragon or New Ansonia shall be enjoined.

7.11. Dissolution of Certain Entities. The following entities will be deemed dissolved upon the Effective Date: Orlando Central, Murfreesboro, Stonecrest, Fenwick, Trio West, Charleston, Vista, Stratford, MSCP and Hanover.

7.12. Merger of Certain Entities. Prior to or following the hearing regarding the confirmation of the Plan, one or more of Morningside National, Inc., a Florida corporation, Mountain View National, Inc., a Nevada corporation, National Income Realty Investors, Inc., a Nevada corporation, Orion Tarragon GP, Inc., a Texas corporation, Orion Tarragon LP, Inc., a Nevada corporation, Parkdale Gardens National Corp., a Texas corporation, Tarragon Limited, Inc., a Nevada corporation, Vinland Property Investors, Inc., a Nevada corporation and Vintage National, Inc., a Texas corporation, shall merge with and into Tarragon Corp. with Tarragon Corp. being the surviving corporation.

7.13. Taberna Claims.

(A) Except as otherwise provided in this Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to this Plan, the promissory notes and other agreements and instruments that evidence the Taberna Claims shall be deemed cancelled and of no further force and effect, without any further act or action under any applicable agreement, law, regulation, order or rule, and the obligations of Tarragon Corp. under

such promissory notes and other agreements and instruments governing the Taberna Claims shall be discharged; provided, however, that the Indentures shall continue in effect solely for the purposes of allowing the Indenture Trustee to enforce the indemnity provisions of the Indentures, allowing the Indenture Trustee to make distributions to be made on account of the Taberna Claims under this Plan; and, to the extent necessary, allowing the Indenture Trustee to enforce its Indenture Trustee Charging Lien, after which point the Indentures shall be cancelled and discharged. The Holders of or parties of such cancelled notes and other agreements and instruments shall have no rights from or relating to such notes and other agreements and instruments, or the cancellation thereof, except the rights provided pursuant to this Plan.

(B) Notwithstanding any other provision of this Plan, Tarragon Corp. shall recognize the Proof of Claims filed by the Indenture Trustee in respect of the Taberna Claims for all purposes under this Plan. Accordingly, any Proof of Claim filed by the registered or beneficial Holder of such Taberna Claims shall be deemed disallowed as duplicative of the Proofs of Claim filed by the Indenture Trustee without the need for any further action or an order of the Bankruptcy Court. The Indenture Trustee shall be deemed to be the Holder of the Taberna Claims, as applicable, for purposes of distributions to be made hereunder, and all distributions on account of such Claims shall be made by the Indenture Trustee.

ARTICLE VIII.

DISTRIBUTIONS UNDER THE PLAN AND TREATMENT OF DISPUTED, CONTINGENT AND UNLIQUIDATED CLAIMS AND EQUITY INTERESTS

8.1. Method of Distributions Under the Plan

(A) In General

On the Effective Date, other than Allowed Administrative Expenses Claims and Priority Claims which shall be paid by Reorganized Tarragon in accordance with the Plan, any cash

distributions that are required to be made pursuant to the Plan shall be made by Reorganized Tarragon. In addition, any distributions that are required to be made in connection with the proceeds of sale or refinance of any of the Assets shall be made by Reorganized Tarragon.

(B) Timing of Distributions

Any payment or distribution required to be made under the Plan on a day other than a Business Day shall be made on the next succeeding Business Day.

(C) Minimum Distributions

No payment of Cash less than One Hundred Dollars ($100.00) shall be made by the Tarragon Creditor Entity or Reorganized Tarragon to any Holder of a Claim unless a request therefor is made in writing to the Tarragon Creditor Entity or Reorganized Tarragon, as applicable.

(D) Fractional Dollars

Any other provisions of the Plan to the contrary notwithstanding, no payments of fractions of dollars will be made. Whenever any payment of a fraction of a dollar would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar (up or down).

(E) Unclaimed Distributions

Any Distributions under the Plan that are unclaimed for a period of four (4) months after distribution thereof shall be revested in the Tarragon Creditor Entity and any entitlement of any Holder of any Claim to such Distributions shall be extinguished and forever barred.

(F) Distributions to Holders as of the Record Date

As of the close of business on the Record Date, the claims register shall be closed. The Debtors, Reorganized Tarragon and New Ansonia shall have no obligation to recognize any

transfer of any Claims occurring after the Record Date unless written notice of such transfer is provided to the Disbursing Agent. The Debtors, Reorganized Tarragon and New Ansonia shall be entitled to recognize and deal for all purposes under the Plan (except as to voting to accept or reject the Plan) with only those record Holders stated on the Claims register as of the close of business on the Record Date and those parties that have provided written notice of any transfer to the Disbursing Agent.

(G) Setoffs and Recoupment

Any of the Debtors, Reorganized Tarragon, the Tarragon Creditor Entity or New Ansonia, as the case may be, may, but shall not be required to, set off against or recoup from any Claim and the payments to be made pursuant to the Plan in respect of such Claim, any Claims of any nature whatsoever that such Debtor, Reorganized Tarragon, the Tarragon Creditor Entity or New Ansonia, as the case may be, may have against the claimant, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors, Reorganized Tarragon, the Tarragon Creditor Entity or New Ansonia of any such Claim or right it may have against such Claimant.

(H) Procedures for resolving and treating contested claims

(i) Objections to and Resolution of Disputed Administrative and Priority Claims: Reorganized Tarragon and the Tarragon Creditor Entity shall have the exclusive right to make and file objections to Administrative Expense Claims and Priority Claims after the Effective Date. All objections shall be litigated to Final Order; provided, however, that Reorganized Tarragon and/or the Tarragon Creditor Entity shall have the authority to compromise, settle, resolve or withdraw any objections, without approval of the Bankruptcy Court. Unless otherwise ordered by the Bankruptcy Court, Reorganized Tarragon and/or the

Tarragon Creditor Entity shall file and serve all objections to Administrative Expense Claims and Priority Claims that are the subject of proofs of Claim or requests for payment filed with the Bankruptcy Court no later than ninety (90) days after the Effective Date or such later date as may be approved by the Bankruptcy Court.

(ii) Objections to and Resolution of Disputed General Unsecured Claims: The Tarragon Creditor Entity shall have the exclusive right to make and file objections to General Unsecured Claims after the Effective Date. All objections shall be litigated to Final Order; provided, however, that the Tarragon Creditor Entity shall have the authority to compromise, settle, resolve or withdraw any objections, without approval of the Bankruptcy Court. Unless otherwise ordered by the Bankruptcy Court, the Tarragon Creditor Entity shall file and serve all objections to General Unsecured Claims that are the subject of proofs of Claim or requests for payment filed with the Bankruptcy Court no later than one-hundred eighty (180) days after the Effective Date or such later date as may be approved by the Bankruptcy Court. Any Disputed General Unsecured Claim shall be defended and liquidated in the Bankruptcy Court or any other administrative or judicial tribunal of appropriate jurisdiction as selected by the Tarragon Creditor Entity and approved by the Bankruptcy Court.

(iii) Procedure for Omnibus Objections to Claims: Notwithstanding Bankruptcy Rule 3007, Reorganized Tarragon and/or the Tarragon Creditor Entity are permitted to file omnibus objections to Claims (an "Omnibus Objection") on any grounds, including but not limited to those grounds specified in Bankruptcy Rule 3007(d). Reorganized Tarragon and/or the Tarragon Creditor Entity, as the case may be, shall supplement each Omnibus Objection with particularized notices of objection (a "Notice") to the specific person identified on the first page of each relevant proof of claim. For claims that have been transferred, a Notice

shall be provided only to the person or persons listed as being the owner of such claim on the Debtors' claims register as of the date the objection is filed. The Notice shall include a copy of the relevant Omnibus Objection but not the exhibits thereto listing all claims subject to the objection thereby; rather, the Notice shall (a) identify the particular claim or claims filed by the claimant that are the subject of the Omnibus Objection, (b) provide a unique, specified and detailed basis for the objection, (c) explain the Debtors' proposed treatment of the claim, (d) notify such claimant of the steps that must be taken to contest the objection, and (e) otherwise comply with the Bankruptcy Rules.

(iv) Estimation of Claims: Reorganized Tarragon, New Ansonia and/or the Tarragon Creditor Entity, as the case may be, may, at any time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to Section 502(c) of the Bankruptcy Code regardless of whether Reorganized Tarragon, New Ansonia and/or the Tarragon Creditor Entity has previously objected to such claim or whether the Bankruptcy Court has ruled on any such objection. The Bankruptcy Court shall retain jurisdiction to estimate any Disputed Claim at any time during litigation concerning an objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event the Bankruptcy Court estimates any Disputed Claim, that estimated amount will constitute the Allowed amount of such claim for all purposes under the Plan. All of the objection and estimation procedures set forth in the Plan are cumulative and not necessarily exclusive of one another. Claims may be estimated and subsequently comprised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

(v) Entitlement to Plan Distributions Upon Allowance: Notwithstanding any other provision of the Plan, no distribution shall be made with respect to

any Claim to the extent it is a Disputed Claim, unless and until such Disputed Claim becomes an Allowed Claim. When a Claim that is not an Allowed Claim as of the Effective Date becomes an Allowed Claim (regardless of when), the holder of such Allowed Claim shall thereupon become entitled to distributions in respect of such Claim, the same as though such Claim has been an Allowed Claim on the Effective Date.

(vi) Reserve. The Tarragon Creditor Entity shall reserve from the Distributions to be made to Holders of Allowed General Unsecured Claims an amount equal to 100% of the Distribution to which Holders of Disputed Claims would be entitled to under the Plan if such Disputed Claims were Allowed Claims in their Disputed Claim Amount or such other amount as is ordered by the Bankruptcy Court after notice and hearing (the "Reserve"). The creation of any such Reserve shall not delay or impair the Distributions to all Holders of Allowed General Unsecured Claims.

Notwithstanding the foregoing, the provisions of this Article VIII shall be subject to, and to the extent inconsistent with controlled by, the terms and conditions of the BofA Documents, and nothing contained in this Article VIII shall alter, amend, impair or modify the rights of the parties under the BofA Documents.

ARTICLE IX.

CAUSES OF ACTION

9.1. Preservation of Causes of Action. Entry of the Confirmation Order shall not be deemed or construed as a waiver or release by any of the Debtors of any Causes of Action. In accordance with section 1123(b)(3) of the Bankruptcy Code, all Causes of Action shall be either retained by the applicable Debtor that owns such Cause of Action on the Effective Date or assigned to the Tarragon Creditor Entity. Pursuant to the Plan and section 1123(b)(3)(B) of the

Bankruptcy Code, the Tarragon Creditor Entity shall be designated as the representative of each Debtor's estate for purposes of bringing, prosecuting and compromising all Avoidance Actions. The proceeds of Avoidance Actions, if any, shall be distributed by the Tarragon Creditor Entity to the creditors of the applicable Debtor's estate for whose benefit each of the Avoidance Actions is brought. All Retained Actions shall be retained by Reorganized Tarragon. All funds received from the Retained Actions shall be distributed in the same manner as "Liquidation Assets" under this Plan. Subject to Article VII of the Plan, Reorganized Tarragon, the applicable Debtor that owns such Causes of Action or the Tarragon Creditor Entity, as applicable, will determine whether to bring, settle, release, compromise, or enforce any rights (or decline to do any of the foregoing) with respect to any Causes of Action.

Except as expressly provided in this Plan, the failure of the Debtors to specifically list any Claim, Causes of Action, right of action, suit or proceeding in the Schedules, the Disclosure Statement or any Schedule to the Plan Supplement does not, and will not be deemed to, constitute a waiver or release by the Debtors of such Claim, Cause of Action, right of action, suit or proceeding, and either Reorganized Tarragon, the applicable Debtor that owns such Claims or the Tarragon Creditor Entity, as applicable, will retain the right to pursue such Claims, Causes of Action, rights of action, suits or proceeding in its sole discretion and, therefore, no preclusion doctrine, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches will apply to such claim, right of action, and suit or proceeding upon or after the Confirmation or consummation of the Plan. Further, recovery of any proceeds of Causes of Action shall be deemed "for the benefit of the [applicable] estate" as set forth in section 550(a) of the Bankruptcy Code.

9.2. Reservation regarding BofA Documents

Notwithstanding the foregoing, the provisions of this Article IX shall be subject to, and to the extent inconsistent with controlled by, the terms and conditions of the BofA Documents, and nothing contained in this Article IX shall alter, amend, impair or modify the rights of the parties under the BofA Documents.

ARTICLE X.

CONDITIONS TO CONFIRMATION AND EFFECTIVE DATE

10.1. Conditions to Confirmation. The following conditions shall be met before Confirmation of the Plan:

(A) An Order shall have been entered finding that:

(1) the Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy shall have been issued by the Bankruptcy Court; and

(2) the Debtors, the Creditors' Committee and their respective principals, officers, directors, attorneys, accountants, financial advisors, advisory affiliates, employees, and agents solicited acceptance or rejection of the Plan in good faith pursuant to 11 U.S.C. § 1125(e); and

(B) the proposed Confirmation Order shall be in form and substance reasonably satisfactory to the Debtors and shall have been signed by the Bankruptcy Court and entered on the docket of this Chapter 11 Cases.

10.2. Conditions Precedent to the Effective Date. The Plan shall not become effective unless and until the following conditions shall have been satisfied or waived:

(A) The Confirmation Order shall authorize and direct that the Debtors and the Creditors' Committee take all actions necessary or appropriate to enter into, implement and consummate the contracts, instruments, releases, leases and other agreements or documents

created in connection with the Plan, including the Plan Documents and the transactions contemplated thereby.

(B) The Confirmation Order, and each Order referred to in Article 9.1 hereof, shall have become a Final Order.

(C) Except for Deferred Confirmation Expenses, the statutory fees owing to the United States Trustee shall have been paid in full.

(D) All other actions, authorizations, consents and regulatory approvals required (if any) and all Plan Documents necessary to implement the provisions of the Plan shall have been obtained, effected or executed in a manner acceptable to the Debtors or, if waivable, waived by the Person or Persons entitled to the benefit thereof.

10.3. Effect of Failure of Conditions. If each condition to the Effective Date has not been satisfied or duly waived within one year after the Confirmation Date, then upon motion by any party in interest, made before the time that each of the conditions has been satisfied or duly waived and upon notice to such parties in interest as the Bankruptcy Court may direct, the Confirmation Order will be vacated by the Bankruptcy Court. If the Confirmation Order is vacated pursuant to this Article, the Plan shall be deemed null and void in all respects including, without limitation, the discharge of Claims pursuant to section 1141 of the Bankruptcy Code and the assumptions or rejections of Executory Contracts and unexpired leases provided for herein, and nothing contained herein shall (i) constitute a waiver or release of any Claims by or against any of the Debtors or (ii) prejudice in any manner the rights of any of the Debtors.

10.4. Waiver of Conditions to Confirmation and Effective Date. Each of the conditions to Confirmation and the Effective Date may be waived in writing, in whole or in part, by any of the Debtors at any time, without notice or an Order of the Bankruptcy Court, but only

after consultation with the Creditors' Committee. The failure of any of the Debtors to exercise any of the foregoing rights will not be deemed a waiver of any other rights, and each such right will be deemed an ongoing right that may be asserted at any time.

10.5. Effects of Plan Confirmation.

(A) Limitation of Liability. Neither the Debtors, the Tarragon Creditor Entity, the TCE Trustee, Reorganized Tarragon, New Ansonia, the Creditors' Committee, the members of the Creditors' Committee, the Disbursing Agent, nor any of their respective post-Commencement Date employees, officers, directors, agents or representatives, or any Professional (which, for the purposes of this Article, shall include any counsel of the Debtors, the Tarragon Creditor Entity, the TCE Trustee, New Ansonia, Reorganized Tarragon or the Creditors' Committee) employed by any of them, shall have or incur any liability to any Person whatsoever, including, specifically, any Holder of a Claim or Equity Interests, under any theory of liability (except for any Claim based upon willful misconduct or gross negligence), for any act taken or omission made in good faith directly related to formulating, negotiating, preparing, disseminating, implementing, confirming or consummating the Plan, the Plan Documents, the Confirmation Order, or any contract, instrument, release, or other agreement or document created or entered into, or any other act taken or omitted to be taken in connection with the Plan Documents, provided that nothing in this paragraph shall limit the liability of any Person for breach of any express obligation it has under the terms of the Plan, the Plan Documents, or under any agreement or other document entered into by such Person either after the Commencement Date or in accordance with the terms of the Plan or for any breach of a duty of care owed to any other Person occurring after the Effective Date. In all respects, the Debtors, New Ansonia, the Tarragon Creditor Entity, the TCE Trustee, Reorganized Tarragon, the Creditors' Committee, the

Disbursing Agent, and each of their respective members, managers, officers, directors, employees, advisors and agents shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Notwithstanding the foregoing, the provisions of this Section 10.5(A) shall be subject to, and to the extent inconsistent with controlled by, the terms and conditions of the BofA Documents or the Ursa Documents, as applicable, and nothing contained in this Section 10.5(A) shall alter, amend, impair or modify the rights of the parties under the BofA Documents or the Ursa Documents, as applicable.

(B) Subordination. The classification and manner of satisfying all Claims and Equity Interests and the respective distributions and treatments under the Plan take into account or conform to the relative priority and rights of the Claims and Equity Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code or otherwise, and any and all such rights are settled, compromised and released pursuant to the Plan. The Confirmation Order shall permanently enjoin, effective as of the Effective Date, all Persons from enforcing or attempting to enforce any such contractual, legal and equitable subordination rights satisfied, compromised and settled pursuant to this Article IX.

(C) Mutual Releases. Pursuant to section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, for good and valuable consideration, on and after the Effective Date, the Debtors, the Tarragon Creditor Entity, the TCE Trustee, Reorganized Tarragon, New Ansonia, the Creditors' Committee, the members of the Creditors' Committee and all Holders of Claims and/or Interests and each of their respective affiliates, principals, officers, directors, partners, members, attorneys, accountants, financial advisors, advisory affiliates, employees and agents (each a "Released Party") shall each conclusively,

absolutely, unconditionally, irrevocably, and forever release and discharge each other Released Party from any and all Claims, obligations, rights, suits, damages, causes of action, remedies, and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that any Released Party would have been legally entitled to assert in their own right (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, Reorganized Tarragon, New Ansonia, the Creditors' Committee, the members of the Creditors' Committee, the Chapter 11 Case, the Plan, the purchase, sale, or rescission of the purchase or sale of any assets of the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Equity Interests prior to or in the Chapter 11 Case, the negotiation, formulation, or preparation of the Plan and the Disclosure Statement, or any related agreements, instruments, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date, other than any Claims, direct actions, causes of action, demands, rights, judgments, debts, obligations, assessments, compensations, costs, deficiencies or other expenses of any nature whatsoever (including without limitation, attorneys' fees) (i) arising under or based on the Plan or any other documents, instrument or agreement to be executed or delivered therewith, or (ii) arising under Chapter 5 of the Bankruptcy Code, or (iii) in the case of gross negligence, willful misconduct or fraud; provided, however, that nothing herein shall limit the Securities Class Action Plaintiff from pursuing its claims against Tarragon Corp. solely to the extent of available insurance coverage and proceeds. Notwithstanding any language to the contrary contained in this Plan or the Disclosure Statement, no provision shall release any non-Debtor, including any

current and/or former officer and/or director of the Debtors from any liability in connection with any legal action or claim brought by the United States Securities and Exchange Commission in connection with a violation of securities laws. Notwithstanding the foregoing, (i) the provisions of this Section shall be subject to the terms and conditions of the BofA Documents, and nothing contained in this Section 10.5(C) shall alter the rights of the parties under the BofA Documents, and (ii) no release, waiver or discharge of any Claims, obligations, rights, suits, damages, causes of action, remedies, and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise against any non-Debtor shall be binding on or enforceable against Ursa.

(D) Insurance Policies. All of the Debtors' insurance policies and any agreements, documents, or instruments relating thereto, are treated as Executory Contracts under the Plan. On the Effective Date, the Debtors shall be deemed to have assumed by Reorganized Tarragon or the applicable Debtor all insurance policies and any agreements, documents, and instruments relating to coverage of Claims covered by those insurance policies, subject to all rights, remedies and defenses of the Debtors under any agreements, insurance policies and applicable law. Nothing in the Plan, or in any Order confirming the Plan, shall preclude plaintiffs in pending litigation matters from pursuing their claims against the Debtors solely to the extent of available insurance coverage and proceeds. Claims against the Debtors, to the extent of available insurance, are preserved and not discharged by the Plan.

10.6. Conversion of Bankruptcy Cases.

At or prior to the hearing regarding the confirmation of the Plan, the Debtors may request that the Bankruptcy Court order the conversion to Chapter 7 of one or more of the Debtors' Chapter 11 Cases pursuant to Bankruptcy Code section 1112(a). As of the date hereof, the

Debtors anticipate requesting that the Bankruptcy Court convert TMI's Chapter 11 Case to Chapter 7.

ARTICLE XI.

RETENTION OF JURISDICTION

The Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, and related to, the Chapter 11 Cases and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

(A) To hear and determine all matters with respect to the assumption or rejection of any Executory Contract or unexpired lease to which any of the Debtors is a party or with respect to which any of the Debtors may be liable, including, if necessary, the nature or amount of any required Cure or the liquidation or allowance of any Claims arising therefrom;

(B) To hear and determine any and all adversary proceedings, applications and contested matters, including, without limitation, adversary proceedings and contested matters arising in connection with the prosecution of the Avoidance Actions, to the extent specifically reserved in accordance with Article 8.1 of the Plan, and all other Causes of Action, whether commenced before or after the Effective Date;

(C) To hear and determine any objections to Claims and to address any issues relating to Disputed Claims;

(D) To enter and implement such Orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;

(E) To issue such Orders in aid of execution and consummation of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

(F) To consider any amendments to or modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any Order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(G) To hear and determine all Fee Applications; provided, however, that from and after the Effective Date, the payment of the fees and expenses of the retained Professionals of Reorganized Tarragon shall be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;

(H) To hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;

(I) Except as otherwise limited herein, to recover all assets of the Debtors and property of the Debtors' Estates, wherever located;

(J) To hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

(K) To hear any other matter not inconsistent with the Bankruptcy Code;

(L) To enter a final decree closing the Chapter 11 Cases;

(M) To ensure that Distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

(N) To decide or resolve any motions, adversary proceedings, contested or litigated matters pending in the Bankruptcy Court and any other matters pending in the Bankruptcy Court and grant or deny any applications involving the Debtors that may be pending in the Bankruptcy Court on the Effective Date;

(O) To issue injunctions, enter and implement other Orders or take such other actions as may be necessary or appropriate to restrain interference by any Person or Entity with

the occurrence of the Effective Date or enforcement of the Plan, except as otherwise provided herein;

(P) To determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan or the Disclosure Statement, including the Plan Documents;

(Q) To enforce, interpret, and determine any disputes arising in connection with any stipulations, orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Chapter 11 Cases (whether or not the Chapter 11 Cases have been closed);

(R) To resolve disputes concerning any reserves with respect to Disputed Claims, Disputed Equity Interests or the administration thereof;

(S) To resolve any disputes concerning whether a Person or Entity had sufficient notice of the Chapter 11 Cases, the Claims Bar Date, the hearing on the approval of the Disclosure Statement as containing adequate information, the hearing on the confirmation of the Plan for the purpose of determining whether a Claim or Equity Interest is discharged hereunder or for any other purpose; and

(T) To issue Orders pursuant to Section 363(b) of the Bankruptcy Code; provided, however, that Bankruptcy Court approval is not required to consummate any sales after confirmation of the Plan.

Notwithstanding the foregoing, the provisions of this Article XI shall be subject to, and to the extent inconsistent with controlled by, the terms and conditions of the BofA Documents or the Ursa Documents, as applicable, and nothing contained in this Article XI shall alter, amend,

impair or modify the rights of the parties under the BofA Documents, or the Ursa Documents, as applicable.

ARTICLE XII.

MISCELLANEOUS PROVISIONS

12.1. Effectuating Documents and Further Transactions. The Debtors, Reorganized Tarragon, the Tarragon Creditor Entity and New Ansonia are each authorized to execute, deliver, file or record such contracts, instruments, releases, and other agreements or documents and to take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan and any securities issued pursuant to the Plan.

12.2. Exemption from Transfer Taxes. Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, transfer or exchange of notes or equity securities under the Plan, the creation of any mortgage, deed of trust or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including, without limitation, any merger agreements or agreements of consolidation, deeds, bills of sale or assignments executed in connection with any of the transactions contemplated under the Plan shall not be subject to any stamp, real estate transfer, mortgage recording or other similar tax.

12.3. Post-Confirmation Date Fees and Expenses. From and after the Confirmation Date, the Debtors and Reorganized Tarragon shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, but only to the extent funds are available taking into account the reasonable working capital needs of Reorganized Tarragon, pay the reasonable fees and expenses of Professionals thereafter incurred by the Debtors and Reorganized Tarragon until its termination in accordance with the provisions

of the Plan, including, without limitation, those fees and expenses incurred in connection with the implementation and consummation of the Plan.

12.4. Payment of Statutory Fees. Except for Deferred Confirmation Expenses which shall be paid pursuant to the terms of the Plan, all fees payable pursuant to section 1930 of the title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid in Cash equal to the amount of such fees on the Effective Date. Reorganized Tarragon shall timely pay post-confirmation quarterly fees assessed pursuant to 28 U.S.C. § 1930(a)(6) until such time as the Bankruptcy Court enters a final decree closing the Chapter 11 Cases, or enters an Order either converting this case to a case under Chapter 7 or dismissing this case. After the Confirmation Date, Reorganized Tarragon shall file with the Bankruptcy Court and shall transmit to the United States Trustee a true and correct statement of all disbursements made by Reorganized Tarragon on a quarterly basis, or portion thereof, that the Chapter 11 Cases remains open in a format prescribed by the United States Trustee.

12.5. Amendment or Modification of the Plan. Alterations, amendments or modifications of the Plan may be proposed in writing by the Debtors at any time before the Confirmation Date, provided that the Plan, as altered, amended or modified, satisfies the conditions of sections 1122 and 1123 of the Bankruptcy Code, and the Debtors shall have complied with section 1125 of the Bankruptcy Code.

12.6. Severability. In the event that the Bankruptcy Court determines, before the Confirmation Date, that any provision in the Plan is invalid, void or unenforceable, such provision shall be invalid, void or unenforceable with respect to the Holder or Holders of such Claims or Equity Interests as to which the provision is determined to be invalid, void or

unenforceable. The invalidity, voidability or unenforceability of any such provision shall in no way limit or affect the enforceability and operative effect of any other provision of the Plan.

12.7. Revocation or Withdrawal of the Plan. Each of the Debtors reserves the right to revoke or withdraw the Plan before the Confirmation Date. If any of the Debtors revokes or withdraws the Plan before the Confirmation Date, then the Plan shall be deemed null and void. In such event, nothing contained herein shall constitute or be deemed a waiver or release of any Claims by or against any of the Debtors or any other Person or to prejudice in any manner the rights of any of the Debtors or any Person in any further proceedings involving any of the Debtors.

12.8. Binding Effect. The Plan shall be binding upon and inure to the benefit of the Debtors, the Tarragon Creditor Entity, the Holders of Claims, and Equity Interests, and their respective successors and assigns, including, without limitation, New Ansonia.

12.9. Notices. All notices, requests and demands to or upon the Debtors, New Ansonia, Reorganized Tarragon or the Tarragon Creditor Entity to be effective shall be in writing and, unless otherwise expressly provided herein or in the Plan, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

If to the Debtors or Reorganized Tarragon:	Tarragon Corporation 192 Lexington Ave., 15th Floor New York, New York 10016 Attention: William S. Friedman, CEO

with copies to:	Cole, Schotz, Meisel, Forman & Leonard, P.A. 25 Main Street P.O. Box 800 Hackensack, NJ 07602-0800 Attn: Michael D. Sirota, Esq. Warren A. Usatine, Esq. Telephone: (201) 489-3000 Facsimile: (201) 489-1536
If to the Tarragon Creditor Entity:	The Creditors' Committee shall select and identify the TCE Trustee, in a notice to be filed with the Bankruptcy Court, no later than three business days prior to the deadline established by the Bankruptcy Court for the filing of objections to confirmation of this Plan.
with copies to:	Patterson Belknap Webb & Tyler 1133 Avenue of the Americas New York, NY 10036-6710 Attn: Daniel A. Lowenthal, Esq. - and – Harry M. Gutfleish, Esq. Forman Holt Eliades & Ravin LLC 80 Route 4 East, Suite 290 Paramus, New Jersey 07652
If to New Ansonia:	192 Lexington Ave., 15th Floor New York, New York 10016 Attention: William S. Friedman, CEO
with copies to:	Robert Rothenberg 122 Oak Street Woodmere, New York 11598 - and – William S. Friedman 320 Central Park West New York, New York 10025

12.10. Governing Law. Except to the extent the Bankruptcy Code, Bankruptcy Rules or other federal law is applicable, or to the extent an exhibit to the Plan provides

otherwise, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New Jersey, without giving effect to the principles of conflicts of law of such jurisdiction.

12.11. Withholding and Reporting Requirements. In connection with the consummation of the Plan, the Debtors, the Tarragon Creditor Entity, Reorganized Tarragon or New Ansonia, as the case may be, shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements.

12.12. Plan Supplement. Forms of all material agreements or documents related to any the Plan, including but not limited to those identified in this Plan, shall be contained in the Plan Supplement. The Plan Supplement shall be filed by the Debtors with the Clerk of the Bankruptcy Court no later than five days before the Voting Deadline. Upon its filing with the Bankruptcy Court, the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours. Holders of Claims, or Equity Interest may obtain a copy of the Plan Supplement upon written request to the Debtors' counsel.

12.13. Allocation of Plan Distributions Between Principal and Interest. To the extent that any Allowed Claim entitled to a Distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such Distribution shall be allocated to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim, to accrued but unpaid interest.

12.14. Headings. Headings are used in the Plan for convenience and reference only, and shall not constitute a part of the Plan for any other purpose.

12.15. Exhibits/Schedules. All exhibits and schedules to the Plan, including the Plan Supplement, are incorporated into and are a part of the Plan as if set forth in full therein.

12.16. Filing of Additional Documents. On or before substantial consummation of the Plan, the Debtors shall file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

12.17. No Admissions. Notwithstanding anything herein to the contrary, nothing contained in the Plan shall be deemed as an admission by any Person or Entity with respect to any matter set forth therein.

12.18. Successors and Assigns. The rights, benefits and obligations of any Person or Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign of such Person or Entity.

12.19. Reservation of Rights. Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. Neither the filing of the Plan, any statement or provision contained in the Plan, or the taking of any action by the Debtors with respect to the Plan shall be or shall be deemed to be an admission or waiver of any rights of the Debtors with respect to the Holders of Claims or Equity Interests before the Effective Date.

12.20. Section 1145 Exemption. Pursuant to section 1145(a) of the Bankruptcy Code, the offer, issuance, transfer or exchange of any security under the Plan, or the making or delivery of an offering memorandum or other instrument of offer or transfer under the Plan, shall be exempt from Section 5 of the Securities Act of 1933 or any similar state or local law requiring the registration for offer or sale of a security or registration or licensing of an issuer or a security.

12.21. Implementation. The Debtors shall take all steps, and execute all documents, including appropriate releases, necessary to effectuate the provisions contained in this Plan.

12.22. Inconsistency. In the event of any inconsistency among the Plan, the Disclosure Statement, the Plan Documents, the Plan Supplement, or any other instrument or document created or executed pursuant to the Plan, the provisions of the Plan shall control; provided, however, that in the event of any inconsistency among the Plan, the Disclosure Statement, the Plan Documents, the Plan Supplement, or any other instrument or document created or executed pursuant to the Plan and the BofA Documents or the Ursa Documents, as applicable, the BofA Documents or the Ursa Documents, as applicable, shall control.

12.23. Compromise of Controversies. Pursuant to Bankruptcy Rule 9019, and in consideration for the classification, distribution and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims or controversies resolved pursuant to the Plan. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements, and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtors, Reorganized Tarragon, the Tarragon Creditor Entity, New Ansonia, the Estates, and all Holders of Claims and Equity Interests against the Debtors.

DATED: May 11, 2010

[*Signature pages to the Joint Plan of Reorganization follow*.]

TARRAGON CORPORATION

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer

TARRAGON DEVELOPMENT CORPORATION

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer

TARRAGON SOUTH DEVELOPMENT CORP.

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer

TARRAGON DEVELOPMENT COMPANY LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Managing Member

TARRAGON MANAGEMENT, INC.

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer

BERMUDA ISLAND TARRAGON LLC

By:___/s/ William S. Friedman_____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Managing Member

ORION TOWERS TARRAGON, LLP

By:___/s/ William S. Friedman_____
Name: William S. Friedman
Title: Chief Executive Officer of Orion Tarragon GP, Inc., its General Partner

ORLANDO CENTRAL PARK TARRAGON LLC

By:___/s/ William S. Friedman_____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Managing Member

FENWICK PLANTATION TARRAGON LLC

By:___/s/ William S. Friedman_____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, the Manager of Charleston Tarragon Manager, LLC, its Manager

CHARLESTON TARRAGON MANAGER, LLC

By:___/s/ William S. Friedman_____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, its Manager

800 MADISON STREET URBAN RENEWAL, LLC

By:___/s/ William S. Friedman_____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, the Manager of Block 88 Development, LLC, its Managing Member

BLOCK 88 DEVELOPMENT, LLC

By:___/s/ William S. Friedman_____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, its Manager

900 MONROE DEVELOPMENT, LLC

By:___/s/ William S. Friedman_____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Manager

THE PARK DEVELOPMENT EAST, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, the Managing Member of Palisades Park East Tarragon, LLC, its Managing Member

ONE LAS OLAS, LTD.

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Omni Equities Corporation, its General Partner

OMNI EQUITIES CORPORATION

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer

CENTRAL SQUARE TARRAGON LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Managing Member

THE PARK DEVELOPMENT WEST, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, the Managing Member of Palisades Park West Tarragon, LLC, its Managing Member

VISTA LAKES TARRAGON, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Manager

TARRAGON EDGEWATER ASSOCIATES, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, its Manager

MURFREESBORO GATEWAY PROPERTIES, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Morningside National, Inc., its Manager

TARRAGON STONECREST, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Morningside National, Inc., its Manager

TARRAGON STRATFORD, INC.

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer

MSCP, INC.

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer

TDC HANOVER HOLDINGS, LLC

By: /s/ William S. Friedman
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, its Managing Member

Exhibit A

List of New Ansonia Acquired Interests

Ansonia Apartments, LP	The 89.44% Equity Interest in Ansonia Apartments, LP owned by Tarragon Dev. LLC shall be transferred to New Ansonia.
Harbor Green	The 100% Equity Interest in RI Panama City LLC owned by Tarragon Dev. LLC. shall be transferred to New Ansonia.
Tradition at Palm Aire	The 100% Equity Interest in Tradition Tarragon, LLC owned by Tarragon Corp. shall be transferred to New Ansonia.
Vintage at the Grove/Bentley	The 100% Equity Interest in Manchester Tolland Development LLC owned by Tarragon Corp. shall be transferred to New Ansonia.
Cobblestone at Eagle Harbor	The 100% Equity Interest in Vineyard at Eagle Harbor LLC owned by Tarragon Dev. LLC shall be transferred to New Ansonia.

Exhibit B

Material Liquidation Assets

1. 800 Madison Street Urban Renewal, LLC
2. 900 Monroe Development, LLC
3. Block 106 Development, LLC
4. Promissory Note in the original principal amount of $1,500,000 from URSA Development Group, LLC to Block 112 Development, LLC
5. Hoboken Cinema, LLC
6. Orion Towers Tarragon, LLP
7. Mustang Creek National, LP
8. Summit on the Lake Associates, Ltd.
9. Keane Stud, LLC
10. Uptown Village A, LLC
    Uptown Village B, LLC

Schedule 5

Executory Contracts and Unexpired Leases

[To be filed with the Plan Supplement.]

Exhibit B

Disclosure Statement Approval Order of the Bankruptcy Court

[See attached.]

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

Caption in Compliance with D.N.J. LBR 9004-2(c)
COLE, SCHOTZ, MEISEL,
FORMAN & LEONARD, P.A.
A Professional Corporation
Court Plaza North
25 Main Street
P.O. Box 800
Hackensack, NJ 07602-0800
Michael D. Sirota, Esq.
Warren A. Usatine, Esq.
(201) 489-3000
(201) 489-1536 Facsimile
Attorneys for Tarragon Corporation, *et al*., Debtors-in-Possession

In re: TARRAGON CORPORATION, *et al*., Debtors-in-Possession.	Case No. 09-10555 (DHS) Judge: Donald H. Steckroth Chapter 11 Hearing Date: May 11, 2010 at 2:00 p.m.

ORDER: (A) APPROVING THE DISCLOSURE STATEMENT PURSUANT TO 11 U.S.C. § 1125(b); (B) FIXING A RECORD DATE FOR VOTING AND PROCEDURES FOR FILING OBJECTIONS TO THE PLAN AND TEMPORARY ALLOWANCE OR DISALLOWANCE OF CLAIMS FOR VOTING PURPOSES; (C) SCHEDULING A HEARING AND APPROVING NOTICE AND OBJECTION PROCEDURES IN RESPECT OF PLAN CONFIRMATION; (D) APPROVING SOLICITATION PACKAGES AND PROCEDURES FOR DISTRIBUTION THEREOF; AND (E) APPROVING THE FORM OF BALLOT AND ESTABLISHMENT OF PROCEDURES FOR VOTING ON THE PLAN

The relief set forth on the following pages, numbered two (2) through fourteen (14), is hereby **ORDERED**.

(Page 2)

Debtor:	TARRAGON CORPORATION, *et al*.
Case No.:	09-10555 (DHS)
Caption of Order:	ORDER: (A) APPROVING THE DISCLOSURE STATEMENT PURSUANT TO 11 U.S.C. § 1125(B); (B) FIXING A RECORD DATE FOR VOTING AND PROCEDURES FOR FILING OBJECTIONS TO THE PLAN AND TEMPORARY ALLOWANCE OR DISALLOWANCE OF CLAIMS FOR VOTING PURPOSES; (C) SCHEDULING A HEARING AND APPROVING NOTICE AND OBJECTION PROCEDURES IN RESPECT OF PLAN CONFIRMATION; (D) APPROVING SOLICITATION PACKAGES AND PROCEDURES FOR DISTRIBUTION THEREOF; AND (E) APPROVING THE FORM OF BALLOT AND ESTABLISHMENT OF PROCEDURES FOR VOTING ON THE PLAN

THIS MATTER having been opened to the Court by Tarragon Corporation, *et al*., the within debtors and debtors-in-possession (collectively, the "Debtors"),[1] by and through their counsel, upon motion for an Order: (a) approving the adequacy of the Second Amended and Restated Disclosure Statement dated May 11, 2010 (the "Disclosure Statement") pursuant to 11 U.S.C. § 1125(b); (b) fixing a record date for voting and procedures for objecting to plan and temporary allowance or disallowance of claims for voting purposes, (c) approving solicitation packages and distribution procedures for same, (d) approving form of ballot and procedures for voting on the Debtors Plan of Reorganization (as may be amended, the "Plan"); and (e) scheduling a confirmation hearing and approving notice procedures for objecting plan confirmation (the "Motion" and the Application in support of the Motion hereinafter, the

[1] The Debtors are Tarragon Corporation, Tarragon Development Corporation, Tarragon South Development Corp., Tarragon Development Company LLC, Tarragon Management, Inc., Bermuda Island Tarragon LLC, Orion Towers Tarragon, LLP, Orlando Central Park Tarragon L.L.C., Fenwick Plantation Tarragon LLC, One Las Olas, Ltd., The Park Development West LLC, 800 Madison Street Urban Renewal, LLC, 900 Monroe Development LLC, Block 88 Development, LLC, Central Square Tarragon LLC, Charleston Tarragon Manager, LLC, Omni Equities Corporation, Tarragon Edgewater Associates, LLC, The Park Development East LLC, Vista Lakes Tarragon, LLC, Murfreesboro Gateway Properties, LLC, Tarragon Stonecrest, LLC, MSCP, Inc., Tarragon Stratford, Inc. and TDC Hanover Holdings LLC.

"Application"); and the Court having considered the Motion and determined that cause exists for entry of this Order;

IT IS FOUND THAT:

1. The Disclosure Statement contains adequate information within the meaning of section 1125 of the Bankruptcy Code.

2. The form of each ballot attached as Exhibit A to the Application (singularly a "Ballot" and collectively, the "Ballots"), is sufficiently consistent with Official Form No. 14 and adequately addresses the particular needs of these chapter 11 cases and is appropriate for the class of claims entitled under the Plan to vote to accept or reject the Plan.

3. Ballots need not be provided to the holders of claims and interests in those classes that are unimpaired and, therefore, conclusively presumed to accept the Plan.

4. Ballots need not be provided to the holders of equity interests because those classes will not retain or receive any property under the Plan and, therefore, are conclusively presumed to reject the Plan.

5. The period set forth below during which the Debtors may solicit acceptances to the Plan is a reasonable period of time for creditors to make an informed decision whether to accept or reject the Plan.

6. The procedures for the solicitation and tabulation of votes to accept or reject the Plan (as more fully set forth in the Application) provide for a fair and equitable voting process and are consistent with section 1126 of the Bankruptcy Code.

7. The procedures set forth below regarding notice (the "Confirmation Hearing Notice") to all creditors of the time, date and place of the hearing to confirm the Plan (the "Confirmation Hearing") and the contents of the Solicitation Packages (as defined below) comply with Bankruptcy Rules 2002 and 3017 and constitute sufficient notice to all interested parties.

8. The determination of temporary allowance or disallowance of claims solely for voting purposes, as set forth below is fair and equitable.

NOW, THEREFORE, IT IS ORDERED THAT:

1. The Disclosure Statement is approved.

Debtor:	TARRAGON CORPORATION, *et al*.
Case No.:	09-10555 (DHS)
Caption of Order:	ORDER: (A) APPROVING THE DISCLOSURE STATEMENT PURSUANT TO 11 U.S.C. § 1125(B); (B) FIXING A RECORD DATE FOR VOTING AND PROCEDURES FOR FILING OBJECTIONS TO THE PLAN AND TEMPORARY ALLOWANCE OR DISALLOWANCE OF CLAIMS FOR VOTING PURPOSES; (C) SCHEDULING A HEARING AND APPROVING NOTICE AND OBJECTION PROCEDURES IN RESPECT OF PLAN CONFIRMATION; (D) APPROVING SOLICITATION PACKAGES AND PROCEDURES FOR DISTRIBUTION THEREOF; AND (E) APPROVING THE FORM OF BALLOT AND ESTABLISHMENT OF PROCEDURES FOR VOTING ON THE PLAN

2. The form and manner of notice of the time set for filing objections to, and the hearing to consider the approval of, the Disclosure Statement, as described in the Application and as reflected in the Affidavit of Service filed with the Court, was proper, adequate and sufficient notice thereof.

3. The record date (the "Record Date") for purposes of determining creditors entitled to vote on the Plan, or in the case of non-voting classes, to receive the Notices of Non-Voting Status (as defined below) shall be May 11, 2010.

4. The form of Ballots are approved.

5. Within three (3) business days after the date hereof, Kurtzman Carson Consultants LLC ("Kurtman"), the Debtors' ballot solicitation and tabulation agent, shall mail solicitation packages (the "Solicitation Packages") containing a copy of (A) this Order, (B) the Confirmation Hearing Notice, and (C) (i) a Ballot, together with a return envelope and the Disclosure Statement (together with the Plan annexed thereto as Exhibit "A") (on CD-ROM or hard copy) or (ii) a Notice of Non-Voting Status (as defined below), as applicable to (a) all persons or entities identified in the Debtors' schedules of liabilities filed pursuant to section 521 of the

Bankruptcy Code and Bankruptcy Rule 1007, and all amendments and modifications thereto through and including the Record Date (the "Schedules") as holding liquidated, noncontingent, and undisputed claims, in an amount greater than zero, (b) all parties having filed proofs of claims in an amount greater than zero or notices of transfers of claims in the Debtors' chapter 11 cases, (c) any other known holders of claims against the Debtors in an amount greater than zero or equity interests in the Debtors as of the Record Date, (d) all parties to executory contracts or leases that have not yet been assumed or rejected; (e) the Office of the United States Trustee (the "UST"), (f) counsel for the Creditors' Committee, and (g) the Securities and Exchange Commission.

6. A "Notice of Scheduled Non-Claimants," substantially in the form annexed as Exhibit C to the Application, shall be included in the Solicitation Packages distributed to all known Scheduled Non-Claimants. Notwithstanding anything herein to the contrary, the Debtors shall not be required to include with the Solicitation Packages sent to the Scheduled Non-Claimants copies of the Plan and Disclosure Statement; provided, however, copies of the Plan and Disclosure shall be posted on Kurtzman's website (www.kccllc.net/tarragon) and Scheduled

Non-Claimants shall be provided copies of the Plan and Disclosure Statement upon written request of the Debtors' counsel.

7. The Debtors shall not be required to send Solicitation Packages to creditors that have claims that have already been paid in full; provided, however, that if, and to the extent that, any such creditor would be entitled to receive a Solicitation Package for any reason other than by virtue of the fact that its claim had been scheduled by the Debtors, then such creditor shall be sent a Solicitation Package in accordance with the procedures set forth herein.

8. With respect to addresses from which Disclosure Statement Notices were returned as undeliverable, the Debtors are excused from mailing Solicitation Packages to those entities listed at such addresses unless the Debtors are provided with accurate addresses for such entities before the Solicitation Date.

9. The failure to mail Solicitation Packages to such entities that are described above will not constitute inadequate notice of the Confirmation Hearing or the Voting Deadline nor constitute a violation of Bankruptcy Rule 3017(d).

10. A "Notice of Non-Voting Status - Unimpaired Classes," substantially in the form annexed as Exhibit B to the Application, shall be distributed to all known holders of claims on the Record Date in classes that are unimpaired under the Plan and, therefore, are not entitled to vote to accept or reject the Plan.

11. A "Notice of Non-Voting Status – Impaired Class," substantially in the form annexed to the Application, as Exhibit D, shall be distributed to the holders of impaired interests which classes are not entitled to vote to accept or reject the Plan.

12. All Ballots must be properly executed, completed, and returned to:

Kurtzman Carson Consultants LLC
Attn: Tarragon Ballot Processing
2335 Alaska Avenue
El Segundo, California 90245

(i) by first-class mail, in the return envelope provided with each Ballot, (ii) by overnight courier, or (iii) by personal delivery, so that they are received by KCC no later than_____, at 5:00 p.m., prevailing Pacific Time (the "Voting Deadline").

13. Solely for purposes of voting to accept or reject the Plan and not for the purpose of the allowance of, or distribution on account of, a claim, and without prejudice to the rights of

the Debtors in any other context, each claim within a class of claims entitled to vote to accept or reject the Plan is temporarily allowed in an amount equal to the amount of such Claim as set forth in the Schedules, provided that:

a. if a claim for which a proof of claim has been timely filed is marked as, or is by its terms, contingent, unliquidated or disputed on its face, or the claim for which a proof of claim has been timely filed is listed as contingent, unliquidated or disputed on the Schedules, either in whole or in part, such claim shall be temporarily disallowed for voting purposes;

b. if a claim has been estimated or otherwise allowed for voting purposes by order of the Court, such claim shall be temporarily allowed in the amount so estimated or allowed by the Court;

c. if a claim is listed in the Schedules as contingent, unliquidated or disputed and a proof of claim has not been timely filed, such claim shall be temporarily disallowed for voting purposes;

d. if a claim is not listed in the Schedules and a proof of claim is timely filed, such claim shall be temporarily disallowed for voting purposes;

e. if the Debtors have filed and served an objection to a claim, such claim shall be temporarily disallowed for voting purposes;

f. each entity that holds or has filed more than one (1) unsecured claim against the Debtors shall not be entitled to aggregate such unsecured claims for purposes of voting, classification and treatment under the Plan; and

g. if an individual files a claim covering the same claim filed by a class, association or other representative, only the class representative, association or other purported representative shall be entitled to vote and the individual claim shall be disallowed for voting purposes;

14. As to any creditor filing a motion pursuant to Bankruptcy Rule 3018(a), such creditor's Ballot shall not be counted unless temporarily allowed for voting purposes after notice and a hearing by an order entered by the Court on or prior to the Confirmation Hearing.

15. If a creditor casts more than one Ballot voting the same claim before the Voting Deadline, the last Ballot received before the Voting Deadline is deemed to reflect the voter's intent and thus shall supersede any prior Ballots.

16. Each creditor that votes to accept or reject the Plan is deemed to have voted the full amount of its claim.

17. Creditors must vote all of their claims within a particular class under the Plan either to accept or reject the Plan and may not split their vote(s), and a Ballot that partially rejects and partially accepts the Plan shall be counted as an acceptance of the Plan.

18. Any Ballot that is properly completed, executed, and timely returned to Kurtzman, but does not indicate an acceptance or rejection of the Plan, or that indicates both an acceptance and rejection of the Plan, shall be deemed to accept the Plan.

19. The following types of Ballots will not be counted in determining whether the Plan has been accepted or rejected: (a) any Ballot received after the Voting Deadline unless the Debtors shall have granted an extension of the Voting Deadline with respect to such Ballot; (b) any Ballot that is illegible or contains insufficient information to permit the identification of the claimant; (c) any Ballot cast by a person or entity that does not hold a claim in a class that is entitled to vote to accept or reject the Plan; (d) any Ballot cast for a claim identified as unliquidated, contingent, or disputed for which no proof of claim was timely filed; (e) any

unsigned Ballot; (f) any Ballot transmitted by Telecopier or other electronic means, unless the Debtors in writing and on notice to the Creditors' Committee waives this requirement and accepts alternate means of transmission or delivery of any Ballot.

20. The Debtors' counsel or Kurtzman shall, at or before the Confirmation Hearing (defined below), prepare and file a certification of balloting (the "Certification of Balloting") that summarizes, under penalty of perjury, both the numbers and amounts of acceptances and rejections in each voting class, and certifying to their timely filing.

21. The Debtors' counsel shall, at or before Confirmation Hearing, serve the Certificate of Balloting on (a) the UST, (b) counsel for the Creditors' Committee and (c) all parties that have filed a notice of appearance in the Debtors' Chapter 11 cases.

22. The Debtors are authorized, in their sole discretion, to take or refrain from taking any action necessary or appropriate to implement the terms of and the relief granted in this Order without seeking further order of the Court.

23. The Debtors are authorized to make nonsubstantive changes to the Disclosure Statement, the Plan and related documents without further order of the Court, including, without

limitation, changes to correct typographical and grammatical errors and to make conforming changes among the Disclosure Statement, the Plan and any other materials in the Solicitation Package prior to their mailing.

24. The notice to be provided pursuant to the procedures set forth herein is good and sufficient notice to all parties in interest and no other or further notice need be provided.

25. The Confirmation Hearing will be held at __:___ __.m. (prevailing Eastern Time) on _____; provided, however, that the Confirmation Hearing may be continued from time to time by the Court or the Debtors without further notice or through adjournments announced in open court.

26. The Confirmation Hearing Notice annexed to the Application as Exhibit E is approved.

27. The Debtors may cause the publication of the Confirmation Hearing Notice in the national edition of *The Wall Street Journal* at least twenty (20) days prior to the date set for the Confirmation Hearing.

28. Any objections to confirmation of the Plan or proposed modifications to the Plan must (a) be in writing, (b) state the name and address of the objecting party and the nature of the Claim or interest of such party, (c) state with particularity the basis and nature of any objection or proposed modification and (d) be filed, together with proof of service, with the Court, and be served upon (i) the UST, (ii) counsel for the Debtors and (iii) counsel for the Committee at the addresses set forth in the Confirmation Hearing Notice, so as to be received by no later than _____. Any replies to those objections must be filed no later than _____.

29. Objections to confirmation of the Plan that are not timely filed, served and actually received in the manner set forth above shall not be considered and shall be deemed overruled.

Exhibit C

Organizational Chart of Tarragon as of the Commencement Date

[See attached.]

Tarragon Corporation
106

Alta Marina, LLC

AltaMar Development, LLC
1468

Balsam Acquisitions, L.L.C.

Vinland Property Investors, Inc.

1118 Adams Parking, Inc.
1578

D
Bermuda Island Tarragon LLC
1728

Manchester Tolland Development LLC
1496

Acadian Place Apartments, L.L.C.

55%
Block 114 Development, LLC
1986

Capitol Ave. Tarragon, LLC
1442

Celebration Tarragon LLC
1793

D
Central Square Tarragon LLC
1704

87.5% D
900 Monroe Development, LLC
1982

12.5%

900 Monroe Street Urban Renewal, LLC

Floresta Tarragon, LLC
1722

French Villa Apartments, L.L.C.
99%

French Villa National Associates Limited Partnership
1813
1%

47.5%
Hoboken Cinema, LLC

50%
Keane Stud LLC
1726

50%
Keane Stud Management LLC

Lopo Tarragon GP, Inc.
.10%

Lopo, LP
1596
49.9%

Lopo Tarragon LP, Inc.

Mariner's Point Tarragon, LLC
1702

Mohegan Hill Tarragon, LLC
60%

Mohegan Hill Development, LLC
1738

Mohegan Hill Development/ Wilson, LLC

Morningside National, Inc.

Murfreesboro Gateway Properties, LLC
1605

Tarragon Stonecrest LLC
1607

Mountain View National, Inc.
1%

RI Windsor, Ltd.
1900
99%

Tarragon Stratford, Inc.

Merritt Stratford, L.L.C.
1733

Mustang National, Inc.
1%

Mustang Creek National, L.P.
1744
99%

National Income Realty Investors, Inc.
1%

1%
Summit on the Lake Associates, Ltd.
1865
99%

D
Orlando Central Park Tarragon, L.L.C.
1504

River House Tarragon, LLC
99%

D
One Las Olas, Ltd.
1468
1%

99%
SO. Elms National Associates Limited Partnership
1814
1%

Stamford Tarragon I LLC
75%

Tarragon/ Voloshin I LLC
117

D
Tarragon Development Company LLC
81.53%
18.47%

RI Panama City LLC
1901

Lake Lotta Apartments, L.L.C.
1907

89.44%
Ansonia Apartments, L.P.

Tarragon Stoneybrook Apts., L.L.C.

D
Vineyard at Eagle Harbor, L.L.C
1469

99%
Gull Harbor Apts, L.L.C.
1428
1%

Gull Harbor MGR, Inc.

Ansonia MezzCo, LLC

Storington Tarragon, LLC
75%

Tarragon/ Voloshin Storington, LLC

Tampa Palms Tarragon, L.L.C.
1782

80%
Tarragon Calistoga, L.L.C.
25%

CR Tarragon Palm Springs, L.L.C.
1752

5%
Calistoga Ranch Owners, L.L.C.
1732

D
Tarragon Development Corporation
55%

30%
Adams Street Development, L.L.C.

1100 Adams Street Urban Renewal, LLC
1572

1118 Adams Street Urban Renewal, LLC
1574

47.5%
Block 150 Development, LLC

15%
999 Madison Street Urban Renewal, LLC
1480

47.5%
Block 102 Development, LLC
1982

62.5%
Block 106 Development, LLC
1984

62.5%
Block 110 Development, LLC

62.5%
Block 112 Development, LLC
1992

62.5%
Block 144 Development, LLC
1990

30%
Block 88 Development, LLC

40%

D
800 Madison Street Urban Renewal, LLC
1576

D
Charleston Tarragon Manager, LLC

1%
D
Fenwick Plantation Tarragon, LLC
1588
99%

North Water Street Tarragon, LLC
1586

Palisades Park East Tarragon LLC

D
The Park Development East, LLC
1592

Palisades Park West Tarragon LLC

D
The Park Development West, LLC
1594

Tarragon Limited, Inc.

Vinland Aspentree, Inc.
1613

Rutherford Tarragon Development I, LLC
1708

Rutherford Tarragon Development II, LLC

Rutherford Tarragon Development III, LLC

Rutherford LL Tarragon, LLC

Southampton Tarragon Manager LLC

1%
Southampton Pointe Tarragon LLC
1590
99%

TDC Hanover Holdings LLC

East Hanover Tarragon LLC
1800, 1801

62.5%
Tarragon Ursa Redevelopment Partnership, LLC

D
Tarragon Edgewater Associates, LLC
1494

D
Tarragon Management, Inc.

Tarragon Venetian Bay, Inc.
80%

Guardian Venetian Bay Holdings, LLC
70%

VENETIAN BAY VILLAGE, LLC
126

47.5%
TDC/Ursa Hoboken Sales Center, LLC
1988

50%
Thirteenth Street Development, L.L.C.

1200 Grand Street Urban Renewal, LLC
1472

1300 Grand Street Urban Renewal, LLC
1473

Tradition Tarragon LLC
1506

Tuscany Tarragon, LLC
121

D
Vista Lakes Tarragon, LLC
131

50%
Upper Grand Realty, LLC

50%
Warwick Grove Company, LLC
1898

Woodcreek National, L.C.
1775

D
Tarragon South Development Corp.

Arlington Tarragon, LLC
1546

Aventura Tarragon LP, LLC
29.33%

Shefaor/ Tarragon, LLP
1552

Cordoba Manager, LLC
1%

Cordoba Tarragon, LLC
1548
99%

Delaney Square Tarragon, LLC
50%

Delaney Square, LLC
1554

Exchange Tarragon, LLC
1540

Montreux at Deerwood Lake, LLC
1562

North Village Tarragon, LLC
1566

D
Omni Equities Corporation

Orion Tarragon GP, Inc.
.10%

D
Orion Towers Tarragon, LLP
1710
69.9%

Orion Tarragon LP, Inc.

Omni-Tivoli, LLC
1464

Tarragon Cypress Grove, LLC

50%
Orchid Grove, LLC
1795

Park Avenue Tarragon, LLC

Park Avenue Metrowest LLC

99%
Park Avenue at Metrowest, Ltd.
1556
1%

Park Avenue GP, LLC

Tarragon Kissimmee, LLC
1542

Uptown Village Tarragon A, LLC
1454

Uptown Village Tarragon B, LLC
1456

Yacht Club Tarragon, LLC
1564

99%
Ansonia Acquisitions I, L.L.C.
1408, 1411, 1412, 1413, 1414, 1415

Ansonia Liberty, LLC
1437

Autumn Ridge Apartments, LLC
1407

Danforth Apartment Owners, L.L.C.
1446

Dogwood Hills Apartments, L.L.C.
1426

Forest Park Tarragon, LLC
1434

Hamden Centre Apartments, L.L.C.
1429

Heather Limited Partnership
1449
1%

Heron Cove National, Inc.
1463

Ocean Beach Apartments, LLC
1433

Plantation Bay Apartments, L.L.C.
1424

Stewart Square National, Inc.

Tarragon Huntsville Apartments, L.L.C.
1447

Tarragon Savannah I, L.L.C.
1448

Tarragon Savannah II, L.L.C.
1448

TRI Woodcreek, Inc.

Summit / Tarragon Murfreesboro, L.L.C.
1465

99%
Vintage Legacy Lakes National, L.P.
1435
1%

Vintage National, Inc.

99%
West Dale National Associates, L.P.
1439
1%

99%
Woodcreek Garden Apartments, a California limited partnership
1%

Manchester Tarragon, LLC
1443, 1444

D - Chapter 11 Filer

Exhibit D

Debtors' Cash Flow Projections

	May - Dec 2010	TOTAL 2011	TOTAL 2012	TOTAL 2013	TOTAL 2014	GRAND TOTAL
Beginning Cash Balance	**225**	500	275	470	340	225
Second DIP Draw	**720**					720
Project-Level Cash Flows						
800 Madison	2,142	8,580	-	-	-	10,722
900 Monroe	1,300	-	-	-	-	1,300
Block 106/111	1,500	-	-	-	-	1,500
Block 112	56	1,520	-	-	-	1,576
Block 114 - Cinema	950	-	-	-	-	950
Block 144 - Singer	831	-	-	-	-	831
Keane Horse	-	3,000	-	-	-	3,000
OHP	662	-	-	-	-	662
Uptown Village	(18)	1,353	-	-	-	1,336
Warwick Grove	350	-	-	-	-	350
River Oaks	-	2,000	-	-	-	2,000
Summit on the lake	1,000	-	-	-	-	1,000
Mustang Creek	1,500	-	-	-	-	1,500
Aventera	-	-	800	-	-	800
French Villa	10	275	-	-	-	285
Mohegan	400	-	-	-	-	400
Commerce Escrow	200	-	-	-	-	200
Letter of Credit	300	-	-	-	-	300
Litigation Proceeds (liquidation)	300	-	-	-	-	300
Project level CF	**11,484**	**16,729**	**800**	**-**	**-**	**29,013**
CASH FLOW Before Confirmation Expenses	**12,429**	**17,229**	**1,075**	**470**	**340**	**29,958**
Liquidation Overhead	638	1,093	-	-	-	1,731
Wind down expenses	250	-	-	-	-	250
Post confirmation Legal	111	89	-	-	-	200
Accounting Taxes and recording fees	30	130	130	130	130	550
Lender exit Fee	241	-	-	-	-	241
Professional and restructuring fees 1	3,489	-	-	-	-	3,489
Priority claims	150	-	-	-	-	150
Taxes associated with confirmation	120	-	-	-	-	120
2009 Taxes	300	-	-	-	-	300
Corporate G&A Invoices	300	-	-	-	-	300
Transition cost	50	-	-	-	-	50
Lender professional and restructuring fees	75	-	-	-	-	75
Cash Uses Before DIP payments	**5,754**	**1,312**	**130**	**130**	**130**	**7,456**
DIP repayment	4,820	-	-	-	-	4,820
DIP Interest	131	(0)	(0)	(0)	(0)	131
Ending cash before distribution	**1,724**	**15,917**	**945**	**340**	**210**	**17,551**
Distribution to Lender 11%	**135**	85	-	-	-	220
Professional and restructuring fees 2	**206**	-	-	-	-	206
Creditors Entity 89%	**883**	691				1,575
	-	-	-	-	-	-
Distribution to Creditors 66%	**-**	9,811	314	-	139	10,263
Distribution to Lender 22%	**-**	3,270	105	-	46	3,421
Distribution to Beachwold 12%	**-**	1,784	57	-	25	1,866
	-					
Ending Cash after distribution	**500**	**966**	**470**	**340**	**0**	**(0)**

The business plan projections have been prepared based on assumptions as to revenues, expenses, cash flow and related items. Projections are inherently subject to varying degrees of uncertainty and depend, among other things, on the reliability of the underlying assumptions and the probability of the occurrence of a complex series of future events. Variations in levels of rent, occupancy and operating expenses can significantly affect the projections and the assumed outcome. As a result, the business plan projections are subject to change. No representation or warranty, expressed or implied is made by the projections.

Exhibit E

Estimate of Creditor Recovery

Estimated Creditor Recovery Matrix		Proceeds Available to Creditors (1)	Proceeds from Other Cases	Secured Claims	Wind Down and Admin. Claims	Priority Claims	Available for Distrib'n	Add'l Interest to DIP Lender & Management Incentive	Funds Available to Unsecured	General Unsecured Claims (2)	Estimated Recovery
Reorganized Tarragon											
Tarragon Corp.	(3)	$ 15,274	$ 12,610	$ (4,951)	$ (7,512)	$ (104)	$ 15,317	$ (4,818)	$ 10,500	$ (150,368)	
Tarragon Development Corporation (TDC)		-	-	-	-	-	-	-	-	(32)	
Tarragon South Development Corporation (TSDC)	(4)	-	-	-	-	(14)	-	-	(14)	(54)	
Tarragon Development Company LLC (LLC)		-	-	-	-	-	-	-	-	-	
		$ 15,274	$ 12,610	$ (4,951)	$ (7,512)	$ (118)	$ 15,317	$ (4,818)	$ 10,486	$ (150,454)	7.0%
All Other Debtors:											
Tarragon Management Inc.	(4)	-	-	-	(70)	-	-	-	-	(25)	0.0%
800 Madison Street Urban Renewal, LLC		80,758	-	(70,036)	(557)	(1)	-	-	10,165	(7,574)	100.0%
Block 88 Development, LLC		-	-	-	-	-	-	-	-	(95)	0.0%
Tarragon Edgewater Associates (1 Hudson Park)		662	-	-	(614)	-	-	-	48	(0)	100.0%
Park Development East LLC (Trio East)		3,600	-	(3,600)	(84)	-	-	-	-	(9,791)	0.0%
Park Development West LLC (Trio West)	(4)	-	-	-	(75)	-	-	-	-	(41,503)	0.0%
900 Monroe Development, LLC		1,300	-	-	(45)	-	-	-	1,255	(6,799)	18.5%
Bermuda Island Tarragon LLC	(4)	-	-	-	(105)	(1)	-	-	-	(3,790)	0.0%
Central Square Tarragon LLC		-	-	-	(2,851)	-	-	-	-	(12,798)	0.0%
Charleston Tarragon Manager, Inc.		-	-	-	-	-	-	-	-	-	0.0%
Fenwick Plantation Tarragon LLC	(4)	6	-	-	(3)	-	-	-	4	(4)	100.0%
Omni Equities Corporation		-	-	-	-	-	-	-	-	-	0.0%
One Las Olas, Ltd.	(4)	-	-	-	(46)	-	-	-	-	(20,263)	0.0%
Orion Towers Tarragon LP (River Oaks)		9,690	-	(7,690)	(145)	-	-	-	1,855	(41,848)	4.4%
Orlando Central Park Tarragon LLC	(4)	-	-	-	(91)	-	-	-	-	(3,373)	0.0%
Vista Lakes Tarragon, LLC		-	-	-	-	-	-	-	-	-	0.0%
Murfreesboro Gateway Properties LLC	(4)	-	-	-	(22)	-	-	-	-	(7,954)	0.0%
Tarragon Stonecrest LLC	(4)	-	-	-	(177)	-	-	-	-	(5,247)	0.0%
TDC Hanover Holdings, LLC		-	-	-	-	-	-	-	-	-	0.0%
Tarragon Stratford, Inc.		-	-	-	-	-	-	-	-	-	0.0%
MSCP, Inc.		-	-	-	-	-	-	-	-	-	0.0%
		$ 96,016	$ -	$ (81,326)	$ (4,883)	$ (2)	$ -	$ -	$ 13,327	$ (161,065)	
		$ 111,290	$ 12,610	$ (86,277)	$ (12,394)	$ (120)	$ 15,317	$ (4,818)	$ 23,813	$ (311,518)	

Notes to the Estimated Creditor Recovery Matrix:

The Estimated Creditor Recovery Matrix (the "Matrix") includes the Debtors' assumption of income and other taxes due as a result of this plan of $420. A number of strategies must be implemented by the Debtors to realize this assumption. There is a risk that income and other taxes could be significantly higher if implementation of these strategies is not successful.

In addition to the estimated cash recovery noted in the matrix, the Plan provides for general unsecured creditors of Tarragon Corporation, Tarragon South Development Corporation, Tarragon Development Corporation and Tarragon Development Company LLC receive a 50% ownership interest in a new entity, New Ansonia LLC. New Ansonia LLC will hold an 89.4% ownership interest in Ansonia Apartments, L.P. No value for New Ansonia LLC has been included in this matrix.

(1) Proceeds available to creditors is based on the Debtors 5-Year Forecast.

(2) General Unsecured Claims balances assumes that claims objections/repudiation process is successful. These amounts do not include numerous contingent, disputed or unliquidated claims that will require litigation and / or settlements. Contingent, disputed or unliquidated claims could exceed $200 million.

(3) General Unsecured Claims of Tarragon Corp. were reduced by $38 million and priority claims reduced by $22 thousand representing claims of Beachwold and Rothenberg, as contemplated in the Plan. Excluded from the General Unsecured Claims of Tarragon Corp. are approximately $271 million of intercompany claims of non-debtor subsidiaries, as recovery on such claims by the subsidiaries would result in equity distributions back to Tarragon Corp.

(4) The Matrix assumes funds available for distribution to Tarragon Corp. creditors are used to pay the priority claims of Tarragon South Development Corp. In addition, Fenwick has an intercompany claim against Tarragon Corp. that should provide sufficient funds to repay its claims 100%.

Exhibit F

Debtors' Liquidation Analysis

Estimated Liquidation Summary

Entities	Est. Liquidation Plan Proceeds	Est. Closing Costs and R/E Taxes	Secured Debt	Net Proceeds (Deficiency)	Other Asset Proceeds	Positive Equity from Subs.	Total Available	Admin. & Other	Priority Claims	Net Available to Unsecured	Deficiencies and General Unsecured Claims	Est. Recovery %
Debtor Entities:												
Tarragon Corporation	$0	$0	$0	$0	$5,599	$2,305	$7,904	($12,463)	($126)	$0	($213,144)	0.0%
Bermuda Island Tarragon LLC	0	0	0	0	29	0	29	(105)	(1)	0	(3,790)	0.0%
Central Square Tarragon LLC	0	0	0	0	0	0	0	0	0	0	(12,798)	0.0%
One Las Olas, Ltd.	0	0	0	0	50	0	0	(46)	0	0	(20,263)	0.0%
Orlando Central Park Tarragon LLC	0	0	0	0	0	0	0	(63)	0	0	(3,373)	0.0%
Murfreesboro Gateway Properties LLC	0	0	0	0	0	0	0	(22)	0	0	(7,954)	0.0%
Tarragon Stonecrest LLC	0	0	0	0	0	0	0	(84)	0	0	(5,247)	0.0%
MSCP, Inc.	0	0	0	0	0	0	0	0	0	0	0	0.0%
Tarragon Stratford, Inc.	0	0	0	0	0	0	0	0	0	0	0	0.0%
Vista Lakes Tarragon, LLC	0	0	0	0	0	0	0	0	0	0	0	0.0%
Tarragon Development Company LLC	0	0	0	0	0	0	0	0	0	0	0	0.0%
Tarragon Management Inc.	0	0	0	0	4	0	4	(70)	(0)	0	(25)	0.0%
900 Monroe Development, LLC	3,900	0	(3,900)	0	0	0	0	(2)	0	0	(6,799)	0.0%
Block 88 Development, LLC	0	0	0	0	0	0	0	0	0	0	(95)	0.0%
800 Madison Street Urban Renewal	73,772	(2,697)	(71,076)	(1)	24	0	24	(557)	(1)	0	(7,574)	0.0%
Tarragon Development Corporation	0	0	0	0	0	0	0	0	0	0	(32)	0.0%
Tarragon Edgewater Associates	600	(248)	0	352	0	0	352	(614)	0	0	(0)	0.0%
Park Development East LLC	3,877	(277)	(3,600)	0	0	0	0	(76)	0	0	(9,791)	0.0%
Park Development West LLC	0	0	0	0	0	0	0	(75)	0	0	(41,503)	0.0%
Fenwick Plantation Tarragon LLC	0	0	0	0	0	0	0	(3)	0	0	(4)	0.0%
Charleston Tarragon Manager, Inc.	0	0	0	0	0	0	0	0	0	0	0	0.0%
TDC Hanover Holdings, LLC	0	0	0	0	0	0	0	0	0	0	0	0.0%
Tarragon South Development Corporation	0	0	0	0	0	0	0	0	(14)	0	(54)	0.0%
Omni Equities Corporation	0	0	0	0	0	0	0	0	0	0	0	0.0%
Orion Towers Tarragon LP	7,836	(146)	(7,690)	0	0	0	0	(1)	0	0	(41,848)	0.0%
Total - Debtor Entities	**$89,985**	**($3,367)**	**($86,267)**	**$352**	**$5,706**	**$2,305**	**$8,314**	**($14,179)**	**($142)**	**$0**	**($374,294)**	

Notes to Estimated Liquidation Summary

1. Asset and Liability amounts are based on the Debtors' and affiliates' January 31, 2010 balance sheets, adjusted for certain significant events of the intervening period. In addition, significant assumptions were applied in determining estimated realizable amounts in a full, forced liquidation of all assets for the benefit of creditors. All amounts are subject to change as more accurate information becomes available or assumptions are modified.

2. Closing costs for property sales were generally estimated at 3% for residential properties, and 5% for all others.

3. Other asset proceeds are primarily escrow balances in excess of related liabilities at the property level. We assumed 100% recovery of such escrow balances, as well as 20% recovery of miscellaneous accounts receivable and 10% recovery of net fixed asset balances. The remaining assets on each individual entity's balance sheet are primarily comprised of deferred charges and other assets with little to no future value.

4. Other asset proceeds for Tarragon Corp. also include proceeds from a note receivable assumed to be sold at a discount. In addition, Other Asset Proceeds for Tarragon Corp. include estimated recoveries on intercompany claims against subsidiaries assumed to have sufficient assets to make distributions to their creditors.

5. Net equity attributable to partners in entities with positive equity values is assumed paid from net proceeds available at the entity level after payment of related entity level claims.

6. The claims reconciliation process is ongoing and claims balances are subject to change. The Estimated Liquidation Summary assumes litigation or repudiation actions against duplicate, overstated or otherwise invalid claims are successful. In addition, contingent, disputed and unliquidated claims have not yet been settled, litigated or estimated. These claims, which may exceed $200,000, are not included in this Estimated Liquidation Summary.

7. Rejection damages as well as potential recoveries from preferences, and the resulting claims, have not yet been estimated and are therefore not included in this Estimated Liquidation Summary.

8. Potential claims that could be asserted by partners in non-debtor entities, or the related costs of litigating or settling such claims, have not been estimated and are therefore not included in this Estimated Liquidation Summary.

9. Deficiency claims have been estimated for those entities with recourse or guaranteed debt for which the estimated liquidation value of the underlying property is less than its outstanding debt balance. The amount included does not necessarily represent all potential costs or claims each particular lender may assert in the event of a complete liquidation.

Exhibit G

List of New Ansonia Acquired Interests

Ansonia Apartments, LP	The 89.44% Equity Interest in Ansonia Apartments, LP owned by Tarragon Dev. LLC shall be transferred to New Ansonia.
Harbor Green	The 100% Equity Interest in RI Panama City LLC owned by Tarragon Dev. LLC. shall be transferred to New Ansonia.
Tradition at Palm Aire	The 100% Equity Interest in Tradition Tarragon, LLC owned by Tarragon Corp. shall be transferred to New Ansonia.
Vintage at the Grove/Bentley	The 100% Equity Interest in Manchester Tolland Development LLC owned by Tarragon Corp. shall be transferred to New Ansonia.
Cobblestone at Eagle Harbor	The 100% Equity Interest in Vineyard at Eagle Harbor LLC owned by Tarragon Dev. LLC shall be transferred to New Ansonia.

Exhibit H

UTA Credit Agreement

[See attached.]

Execution Copy

SECURED, SUPER-PRIORITY DEBTOR-IN-POSSESSION

AND EXIT FINANCING

CREDIT AND SECURITY AGREEMENT

Dated as of March 24, 2010

among

Tarragon Corporation

and Certain of its Subsidiaries

as Borrowers

and

UTA Capital LLC

as Lender

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INDEX OF EXHIBITS

This SECURED, SUPER-PRIORITY DEBTOR-IN-POSSESSION AND EXIT FINANCING CREDIT AND SECURITY AGREEMENT (this "Agreement"), dated as of March 24, 2010 among Tarragon Corporation, a Nevada corporation ("Tarragon"), and certain of its Subsidiaries listed on Exhibit A hereto (collectively, "Borrowers"), and UTA CAPITAL LLC, a Delaware limited liability company ("Lender").

RECITALS

WHEREAS, on January 12, 2009 (the "Petition Date"), Borrowers commenced bankruptcy cases which are being jointly administered under Case No. 09-10555(DHS) (the "Chapter 11 Case"), by each filing a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. 101 et seq. (the "Bankruptcy Code"), with the United States Bankruptcy Court for the District of New Jersey (the "Bankruptcy Court");

WHEREAS, Borrowers continue to operate their businesses and manage their properties as debtors and debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code;

WHEREAS, Westminster DIP Funding, LLC, a Delaware limited liability company, currently provides a secured, super-priority revolving loan facility to Borrowers of Four Million Five Hundred Ten Thousand Dollars ($4,510,000) in the aggregate (the "Existing DIP Agreement");

WHEREAS, Borrowers have requested that Lender provide a senior secured, super-priority loan facility (the "Loan") to Borrowers of Four Million Eight Hundred Twenty Thousand Dollars ($4,820,000) in the aggregate to refinance the obligations due and owing under the Existing DIP Agreement and for other purposes as hereinafter set forth;

WHEREAS, Lender is willing to make certain Post-Petition extensions of credit to Borrowers of up to such amount upon the terms and conditions set forth herein;

WHEREAS, effective immediately upon the entry of the Interim Order, Lender shall be granted the DIP Liens (as defined in the Interim Order) pursuant to sections 361, 362 and 364(c)(1) and (2) of the Bankruptcy Code, meaning a first priority, continuing, valid, binding, enforceable, non-avoidable and automatically perfected postpetition security interest and lien, senior and superior in priority to the security interests, liens and claims of all other secured and unsecured creditors of the Borrowers' estates, in and upon the following collateral: (a) Tarragon's Equity Interests, as set forth more fully on Exhibit E to this Agreement, and (b) any otherwise unencumbered assets and property (including, but not limited to, (x) assets and properties that hereafter would otherwise become unencumbered and (y) after-acquired assets and properties) of the Borrowers (other than (i) stock, limited partnership equity, general partnership equity or limited liability company interests not constituting Tarragon's Equity Interests or (ii) any asset or property of a non-debtor Borrower Party, other than Tarragon's Equity Interests, if the grant of a security interest hereunder or under any Order constitutes or results in a breach or an event of default (following the passage of all applicable cure periods) under any applicable loan or security agreement); for the avoidance of doubt, no Lien is being granted on the membership interest of any Borrower in Block 88 Development, LLC;

WHEREAS, from and after the Effective Date (if any), the DIP Liens shall continue as a first priority, continuing, valid, binding, enforceable and perfected security interest in and lien upon the foregoing collateral, subject to and in accordance with the terms and provisions of this Agreement;

WHEREAS, Borrowers acknowledge that they will receive substantial direct and indirect benefits by reason of the making of loans and other financial accommodations to Borrowers as provided in this Agreement;

WHEREAS, Lender's willingness to extend financial accommodations to Borrowers, and to administer Borrowers' collateral security therefor, on a combined basis as more fully set forth in this Agreement, is done solely as an accommodation to Borrowers and at Borrowers' request and in furtherance of Borrowers' enterprise; and

WHEREAS, capitalized terms used in this Agreement and not otherwise defined, including terms in these Recitals, shall have the meanings ascribed to them in Annex A and, for purposes of this Agreement and the other Loan Documents, the rules of construction set forth in Annex A shall govern. All Annexes, Disclosure Schedules, Exhibits and other attachments (collectively, "Appendices") hereto, or expressly identified to this Agreement, are incorporated herein by reference, and taken together with this Agreement, shall constitute but a single agreement. These Recitals shall be construed as part of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the parties hereto agree as follows:

1. AMOUNT AND TERMS OF CREDIT

1.1 Credit Facilities.

(a) Credit Facility.

(i) Subject to the terms and conditions hereof, Lender agrees to make available to Borrowers advances of Loan proceeds in the amounts of (A) Four Million Two Hundred Thousand Dollars ($4,200,000), which shall be advanced to the Borrowers within two Business Days of the date all the conditions precedent set forth in Section 2.1 and Annex B have been satisfied or waived by Lender and (B) Six Hundred Twenty Thousand Dollars ($620,000), which shall be advanced to the Borrowers within two Business Days of the date all the conditions precedent set forth in Section 2.2 have been satisfied or waived by Lender. The Loan shall not at any time exceed Lender's Commitment. The Commitment shall terminate upon the Maturity Date.

(ii) The entire unpaid principal balance of and interest (other than Additional Interest) on the Loan, the Exit Fee and all other Fees, and all other non-contingent Obligations shall be immediately due and payable in full in immediately available funds on the Maturity Date.

(b) Reliance on Notices. Lender shall be entitled to rely upon, and shall be fully protected in relying upon, any notice believed by Lender to be genuine. Lender may assume that each Person executing and delivering any notice in accordance herewith was duly authorized, unless the responsible individual acting thereon for Lender has actual knowledge to the contrary.

1.2 Prepayments.

(a) Voluntary Payments. Borrowers may at any time pay down the Loan, in full or in part. Each payment by Borrowers pursuant to this Section 1.2(a) shall be applied to the Loan and other Obligations in accordance with Section 1.6. Amounts paid by Borrowers may not be re-borrowed.

(b) No Implied Consent. Nothing in this Section 1.2 shall be construed to constitute Lender's consent to any transaction that is not permitted by other provisions of this Agreement or the other Loan Documents.

1.3 Use of Proceeds. Borrowers shall utilize the proceeds of the Loan (net of any amounts used to pay Lender's costs pursuant to Section 11.3(b)(iv)) to repay the obligations existing under the Existing DIP Agreement (to the extent it is outstanding) and for working capital and general business purposes as specified in the Disbursement Schedule. Borrowers shall not be permitted to use the proceeds of the Loan (i) to finance in any way any investigation (including, without limitation, discovery proceedings), adversary proceeding, claim, action, suit, offset, arbitration, proceeding, application, motion or other litigation of any type adverse to the interests or claims of Lender (or any of Lender's Affiliates, directors, officers, employees, insiders, agents or representatives) or its rights and remedies under this Agreement, the other Loan Documents, or any Order and (ii) to make any payment in settlement of any claim, action or proceeding, before any court, arbitrator or other governmental body without the prior written consent of Lender, except as required by law.

1.4 Interest Rate.

(a) Interest on the unpaid principal amount of the Loan from time to time shall accrue from the Loan Advance Date until the Termination Date, at a rate equal at all times to fifteen percent (15%) per annum. Accrued and unpaid interest shall be payable on each Interest Payment Date, but only as and to the extent provided in Section 1.6; *provided, however*, that all accrued and unpaid interest shall be due and payable in full on the Maturity Date. Interest accrued but not paid in accordance with the preceding sentence shall be added to the principal balance of the Loan effective as of each Interest Payment Date (but shall not be considered to reduce the unfunded portion of Lender's Commitment) and shall bear interest in accordance with this Section 1.4. Payments of interest on the Loan shall be made in cash or immediately available funds wired to an account of Lender (as directed by Lender) on a monthly basis. For the avoidance of doubt, Lender acknowledges that no interest shall accrue on amounts not advanced by, or which have been repaid to the Lender.

(b) If any payment on the Loan becomes due and payable on a day other than a Business Day, the maturity thereof will be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(c) All computations of interest shall be made by Lender on the basis of a 365-day year, in each case for the actual number of days occurring in the period for which such interest is payable. Each determination by Lender of an interest rate hereunder shall be rebuttably presumptive evidence of the correctness of such rates.

(d) So long as an Event of Default that requires notice to Borrowers has occurred and is continuing under Section 8.1 or so long as an Event of Default has occurred and at the election of Lender confirmed by written notice from Lender to Borrowers, or under any Order, and without further notice, motion or application to, hearing before, or order from the Bankruptcy Court, the interest rates applicable to the Loan shall be increased by four percentage points (4%) per annum above the rates of interest otherwise applicable hereunder unless Lender elects in writing to impose a smaller increase (the "Default Rate"), and all outstanding Obligations shall bear interest at the Default Rate applicable to such Obligations. Interest at the Default Rate shall accrue from the initial date of such Event of Default until that Event of Default is cured or waived and shall be payable as provided in Sections 1.1(a)(ii) and 1.6.

(e) In addition to the interest payable pursuant to Section 1.4(a), the Borrowers shall pay Additional Interest as provided in Section 1.6(e). Such Additional Interest shall be payable as provided in Section 1.6(e), without regard to the occurrence of the Maturity Date, until all of the Collateral has been disposed of and each of the Borrowers has made a final liquidating distribution.

(f) Notwithstanding anything to the contrary set forth in this Section 1.4 or elsewhere in this Agreement, if a court of competent jurisdiction determines in a final order that the rate of interest payable hereunder exceeds the highest rate of interest permissible under law (the "Maximum Lawful Rate"), then so long as the Maximum Lawful Rate would be so exceeded, the rate of interest payable hereunder shall be equal to the Maximum Lawful Rate; *provided, however*, that if at any time thereafter the rate of interest payable hereunder is less than the Maximum Lawful Rate, Borrowers shall continue to pay interest hereunder at the Maximum Lawful Rate until such time as the total interest received by Lender is equal to the total interest that would have been received had the interest rate payable hereunder been (but for the operation of this paragraph) the interest rate payable since the Loan Advance Date as otherwise provided in this Agreement. In no event shall the total interest received by Lender pursuant to the terms hereof exceed the amount that Lender could lawfully have received had the interest due hereunder been calculated for the full term hereof at the Maximum Lawful Rate.

1.5 Receipt of Payments. Borrowers shall make each payment under this Agreement not later than 12:00 p.m. (Eastern Time) on the day when due in immediately available funds in Dollars to the Interest Payment Account. For purposes of computing interest and Fees as of any date, all payments shall be deemed received on the Business Day on which immediately available funds therefor are received in the Interest Payment Account prior to 12:00 p.m. Eastern Time. Payments received after 12:00 p.m. Eastern Time on any Business Day or on a day that is not a Business Day shall be deemed to have been received on the following Business Day.

1.6 Application of Capital Proceeds and Cash Flow. On each Interest Payment Date, all Net Distributable Cash Flow and all Net Distributable Capital Proceeds of Borrowers for the preceding month shall be paid and distributed as follows:

(a) first, one hundred (100%) percent to Lender until (i) all obligations to Lender provided for in the Loan Documents with respect to reimbursement of any expenses incurred by Lender after the Loan Advance Date in enforcing its rights under the Loan Documents or maintaining the Collateral have been satisfied and (ii) all interest accrued and unpaid under Section 1.4 (including any interest payable at the Default Rate) has been paid in full; *then*

(b) Second, one hundred (100%) percent to Lender until the principal amount of the Loan has been paid in full; *then*

(c) Third, one hundred (100%) percent to Lender until the Exit Fee has been paid in full; *then*

(d) Fourth, (i) one hundred (100%) to payment of Deferred Confirmation Expenses as provided in the Liquidating Plan until such time, if any, as all Deferred Confirmation Expenses are paid in full, and then (ii) one hundred (100%) percent to the Tarragon Creditor Entity to be distributed as provided in the Liquidating Plan; *provided, however*, that payments or distributions under this clause (d) shall be made only until a total of Eight Million Dollars ($8,000,000) has been paid or distributed pursuant to clauses (a) through (d) of this Section 1.6 or as Permitted Overhead Expenses; *then*

(e) Fifth, eleven (11%) percent to Lender as additional interest on the Loan ("Additional Interest") and eighty-nine (89%) percent first to the payment of Deferred Confirmation Expenses as provided in the Liquidating Plan until such time, if any, as all Deferred Confirmation Expenses have been paid in full, and then to the Tarragon Creditor Entity, until such time as a total of Two Million Dollars ($2,000,000) has been paid or distributed pursuant to this clause (e); *provided, however*, that if this Agreement is not executed and delivered by all parties on or before March 22, 2010, or if the Interim Order has not been issued by March 31, 2010, or has been stayed or challenged after issuance, then after a total of One Million Dollars ($1,000,000) has been paid or distributed pursuant to this clause (e), Lender shall first be reimbursed, from the monies otherwise payable under this clause (e) for items other than Additional Interest, for all its reasonable unreimbursed expenses related to the Loan and related legal matters in

excess of the One Hundred Thousand Dollars ($100,000) allowed for such expenses pursuant to this Agreement, prior to any further payments or distributions on account of Deferred Confirmation Expenses or to the Tarragon Creditor Entity pursuant to this clause (e); *then*

(f) Sixth, (i) twenty-two (22%) percent to Lender as Additional Interest and seventy-eight (78%) percent to the payment of Deferred Confirmation Expenses as provided in the Liquidating Plan until such time, if any, as all Deferred Confirmation Expenses have been paid in full, and then (ii) twenty-two (22%) percent to Lender as Additional Interest, thirteen (13%) percent to the Beachwold Parties, and sixty-five (65%) percent to the Tarragon Creditor Entity.

1.7 Loan Account and Accounting. Lender shall maintain a loan account (the "Loan Account") on its books to record the advance of the Loan proceeds, all payments made by Borrowers, and all other debits and credits as provided in this Agreement with respect to the Loan or any other Obligations. The balance in the Loan Account, as recorded on Lender's most recent printout or other written statement, shall, absent manifest error, be presumptive rebuttable evidence of the amounts due and owing to Lender by Borrowers; *provided* that any failure to so record or any error in so recording shall not limit or otherwise affect Borrowers' duty to pay the Obligations. Lender shall render to Borrowers a monthly accounting of transactions with respect to the Loan setting forth the balance of the Loan Account as to Borrowers for the immediately preceding month. Notwithstanding any provision herein contained to the contrary, Lender may rely on the Loan Account as evidence of the amount of Obligations from time to time owing to it.

1.8 Indemnity. Borrowers shall indemnify and hold harmless, to the fullest extent permitted by applicable law, Lender and its respective Affiliates, and each such Person's respective officers, directors, employees, attorneys, agents and representatives (each, an "Indemnified Person"), from and against any and all suits, actions, proceedings, claims, damages, losses, liabilities and expenses (including reasonable attorneys' fees and disbursements and other costs of investigation or defense, including those incurred upon any appeal) that may be instituted or asserted against or incurred by any such Indemnified Person as the result of the Obligations and credit having been extended, suspended or terminated under this Agreement and the other Loan Documents and the administration of such credit, and any actions or failures to act in connection therewith, including any and all Environmental Liabilities and legal costs and expenses arising out of or incurred in connection with disputes between or among any parties to any of the Loan Documents relating to the foregoing (collectively, "Indemnified Liabilities"); provided that Borrowers shall not be liable for any indemnification to an Indemnified Person to the extent that any such suit, action, proceeding, claim, damage, loss, liability or expense arises from that Indemnified Person's gross negligence or willful misconduct. No Indemnified Person shall be responsible or liable to any other party to the Loan Document, any successor, assignee or third-party beneficiary of such person or any other person asserting claims derivatively through such party, for indirect, punitive, exemplary or consequential damages which may be alleged as a result of the Obligations and credit having been extended, suspended or terminated under any Loan Document or as a result of any other transaction contemplated hereunder or thereunder.

1.9 Intentionally Omitted.

1.10 Intentionally Omitted.

1.11 Single Loan. The Loan to Borrowers and all of the other Obligations of Borrowers arising under this Agreement and the other Loan Documents shall constitute one general obligation of each of the Borrowers secured, until the Termination Date, by all of the Collateral.

1.12 Super-Priority Nature of Obligations and Lender's Liens.

(a) Collateral; Security Interest. Pursuant to and as provided in the Orders, as security for the full and timely payment and performance of all of the Obligations, each Borrower hereby as of the date hereof pledges and grants to Lender pursuant to section 364 of the Bankruptcy Code a perfected security interest in and to and lien on all of its right, title and interest in, to and under all the Collateral whether now owned or hereafter acquired, now existing or hereafter created and wherever located. Each Borrower agrees to use commercially reasonable efforts to mark its books and records (including, but not limited to, its computer records) to evidence the security interests granted to Lender hereunder. The Collateral shall not include a security interest in and lien on all of the Borrowers' avoidance power actions and under chapter 5 of the Bankruptcy Code; *provided, however*, that any proceeds of any such avoidance action (net of costs and expenses, including legal fees, incurred in obtaining such proceeds) shall, within one (1) Business Day of receipt, be deposited into a blocked account at a bank designated by Borrower and reasonably approved by Lender, which account shall be subject to an account control agreement sufficient to give Lender a first priority perfected interest in such account and such proceeds and all such rights and remedies with respect to such proceeds and such account as are customarily obtained by secured creditors. Such proceeds shall be retained undisbursed until the earlier of (i) an Event of Default, at which time Lender may exercise all remedies against such proceeds as are provided in Section 8.2 or otherwise; or (ii) the payment in full of all interest (other than Additional Interest) on and principal of, and the Exit Fee with respect to, the Loan, at which time such proceeds shall be released from the blocked account and Lender's Lien and shall be paid to the Tarragon Creditor Entity for its own uses and purposes.

(b) Perfection of Security Interests.

(i) Each Borrower shall, at its expense, promptly and duly execute and deliver, and cause to be recorded, such agreements, instruments and documents and perform any and all actions reasonably requested by Lender at any time and from time to time to perfect, maintain, protect, and enforce Lender's security interest in the Collateral of such Borrower.

(ii) Each Borrower hereby authorizes Lender at any time and from time to time to execute and file financing statements or continuation statements and amendments thereto and other filing or recording documents or instruments with respect to the Collateral

without the signature of such Borrower in such form and in such offices as Lender determines appropriate to perfect the security interests of Lender under this Agreement. The Borrowers shall, jointly and severally, pay the costs of, or incidental to, any recording or filing of any financing statements concerning the Collateral. The Borrowers agree that a carbon, photographic, photostatic, or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement. From time to time, each Borrower shall, upon Lender's request, execute and deliver written instruments pledging to Lender the Collateral described in any such instruments or otherwise, but the failure of any Borrower to execute and deliver such confirmatory instruments shall not affect or limit Lender's security interest or other rights in and to the Collateral. Until the Termination Date, Lender's security interest in the Collateral, and all proceeds and products thereof, shall continue in full force and effect.

(iii) Notwithstanding subsections (i) and (ii) of this Section 1.12(b), or any failure on the part of any Borrower or Lender to take any of the actions set forth in such subsections, the Liens and security interests granted herein shall be deemed valid, enforceable and perfected by entry of the Interim Order and the Final Order, as applicable. No financing statement, notice of lien, mortgage, deed of trust or similar instrument in any jurisdiction or filing office need be filed or any other action taken in order to validate and perfect the liens and security interests granted by or pursuant to this Agreement or the Orders.

(c) Rights of Lender; Limitations on Lender's Obligations.

(i) Lender shall not have any obligation or liability with respect to any contractual obligation of any Borrower by reason of or arising out of this Agreement, the other Loan Documents or the Order, or the granting to Lender of a security interest and lien therein or the receipt by Lender or any Lender of any payment relating to any contractual obligation of such Borrower, nor shall Lender be required to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by such Borrower under any of its contractual obligations (or of any other party to any agreement to which such Borrower is a party), or to present or file any claim, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(ii) Lender authorizes each Borrower to collect its accounts receivable, provided that such collection is performed in accordance with such Borrower's customary procedures, and Lender may, upon the occurrence and during the continuation of any Event of Default and immediately upon notice, other than any requirement of notice provided in the Orders, limit or terminate said authority at any time.

(d) Covenants of the Borrower with Respect to Collateral.

The Borrowers hereby covenant and agree with Lender that from and after the date of this Agreement and until the Termination Date:

(i) Each Borrower will not, without ten (10) days prior written notice to Lender or as expressly authorized by the Liquidating Plan, (A) change its jurisdiction of organization or the location of its chief executive office or sole place of business, or (B) change

its name, identity, taxpayer identification number, organizational identification number, or organizational structure or form to such an extent that any financing statement filed by Lender in connection with this Agreement would become incorrect or misleading.

(ii) Each Borrower will keep and maintain, at its own cost and expense, records of the Collateral, in all material respects. For Lender's further security, each Borrower agrees that Lender shall have a property interest in all of such Borrower's books and records pertaining to the Collateral and, upon the occurrence and during the continuation of an Event of Default, each Borrower shall deliver and turn over any such books and records to Lender or to their respect representatives at any time on demand of Lender.

(iii) No Borrower will create, permit or suffer to exist, and will defend the Collateral against and take such other action as is necessary to remove, any Lien on the Collateral and will defend the right, title and interest of Lender in and to all of any Borrower's rights under the Collateral and in and to all proceeds and products thereof against the claims and demands of all Persons whomsoever.

(iv) No Borrower will, without Lender's prior written consent, grant any extension of the time of payment of any of the accounts receivable, Chattel Paper or Instruments, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partly, any Person liable for the payment thereof, or allow any credit or discount whatsoever thereon except in respect of accounts due and owing from tenants and the same is done in the ordinary course of business consistent with past practices so long as all such extensions, compromises, compounding and settlements do not exceed $25,000 in the aggregate.

(v) The Borrowers will advise Lender promptly, in reasonable detail, (A) of any Lien asserted against any of the Collateral and (B) of the occurrence of any other event which would be reasonably expected to result in a Material Adverse Effect with respect to the aggregate value of the Collateral or on the security interests created hereunder.

(vi) Except as authorized by the Liquidating Plan, the Borrowers will keep and maintain all equipment in good operating condition sufficient for the continuation of the business conducted by the Borrowers on a basis consistent with past practices, ordinary wear and tear excepted.

(e) Performance by Lender of the Borrower's Obligations.

At any time during the continuance of an Event of Default, if any Borrower fails to perform or comply with any of its agreements contained herein then Lender, as provided for by the terms of this Agreement, may, in its reasonable discretion, perform or comply, or otherwise cause performance or compliance, with such agreement. The expenses of Lender incurred in connection with any such performance or compliance, together with interest thereon at the rate then in effect in respect of the Loans, shall be payable by the Borrowers to Lender on demand and shall constitute Obligations secured by the Collateral. Performance of the Borrower's obligations as permitted under this Section 1.12(e) shall in no way constitute a violation of the automatic stay provided by Section 362 of the Bankruptcy Code and each Borrower hereby waives applicability thereof. Moreover, Lender shall not be responsible for the payment of any

costs incurred in connection with preserving or disposing of Collateral pursuant to Section 506(c) of the Bankruptcy Code and the Collateral may not be charged for the incurrence of any such cost.

(f) Limitation on Lender's Duty in Respect of Collateral.

Lender shall not have any duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of it or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

(g) Remedies; Rights Upon Default.

(i) If any Event of Default shall occur and be continuing, Lender may exercise, in addition to all other rights and remedies granted to it in this Agreement, any other Loan Document and the Orders, without further order of or application to the Bankruptcy Court, all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, the Borrowers expressly agree that in any such event Lender, without demand of performance or other demand, advertisement or notice of any kind (except the notice required by the Orders or the notice specified below of time and place of public or private sale) to or upon the Borrowers or any other Person (all and each of which demands, advertisements and/or notices are hereby expressly waived to the maximum extent permitted by the Code and other applicable law), may forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give an option or options to purchase, or sell or otherwise dispose of and deliver said Collateral (or contract to do so), or any part thereof, in one or more parcels at public or private sale or sales, at any exchange or broker's board or at any of Lender's offices or elsewhere at such prices at it may deem best, for cash or on credit or for future delivery without assumption of any credit risk, all of which may be undertaken within ten (10) calendar days upon the occurrence of an Event of Default. Lender shall have the right upon any such public sale or sales to purchase the whole or any part of said Collateral so sold, free of any right or equity of redemption, which equity of redemption the Borrower hereby releases. The Borrowers further agree, at Lender's request, to assemble the Collateral and make it available to Lender at places which Lender shall select, whether at the Borrowers' premises or elsewhere. Lender shall apply the proceeds of any such collection, recovery, receipt, appropriation, realization or sale (net of all expenses incurred by Lender in connection therewith, including, without limitation, reasonable attorney's fees and expenses), to the Obligations in any order deemed appropriate by Lender, the Borrowers remaining, jointly and severally, liable for any deficiency remaining unpaid after such application, and only after so paying over such net proceeds and after the payment by Lender of any other amount required by any provision of law, including, without limitation, the Code, the Lender shall account for the surplus, if any, to the Borrowers. To the maximum extent permitted by applicable law, each Borrower waives all claims, damages, and demands against Lender arising out of the repossession, retention or sale of the Collateral except such as arise out of the gross negligence or willful misconduct of Lender. Each Borrower agrees that Lender need not give more than ten (10) calendar days' notice to such Borrower (which notification shall be deemed given when mailed or delivered on an overnight basis, postage prepaid, addressed to such Borrower at its address referred to in Section 11.10) of the time and place of any public sale of Collateral or of the time after which a private sale may take place and that such notice is reasonable notification

of such matters. Lender and its agents shall have the right to enter upon any real property owned or leased by any Borrower to exercise any of its rights or remedies under this Agreement. Lender shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Lender may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and any such sale may, without further notice, be made at the time and place to which it was adjourned. The Borrowers shall remain, jointly and severally, liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay its Obligations and all other amounts to which Lender are entitled, the Borrowers also being, jointly and severally, liable for the fees and expenses of any attorneys employed by Lender to collect such deficiency.

(ii) Except as otherwise specifically set forth in this Agreement, the Borrowers hereby waive presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Agreement or any Collateral.

(h) Appointment as Attorney-in-Fact.

(i) Each Borrower hereby irrevocably constitutes and appoints Lender and any officer or agent thereof, with full power of substitution, as such Borrower's true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Borrower and in the name of such Borrower, or in its own name, from time to time in Lender's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary and desirable to accomplish the purposes of this Agreement and the transactions contemplated hereby, and, without limiting the generality of the foregoing, hereby gives Lender the power and right, on behalf of such Borrower, without notice to or assent by such Borrower to do the following:

1) to ask, demand, collect, receive and give acquittances and receipts for any and all moneys due and to become due under any Collateral and, in the name of such Borrower, its own name or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other Instruments for the payment of moneys due under any Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by Lender for the purpose of collecting any and all such moneys due under any Collateral whenever payable and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by Lender for the purpose of collecting any and all such moneys due under any Collateral whenever payable;

2) to pay or discharge taxes, Liens or other encumbrances levied or placed on or threatened against the Collateral, to effect any repairs or any insurance called for by the terms of this Agreement and to pay all or any part of the premiums therefor and the costs thereof; and

3) (A) to direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due, and to become due

thereunder, directly to Lender or as Lender shall direct; (B) to receive payment of and receipt for any and all moneys, claims and other amounts due, and to become due at any time, in respect of or arising out of any Collateral; (C) to sign and indorse any deeds, mortgages, leases, licenses, deeds of trust, and other documents of transfer with respect to real property and instruments and agreements related thereto, as well as all invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with accounts and other documents constituting or relating to the Collateral; (D) to commence and prosecute any suits, actions or proceedings at law or equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral; (E) to defend any suit, action or proceeding brought against such Borrower with respect to any Collateral of such Borrower; (F) to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as Lender may deem appropriate; (G) to license or, to the extent permitted by an applicable license, sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any trademarks, throughout the world for such term or terms, on such conditions, and in such manner, as Lender shall in its sole discretion determine; and (H) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Lender were the absolute owner thereof for all purposes, and to do, at Lender's option and the Borrowers' expense, at any time, or from time to time, all acts and things which Lender reasonably deem necessary to protect, preserve or realize upon the Collateral and Lender's Lien therein, in order to effect the intent of this Agreement, all as fully and effectively as the Borrower might do.

(ii) Lender agrees that it will forbear from exercising the power of attorney or any rights granted to Lender pursuant to this Section 1.12(h), except upon the occurrence or during the continuation of an Event of Default. Each Borrower hereby ratifies, to the extent permitted by law, all that said attorneys shall lawfully do or cause to be done by virtue hereof. Exercise by Lender of the powers granted hereunder is not a violation of the automatic stay provided by Section 362 of the Bankruptcy Code and each Borrower waives applicability thereof. The power of attorney granted pursuant to this Section 1.12(h) is a power coupled with an interest and shall be irrevocable until the Termination Date.

(iii) The powers conferred on Lender hereunder are solely to protect Lender's interests in the Collateral and shall not impose any duty upon them to exercise any such powers. Lender shall be accountable only for amounts that it actually receive as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to the Borrowers for any act or failure to act, except for their own gross negligence or willful misconduct.

(iv) Each Borrower also authorizes Lender, at any time and from time to time upon the occurrence and during the continuation of any Event of Default or as otherwise expressly permitted by this Agreement, (A) to communicate in its own name or the name of its

Subsidiaries with any party to any contract with regard to the assignment of the right, title and interest of such Borrower in and under the contracts hereunder and other matters relating thereto and (ii) to execute any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(i) Secured, Superpriority Obligations.

The Borrowers covenant, represent, and warrant that, upon the entry of the Interim Order or the Final Order, as applicable, on and after the date hereof:

(i) The priority of Lender's Liens on the Collateral shall be set forth in the Orders.

(ii) All Obligations shall constitute administrative expenses of Borrowers in the Chapter 11 Case, with administrative priority and senior secured status under Section 364(c) of the Bankruptcy Code. Subject to the Carve-Out Expenses, such administrative claim shall have priority over all other costs and expenses in the Chapter 11 Case of the kinds specified in, or ordered pursuant to, Sections 105, 326, 328, 330, 331, 503(b), 506(c) (subject to entry of the Interim Order), 507(a), 507(b), 546(c), 726, 1114 or any other provision of the Bankruptcy Code or otherwise as set forth in any Order, and shall at all times be senior to the rights of Borrowers, Borrowers' estate, and any successor trustee(s) or estate representative(s) in the Chapter 11 Case or any subsequent proceeding or case relating to such Borrowers under the Bankruptcy Code. The Liens granted to Lender on the Collateral owned by Borrowers, and the priorities accorded to the Obligations, shall have first priority perfected and senior secured status afforded by Section 364(c) of the Bankruptcy Code (all as more fully set forth in the Orders) senior to all claims and interests other than the Carve-Out Expenses. The priorities accorded to the Obligations shall have the priority and senior secured status afforded by Section 364(c) of the Bankruptcy Code (all as more fully set forth in the Orders) senior to all claims and interests other than the Carve-Out Expenses.

(iii) The Liens, lien priority, administrative priorities and other rights and remedies granted to Lender pursuant to this Agreement, the Interim Order and/or the Final Order (specifically including, but not limited to, the existence, perfection and priority of the Liens provided herein and therein and the administrative priority provided herein and therein) shall not be modified, altered or impaired in any manner by any other financing or extension of credit or incurrence of Indebtedness by the Borrowers (pursuant to section 364 of the Bankruptcy Code or otherwise), or by any dismissal or conversion of the Chapter 11 Case, or by any other act or omission whatsoever.

(iv) Notwithstanding any failure on the part of any Borrower, on the one hand, or Lender on the other hand, to perfect, maintain, protect or enforce the Liens on the Collateral granted hereunder, the Interim Order and the Final Order (when entered) shall automatically, and without further action by any Person, perfect such Liens against the Collateral.

(v) Lender's Liens on the Collateral and Lender's administrative claims under Sections 364(c)(1) of the Bankruptcy Code afforded the Obligations shall also have

priority over any claims arising under Section 506(c) of the Bankruptcy Code, provided that Lender's Lien on the Collateral shall be subject and subordinate to the following (hereafter referred to as the "Carve-Out Expenses"): (A) the payment of any unpaid fees payable pursuant to 28 U.S.C. § 1930 (including, without limitation, fees under 28 U.S.C. § 1930(a)(6)), (B) the fees due to the Clerk of the Court, and (C) the actual fees and expenses incurred by professionals (less the unused portion of retainers held by such professionals), retained by an order of the Bankruptcy Court entered pursuant to Sections 327, 328 or 1103 of the Bankruptcy Code (the "Professionals"), but only to the extent that they are within the amounts set forth in the Disbursement Schedule and are subsequently allowed by the Bankruptcy Court under Sections 330 and 331 of the Bankruptcy Code. Additionally, Lender's Liens on the Collateral shall be subject to a claim (the "50/50 Claim") for allowed fees and expenses of the Professionals retained by the Debtors in an aggregate amount not to exceed $150,000 and allowed fees and expenses of the Professionals retained by the Committee in an aggregate amount not to exceed $150,000; *provided, however*, that unless and until Lender has foreclosed upon one or more items of the Collateral, all unpaid fees and expenses of Professionals not treated as Carve-Out Expenses shall be treated for all purposes as Deferred Confirmation Expenses and payable (prior to the Termination Date) only as provided in Section 1.6. At such time or times, if any, as Lender shall foreclose upon one or more items of Collateral, proceeds of such foreclosure(s) shall be shared one-half to Lender and one-half to the holder(s) of the 50/50 Claim (and ratably among such holders) until such time, if any, as $300,000 shall have been paid to such holder(s), at which time the 50/50 Claim shall be fully satisfied and extinguished. The holder(s) of the 50/50 Claim shall not demand, sue for or commence any action to recover or collect from Borrowers any fees or expenses encompassed by the 50/50 Claim (except to the extent such fees or expenses are payable in accordance with Section 1.6) or to enforce the 50/50 Claim until the Termination Date has occurred. No portion of the Carve-Out Expenses or any other proceeds of the Loan or any fees or expenses encompassed by the 50/50 Claim may be used to investigate, litigate, object, contest or challenge in any manner or raise any defenses to the debt, claims, offsets or collateral position of Lender under this Agreement or any other claims against any of the entities owned or controlled by Lender or its Affiliates, whether by challenging the validity, extent, amount, perfection, priority or enforceability of the indebtedness under this Agreement or the validity, perfection or priority of any mortgage, pledge, security interest or lien with respect thereto or any other rights or interests or replacement liens with respect thereto or any other rights or interests of Lender, or by seeking to subordinate or recharacterize the Loan or disallow any claim, mortgage, pledge, security interest or lien by asserting any claims or causes of action, including, without limitation, any actions under Chapter 5 of the Bankruptcy Code, against Lender, or any of its Affiliates, insiders, officers, directors, employees, agents, attorneys, representatives or employees other than challenging whether an Event of Default has occurred or is continuing. In addition, the Carve-Out Expenses and any other proceeds of the Loan shall not be used, nor shall any fees or expenses encompassed by the 50/50 Claim be incurred or expended, in connection with (i) preventing, hindering or delaying Lender' s enforcement or realization upon the Collateral once an Event of Default has occurred, (ii) selling or otherwise disposing of the Collateral without the consent of Lender, (iii) using or seeking to use any insurance proceeds related to the Collateral without the consent of Lender, or (iv) incurring indebtedness senior to Lender's Liens hereunder. Lender shall not be responsible for the direct payment or reimbursement of any fees or disbursements of any Professionals incurred in connection with the Chapter 11 Case under any chapter of the Bankruptcy Code, and nothing

herein shall be construed to obligate Lender in any way to pay compensation to or to reimburse expenses of any Professional, or to guarantee that Borrowers have sufficient funds to pay such compensation or reimbursement.

1.13 Payment of Obligations. Upon the maturity (whether by acceleration or otherwise) of any of the Obligations under this Agreement or any of the other Loan Documents, Lender shall be entitled to immediate payment of such Obligations without further application to or order of the Bankruptcy Court.

1.14 No Discharge; Survival of Claims. Borrowers agree that (a) the Obligations hereunder shall not be discharged by the entry of an order confirming a Plan of Reorganization (and Borrowers pursuant to Section 1141 (d)(4) of the Bankruptcy Code, hereby waive any such discharge) and (ii) the super-priority administrative claim granted to Lender pursuant to any Order and as further described in Section 6.1 and the Liens granted to Lender pursuant to any Order and as further described in Section 6.2 shall not be affected in any manner by the entry of an order confirming a Plan of Reorganization.

1.15 Intentionally omitted.

1.16 Waiver of Any Priming Rights. From and after the date hereof, and for itself and on behalf of their respective estates, and for so long as any Obligations shall be outstanding, Borrowers hereby irrevocably waive any right to obtain post-petition loans or other financial accommodations, pursuant to Sections 364(c) or 364(d) of the Bankruptcy Code or otherwise, or to grant any Lien of equal or greater priority than the Liens granted to Lender securing the Obligations, or to approve a claim of equal or greater priority than the Obligations, as a result of which the Collateral would become encumbered by any Lien or claim that primes or is *pari passu* with the DIP Protections (as defined the Orders) afforded to Lender.

1.17 Exit Fee. Lender shall earn, and Borrowers shall, jointly and severally pay, an exit fee (the "Exit Fee") of five (5%) percent of the Commitment (a) as provided in Section 1.6 or, (b) if not paid as provided in clause (a), upon the Maturity Date. Notwithstanding the preceding sentence, if Lender has materially breached the terms of this Agreement or the Term Sheet and such breach has not been cured or waived on the date the Exit Fee becomes due and payable pursuant to the terms of this Section 1.17, Borrowers shall not be obligated to pay to Lender the Exit Fee. This Section 1.17 shall survive the termination of this Agreement.

1.18 New Ansonia Option. As additional consideration for the Commitment, Tarragon shall use its reasonable best efforts to cause Lender to receive an option to convert the Loan into an eleven (11%) percent interest in the entity formed to acquire the ownership interests in Ansonia Apartments, LP, a Delaware limited partnership, upon the terms and conditions provided in the Liquidating Plan, and shall use its reasonable best efforts to cause said entity to enter into the covenants with or for the benefit of Lender provided in the Term Sheet and the Liquidating Plan, no later than the Effective Date.

2. CONDITIONS PRECEDENT

2.1 Conditions to the First Loan Advance. Lender shall not be obligated to make the Loan or the first advance of Loan proceeds, or to take, fulfill, or perform any other action

hereunder, until the following conditions have been satisfied or provided for in a manner satisfactory to Lender in its reasonable discretion, or waived in writing by Lender:

(a) Credit and Security Agreement; Loan Documents. This Agreement or counterparts hereof shall have been duly executed by, and delivered to, Borrowers and Lender; and Lender shall have received such documents, instruments, and agreements as Lender shall request in its reasonable discretion in connection with the transactions contemplated by this Agreement and the other Loan Documents, including all those listed in the Closing Checklist attached hereto as Annex B, each in form and substance satisfactory to Lender in its reasonable discretion.

(b) Approvals. Lender shall have received (i) satisfactory evidence that Borrowers have obtained all required consents and approvals of all Persons including all requisite Governmental Authorities, in connection with the filing of the Chapter 11 Case and to the execution, delivery and performance of this Agreement and the other Loan Documents and the payment of all fees, costs and expenses associated with all of the foregoing and/or (ii) an officer's certificate in form and substance satisfactory to Lender in its reasonable discretion affirming that no such consents or approvals are required.

(c) Intentionally Omitted.

(d) Bankruptcy Matters. The Bankruptcy Court shall have entered the Interim Order.

(e) Reporting. Borrowers shall have furnished to Lender any notices required pursuant to Annex C applicable to the period prior to the Loan Advance Date.

(f) Disbursement Schedule; Budget. Borrowers shall furnish Lender with any necessary amendment to the Disbursement Schedule and Budget, which shall be acceptable to Lender in writing in its sole discretion.

(g) Payoff of Existing DIP Agreement Obligations. The Loan proceeds shall be used to pay off in full all obligations which were due and owing by Borrowers under the Existing DIP Agreement, the Liens granted under the Existing DIP Agreement shall have been or shall be released upon such pay off and the Existing DIP Agreement shall have been terminated. Each of the foregoing will be approved by the Bankruptcy Court in the Interim Order.

(h) Filings, Registrations, Recordings. (i) The Borrowers shall have taken such action as Lender shall have requested in order to perfect the Liens in favor of the Lender created pursuant to this Agreement, the Loan Documents and the Orders; and (ii) the Borrowers shall have properly prepared and executed (if necessary) for filing any documents (including, without limitation, financing statements) requested by Lender be filed, registered or recorded in order to further evidence the perfected, first priority security interest in the Collateral created

under this Agreement and the Orders, subject to no Liens other than those created in favor of Lender hereunder and under the Orders and other Liens permitted hereunder.

(i) Expenses. Lender shall have received payment for and reimbursement of all expenses required to be paid by the Borrowers on or prior to the Loan Advance Date under this Agreement or any other Loan Document, but not in excess of $100,000 (and such expenses may be netted out of any Loan made by the Lender hereunder).

(j) Insurance. Lender shall have received a certificate of insurance, together with the endorsements thereto, the form and substance of which shall be satisfactory to Lender, and shall have received evidence in form and substance satisfactory to Lender showing compliance by the Borrowers as of the date hereof with the insurance requirements of this Agreement.

(k) No Material Adverse Effect. Other than the filing of the Chapter 11 Case, no Material Adverse Effect shall have occurred.

(l) No Misrepresentation. None of the Borrowers or Lender shall have become aware prior to the Loan Advance Date of any information or other matter materially and adversely affecting (i) any Borrower, any of its Affiliates, the Collateral, or (ii) the transactions contemplated hereby, any of which in Lender's judgment is inconsistent in a material and adverse manner with any information or other matter disclosed to Lender prior to the date hereof.

2.2 Conditions to the Final Loan Advance. Lender shall not be obligated to make the final advance of Loan proceeds until the following conditions have been satisfied or provided for in a manner satisfactory to Lender in its reasonable discretion, or waived in writing by Lender:

(a) Bankruptcy Matters. The Bankruptcy Court shall have entered the Final Order.

(b) Event of Default. No Event of Default shall have occurred and be continuing.

(c) No Material Adverse Effect. Other than the filing of the Chapter 11 Case, no Material Adverse Effect shall have occurred.

(d) No Misrepresentation. None of the Borrowers or Lender shall have become aware prior to the date of the final Loan advance of any information or other matter materially and adversely affecting (i) any Borrower, any of its Affiliates, the Collateral, or (ii) the transactions contemplated hereby, any of which in Lender's reasonable judgment is inconsistent in a material and adverse manner with any information or other matter disclosed to Lender prior to the date hereof.

3. REPRESENTATIONS AND WARRANTIES

To induce Lender to make the Loan, Borrowers hereby make the following representations and warranties to Lender, each and all of which shall survive the execution and delivery of this Agreement. Each of the representations and warranties made herein are subject to the effect of the filing of the Chapter 11 Case.

3.1 Organization; Powers. Each Borrower Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, subject to the entry by the Bankruptcy Court of the Interim Order and subsequently, if entered, the Final Order, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

3.2 Authorization; Enforceability. Upon the entry by the Bankruptcy Court of the Interim Order and subsequently, if entered, the Final Order, the transactions contemplated hereby and by the other Loan Documents to be entered into by Borrower Parties are within such Borrower Party's corporate, limited liability company, partnership and other powers and have been duly authorized by all necessary corporate and, if required, stockholder, member or manager or partner action. This Agreement has been duly executed and delivered by Borrower Parties and subject to the entry by the Bankruptcy Court of the Interim Order and subsequently, if entered, the Final Order constitutes, and each other Loan Document to which such Borrower Party is a party, when executed and delivered by such Borrower Party, will constitute, a legal, valid and binding obligation of such Borrower Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

3.3 Governmental Approvals; No Conflicts. Subject to the entry by the Bankruptcy Court of the Interim Order and subsequently, if entered, the Final Order, the transactions to be entered into pursuant to the Loan Documents (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except for such as have been obtained or made and are in full force and effect and except filings and recordings necessary to perfect Liens created under the Loan Documents, (b) will not violate any Applicable Law or the charter, by laws or other organizational documents of Borrower Parties, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon Borrower Parties or any of their assets, or give rise to a right thereunder to require any payment to be made by Borrower Parties, and (d) will not result in the creation or imposition of any Lien on any asset of Borrower Parties, except Liens created under the Loan Documents.

3.4 Financial Condition. The Borrowers have heretofore furnished to Lender the Consolidated balance sheet, and statements of income, stockholders' equity, and cash flows for the Borrowers and their respective Subsidiaries as of and for the fiscal year ending December 2009 and as of and for the fiscal month ending January 31, 2010, certified by a Financial Officer of the Borrowers. Such financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Borrowers and their respective Subsidiaries

as of such dates and for such periods in accordance with GAAP, subject to year-end adjustments and the absence of footnotes. Borrowers' financial statements are prepared on accrual (not a cash) basis.

3.5 Properties. Each of the Borrowers and their Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for defects which could not reasonably be expected to result in a Material Adverse Effect.

3.6 Litigation and Environmental Matters.

(a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of Borrowers, threatened against or affecting Borrowers or their respective Subsidiaries (collectively, "Litigation") (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, or (ii) that involve any of the Loan Documents.

(b) Except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, Borrowers and their respective Subsidiaries have not, to the knowledge of any of the Borrowers, by actions of Borrowers or their respective Subsidiaries, (i) failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) become subject to any Environmental Liability, or (iii) received notice of any claim with respect to any Environmental Liability.

3.7 Compliance with Laws and Agreements. To their knowledge, (i) Borrowers are in compliance with all Applicable Law and all indentures, material agreements and other instruments binding upon them or their property, except where the failure to do so, in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, and (ii) no default has occurred and is continuing under such agreements other than defaults triggered by the filing of the Chapter 11 Case or the granting of liens hereunder or defaults that could not reasonably be expected to result in a Material Adverse Effect.

3.8 Taxes. Borrowers have timely filed or caused to be filed all tax returns and reports required to have been filed and have paid or caused to be paid all taxes required to have been paid by them, except (a) taxes that are being contested in good faith by appropriate proceedings diligently conducted, for which Borrowers have set aside on its books adequate reserves, and as to which no Lien has been filed or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

3.9 Intentionally omitted.

3.10 Subsidiaries.

(a) Disclosure Schedule 3.10 sets forth the name of, and the ownership interest of Borrowers in, each Subsidiary as of the date(s) specified therein. There is no other capital stock or ownership interest of any class outstanding. Other than as set forth in the Schedules and Statements of Financial Affairs for each Borrower to be filed in accordance with the requirements of the Bankruptcy Code, the Borrowers are not party to any joint venture, general or limited partnership, or limited liability company, agreements or any other business ventures or entities.

(b) The Borrowers and their respective Subsidiaries have received the consideration for which the capital stock and other ownership interests were authorized to be issued and have otherwise complied with all legal requirements relating to the authorization and issuance of shares of stock and other ownership interests, and all such shares and ownership interests are validly issued, fully paid, and non-assessable.

3.11 Intentionally omitted.

3.12 Disbursement Schedule. Borrowers have prepared and delivered to Lender a schedule describing the anticipated expenditure of the Loan proceeds, including the amounts for the payment of Professionals (the "Disbursement Schedule"), attached hereto as Exhibit B. Lender is relying on Borrower's delivery of, and compliance with, the Disbursement Schedule in determining to extend the Commitment.

3.13 Collateral Documents. Upon entry of and subject to the Interim Order and any Collateral Documents requested by Lender and executed by Borrower Parties pursuant to any Order, said Interim Order and Collateral Documents create in favor of Lender a legal, valid and enforceable security interest in the Collateral and result in the creation of a fully perfected first priority Lien on, and security interest, in, all right, title and interest of the Borrower Parties in all Collateral, in each case subject to Section 3.16(c), prior and superior in right to any other Person.

3.14 Federal Reserve Regulations.

(a) Borrowers are not engaged principally, or as one of the important activities of any Borrower, in the business of extending credit for the purpose of buying or carrying Margin Stock.

(b) No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, (i) to buy or carry Margin Stock or to extend credit to others for the purpose of buying or carrying Margin Stock or to refund indebtedness originally incurred for such purpose or (ii) for any purpose that entails a violation of, or that is inconsistent with, the provisions of the Regulations of the Federal Reserve Board, including Regulation T, U or X.

3.15 Budget. Borrowers were to have prepared and delivered to Lender an initial thirteen (13) week budget (as may be amended or updated in accordance with the terms of this Agreement, the "Budget"), to be attached hereto as Exhibit C. Lender has waived initial delivery

of the Budget as a condition to execution and delivery of this Agreement and to the initial advance of Loan proceeds. The Budget when delivered will have been thoroughly reviewed by Borrowers and their management and will set forth for the periods covered thereby, among other things, projected weekly operating cash disbursements and receipts for each week. In addition to the Budget, Borrowers shall thereafter deliver to Lender updates to the Budget in the manner set forth in paragraph (d) of Annex C. Lender is relying upon Borrower's future delivery of, and good faith effort to adhere to, the Budget in determining to extend the Commitment.

3.16 Reorganization Matters.

(a) The Chapter 11 Case was commenced on the Petition Date in accordance with applicable law and proper notice thereof and the proper notice for the motion seeking approval of the Loan Documents and the proposed Interim Order and Final Order has been given. Borrowers shall give, on a timely basis as specified in each Order, all notices required to be given to all parties specified in each Order.

(b) After the entry of the Interim Order and subsequently, if entered, the Final Order, the Obligations will constitute allowed administrative expense claims in the Chapter 11 Case having priority over all administrative expense claims and unsecured claims against Borrowers now existing or hereafter arising, of any kind whatsoever, including, without limitation, all administrative expense claims of the kind specified in Sections 105, 326, 330, 331, 503(b), 506(c), 507(a), 507(b), 546(c), 726, 1114 or any other provision of the Bankruptcy Code or otherwise, as provided under Section 364(c)(1) of the Bankruptcy Code, subject, as to priority, only to the Carve-Out Expenses as set forth in each Order.

(c) After the entry of the Interim Order, the Obligations will be secured by a valid and perfected first priority Lien on all Collateral, subject, as to priority, only to the Carve-Out Expenses as set forth in each Order.

(d) Each Order that has been entered by the Bankruptcy Court is in full force and effect has not been reversed, stayed, modified or amended.

(e) Notwithstanding the provisions of Section 362 of the Bankruptcy Code, and subject to the applicable provisions of the each Order, upon the maturity (whether by acceleration or otherwise) of any of the Obligations, Lender shall be entitled to immediate payment of such Obligations and to enforce the remedies provided for hereunder or under applicable law, without further application to or order by the Bankruptcy Court.

3.17 Insurance.

All insurance required to be obtained and maintained by the Borrowers pursuant to the Loan Documents has been obtained. All premiums then due and payable on all such insurance have been paid.

3.18 Anti-Terrorism Law Compliance.

No Borrower is in violation of any law or regulation, or is identified in any list, of any Governmental Authority (including, without limitation, the U.S. Office of Foreign Asset Control list, Executive Order No. 13224 or the USA Patriot Act) that prohibits or limits the conduct of business with or the receiving of funds, goods or services to or for the benefit of certain Persons specified therein or that prohibits or limits Lender from making any Loans to any Borrower or from otherwise conducting business with any Borrower.

3.19 Assets and Liabilities.

Attached hereto as Exhibit G is a complete list of the Material Liquidation Assets and the Indebtedness and other liabilities in excess of $100,000 individually which are secured by or expected to be satisfied from the proceeds of sale of each such Material Liquidation Asset as of the date hereof. Borrowers have delivered to Lender an organizational chart which reflects the Borrowers', their Subsidiaries' and Affiliates' organizational structure.

3.20 Term Sheet Representations and Warranties. Borrowers repeat and reaffirm, as of the date hereof, each of the following representations and warranties:

(a) Schedule B to the Term Sheet (prior to Amendment No. 1) sets forth Tarragon's or its Affiliates' equity interest in the Material Liquidation Assets, which equity interest, except as set forth on said Schedule B, is not subject to any security interest, lien or pledge;

(b) the Material Liquidation Assets are subject only to such mortgages, liens or security interests (other than immaterial liens or security interests created in the ordinary course and not for money borrowed) as are reflected on Exhibit G;

(c) all commercial tenant space leases with respect to the Material Liquidation Assets are in full force and effect and there are no commercial tenant defaults thereunder that materially and adversely affect the value of the Material Liquidation Assets;

(d) the most recent balance sheet and operating statement with respect to each Material Liquidation Asset or its direct equity owner is true and correct in all material respects as of its date; and

(e) except as set forth on Schedule C to the Term Sheet or Exhibit G, there are no material liabilities, contingent or otherwise, or pending or threatened (in writing) material litigation or governmental proceedings, affecting the Material Liquidation Assets or their respective equity owners.

4. FINANCIAL STATEMENTS AND INFORMATION

4.1 Reports and Notices. Borrowers hereby agree that from and after the Loan Advance Date and until the Termination Date, it shall deliver to Lender the financial statements, notices and other information at the times, to the Persons and in the manner set forth in Annex C.

4.2 Communication with Financial Advisors. Borrowers authorize Lender to communicate directly with Borrowers' financial advisors, investment bankers and consultants, and authorize and shall instruct those financial advisors, investment bankers and consultants to communicate to Lender information relating to the Borrowers with respect to its business, results of operations and financial condition.

5. AFFIRMATIVE COVENANTS

Each Borrower jointly and severally agrees as to all Borrowers that from and after the Loan Advance Date and until the Termination Date:

5.1 Information Regarding Collateral.

(a) Borrowers will furnish to Lender prompt written notice of any change (i) in any Borrower Party's legal or registered name or in any trade name used to identify it in the conduct of its business or in the ownership of its properties, (ii) in the location of any Borrower Party's chief executive office, its principal place of business, any office in which it maintains books or records relating to Collateral owned by it or any office or facility at which Collateral owned by it is located (including the establishment of any such new office or facility), (iii) in any Borrower Party's corporate or organizational structure or jurisdiction of organization, or (iv) in any Borrower Party's Federal Taxpayer Identification Number or organizational identification number assigned to it by its state of organization. Borrowers also agree promptly to notify Lender if any material portion of the Collateral is damaged or destroyed.

(b) Each year, at the time of delivery of annual financial statements with respect to the preceding fiscal year pursuant to Annex C, the Borrowers shall deliver to Lender a certificate of a Financial Officer of the Borrowers setting forth any Material Indebtedness, the organizational structure and material assets owned by Borrowers or confirming that there has been no change in such Material Indebtedness, organizational structure or asset ownership since the date hereof or the date of the most recent certificate delivered pursuant to this Section 5.1.

(c) On the fifth day of each calendar quarter, the Borrowers shall deliver to Lender a certificate of a Financial Officer of the Borrowers setting forth any Material Indebtedness for the quarter most recently ended, the organizational structure and material assets owned by Borrowers or confirming that there has been no change in such Material Indebtedness, organizational structure or material asset ownership since the date hereof or the date of the most recent certificate delivered pursuant to this Section 5.1.

5.2 Existence; Conduct of Business. Except as occasioned by the Chapter 11 Case and as provided in Section 5.13, Borrowers will do, or cause to be done, all things necessary to comply with their respective Governing Documents and the Governing Documents of any other Borrower Parties, and to preserve, renew and keep in full force and effect (a) their legal existence and the legal existence of any other Borrower Parties, and (b) the rights, licenses, permits, privileges, franchises, patents, copyrights, trademarks and trade names material to the conduct of their business, *provided* that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.3.

5.3 Payment of Obligations. Each Borrower will pay its Post-Petition Indebtedness and other obligations, and claims for labor, materials, or supplies in accordance with the Disbursement Schedule and the Budget, unless such obligations are being contested in good faith by appropriate proceedings diligently conducted, for which Borrowers have set aside on their books adequate reserves, and as to which no Lien has been filed or to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

5.4 Maintenance of Properties. Borrowers will, and will cause each of the Subsidiaries to, keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted and with the exception of storing closings and asset dispositions permitted hereunder.

5.5 Insurance.

Borrowers shall, and shall cause each of their respective Subsidiaries to, (i) maintain insurance with financially sound and reputable insurers reasonably acceptable to Lender (or, to the extent consistent with prudent business practice, a program of self-insurance for workman's compensation insurance the terms of which have been disclosed to and approved by Lender) on such of its property and in at least such amounts and against at least such risks as is customary with companies in the same or similar businesses operating in the same or similar locations, including public liability insurance against claims for personal injury or death occurring upon, in or about or in connection with the use of any properties owned, occupied or controlled by it (including the insurance required pursuant to the Loan Documents); (ii) maintain such other insurance as may be required by law; and (iii) furnish to Lender, upon written request, full information as to the insurance carried and endorsements to all insurance polices maintained by them naming Lender as additional insured and loss payee, as applicable.

5.6 Lines of Business. No Borrower will engage to any substantial extent in any line or lines of business activity other than the businesses engaged in by such Borrower as of the date hereof.

5.7 Accountants. The Borrowers shall, at all times, retain independent certified public accountants who are reasonably satisfactory to Lender and instruct such accountants to cooperate with, and be available to, Lender or its representatives to discuss the Borrowers' financial performance, financial condition, operating results, controls, and such other matters, within the scope of the retention of such accountants, as may be raised or requested by Lender. Lender agrees that the retention of Travis Wolff and Co. is acceptable to Lender to satisfy the foregoing obligation.

5.8 Compliance with Laws. Borrowers will, and will cause each of their Subsidiaries and any other Borrower Parties to comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

5.9 Use of Proceeds. The proceeds of the Loan made hereunder will be used only as set forth in Section 1.3 and the Disbursement Schedule. No part of the proceeds of the Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Federal Reserve Board, including Regulations T, U and X.

5.10 Additional Subsidiaries. If any additional Subsidiary of any Borrower is formed or acquired after the date hereof, Borrowers will notify Lender thereof and Borrowers will cause any equity interests in such Subsidiary to be pledged to Lender within ten (10) Business Days after such Subsidiary is formed or acquired (except that, if such Subsidiary is a Foreign Subsidiary, shares of stock or other ownership interests of such Subsidiary to be pledged may be limited to 65% of the outstanding shares of Voting Stock of such Subsidiary).

5.11 Further Assurances.

(a) Borrowers will execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements and other documents), that may be required under any Applicable Law, or which Lender may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created by the Collateral Documents or the validity or priority of any such Lien, all at the expense of the Borrowers. The Borrowers also agree to provide to Lender, from time to time upon request, evidence reasonably satisfactory to Lender as to the perfection and priority of the Liens created or intended to be created by the Collateral Documents, including, without limitation, periodic lien searches as deemed necessary by Lender in its reasonable discretion.

(b) Between the date hereof and the Effective Date, Borrowers shall take all such actions as may be reasonably required by Lender in order to ensure that Lender shall retain on and after the Effective Date a first priority perfected security interest in and Lien upon all the Collateral, which such actions may include, in Lender's reasonable discretion, the issuance of certificates to evidence the portion of the Collateral consisting of limited liability company interests and the acquisition of "control" within the meaning of Code Section 8-106 of the Code by Lender over any Collateral consisting of "securities" within the meaning of Section 8-102 of the Code.

5.12 SEC Registration. Borrowers will from time to time take all action required to cause their registration and reporting obligations under the Securities Exchange Act of 1934 to remain at all times suspended or to be terminated or, if such suspension or termination is not practicable despite Borrowers' best efforts, otherwise to remain in compliance with applicable securities laws.

5.13 Liquidation. From and after date hereof, Borrowers shall proceed diligently to liquidate, and cause their Subsidiaries to liquidate, all assets owned by such Borrower or Subsidiary, provided that (i) prior to the Effective Date, such liquidation shall be accomplished in accordance with the Bankruptcy Code and as authorized by appropriate order of the Bankruptcy Court and (ii) from and after the Effective Date, such liquidation shall be accomplished as provided in the Liquidating Plan. If appropriate, any such liquidation may be accomplished by merger or consolidation of one or more Borrowers and/or their Subsidiaries with or into one or more other entities. Subject to the Bankruptcy Code, all proceeds of such liquidation shall be paid and distributed as provided in Section 1.6. Borrowers shall have complete authority with respect to the terms of any proposed sale of any item of Collateral (including with respect to the price thereof); provided, however, that no sale of a Material Liquidation Asset shall occur that would result in Net Distributable Capital Proceeds of less than an amount agreed to by Lender, such agreement not to be unreasonably withheld, conditioned or delayed. At such time as any Borrower shall have liquidated all assets (including contingent claims) of itself and its Subsidiaries, such Borrower may dissolve or otherwise terminate its legal existence. In connection with any such dissolution or termination, Lender shall, upon request, release such Borrower from all Obligations hereunder.

5.14 Liquidating Plan of Reorganization. Promptly upon the execution and delivery of this Agreement, Borrower shall diligently seek the Confirmation Order.

6. NEGATIVE COVENANTS

Borrowers hereby agree that from and after the Loan Advance Date until the Termination Date:

6.1 Indebtedness and Other Obligations.

(a) Unless this Agreement is terminated, Borrowers will not create, incur, assume or permit to exist any Post-Petition Indebtedness, with respect to Borrowers, any of their Subsidiaries or any other Borrower Party, except:

(i) Indebtedness created under the Loan Documents and the Orders;

(ii) Indebtedness substantially in compliance with the Budget; and

(iii) other unsecured non-budgeted Indebtedness in an aggregate principal amount not exceeding $10,000 at any time outstanding, *provided* that the terms of such Indebtedness are acceptable to Lender in its reasonable discretion.

Furthermore, no Indebtedness under clauses (ii) and (iii) shall be permitted to have an administrative expense claim status in the Chapter 11 Case under the Bankruptcy Code senior to or *pari passu* with the super-priority administrative expense claims of Lender, as set forth herein and in any Order.

6.2 Limitation on Liens.

The Borrowers will not, nor will they permit or allow others to, create, incur or permit to exist any Lien or claim on or to any Collateral, except for (i) Liens on the Collateral created pursuant to this Agreement and the other Loan Documents, (ii) other Liens acceptable to Lender in its sole discretion and (iii) other Liens permitted pursuant to the Interim Order and the Final Order (collectively, "Permitted Liens"). The Borrowers will defend the Collateral against, and will take such other action as is necessary to remove, any Lien or claim on or to the Collateral, other than Permitted Liens, and the Borrowers will defend the right, title and interest of Lender in and to any of the Collateral against the claims and demands of all persons whomsoever. In addition, the Borrowers will not, and will not permit any of their Subsidiaries to, nor will they permit or allow others to, create, incur or permit to exist any Lien, which attaches following the date hereof, on any of their assets, except for (i) Liens on the Collateral created pursuant to this Agreement and the other Loan Documents, (ii) other Liens acceptable to Lender in its sole discretion and (iii) other Liens permitted pursuant to the Interim Order and the Final Order.

6.3 Limitation on Sale of Assets.

The Borrowers will not, and will not permit any of their Subsidiaries to, convey, sell, lease, assign, transfer or otherwise dispose of any of its property, business or assets (including, without limitation, receivables and leasehold interests) whether now owned or hereafter acquired unless such sale (a) is made in the ordinary course of business and does not exceed $25,000, (b) as permitted by Section 5.13, or (c) otherwise consented to by the Lender in writing.

6.4 Investments, Loans, Advances, Guarantees and Acquisitions. The Borrowers will not, and will not permit any of their Subsidiaries to, directly or indirectly, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly owned Subsidiary prior to such merger) any capital stock, evidences of Indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, guarantee any obligations of, or make or permit to exist any Investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person, except:

(a) Permitted Investments;

(b) Investments existing on the date hereof;

(c) loans, advances or Investments made by any Subsidiary to or in any other Subsidiary;

(d) Investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers, in each case in the ordinary course of business;

(e) loans or advances to employees for the purpose of travel or relocation in the ordinary course of business in an amount not to exceed $2,500 in the aggregate at any time outstanding, provided that no such loans or advances shall be made if a Default or Event of Default exists or would arise therefrom; and

(f) other Investments in the ordinary course of business not to exceed $5,000 in the aggregate at any time outstanding, *provided* that no such Investments shall be made if a Default or Event of Default exists or would arise therefrom.

6.5 Transactions with Affiliates and Insiders. Borrowers shall not enter into or permit to exist any transaction or series of transactions with any officer, director or Affiliate of such Person except with the written consent of Lender.

6.6 Restricted Payments; Certain Payments of Indebtedness.

(a) The Borrowers will not declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, and as long as no Default or Event of Default exists or would arise therefrom, the Borrowers may declare and pay dividends with respect to their capital stock payable solely in additional shares of their common stock.

(b) The Borrowers will not, and will not permit any of their Subsidiaries to, make or agree to pay or make, directly or indirectly, any payment or other distribution (whether in cash securities or other property) of or in respect of any Indebtedness, or any payment or other distribution (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Indebtedness (Pre-Petition or otherwise), except:

(i) payment of regularly scheduled interest, principal payments and other charges (or equivalent items in respect of any Capital Lease), as and when due in respect to any Indebtedness permitted hereunder;

(ii) payment of Indebtedness with the proceeds of a sale of assets or property of a Borrower or Subsidiary, *provided, however*, in the event of a sale of property or assets of a Borrower, such sale must be in accordance with this Agreement and each Order; and

(iii) other payments permitted pursuant to the Interim Order and the Final Order.

(c) The Borrowers will not issue nor permit any of their Subsidiaries or any other Borrower Party to issue any equity (except for equity all dividends in respect of which are to be paid (and all other payments in respect of which are to be made) in additional shares of such equity) in lieu of cash, until the Termination Date.

6.7 Orders, Administrative Priority; Lien Priority; Payment of Claims.

(a) The Borrowers shall not at any time seek, consent to or suffer to exist any modification, stay, vacation or amendment of the Orders except for modifications and amendments agreed to by Lender in writing.

(b) The Borrowers shall not at any time suffer to exist a priority for any administrative expense of unsecured claim against the Borrowers (now existing or hereafter arising of any kind or nature whatsoever, including without limitation any administrative expenses of the kind specified in Sections 503(b) and 507(b) of the Bankruptcy Code) equal or superior to the priority of the Lender in the Chapter 11 Case in respect of the Obligations, except for the Carve-Out Expenses.

(c) The Borrowers shall not at any time suffer to exist any Lien on the Collateral having a priority equal or superior to the Lien in favor of Lender in respect of the Collateral except for Permitted Liens.

(d) Prior to the Termination Date, the Borrowers shall not pay any administrative expense claims except (i) payments in respect of the Carve-Out Expenses, (ii) any Obligations due and payable hereunder, (iii) other administrative expense claims incurred in the ordinary course of the business of the Borrower or the Chapter 11 Case, (iv) amounts payable under Section 1.6 and (v) as otherwise provided in the Orders.

6.8 Pre-Petition Payments. Unless authorized by an order of the Bankruptcy Court, the Borrowers will not (a) make any payment or prepayment on or redemption or acquisition for value (including, without limitation, by way of depositing with the trustee with respect thereto money or securities before due for the purpose of paying when due) of any pre-Filing Date obligations of the Borrower ("Pre-Petition Payments") or (b) make any payment or create or permit any Lien pursuant to Section 361 of the Bankruptcy Code (or pursuant to any other provision of the Bankruptcy Code authorizing adequate protection), or apply to the Bankruptcy Court for the authority to do any of the foregoing.

6.9 Amendment of Material Documents. The Borrowers will not, and will not permit any of their Subsidiaries or any other Borrower Party to, amend, extend, modify or waive any of their rights under (a) their Governing Documents, (b) any Leases, (c) any existing agency documents or purchase agreements and other relevant documents and agency documents, or (d) any other instruments, documents or agreements including, without limitation, any loan or financing documents provided, that, solely with respect to this clause (d), the Borrowers may enter into administrative non-material amendments which are not adverse to the interests of Lender, without the written consent of Lender, if permitted pursuant to the Interim Order or the Final Order or if (i) total economic value of the contract is less than $50,000, (ii) such amendment is made in good faith, (iii) such amendment does not change the total economic value of the contract by more than $10,000, (iv) all such amendments do not change the total economic value of all contracts amended by more than $60,000 in the aggregate and (v) no such amendment extends the term of the agreement amended.

6.10 Additional Subsidiaries. The Borrowers will not, and will not permit any of their Subsidiaries or any other Borrower Party to, create any additional Subsidiary.

6.11 Fiscal Year. The Borrowers and their respective Subsidiaries shall not change their fiscal year.

6.12 Environmental Laws. The Borrowers shall not, and shall not permit any of their Subsidiaries or any other Borrower Party to, (a) fail to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, or (b) become subject to any Environmental Liability, which in either event, is reasonably likely to result in a Material Adverse Effect.

6.13 Intentionally Omitted.

6.14 Repayment of Indebtedness. Except pursuant to the Disbursement Schedule or the Budget and except as specifically permitted hereunder, Borrowers shall not, without the express prior written consent of Lender or pursuant to an order of the Bankruptcy Court after notice and hearing, make any payment or transfer with respect to any Lien or Indebtedness incurred or arising prior to the filing of the Chapter 11 Case that is subject to the automatic stay provisions of the Bankruptcy Code whether by way of "adequate protection" under the Bankruptcy Code or otherwise.

6.15 Chapter 11 Claims. Borrowers shall not incur, create, assume, suffer to exist or permit any other superpriority administrative claim which is pari passu with or senior to the claims of Lender against Borrowers in the Chapter 11 Case.

6.16 Affiliated Entities. Borrowers hereby further represent that, to the best of their knowledge, Borrowers and the Affiliated Entities have no other: (a) secured Indebtedness, (b) material asserted or unasserted litigation claims or unsecured Indebtedness; or (c) other Indebtedness that would have a material adverse effect on the value of the assets or property of the Affiliated Entities, except as stated on Exhibit H hereto.

6.17 Sale and Leaseback Transactions. Borrowers shall not, and will not permit any of their Subsidiaries to, enter into any sale and leaseback transaction.

6.18 Fundamental Changes. Except as provided in Section 5.13 or in the Liquidating Plan, Borrowers shall not, and will not permit any of their Subsidiaries to, merge, dissolve, liquidate, consolidate with or into another Person.

6.19 Capital Expenditures. Except as provided in the Liquidating Plan, without the prior written consent of Lender, Borrowers shall not, and will not permit any of their Subsidiaries to, make any Capital Expenditures.

7. TERM

7.1 Termination. The financing arrangements contemplated hereby shall be in effect until the Termination Date (which may be later than the Maturity Date).

7.2 Survival of Obligations Upon Termination of Financing Arrangements. Except as otherwise expressly provided for in the Loan Documents, no termination or cancellation (regardless of cause or procedure) of any financing arrangement under this Agreement shall in any way affect or impair the obligations, duties and liabilities of the Borrowers or the rights of Lender relating to any unpaid portion of the Loan or any other Obligations, due or not due, liquidated, contingent or unliquidated, or any transaction or event occurring prior to such

termination, or any transaction or event, the performance of which is required after the Maturity Date. Except as otherwise expressly provided herein or in any other Loan Document, all undertakings, agreements, covenants, warranties and representations of or binding upon the Borrowers, and all rights of Lender, all as contained in the Loan Documents, shall not terminate or expire, but rather shall survive any such termination or cancellation and shall continue in full force and effect until the Termination Date; *provided, however*, that the provisions of Section 11, the payment obligations under Section 1.13, and the indemnities contained in the Loan Documents shall survive the Termination Date. Lender shall be further granted all protections and benefits of section 364(e) of the Bankruptcy Code in any Order.

8. EVENTS OF DEFAULT; RIGHTS AND REMEDIES

8.1 Events of Default. Notwithstanding the provisions of Section 362 of the Bankruptcy Code and without notice, application or motion to, hearing before, or order of the Bankruptcy Court or any notice to any Subsidiary, and subject to Section 8.2(b), and whether before or after the Effective Date, the occurrence of any one or more of the following events after the date hereof (regardless of the reason therefor) shall constitute an "Event of Default" hereunder:

(a) Borrowers (i) fail to make any payment of principal of, or interest (including Additional Interest) on, or Fees owing in respect of, the Loan or any of the other Obligations when due and payable, or (ii) fail to pay or reimburse Lender for any expense reimbursable hereunder or under any other Loan Document within five (5) days following Lender's demand for such reimbursement or payment of expenses.

(b) Borrowers fail or neglect to perform, keep or observe (i) any of the provisions of Sections 1.12 through 1.17, 2.1(a), 5.1, 5.5, 5.7, 5.9, 5.10, 5.11, 6 or Annex B or (ii) any of the provisions set forth in Annex C (other than clause (d) thereof) provided, that solely with respect to any breach referenced in this clause (b) which is capable of being cured, the same shall remain unremedied for three (3) Business Days or more after written notice.

(c) Borrowers fail or neglect to perform, keep or observe any other provision of this Agreement, the Orders, or of any of the other Loan Documents (other than any provision embodied in or covered by any other clause of this Section 8.1) and the same shall remain unremedied for ten (10) Business Days or more after written notice.

(d) Except for defaults occasioned by the filing of the Chapter 11 Case and defaults resulting from obligations with respect to which the Bankruptcy Code prohibits Borrowers from complying or permits Borrowers not to comply, a default or breach occurs under any other agreement, document or instrument entered into either (x) Pre-Petition and which is assumed after the Petition Date or is not subject to the automatic stay provisions of Section 362 of the Bankruptcy Code, or (y) Post-Petition, to which Borrowers are a party that is not cured within any applicable grace period therefor, and such default or breach

(i) involves the failure to make any payment when due in respect of any Material Indebtedness or Guaranteed Indebtedness (other than the Obligations) of Borrowers or the failure to make any payments required by any Order (including (x) undrawn committed or available amounts and (y) amounts owing to all creditors under any combined or syndicated credit arrangements), or (ii) causes, or permits any holder of such Material Indebtedness or Guaranteed Indebtedness or a trustee to cause, Material Indebtedness or Guaranteed Indebtedness or a portion thereof to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, or cash collateral in respect thereof to be demanded, in each case, regardless of whether such default is waived, or such right is exercised, by such holder or trustee.

(e) Assets of Borrowers or any of their Subsidiaries with a fair market value of $250,000 or more are attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors of Borrowers and such condition continues for thirty (30) days or more.

(f) A final judgment or judgments for the payment of money in excess of $250,000 in the aggregate at any time are outstanding against Borrowers or any of their Subsidiaries (which judgments are entitled to Post-Petition administrative priority under the Bankruptcy Code and are not covered by insurance policies as to which liability has been accepted by the insurance carrier), and the same are not, within thirty (30) days after the entry thereof, discharged or execution thereof stayed or bonded pending appeal, or such judgments are not discharged prior to the expiration of any such stay or such judgments relate to Borrower Affiliates with non-material assets.

(g) Any material provision of any Loan Document for any reason ceases to be valid, binding and enforceable in accordance with its terms (or Borrowers shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms), or any Lien created under any Loan Document ceases to be a valid and perfected first-priority Lien (except as otherwise permitted herein or therein) in any of the Collateral purported to be covered thereby.

(h) the filing of any Plan of Reorganization or liquidation by the Borrowers, or entry of an order confirming such plan, that does not provide for the termination of the Commitment and repayment in full in cash of all Obligations under this Agreement, including without limitation the Obligation to pay Additional Interest and the Exit Fee as provided herein, and any Order then in effect on or before the effective date of such plan.

(i) any representation or warranty by Borrowers contained herein or in any other Loan Document was untrue or incorrect in any material respect.

(j) The occurrence of any of the following in the Chapter 11 Case:

(i) the filing of a motion, or the execution of a written agreement, or the filing of any plan of liquidation or reorganization or disclosure statement attendant thereto by Borrowers in the Chapter 11 Case: (A) to obtain additional financing under Section 364(c) or (d) of the Bankruptcy Code not otherwise permitted pursuant to this Agreement, unless such financing pays in full all Obligations (including the Obligation to pay Additional Interest and the Exit Fee) due hereunder; (B) to grant any Lien upon any Collateral (or the proceeds of any Collateral), including any cash or cash proceeds of property of the Borrowers not encumbered by any Lien as of or after the Petition Date; (C) except as provided in any Order, as the case may be, to use cash collateral of Lender under Section 363(c) of the Bankruptcy Code without the prior written consent of Lender; or (D) any other action or actions materially adverse to Lender or its rights and remedies hereunder or its interest in the Collateral; or

(ii) the entry of an order amending, supplementing, staying, vacating or otherwise modifying the Loan Documents or any Order without the written consent of Lender or the filing of a motion for reconsideration with respect to any Order; or

(iii) [Intentionally Omitted]; or

(iv) the payment of, or application for authority to pay, any pre-petition claim without Lender's prior written consent unless otherwise in accordance with the Disbursement Schedule or the Budget or permitted under this Agreement; or

(v) subject to entry of the Interim Order and subsequently, if entered, the Final Order, the allowance of any claim or claims under Section 506(c) of the Bankruptcy Code or otherwise against Lender or any of the Collateral; or

(vi) the appointment of an interim or permanent trustee in the Chapter 11 Case or the appointment of a receiver or an examiner in the Chapter 11 Case with expanded powers to operate or manage the financial affairs, the business, or reorganization of any of the Borrowers; or the sale without Lender's consent, of any part of the Collateral or all or substantially all of Borrowers' assets either through a sale under Section 363 of the Bankruptcy Code, through a confirmed plan, or otherwise that does not provide for payment in full in cash of the Obligations, including the Obligation to pay Additional Interest and the Exit Fee, and termination of Lender's commitment to make the Loan; or

(vii) [Intentionally Omitted]; or

(viii) [Intentionally Omitted]; or

(ix) the entry of an order by the Bankruptcy Court invalidating, subordinating, or designating the vote of any claim owned or controlled by Lender or its Affiliates against Borrowers; or

(x) the commencement of a suit or action against Lender and, as to any suit or action brought by any Person other than Borrowers or a Subsidiary, officer or employee of Borrowers, the continuation thereof without dismissal for thirty (30) days after service thereof on Lender, that asserts or seeks by or on behalf of Borrowers, the Environmental Protection Agency, any state environmental protection or health and safety agency, any official committee in the Chapter 11 Case or any other party in interest in the Chapter 11 Case, a claim or any legal or equitable remedy that would (A) have the effect of subordinating any or all of the Obligations or Liens of Lender under the Loan Documents to any other claim, or (B) have a material adverse effect on the rights and remedies of Lender under any Loan Document or the collectability of all or any portion of the Obligations; or

(xi) the entry of an order in the Chapter 11 Case avoiding or requiring repayment of any portion of the payments made on account of the Obligations owing under this Agreement or the other Loan Documents; or

(xii) the failure of Borrowers to perform any of its obligations under any Order; or

(xiii) the Borrowers file a Plan of Reorganization which does not substantially conform in all respects to the Liquidating Plan; or

(xiv) an order shall be entered by the Bankruptcy Court dismissing the Chapter 11 Case which does not contain a provision for termination of the Commitment, and payment in full in cash of all Obligations of the Borrowers hereunder (including the Obligation to pay Additional Interest and the Exit Fee) and under the other Loan Documents upon entry thereof; or

(xv) an order with respect to the Chapter 11 Case shall be entered by the Bankruptcy Court or any other court of competent jurisdiction without the express prior written consent of the Lender, (A) to revoke, reverse, stay for a period in excess of ten (10) days, vacate, rescind, modify, supplement or amend any Order, this Agreement or any other Loan Document, in each case in a manner that is adverse to Lender, or (B) to permit any administrative expense or any claim (now existing or hereafter arising, of any kind or nature whatsoever) to have administrative priority as to the Borrower equal or superior to the priority of the Lender in respect of the Obligations, except for the Carve-Out Expenses or (C) to grant or permit the grant of a Lien on the Collateral other than Permitted Liens; or

(xvi) an order shall be entered by the Bankruptcy Court that is not stayed pending appeal (A) granting relief from the automatic stay to any creditor of the Borrowers with respect to any claim which in the aggregate could reasonably be expected to result in a Material Adverse Effect or (B) reversing, modifying, or revoking, without the consent of Lender, any order of the Bankruptcy Court with respect to the Chapter 11 Case and affecting the Commitment; *provided, however*, that it shall not be an Event of Default if relief from the

automatic stay is granted (A) solely for the purpose of allowing such creditor to determine the liquidated amount of its claim against a Borrower, or (B) to permit the commencement of and/or prosecution of a proceeding to collect against an insurance company; or

(xvii) an application for any of the orders described in this clause (j) shall be made by a Person other than a Borrower, and such application is not being diligently contested by the Borrowers in good faith; or

(xviii) the Chapter 11 Case shall be dismissed (or the Bankruptcy Court shall make a ruling requiring the dismissal of the Chapter 11 Case), suspended or converted to a case under Chapter 7 of the Bankruptcy Code, or the Borrowers shall file any pleading requesting any such relief, or an application shall be filed by the Borrowers for the approval of, or there shall arise in the Chapter 11 Case, (A) any other claim having priority senior to or *pari passu* with the claims of the Lender under the Loan Documents and the Orders or any other claim having priority over any or all administrative expenses of the kind specified in Sections 503(b) or 507(b) of the Bankruptcy Code (other than the Carve-Out Expenses) or (B) any Lien on the Collateral having a priority senior to or *pari passu* with the Liens granted herein, except as expressly provided herein; or

(xix) except as permitted by the Orders or as otherwise agreed to by Lender, the Borrower shall make any Pre-Petition Payment other than Pre-Petition Payments authorized by the Bankruptcy Court and satisfactory to Lender in its reasonable discretion; or

(xx) any Borrower challenges or any other Person challenges, in each case the rights of Lender under this Agreement or any other Loan Document, including, without limitation, the Liens hereunder; or

(xxi) the entry of an order in the Chapter 11 Case granting (A) any other super-priority administrative claim or (B) Lien equal or superior to that granted to Lender, other than the Carve-Out Expenses, in each case as set forth in any Order.

(k) The default or breach of any Borrower Party of any material representation, warranty, covenant or obligation under the Collateral Documents (and the continuance of such default beyond applicable notice and cure periods).

(l) The filing or commencement of a foreclosure action or other loan enforcement proceeding by any mortgage lender against any Borrower or any direct or indirect Subsidiary of any Borrower, or any asset or property owned by such entity unless such action is dismissed, stayed or otherwise terminated within thirty days of the commencement of such action, which action could be reasonably expected to have a Material Adverse Effect.

(m) The granting of any Lien on any asset or property of an Affiliated Entity, without Lender's prior written consent.

(n) Any material breach by any party (other than Lender) of the Term Sheet.

(o) The occurrence of any of the following on or after the Effective Date:

(i) any Borrower shall make an assignment for the benefit of creditors.

(ii) a receiver, liquidator or trustee shall be appointed for any Borrower or any Borrower shall be adjudicated a bankrupt or insolvent, or any petition for bankruptcy, reorganization or arrangement pursuant to federal bankruptcy law, or any similar federal or state law, shall be filed by or against, consented to, or acquiesced in by, any Borrower, or any proceeding for the dissolution or liquidation of any Borrower shall be instituted; provided, however, if such appointment, adjudication, petition or proceeding was involuntary and not consented to by such Borrower, upon the same not being discharged, stayed or dismissed within thirty (30) days.

8.2 Remedies.

(a) If any Event of Default has occurred and is continuing, Lender may, notwithstanding the provisions of Section 362 of the Bankruptcy Code, without any application, motion or notice to, hearing before, or order from, the Bankruptcy Court, except as otherwise expressly provided herein, increase the rate of interest applicable to the Loan to the Default Rate.

(b) If any Event of Default has occurred and is continuing, Lender may, notwithstanding the provisions of Section 362 of the Bankruptcy Code, without any application, motion or notice to, hearing before, or order from, the Bankruptcy Court: (i) declare all or any portion of the Obligations, including all or any portion of the Loan to be forthwith due and payable, all without presentment, demand, protest or further notice of any kind, all of which are expressly waived by Borrowers; or (ii) exercise any rights and remedies provided to Lender under the Loan Documents, any Order or at law or equity, including all remedies provided under the Code; and pursuant to any Order, the automatic stay of Section 362 of the Bankruptcy Code as they relate to the Chapter 11 Case shall be modified and vacated to permit Lender to exercise its remedies under this Agreement, any Order and the Loan Documents, without further notice, application or motion to, hearing before, or order from, the Bankruptcy Court, *provided, however*, notwithstanding anything to the contrary contained herein, that Lender shall be permitted to exercise any remedy in the nature of a liquidation of, or foreclosure on, any interest of Borrowers in the Collateral only upon six (6) calendar days' prior written notice to Borrowers, counsel approved by the Bankruptcy Court for the Committee and the United States Trustee and as set forth in any Order. Upon the occurrence of an Event of Default and the exercise by Lender of its rights and remedies under this Agreement and the other Loan Documents, Borrowers shall use best efforts to assist Lender in effecting a sale or other disposition of the Collateral upon such terms as are acceptable to Lender in its sole discretion.

8.3 Waivers by Borrowers.

(a) Except as otherwise provided for in this Agreement or by applicable law, Borrowers waive: (i) presentment, demand and protest and notice of presentment, dishonor, notice of intent to accelerate, notice of acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by Lender on which Borrowers may in any way be liable, (ii) all rights to notice and a hearing prior to Lender's taking possession or control of, or to Lender's replevy, attachment or levy upon, the Collateral or any bond or security that might be required by any court prior to allowing Lender to exercise any of its remedies, and (iii) the benefit of all valuation, appraisal, marshaling and exemption laws.

(b) From and after the Effective Date, in the case of an Event of Default described in Section 8.1(o), Borrowers acknowledge and agree that relief from the automatic stay arising under Section 362 of the Bankruptcy Code shall automatically be granted in favor of Lender, and Borrowers (i) shall consent to and not contest or oppose any motion made by Lender for such relief and shall not seek to reinstate the automatic stay pursuant to Section 105 or any other provision of the Bankruptcy Code, and (ii) acknowledge and agree that occurrence or existence of an Event of Default shall, in and of itself, constitute "cause" for relief from the automatic stay pursuant to Section 362(d)(1) of the Bankruptcy Code.

9. ASSIGNMENT AND PARTICIPATIONS; APPOINTMENT OF LENDER

9.1 Assignment and Participations.

(a) Lender may, in its sole discretion, make an assignment, or sell a participation interest in, the Loan Documents, the Loan, and any Commitment or any portion thereof or interest therein, including Lender's rights, title, interests, remedies, powers or duties thereunder; *provided, however*, if no Event of Default has occurred and is continuing, Lender shall retain voting control with respect to decisions regarding the Loan.

(b) Lender may furnish any information concerning the Borrowers in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants); *provided, however*, that such assignees and participants shall have agreed to be bound by confidentiality covenants substantially equivalent to those contained in Section 11.8. The Borrowers and Lender shall reasonably cooperate with one another, and execute and file such forms or other documents, as may be required, to secure exemptions from United States withholding tax, information reporting, and backup withholding.

9.2 Setoff and Sharing of Payments. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default, Lender is hereby authorized (notwithstanding the provisions of Section 362 of the Bankruptcy Code, without any application, motion or notice to, hearing before, or order from, the Bankruptcy Court) at any time or from time to time, without prior notice to Borrowers or to any Person, any such notice being hereby expressly waived, to offset and to appropriate and to apply any and all balances held by it at any of its offices for the account of Borrowers (regardless of whether such balances are then due) and any other properties or assets at any time held or owing by Lender or that holder to or for the credit or for the account of Borrowers against and on account of any of the Obligations that are not paid when due; provided that Lender, when exercising such offset rights, shall give notice thereof to the Borrowers promptly after exercising such rights.

10. SUCCESSORS AND ASSIGNS

10.1 Successors and Assigns. This Agreement and the other Loan Documents shall be binding on and shall inure to the benefit of Borrowers, Lender and their respective successors and assigns (including, in the case of Borrowers, a debtor-in-possession on behalf of Borrowers), except as otherwise provided herein or therein. Borrowers may not assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder or under any of the other Loan Documents without the prior express written consent of Lender. Any such purported assignment, transfer, hypothecation or other conveyance by Borrowers without the prior express written consent of Lender shall be void. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of Borrowers and Lender with respect to the transactions contemplated hereby and no Person shall be a third-party beneficiary of any of the terms and provisions of this Agreement or any of the other Loan Documents.

11. MISCELLANEOUS

11.1 Complete Agreement; Modification of Agreement. The Term Sheet and the Loan Documents constitute the complete agreement between the parties with respect to the subject matter thereof and may not be modified, altered or amended except as set forth in Section 11.2. The Term Sheet shall survive the execution and delivery of this Agreement and the other Loan Documents and the advance of Loan proceeds to the extent provided therein; *provided, however*, that in the event of any conflict between the Term Sheet and the provisions of the Loan Documents, the Loan Documents shall govern and control.

11.2 Amendments and Waivers.

(a) Except for actions expressly permitted to be taken by Lender, no amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, or any consent to any departure by Borrowers therefrom, shall in any event be effective unless the same shall be in writing and signed by Lender and Borrowers.

(b) Each amendment, modification, termination or waiver shall be effective only in the specific instance and for the specific purpose for which it

was given. No amendment, modification, termination or waiver shall be required for Lender to take additional Collateral pursuant to any Loan Document. No notice to or demand on Borrowers in any case shall entitle Borrowers to any other or further notice or demand in similar or other circumstances.

(c) Upon payment in full in cash and performance of all of the Obligations (other than indemnification Obligations), termination of the Commitments and a release of all claims against Lender, and so long as no suits, actions, proceedings or claims are pending or threatened against any Indemnified Person asserting any damages, losses or liabilities that are Indemnified Liabilities, Lender shall deliver to Borrowers written authorization for the filing of termination statements and other documents necessary or appropriate to evidence the termination of the Liens securing payment of the Obligations.

11.3 Indemnification and Expenses.

(a) The Borrowers hereby acknowledge that, notwithstanding the fact that the Loan is secured by the Collateral, the Obligations are recourse obligations of the Borrowers.

(b) The Borrowers shall, jointly and severally, pay to Lender on demand, without the need to file an application with the Bankruptcy Court, any of the following costs, fees, expenses, filing fees and taxes paid or payable in connection with the preparation, negotiation, execution, delivery, recording, syndication, administration, collection, liquidation, enforcement and defense of the Obligations, Lender's rights in the Collateral, this Agreement, the other Loan Documents and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be requested by Borrowers or required by the Lender (whether or not executed) or entered into in respect hereof and thereof: (i) all costs and expenses of filing or recording (including Uniform Commercial Code financing statement filing taxes and fees, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable); (ii) costs and expenses and fees for insurance premiums, environmental audits, title insurance premiums, surveys, assessments, engineering reports and inspections, appraisal fees and search fees, background checks, (iii) costs and expenses of remitting loan proceeds, collecting checks and other items of payment; (iv) all reasonable documented out of pocket fees, costs and expenses (including, without limitation, reasonable due diligence, legal fees and related expenses) not in excess of one hundred thousand dollars ($100,000) incurred in the preparation and negotiation of this Agreement, the Loan Documents and the Orders; (v) reasonable costs and expenses of preserving and protecting the Collateral; (vi) reasonable costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the security interests and liens of Lender, selling or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of this Agreement and the other Loan Documents or defending any claims made or threatened against Lender arising out of the transactions contemplated hereby and thereby (including preparations

for and consultations concerning any such matters other than claims arising solely out of their gross negligence or willful misconduct, as determined by a court of competent jurisdiction); (vii) all out-of-pocket expenses and costs heretofore and from time to time hereafter incurred by Lender during the course of periodic field examinations of the Collateral and the Borrowers' operations; and (viii) the reasonable fees and disbursements of counsel (including legal assistants) to Lender in connection with any of the foregoing (provided, prior to an Event of Default that only $50,000 of such fees payable pursuant to this clause (viii) shall be payable on demand as provided herein, with the balance of any such fees payable in accordance with Section 1.6).

(c) The Borrowers acknowledge that Lender has the right to perform continuing due diligence reviews with respect to any or all of the Collateral or the Borrowers, as desired by the Lender from time to time, for purposes of verifying compliance with the representations, warranties and specifications made hereunder and the Borrowers agree that Lender or its authorized representatives will be permitted during normal business hours on any business day to examine, inspect, make copies of, and make extracts of, and any and all documents, records, agreements, instruments or information relating to the Collateral in the possession, or under the control, of any Borrower or any custodian. The Borrowers also shall make available to Lender a knowledgeable financial or accounting officer for the purpose of answering questions respecting the Collateral.

11.4 No Waiver. Lender's failure, at any time or times, to require strict performance by the Borrowers of any provision of this Agreement or any other Loan Document shall not waive, affect or diminish any right of Lender thereafter to demand strict compliance and performance herewith or therewith. Any suspension or waiver of an Event of Default shall not suspend, waive or affect any other Event of Default whether the same is prior or subsequent thereto and whether the same or of a different type. Subject to the provisions of Section 11.2, none of the undertakings, agreements, warranties, covenants and representations of the Borrowers contained in this Agreement or any of the other Loan Documents and no Default or Event of Default by Borrowers shall be deemed to have been suspended or waived by Lender, unless such waiver or suspension is by an instrument in writing signed by an officer of or other authorized employee of Lender, and directed to Borrowers specifying such suspension or waiver.

11.5 Remedies. Lender's rights and remedies under this Agreement and the other Loan Documents shall be cumulative and nonexclusive of any other rights and remedies that Lender may have under any other agreement, including the other Loan Documents, by operation of law or otherwise. Recourse to the Collateral shall not be required but shall be permitted.

11.6 Severability. Wherever possible, each provision of this Agreement and the other Loan Documents shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement or any other Loan Document shall he prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement or such other Loan Document.

11.7 Conflict of Terms. Except as otherwise provided in this Agreement or any of the other Loan Documents by specific reference to the applicable provisions of this Agreement, and subject to the immediately following sentence, if any provision contained in this Agreement conflicts with any provision in the Term Sheet or any of the other Loan Documents or any exhibits or any schedules hereto or thereto, the provision contained in this Agreement shall govern and control. NOTWITHSTANDING THE FOREGOING, IF ANY PROVISION IN THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT CONFLICTS WITH ANY PROVISION IN ANY ORDER, THE PROVISION IN SUCH ORDER SHALL GOVERN AND CONTROL.

11.8 Confidentiality. Except as otherwise permitted by this Agreement and/or any Order, Lender agrees to use commercially reasonable efforts (equivalent to the efforts Lender applies to maintaining the confidentiality of its own confidential information) to maintain as confidential all confidential information provided to them by the Borrowers and designated as confidential for a period of two (2) year following receipt thereof except that Lender may disclose such information (a) to Persons employed or engaged by Lender; (b) to any bona fide assignee or participant or potential assignee or participant that has agreed to comply with the covenant contained in this Section 11.8 (and any such bona fide assignee or participant or potential assignee or participant may disclose such information to Persons employed or engaged by them as described in clause (a) above); (c) as required or requested by any Governmental Authority or reasonably believed by Lender to be compelled by any court decree, subpoena or legal or administrative order or process; (d) as, on the advice of Lender's counsel, is required by law; (e) in connection with the exercise of any right or remedy under the Loan Documents or in connection with any Litigation to which Lender is a party; or (f) that ceases to be confidential through no fault of Lender.

11.9 GOVERNING LAW; VENUE. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THE LOAN DOCUMENTS AND THE OBLIGATIONS SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE) AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA (INCLUDING THE BANKRUPTCY CODE). EACH BORROWER HEREBY CONSENTS AND AGREES THAT THE BANKRUPTCY COURT SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THE BORROWERS AND LENDER PERTAINING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS; *PROVIDED, HOWEVER*, THAT LENDER AND BORROWERS ACKNOWLEDGE THAT ANY APPEALS FROM THE BANKRUPTCY COURT MAY HAVE TO BE HEARD BY A COURT OTHER THAN THE BANKRUPTCY COURT; *PROVIDED, FURTHER*, THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE LENDER FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF LENDER. EACH BORROWER EXPRESSLY SUBMITS AND CONSENTS IN

ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH BORROWER HEREBY WAIVES ANY OBJECTION THAT SUCH BORROWER MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH BORROWER HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH BORROWER AT THE ADDRESS SET FORTH IN ANNEX D OF THIS AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH BORROWER'S ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE UNITED STATES MAILS, PROPER POSTAGE PREPAID, AS PROVIDED HEREIN.

11.10 Notices.

(a) Addresses. All notices, demands, requests, directions and other communications required or expressly authorized to be made by this Agreement shall, whether or not specified to be in writing but unless otherwise expressly specified to be given by any other means, be given in writing and (i) addressed to the party to be notified and sent to the address or facsimile number (but only to the extent expressly provided on Annex D) indicated in Annex D, or (ii) addressed to such other address as shall be notified in writing to the other parties hereto. Transmission by electronic mail shall not be sufficient or effective to transmit any such notice under this clause (a).

(b) Effectiveness. All communications described in clause (a) above and all other notices, demands, requests and other communications made in connection with this Agreement shall be effective and be deemed to have been received (i) if delivered by hand, upon personal delivery, (ii) if delivered by overnight courier service, one Business Day after delivery to such courier service, (iii) if delivered by mail, when sent by certified mail, return receipt requested, postage prepaid, and (iv) if delivered by facsimile, upon sender's receipt of confirmation of proper transmission. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than Borrowers or Lender) designated in Annex D to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice.

11.11 Section Titles. The Section titles and Table of Contents contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of this Agreement between the parties hereto.

11.12 Counterparts: Telefacsimile or .pdf Execution. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterpart. Delivery of an executed counterpart of this Agreement by telefacsimile or .pdf attachment to email shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile or .pdf attachment transmitted by email also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. This Section shall apply to each other Loan Document *mutatis mutandis*.

11.13 WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG LENDER AND ANY BORROWER ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED THERETO.

11.14 Reinstatement. This Agreement shall remain in full force and effect and shall continue to be effective or to be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed, reduced only by such amount paid and not so rescinded, reduced, restored or returned.

11.15 Advice of Counsel. Each of the parties represents to each other party hereto that it has discussed this Agreement and, specifically, the provisions of Sections 11.9 and 11.13, with its counsel.

11.16 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

11.17 Parties Including Trustees; Bankruptcy Court Proceedings. This Agreement, the other Loan Documents, and all Liens and other rights and privileges created hereby or pursuant

hereto or to any other Loan Document shall be binding upon Borrowers, the estates of the Borrowers, and any trustee(s), other estate representative(s) or any successor in interest of Borrowers in the applicable chapter 11 case or any subsequent case commenced under Chapter 7 of the Bankruptcy Code, and shall not be subject to Section 365 of the Bankruptcy Code. This Agreement and the other Loan Documents shall be binding upon, and inure to the benefit of, the successors of Lender and their respective assigns, transferees and endorsees. The Liens created by this Agreement and the other Loan Documents shall be and remain valid and perfected in the event of substantive consolidation or conversion of the Chapter 11 Case or any other bankruptcy case of Borrowers to a case under Chapter 7 of the Bankruptcy Code or in the event of dismissal of the Chapter 11 Case or the release of any Collateral from the jurisdiction of the Bankruptcy Court for any reason, without the necessity that Lender file financing statements or otherwise perfect its Liens under applicable law. Borrowers may not assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder or under any of the other Loan Documents without the prior express written consent of Lender. Any such purported assignment, transfer, hypothecation or other conveyance by Borrowers without the prior express written consent of Lender shall be void. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of Borrowers and Lender with respect to the transactions contemplated hereby and no Person shall be a third-party beneficiary of any of the terms and provisions of this Agreement or any of the other Loan Documents.

11.18 Payments made without Offset. Each Borrower Party agrees that all payments made in respect of this Agreement, the Orders, the other Loan Documents, the Obligations, the Collateral or any matter arising therefrom or relating hereto or thereto shall be made to Lender without any deduction, reduction, offset or proration of any nature,

11.19 Joint and Several Obligations. All of the obligations of the Borrowers under this Agreement and the other Loan Documents shall be joint and several.

11.20 USA PATRIOT Act Notice. To the extent that Lender is subject to the Patriot Act (as hereinafter defined), Lender hereby notifies Borrowers that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies Borrowers, which information includes the name and address of Borrowers and other information that will allow Lender, as applicable, to identify Borrowers in accordance with the Patriot Act.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Credit and Security Agreement to be executed as of the day and year first above written.

UTA CAPITAL LLC, as Lender
By YZT Management LLC, its Managing Member

By:_____
Name: Udi Toledano
Title: Managing Member

TARRAGON CORPORATION, as Borrower

By:_____
Name: William S. Friedman
Title: Chief Executive Officer

TARRAGON DEVELOPMENT CORPORATION, as Borrower

By:_____
Name: William S. Friedman
Title: Chief Executive Officer

TARRAGON SOUTH DEVELOPMENT CORP., as Borrower

By:_____
Name: William S. Friedman
Title: Chief Executive Officer

[Signatures Continued on Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this Credit and Security Agreement to be executed as of the day and year first above written.

UTA CAPITAL LLC, as Lender
By YZT Management LLC, its Managing Member

By:_____
Name: Udi Toledano
Title: Managing Member

TARRAGON CORPORATION, as Borrower

By:_____
Name: William S. Friedman
Title: Chief Executive Officer

TARRAGON DEVELOPMENT CORPORATION, as Borrower

By:_____
Name: William S. Friedman
Title: Chief Executive Officer

TARRAGON SOUTH DEVELOPMENT CORP., as Borrower

By:_____
Name: William S. Friedman
Title: Chief Executive Officer

[Signatures Continued on Next Page]

TARRAGON DEVELOPMENT COMPANY LLC, as Borrower

By: _____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Managing Member

TARRAGON MANAGEMENT, INC., as Borrower

By: _____
Name: William S. Friedman
Title: Chief Executive Officer

BERMUDA ISLAND TARRAGON LLC, as Borrower

By: _____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Managing Member

ORION TOWERS TARRAGON, LLP, as Borrower

By: _____
Name: William S. Friedman
Title: Chief Executive Officer of Orion Tarragon GP, Inc., its General Partner

[Signatures Continued on Next Page]

ORLANDO CENTRAL PARK TARRAGON, L.L.C., as Borrower

By: _____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Managing Member

FENWICK PLANTATION TARRAGON, LLC, as Borrower

By: _____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, the Manager of Charleston Tarragon Manager, LLC, its Manager

CHARLESTON TARRAGON MANAGER, LLC, as Borrower

By: _____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, its Manager

[Signatures Continued on Next Page]

900 MONROE DEVELOPMENT LLC, as Borrower

By: _____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Manager

THE PARK DEVELOPMENT EAST LLC, as Borrower

By: _____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, the Managing Member of Palisades Park East Tarragon, LLC, its Managing Member

ONE LAS OLAS, LTD., as Borrower

By: _____
Name: William S. Friedman
Title: Chief Executive Officer of Omni Equities Corporation, its General Partner

OMNI EQUITIES CORPORATION, as Borrower

By: _____
Name: William S. Friedman
Title: Chief Executive Officer

[Signatures Continued on Next Page]

CENTRAL SQUARE TARRAGON LLC, as Borrower

By:_____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Managing Member

THE PARK DEVELOPMENT WEST LLC, as Borrower

By:_____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, the Managing Member of Palisades Park West Tarragon, LLC, its Managing Member

VISTA LAKES TARRAGON, LLC, as Borrower

By:_____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Corporation, its Manager

TARRAGON EDGEWATER ASSOCIATES, LLC, as Borrower

By:_____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, its Manager

[Signatures Continued on Next Page]

MURFREESBORO GATEWAY PROPERTIES, LLC

By:_____
Name: William S. Friedman
Title: Chief Executive Officer of Morningside National, Inc., its Manager

TARRAGON STONECREST LLC

By:_____
Name: William S. Friedman
Title: Chief Executive Officer of Morningside National, Inc., its Manager

TARRAGON STRATFORD, INC.

By:_____
Name: William S. Friedman
Title: Chief Executive Officer

MSCP, INC.

By:_____
Name: William S. Friedman
Title: Chief Executive Officer

TDC HANOVER HOLDINGS LLC

By:_____
Name: William S. Friedman
Title: Chief Executive Officer of Tarragon Development Corporation, its Managing Member

[Signature Page to Credit and Security Agreement]

ANNEX A
(RECITALS) TO CREDIT AND SECURITY AGREEMENT DEFINITIONS

Capitalized terms used in the Loan Documents shall have (unless otherwise provided elsewhere in the Loan Documents) the following respective meanings, and all references to Sections, Exhibits, Schedules or Annexes in the following definitions shall refer to Sections, Exhibits, Schedules or Annexes of or to this Agreement:

"Additional Interest" has the meaning ascribed thereto in Section 1.6(e).

"Affiliate" means, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, 10% or more of the Stock having ordinary voting power in the election of directors of such Person, (b) each Person that controls, is controlled by or is under common control with such Person. For the purposes of this definition, "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise; *provided, however*, that the term "Affiliate" shall specifically exclude Lender.

"Affiliated Entities" (each an "Affiliated Entity") means One Las Olas, Ltd., Manchester Tolland Development LLC, Mustang Creek National LP, and Block 144 Development, LLC.

"Agreement" has the meaning ascribed thereto in the preamble to this Agreement.

"Applicable Law" means as to any Person: (a) all statutes, rules, regulations, orders, or other requirements having the force of law and applicable to such Person, and (b) all court orders and injunctions, and/or similar rulings and applicable to such Person, in each instance ((a) and (b)) of or by any Governmental Authority, or court, or tribunal which has jurisdiction over such Person, or any property of such Person including without limitation the Bankruptcy Code.

"Bankruptcy Code" has the meaning ascribed thereto in the recitals to this Agreement.

"Bankruptcy Court" has the meaning ascribed thereto in the recitals to this Agreement.

"Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure, as the same may from time to time be in effect and applicable to the Chapter 11 Case.

"Beachwold Parties" means Beachwold Partners, LP, a Texas limited partnership, and Robert Rothenberg.

"Borrowers" has the meaning ascribed thereto in the preamble to this Agreement.

"Borrower Parties" (each a "Borrower Party") means Borrowers, any Affiliate of one or more Borrowers and any other Person, other than Lender, executing one or more Loan Documents, but specifically excluding Block 88 Development, LLC and 800 Madison Street Urban Renewal, LLC.

"Budget" has the meaning ascribed thereto in Section 3.15, as the same may be amended in accordance with the terms of this Agreement.

"Business Day" means any day other than (a) Saturday, (b) Sunday, (c) any day on which banks in the State of New York or State of New Jersey are authorized to be closed, and (d) any day on which there is no regular mail delivery by the United States Postal Service.

"Capital Expenditures" means, with respect to any Person, the aggregate of all expenditures by such Person that are capital expenditures for property, plant, equipment or a similar fixed asset as determined in accordance with GAAP, whether such expenditures are paid in cash or financed.

"Capital Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

"Capital Lease Obligation" means, with respect to any Capital Lease of any Person, the amount of the obligation of the lessee thereunder that, in accordance with GAAP, would appear on a balance sheet of such lessee in respect of such Capital Lease.

"Carve Out Expenses" has the meaning ascribed thereto in Section 1.12(i).

"Chapter 11 Case" shall have the meaning ascribed thereto in the recitals to this Agreement. Notwithstanding anything contained in the recitals to this Agreement, reference to the Chapter 11 Case shall not include the chapter 11 cases filed by Block 88 Development, LLC or 800 Madison Street Urban Renewal, LLC.

"Charges" means all federal, state, county, city, municipal, local, foreign or other governmental taxes (including taxes owed to the PBGC at the time due and payable), levies, assessments, charges, liens, claims or encumbrances upon or relating to (a) the Collateral, (b) the Obligations, (c) the employees, payroll, income or gross receipts of Borrowers, (d) Borrowers' ownership or use of any properties or other assets, or (e) any other aspect of Borrowers' business.

"Chattel Paper" means any "chattel paper," as such term is defined in the Code, including electronic chattel paper, now owned or hereafter acquired by Borrowers.

"Closing Checklist" means the schedule, including all appendices, exhibits or schedules thereto, listing certain documents and information to be delivered in connection with this Agreement, the other Loan Documents and the transactions contemplated thereunder, substantially in the form attached hereto as Annex B.

"Code" means the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of New York; *provided* that to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; *provided*, further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect

to Lender's Lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

"Collateral" means (a) Tarragon's Equity Interests, as set forth more fully on Exhibit E and (b) any otherwise unencumbered assets and property (including but not limited to (x) assets and properties that hereafter would otherwise be unencumbered and (y) after-acquired assets and properties) of the Borrowers (other than (i) stock, limited partnership equity, general partnership equity or limited liability company interests not constituting Tarragon's Equity Interests or (ii) any asset or property of a non-debtor Borrower Party, other than Tarragon's Equity Interests, if the grant of a security interest hereunder or under the Orders constitutes or results in a breach or an event of default (following the passage of all applicable cure periods) under any applicable loan or security agreement). For the avoidance of doubt the Collateral shall not include the membership interest of any Borrower in Block 88 Development LLC.

"Collateral Documents" means all agreements entered into guaranteeing payment of, or granting a Lien upon property as security for payment of, the Obligations.

"Commitment" means the aggregate commitment of Lender to advance the Loan proceeds, which aggregate commitment shall be Four Million Eight Hundred Twenty Thousand Dollars ($4,820,000), as such amount may be adjusted, if at all, from time to time in accordance with this Agreement.

"Committees" means, collectively, the official committee of unsecured creditors and any other committee formed, appointed, or approved in the Chapter 11 Case and each of such Committees shall be referred to herein as a Committee.

"Compliance Certificate" has the meaning ascribed thereto in Annex C.

"Confirmation Order" means the order of the Bankruptcy Court entered in the Chapter 11 Case after a final hearing under Bankruptcy Rule 4001 (c)(2) or such other procedures as approved by the Bankruptcy Court, which order shall approve the Liquidating Plan and be otherwise satisfactory in form and substance to Lender, and from which no appeal or motion to reconsider has been timely filed, or if timely filed, such appeal or motion to reconsider has been dismissed or denied unless Lender waives such requirement.

"Consolidated" means, when used to modify a financial term, test, statement, or report of a Person, the application or preparation of such term, test, statement or report (as applicable) based upon the consolidation, in accordance with GAAP, of the financial condition or operating results of such Person.

"Default" means any event that, with the passage of time or notice or both, would, unless cured or waived, become an Event of Default.

"Default Rate" has the meaning ascribed thereto in Section 1.4(d).

"Deferred Confirmation Expenses" means, to the extent not paid on or before the Loan Advance Date and/or from the proceeds of the Loan, all allowed administrative and priority claims in the Chapter 11 Case, including any fees and expenses of Professionals, and all costs associated with the Tarragon Creditor Entity, not included within Carve Out Expenses pursuant to Section 1.12(i)(v).

"Disbursement Schedule" has the meaning ascribed thereto in Section 3.12.

"Dollars" or "$" means lawful currency of the United States of America.

"Effective Date" means the date specified in the Confirmation Order and/or in the Liquidating Plan as the effective date of the Liquidating Plan.

"Environmental Laws" means all applicable federal, state, local and foreign laws, statutes, ordinances, codes, rules, standards and regulations, now or hereafter in effect, and any applicable judicial or administrative interpretation thereof including any applicable judicial or administrative order, consent decree, order or judgment, imposing liability or standards of conduct for or relating to the regulation and protection of human health, safety, the environment and natural resources (including ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and vegetation). Environmental Laws include the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§ 9601 et seq.) ("CERCLA"); the Hazardous Materials Transportation Authorization Act of 1994 (49 U.S.C. §§ 5101 et seq.) the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §§ 136 et seq.) the Solid Waste Disposal Act (42 U.S.C. §§ 6901 et seq.) the Toxic Substance Control Act (15 U.S.C. §§ 2601 et seq.) the Clean Air Act (42 U.S.C. §§ 7401 et seq.); the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.) the Occupational Safety and Health Act (29 U.S.C. §§ 651 et seq.); and the Safe Drinking Water Act (42 U.S.C. § 300(f) et seq.), and any and all regulations promulgated thereunder, and all analogous state, local and foreign counterparts or equivalents and any transfer of ownership notification or approval statutes.

"Environmental Liabilities" means, with respect to any Person, all liabilities, obligations, responsibilities, response, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs, losses, damages, punitive damages, property damages, natural resource damages, consequential damages, treble damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts and consultants), fines, penalties, sanctions and interest incurred as a result of or related to any claim, suit, action, investigation, proceeding or demand by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law, including any arising under or related to any Environmental Laws, Environmental Permits, or in connection with any Release or threatened Release or presence of a Hazardous Material whether on, at, in, under, from or about or in the vicinity of any real or personal property,

"Environmental Permits" means all permits, licenses, authorizations, certificates, approvals or registrations required by any Governmental Authority under any Environmental Laws.

"Event of Default" has the meaning ascribed thereto in Section 8.1.

"Existing DIP Agreement" has the meaning ascribed thereto in the recitals to this Agreement.

"Exit Fee" has the meaning ascribed thereto in Section 1.17.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System.

"Fees" means any and all fees, costs and expenses, including without limitation the Exit Fee, payable to Lender pursuant to this Agreement, any Order or any of the other Loan Documents.

"50/50 Claim" has the meaning ascribed thereto in Section 1.12(i).

"Final Order" means the order of the Bankruptcy Court entered in the Chapter 11 Case after a final hearing under Bankruptcy Rule 4001 (c)(2) or such other procedures as approved by the Bankruptcy Court, and from which no appeal or motion to reconsider has been timely filed, or if timely filed, such appeal or motion to reconsider has been dismissed or denied unless Lender waives such requirement, in substantially the form of the Interim Order (with only such modifications thereto as are substantially consistent with the terms contemplated by the Interim Order), as the same may be amended, modified or supplemented from time to time with the express written joinder or consent of the Lender.

"Financial Officer" means, with respect to Borrowers, the chief financial officer, vice president of finance, director of finance, treasurer, controller or assistant controller of Borrowers.

"Foreign Subsidiary" means any Subsidiary that is organized under the laws of a jurisdiction other than the United States of America or any State thereof or the District of Columbia.

"GAAP" means generally accepted accounting principles in the United States of America consistently applied.

"Governing Documents" means, with respect to any Person, the certificate or articles of incorporation, by-laws, or other organizational or governing documents of such Person.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Gross Income from Operations" means, for any calendar month, all income derived from the ownership and operation of the Real Estate or other assets of Borrowers and their Subsidiaries, from whatever source, including, but not limited to, rents, lease termination payments, utility charges, escalations, forfeited security deposits, interest on credit accounts, service fees or charges, license fees, parking fees, expense reimbursements and other required pass-throughs, dividends, interest and fees of any kind, but excluding unforfeited security deposits, utility and other similar deposits given to any Borrower, refunds and uncollectible

accounts, proceeds of sales of furniture, fixtures and equipment, insurance proceeds (other than business interruption or other loss of income insurance, but only to the extent allocable to such period), casualty awards and any other amounts taken into account in computing Net Distributable Capital Proceeds.

"Guaranteed Indebtedness" means, as to any Person, any obligation of such Person guaranteeing, providing comfort or otherwise supporting any Indebtedness, lease, dividend, or other obligation ("primary obligation") of any other Person (the "primary obligor") in any manner, including any obligation or arrangement of such Person to (a) purchase or repurchase any such primary obligation, (b) advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet condition of the primary obligor, (c) purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, (d) protect the beneficiary of such arrangement from loss (other than product warranties given in the ordinary course of business) or (e) indemnify the owner of such primary obligation against loss in respect thereof. The amount of any Guaranteed Indebtedness at any time shall be deemed to be an amount equal to the lesser at such time of(x) the stated or determinable amount of the primary obligation in respect of which such Guaranteed Indebtedness is incurred and (y) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Guaranteed Indebtedness, or, if not stated or determinable, the maximum reasonably anticipated liability (assuming full performance) in respect thereof.

"Hazardous Material" means any substance, material or waste that is regulated by, or forms the basis of liability now or hereafter under, any Environmental Laws, including any material or substance that is (a) defined as a " solid waste," "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "pollutant," "contaminant," "hazardous constituent," "special waste," "toxic substance" or other similar term or phrase under any Environmental Laws, or (b) petroleum or any fraction or by product thereof, asbestos, polychlorinated biphenyls (PCB's), or any radioactive substance.

"Indebtedness" means, with respect to any Person, without duplication, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property, payment for which is deferred 6 months or more, but excluding obligations to trade creditors incurred in the ordinary course of business that are unsecured and not overdue by more than 4 months unless being contested in good faith by proper proceedings, (b) all reimbursement and other obligations with respect to letters of credit, bankers' acceptances and surety bonds, whether or not matured, (c) all obligations evidenced by notes, bonds, debentures or similar instruments, (d) except for acquisitions in the ordinary course of business having an aggregate purchase price of less than $500,000 and otherwise specifically provided for in the Budget, all indebtedness created or arising under any conditional sale or other title-retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations and the present value (discounted at the Interest Rate) of future rental payments under all synthetic leases, (f) all obligations of such Person under commodity purchase or option agreements or other commodity price hedging arrangements, in each case

whether contingent or matured, (g) all obligations of such Person under any foreign exchange contract, currency swap agreement, interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates, in each case whether contingent or matured, (h) all Indebtedness referred to above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property or other assets (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness and (i) the Obligations.

"Indemnified Liabilities" has the meaning ascribed thereto in Section 1.8.

"Indemnified Person" has the meaning ascribed thereto in Section 1.8.

"Instruments" means all "instruments," as such term is defined in the Code, now owned or hereafter acquired by Borrowers, wherever located, and, in any event, including all certificated securities, all certificates of deposit, and all promissory notes and other evidences of indebtedness, other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper.

"Interest Payment Account" means such account as specified in writing by Lender as the "Interest Payment Account."

"Interest Payment Date" means the first Business Day of each month to occur while any Obligation (including the Obligation to pay Additional Interest) is outstanding; provided, that in addition to the foregoing, the Maturity Date shall be deemed to be an "Interest Payment Date" with respect to any interest that has then accrued under the Agreement.

"Interest Rate" means the rate of interest set forth in Section 1.4, together with any applicable increases thereon.

"Interim Order" means, collectively, the order of the Bankruptcy Court entered in the Chapter 11 Case after a hearing under Bankruptcy Rule 4001 (c)(2) or such other procedures as approved by the Bankruptcy Court, which order shall be satisfactory in form and substance to Lender together with all extensions, modifications and amendments thereto, in form and substance satisfactory to Lender, which, among other matters but not by way of limitation, authorizes Borrowers to obtain credit, incur (or guaranty) Indebtedness, and grant Liens under this Agreement and the other Loan Documents, as the case may be, and provides for the super priority of Lender's claims, substantially in the form of Exhibit D.

"Investment" means (a) any stock, evidence of Indebtedness or other security of another Person, (b) any loan, advance, contribution to capital, extension of credit (except for current trade and customer accounts receivable in the ordinary course of business and payable in accordance with customary trade terms) to another Person, (c) any purchase of (i) stock or other securities of another Person, or (ii) any business or undertaking of any Person (whether by purchase of assets or securities), (d) any commitment or option to make any such purchase, or (e) any other investment, in all cases whether now existing or hereafter made.

"Lease" means any agreement, whether written or oral, no matter how styled or structured, pursuant to which Borrowers are entitled to the use or occupancy of any space in a structure, land, improvement or premise for any period of time,

"Lender" has the meaning set forth in the preamble hereof.

"Lien" means any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any interest of a vendor or a lessor under any conditional sale agreement, lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Code or comparable law of any jurisdiction).

"Liquidating Plan" means a Plan of Reorganization in form and substance substantially as contemplated by the Term Sheet and this Agreement.

"Litigation" has the meaning ascribed thereto in Section 3.6.

"Loan" has the meaning ascribed thereto in the recitals to this Agreement.

"Loan Advance Date" means the date on which the Loan proceeds are first advanced pursuant to Section 1.1(a).

"Loan Documents" means this Agreement, the Collateral Documents, and all other agreements, instruments, documents and certificates identified in the Closing Checklist executed and delivered to, or in favor of, Lender and including all other pledges, powers of attorney, consents, assignments, contracts, notices, letter of credit agreements and all other written matter whether heretofore, now or hereafter executed by or on behalf of Borrowers or any of Borrowers' Affiliates, or any employee of Borrowers or any of such Borrowers' Affiliates, and delivered to Lender in connection with this Agreement or the transactions contemplated thereby, including any Order. Any reference in this Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to this Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative.

"Margin Stock" has the meaning ascribed to such term in Regulation U.

"Material Adverse Effect" means a material adverse effect, other than the filing of the Chapter 11 Case, on (a) the business, assets, operations, or financial or other condition of the Borrowers considered as a whole, (b) Borrowers' ability to pay any of the Loans or any of the other Obligations in accordance with the terms of the Agreement, (c) the Collateral or Lender's Liens on the Collateral or the priority of such Liens, or (d) Lender's rights and remedies under the Agreement and the other Loan Documents. Notwithstanding the foregoing, "Material Adverse Effect" solely for purposes of Section 2.1(k) (and for no other purpose) shall be determined by reference only to whether any event or events, individually or in the aggregate, has or would be reasonably likely to have a material adverse effect on the aggregate liquidation

proceeds anticipated to be received from the sale or other disposition of the Material Liquidation Assets. In determining whether any individual event would result in a Material Adverse Effect, notwithstanding that such event in and of itself does not have such effect, a Material Adverse Effect shall be deemed to have occurred if the cumulative effect of such event and all other then-existing events would result in a Material Adverse Effect. The definition shall exclude any effect resulting from general economic conditions, unless such effect materially and adversely disproportionately affects the Borrowers.

"Material Indebtedness" means Indebtedness (other than the Loan) of any Borrower or their Subsidiaries in an aggregate principal amount exceeding $100,000. For purposes of determining the amount of Material Indebtedness at any time, the "principal amount" of the obligations in respect of any hedging agreement (or other like agreement) at such time shall be the maximum aggregate amount that Borrowers would be required to pay if such hedging agreement were terminated at that time.

"Material Liquidation Asset" means any of the assets and properties listed in Schedule A to the Term Sheet.

"Maturity Date" means the earliest of (a) if the Confirmation Order has been entered on or before June 15, 2010, the date which is eighteen months after the Loan Advance Date, (b) the date of termination of Lender's obligations to permit the Loan to remain outstanding pursuant to Section 8.2(b), (c) the Termination Date, (d) September 15, 2010, if the Confirmation Order has not been entered by the Bankruptcy Court on or before June 15, 2010, (e) the date of the filing of a Plan of Reorganization or plan of liquidation that has not been consented to by Lender in writing or fails to provide for the payment in full in cash of all Obligations under this Agreement and the other Loan Documents on or before the effective date of such plan, or (f) without the prior written consent of Lender, the date of the closing of a sale of all or substantially all of Borrowers' assets.

"Moody's" means Moody's Investors Service, Inc.

"Net Distributable Capital Proceeds" means, without duplication and without inclusion of any amount included in Gross Income from Operations, the gross proceeds from (a) the sale or refinancing of, or casualty to or condemnation of, any Real Estate, including releases from any reserve fund maintained with respect to such Real Estate, (b) the sale or payment of any note, bond or other obligation, (c) the payment or satisfaction, in whole or in part, of any claim asserted by or liability owed to Borrowers or their Subsidiaries and (d) the sale, exchange, transfer, redemption or liquidation of any equity interest in any entity, including without limitation Tarragon's Equity Interests (each event described in clauses (a) through (d), a "Realization Event"), reduced by: (i) payment of all reasonable and customary expenses of such Realization Event or the collection of such proceeds, (ii) payment of amounts necessary to satisfy and discharge all Liens on the assets giving rise to such Realization Event senior to the DIP Liens, (iii) payment of all other claims of creditors of the owner of the assets giving rise to such Realization Event that exist as of the date of such sale and (iv) if the Borrowers do not have Gross Income from Operations in excess of Operating Expenses during the month when such gross proceeds are received, up to Ninety Thousand Dollars ($90,000) for payment of Borrowers' Permitted Overhead Expenses.

"Net Distributable Cash Flow" means, with respect to any calendar month, the excess of all Borrowers' and their Subsidiaries' Gross Income from Operations over all Borrowers' and their Subsidiaries' Operating Expenses; *provided*, *however*, that Operating Expenses shall be increased to include such amount, if any, as is necessary to increase Borrowers' Working Capital Reserve to Five Hundred Thousand Dollars ($500,000).

"Obligations" means all loans, advances, debts, liabilities and obligations for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by Borrowers to Lender (or any of their respective Affiliates), and all covenants and duties regarding such amounts, of any kind or nature; present or future, whether or not evidenced by any note, agreement, letter of credit agreement or other instrument, arising under this Agreement or any of the other Loan Documents. This term includes all principal, interest (including all interest that accrues after the commencement of any case or proceeding by or against Borrowers in bankruptcy, whether or not allowed in such case or proceeding), Additional Interest, Fees (including the Exit Fee), expenses, attorneys' fees, and any other sum chargeable to Borrowers under this Agreement or any of the other Loan Documents.

"Operating Expenses" means the total of all actual out-of-pocket expenditures of whatever kind relating to the operation, maintenance and management of the Real Property or other ordinary business operations of Borrowers and their Subsidiaries, including without limitation, utilities, ordinary repairs and maintenance, insurance, license fees, property taxes and assessments, advertising expenses, management fees, payroll and related taxes, computer processing charges, operational equipment or other lease payments as reasonably approved by Lender, debt service on any mortgage loans encumbering such Real Property and any required contributions to reserve funds required by the holders of such mortgage loans and other similar costs, but excluding depreciation, debt service on the Loan and any amounts taken into account in computing Net Distributable Capital Proceeds.

"Orders" mean, collectively, the Interim Order and the Final Order.

"Patriot Act" has the meaning ascribed thereto in Section 11.20.

"Permitted Investments" means each of the following:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one (1) year from the date of acquisition thereof;

(b) Investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) Investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and demand deposit and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any

State thereof that has a combined capital and surplus and undivided profits of not less than $500,000,000; and

(d) fully collateralized repurchase agreements with a term of not more than thirty (30) days for securities described in clause (a) above (without regard to the limitation on maturity contained in such clause) and entered into with a financial institution satisfying the criteria described in clause (c) above or with any primary dealer;

provided that, notwithstanding the foregoing, no such Investments shall be permitted unless (i) no Loan is then outstanding on the date such Investment is made, and (iii) such Investments are pledged to Lender as additional collateral for the Obligations pursuant to such agreements as may be reasonably required by Lender.

"Permitted Liens" has the meaning ascribed thereto in Section 6.2.

"Permitted Overhead Expenses" means Borrowers' overhead expenses and operating costs, including, without limitation, taxes and priority claims.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, other entity or government (whether federal, State, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof).

"Petition Date" has the meaning ascribed thereto in the recitals to this Agreement.

"Plan of Reorganization" means a plan of reorganization in the Chapter 11 Case, including without limitation the Liquidating Plan.

"Post-Petition" means the time period beginning immediately upon the filing of the Chapter 11 Case.

"Post-Petition Indebtedness" means any or all Indebtedness of Borrowers incurred after the filing of the Chapter 11 Case.

"Pre-Petition" means the time period ending immediately prior to the filing of the Chapter 11 Case.

"Pre-Petition Payments" has the meaning ascribed thereto in Section 6.8.

"Professionals" has the meaning ascribed thereto in Section 1.12(i)(v).

"Real Estate" means all land, together with the buildings, structures, parking areas, and other improvements thereon, now or hereafter owned by Borrowers and their Subsidiaries, including all easements, rights-of-way, and similar rights relating thereto and all leases, tenancies, and occupancies thereof

"Regulation T" means Regulation T of the Federal Reserve Board as from time to time in effect and all official rulings and interpretations thereunder or thereof

"Regulation U" means Regulation U of the Federal Reserve Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" means Regulation X of the Federal Reserve Board as from time to time in effect and all official rulings and interpretations thereunder or thereof

"Release" means any release, threatened release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Material in the indoor or outdoor environment, including the movement of Hazardous Material through or in the air, soil, surface water, ground water or property.

"Restricted Payment" means, with respect to any Borrower: (a) the declaration or payment of any dividend or the incurrence of any liability to make any other payment or distribution of cash or other property or assets in respect of Stock; (b) any payment on account of the purchase, redemption, defeasance, sinking fund or other retirement of such Borrower's Stock or any other payment or distribution made in respect thereof, either directly or indirectly; (c) any payment or prepayment of principal of premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to, any Subordinated Debt; (d) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire Stock of such Borrower now or hereafter outstanding; (e) any payment of a claim for the rescission of the purchase or sale of, or for material damages arising from the purchase or sale of, any shares of such Borrower's Stock or of a claim for reimbursement, indemnification or contribution arising out of or related to any such claim for damages or rescission; (f) any payment, loan, contribution, or other transfer of funds or other property to any Stockholder of such Borrower other than payment of salary in the ordinary course of business to Stockholders who are employees of such Person; and (g) any payment of management fees (or other fees of a similar nature) by such Borrower to any Stockholder of Borrower or its Subsidiaries.

"S&P" means Standard & Poor's.

"Stock" means all shares, options, warrants, general or limited partnership interests, membership or limited liability company interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or nonvoting, including common stock, preferred stock or any other "equity security" (as such term is defined in Rule 3a 11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934).

"Stockholder" means, with respect to any Person, each holder of Stock of such Person.

"Subordinated Debt" means any Indebtedness of Borrowers subordinated to the Obligations in a manner and form satisfactory to Lender in its sole discretion, as to right and time of payment and as to any other rights and remedies thereunder.

"Subsidiary" means, with respect to any Person, (a) any corporation of which an aggregate of more than 50% of the outstanding Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned legally or beneficially by such Person or one or more Subsidiaries of such Person, or with respect to which any such Person has the right to vote or designate the vote of 50% or more of such Stock whether by proxy, agreement, operation of law or otherwise, and (b) any partnership or limited liability company in which such Person and/or one or more Subsidiaries of such Person shall have an interest (whether in the form of voting or participation in profits or capital contribution) of more than 50% or of which any such Person is a general partner or may exercise the powers of a general partner. Unless the context otherwise requires, each reference to a Subsidiary shall be a reference to any direct or indirect Subsidiary of Borrowers. For purposes of this Agreement, each of Block 88 Development, LLC and 800 Madison Street Urban Renewal, LLC shall be deemed not to be a Subsidiary of the Borrowers.

"Tarragon" has the meaning ascribed thereto in the preamble to this Agreement.

"Tarragon Creditor Entity" means a newly-formed entity to be formed for the benefit of the existing creditors of certain of the Borrowers as provided in the Liquidating Plan.

"Tarragon's Equity Interests" means the stock, limited partnership equity, general partnership equity, or limited liability company interests in the Subsidiaries set forth on Exhibit E hereto, which are owned and being pledged by the Borrowers to Lender as security for the Loan.

"Taxes" means taxes, levies, imposts, deductions, Charges or withholdings, and all liabilities with respect thereto, excluding taxes or Charges imposed on or measured by the net income of Lender by the jurisdictions under the laws of which Lender is organized or conduct business or any political subdivision thereof.

"Term Sheet" means the Proposed Terms for Senior Secured Exit Loan as Part of Borrowers' Plan of Reorganization, dated as March 5, 2010, by and among the Official Committee of Unsecured Creditors of Tarragon Corporation, Lender, Taberna Capital Management, LLC, Beachwold Partners, L.P., Tarragon, Ansonia, LLC, Robert Rothenberg and William Friedman, as amended by the Amendment No. 1, dated as of March 24, 2010, to original Term Sheet, dated as of March 5, 2010, relating to Proposed Terms for Senior Secured Exit Loan as Part of Borrowers' Plan of Reorganization, by and among the foregoing parties.

"Termination Date" means the date on which (a) all principal of and interest on the Loan has been indefeasibly repaid in full in cash, (b) all other Obligations under this Agreement and the other Loan Documents have been completely discharged, including the Obligation to pay

Additional Interest and all Fees, and (c) Borrowers shall have no further right to borrow any monies under this Agreement.

"Voting Stock" means, with respect to any corporation, the outstanding stock of all classes (or equivalent interests) which ordinarily, in the absence of contingencies, entitles holders thereof to vote for the election of directors (or Persons performing similar functions) of such corporation, even though the right so to vote has been suspended by the happening of such contingency.

"Working Capital Reserve" means a reserve to be retained by Borrowers for the purpose of paying ordinary and necessary operating and administrative expenses from time to time.

All undefined terms contained in any of the Loan Documents shall, unless the context indicates otherwise, have the meanings provided for by the Code to the extent the same are used or defined therein; in the event that any term is defined differently in different Articles or Divisions of the Code, the definition in Article or Division 9 shall control. Unless otherwise specified, references in this Agreement or any of the Appendices to a Section, subsection or clause refer to such Section, subsection or clause as contained in this Agreement. The words "herein," "hereof' and "hereunder" and other words of similar import refer to this Agreement as a whole, including all Annexes. Exhibits and Schedules, as the same may from time to time be amended, restated, modified or supplemented, and not to any particular section, subsection or clause contained in this Agreement or any such Annex, Exhibit or Schedule.

Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter genders. The words "including," "includes" and "include" shall be deemed to he followed by the words "without limitation"; the word "or" is not exclusive; references to Persons include their respective successors and assigns (to the extent and only to the extent permitted by the Loan Documents) or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of the same and any successor statutes and regulations. Whenever any provision in any Loan Document refers to the knowledge (or an analogous phrase) of Borrowers, such words are intended to signify that Borrowers have actual knowledge or awareness of a particular fact or circumstance or that Borrowers, if it had exercised reasonable diligence, would have known or been aware of such fact or circumstance.

ANNEX B (SECTION 2.1(A))
TO
CREDIT AND SECURITY AGREEMENT
CLOSING CHECKLIST

In addition to, and not in limitation of, the conditions described in Section 2.1 of this Agreement, pursuant to Section 2.1(a), the following items must, except as otherwise specifically indicated below, be received by Lender in form and substance satisfactory to Lender on or prior to the Loan Advance Date (each capitalized term used but not otherwise defined herein shall have the meaning ascribed thereto in Annex A to this Agreement):

A. Documents. A promissory note and such other documents as shall be reasonably to evidence or secure the Loan.

B. Appendices. All Appendices to this Agreement, in form and substance satisfactory to Lender

C. Security Interests. Evidence satisfactory to Lender that Lender has a valid and perfected first-priority security interest in the Collateral.

D. Governing Documents and Bylaws. Governing Documents and bylaws, together with all amendments thereto, for Borrowers and the Tarragon Subsidiaries being pledged to Lender.

E. Good Standings and Resolutions. For Borrowers and the Tarragon Subsidiaries whose equity is being pledged to Lender: (a) (i) good standing certificates in its state of incorporation, provided, that, the good standing certificates shall be delivered within five (5) Business Days following the date of this Agreement and (b) for Borrowers, resolutions of its Board of Directors, stockholders, members and/or managers, as applicable, approving and authorizing the execution, delivery and performance of the Loan Documents to which Borrowers are a party and the transactions to be consummated in connection therewith, certified as of the date of this Agreement by Borrowers' secretary or an assistant secretary (or equivalent) as being in full force and effect without any modification or amendment.

F. Certificates and Powers. Equity certificates and powers executed in blank for each entity's equity being pledged to Lender pursuant to the terms of the Loan Documents.

G. Budget. Lender shall have received the Budget described in Section 3.15.

Lender may in its reasonable discretion defer, and thereby waive as a funding condition hereunder, the execution and delivery of one or more of the foregoing items or any other Loan Document or Disclosure Schedule or the execution, delivery or provision any of the documents or other items to be executed and delivered or provided pursuant to this Annex B and the satisfaction of any condition related thereto. In the event of such a deferral and waiver as to any Loan Document, Disclosure Schedule or other document or item, Borrowers agree to execute and deliver such Loan Document or Disclosure Schedule or, as the case may be, execute and deliver or provide such other document or item, in each case, in form and substance satisfactory to Lender, as soon as practicable, but in any event not later than ten (10) days following the Loan

Advance Date. Notwithstanding the foregoing, the Borrowers shall deliver on or before the date of this Agreement each of the Loan Documents or other items listed under paragraphs A, B, C, F and G of this Annex B.

ANNEX C (SECTION 4.1)
TO
CREDIT AGREEMENT
FINANCIAL STATEMENTS— REPORTING

(a) Financial Statements and Other Information. Borrowers will promptly furnish to Lender the following:

(i) any financial statements prepared in the ordinary course of business;

(ii) if requested by Lender after the Effective Date with respect to the sale or other disposition of any Material Liquidation Asset, a review by an independent auditor of the calculation and application of Net Distributable Capital Proceeds from such transaction;

(iii) concurrently with any delivery of financial statements under clause (i) above and on the first day of each calendar quarter, a certificate of a Financial Officer of Borrowers in the form of Exhibit F (a "Compliance Certificate") certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto;

(iv) notice of any intended sale or other disposition of assets of any Borrower permitted hereunder or incurrence of any Indebtedness permitted hereunder at least ten (10) Business Days prior to the intended date of consummation of such sale or disposition or incurrence of such Indebtedness which were not presented in the Budget; and

(v) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of Borrowers, or compliance with the terms of any Loan Document, as Lender may reasonably request.

(b) Notices of Material Events. Borrowers will furnish to Lender prompt written notice of the following:

(i) the occurrence of any Default or Event of Default;

(ii) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting Borrowers or any Affiliate thereof that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(iii) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect;

(iv) any change in Borrowers' executive officers;

(v) any failure by Borrowers to pay rent accruing Post-Petition at any of Borrowers' locations, which failure continues for more than ten (10) days following the day on which such rent first came due;

(vi) any collective bargaining agreement or other labor contract to which Borrowers becomes a party, or the application for the certification of a collective bargaining agent;

(vii) the discharge by Borrowers of its present independent accountants or any withdrawal or resignation by such independent accountants; and

(viii) the filing of any Lien for unpaid taxes against Borrowers.

Each notice delivered under this Annex C shall be accompanied by a statement of a Financial Officer or other executive officer of Borrowers setting forth the details of the event or development requiring such notice and, if applicable, any action taken or proposed to be taken with respect thereto.

(c) Bankruptcy Matters. Borrowers will furnish to Lender copies of all monthly reports, projections, or other information respecting Borrowers' business or financial condition or prospects as well as all pleadings, motions, applications and judicial information filed by or on behalf of Borrowers with the Bankruptcy Court (including any documents filed under seal with the Bankruptcy Court) or provided by or to the U.S. Trustee (or any monitor or interim receiver, if any, appointed in the Chapter 11 Case) or the Committee, at the time such document is filed with the Bankruptcy Court, or provided by or to the U.S. Trustee (or any monitor or interim receiver, if any, appointed in the Chapter 11 Case) or the Committee. Notice of any such motion, pleading or application provided to the Lender, shall satisfy any other applicable notice requirements hereunder.

(d) Budget. Prior to the expiration of the period covered by any Budget, Borrowers shall prepare and deliver to Lender a thirteen (13) week budget (which shall thereafter be the "Budget" for purposes of this Agreement) for the period after the expiration of the current Budget. Each such updated Budget shall be in form and substance satisfactory to Lender and approved by Lender in writing in its sole discretion. By no later than 5:00 p.m. (Eastern time) on the tenth day (or, if not a Business Day, on the next Business Day thereafter) of each calendar month, Borrowers shall furnish to Lender, in form and substance satisfactory to Lender, a report that sets forth, for the immediately preceding calendar month, the actual revenues and expenditures of each Borrower and their Subsidiaries, and a comparison and reconciliation of such revenues and expenditures with the anticipated revenues and expenditures for such period set forth in the Budget. By no later than 5:00 p.m. (Eastern time) on the Monday (or, if not a Business Day, on the next Business Day thereafter) of each week, until such time, if any, as all principal of, and interest (other than Additional Interest) on the Loan, and the Exit Fee and all other Fees have been paid in full, Borrowers shall furnish to Lender, in form and substance satisfactory to Lender, a report that sets forth, for the immediately preceding period back to the date of this Agreement, the actual cash disbursements in comparison to the anticipated disbursements for such periods set forth in the Budget on a cumulative, roll-forward basis.

ANNEX D (SECTION 11.10)
TO
CREDIT AND SECURITY AGREEMENT
NOTICE ADDRESSES

If to Lender, at:

UTA Capital LLC
c/o YZT Management LLC, Managing Member
Attn: Udi Toledano, Managing Member
100 Executive Drive, Suite 330
West Orange, NJ 07052
Tel (973) 736-0680
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with copies to:

David M. Warburg, Esq.
Seyfarth Shaw LLP
The New York Times Building
620 Eighth Avenue
New York, NY 10018-1405
Tel (212) 218-5500 Fax (212) 218-5526

If to Borrowers, at:

Tarragon Corporation
Attn: William S. Friedman, CEO
c/o Gruzen Samton, 320 West 13th Street
New York, NY 10014

Tel (646) 437-0560
Fax (212) 477-1257

with copies to:

Michael D. Sirota, Esq.
Warren A. Usatine, Esq.
Cole Schotz. Meisel, Forman & Leonard P.A.
Court Plaza North 25 Main Street
PO Box 800
Hackensack, NJ 07602-0800
Tel (201) 489-3000 Fax (201) 489-1536

And

Daniel A. Lowenthal
Patterson Belknap Webb & Tyler LLP
1133 Avenue of the Americas
New York, NY 10036 Tel (212) 336-2720 Fax (212) 336-1253

Schedule 3.10

Enterprise Ownership By Entity

(See attached)

Enterprise Ownership By Entity

as of 03/15/2010

Tarragon Corporation
c/o Gruzen Samton
320 West 13th Street
New York, New York 10014
United States

Entity Name	Ownership	
1118 Adams Parking, Inc.	100.00%	100.00 Shares
900 Monroe Development LLC	87.50%	Managing Member
999 Madison Street Urban Renewal, LLC	55.00%	Managing Member
Acadian Place Apartments, L.L.C.	100.00%	Managing Member
Adams Street Development, L.L.C.	55.00%	Managing Member
1100 Adams Street Urban Renewal, LLC	100.00%	Managing Member
1118 Adams Street Urban Renewal, LLC	0.01%	Managing Member
Alta Marina, LLC	100.00%	Managing Member
AltaMar Development, LLC	100.00%	Managing Member
Balsam Acquisitions, L.L.C.	100.00%	Managing Member
Bermuda Island Tarragon LLC	100.00%	Managing Member
Block 114 Development, LLC	47.50%	Managing Member
Block 88 Development, L.L.C.	40.00%	Managing Member
800 Madison Street Urban Renewal, LLC	100.00%	Managing Member
Bradenton Tarragon, LLC	100.00%	Managing Member
Capitol Ave. Tarragon, LLC	100.00%	Managing Member
Celebration Tarragon LLC	100.00%	Managing Member
Central Square Tarragon LLC	100.00%	Managing Member
Floresta Tarragon, LLC	100.00%	Managing Member
French Villa Apartments, L.L.C.	100.00%	Managing Member
French Villa National Associates Limited Partnership	99.00%	General Partner

Hoboken Cinema, LLC	47.50%	Managing Member
Keane Stud LLC	50.00%	Managing Member
Keane Stud Management LLC	50.00%	Managing Member
Lopo Tarragon GP, Inc.	100.00%	100.00 Shares
Lopo, LP	0.10%	General Partner
Lopo Tarragon LP, Inc.	100.00%	100.00 Shares
Lopo, LP	49.90%	Limited Partner
** Manchester Tolland Development LLC	100.00%	Managing Member
Mariner's Point Tarragon, LLC	100.00%	Managing Member
Mohegan Hill Tarragon, LLC	100.00%	Managing Member
Mohegan Hill Development, LLC	60.00%	Managing Member
Mohegan Hill Development/Wilson, LLC	100.00%	Managing Member
Morningside National, Inc.	100.00%	1,000.00 Shares
Murfreesboro Gateway Properties, LLC	100.00%	Managing Member
Tarragon Stonecrest LLC	100.00%	Managing Member
Mountain View National, Inc.	100.00%	200.00 Shares
RI Windsor, Ltd.	1.00%	General Partner
MSCP, Inc.	100.00%	100.00 Shares
Merritt Stratford, L.L.C.	1.00%	Member
Mustang National, Inc.	100.00%	1,000.00 Shares
Mustang Creek National, L.P.	1.00%	General Partner
National Income Realty Investors, Inc.	100.00%	100.00 Shares
Summit on the Lake Associates, Ltd.	1.00%	General Partner
Tarragon Development Company LLC	18.47%	Member
** Ansonia Apartments, L.P.	89.44%	General Partner
** Ansonia MezzCo, LLC	100.00%	Managing Member
** Ansonia Acquisitions I, L.L.C.	100.00%	Managing Member
** Ansonia Liberty, LLC	100.00%	Managing Member
** Autumn Ridge Apartments, LLC	100.00%	Managing Member
** Danforth Apartment Owners, L.L.C.	100.00%	Managing Member
** Dogwood Hills Apartments, L.L.C.	100.00%	Managing Member
** Forest Park Tarragon, LLC	100.00%	Managing Member
** Hamden Centre Apartments, L.L.C.	100.00%	Managing Member

** Heather Limited Partnership		99.00%	Limited Partner
** Heron Cove National, Inc.		100.00%	100.00 Shares
** Ocean Beach Apartments, LLC		100.00%	Managing Member
** Plantation Bay Apartments, L.L.C.		100.00%	Managing Member
** Stewart Square National, Inc.		100.00%	100.00 Shares
** Summit / Tarragon Murfreesboro, L.L.C.		100.00%	Managing Member
** Tarragon Huntsville Apartments, L.L.C.		100.00%	Managing Member
** Tarragon Savannah I, L.L.C.		100.00%	Managing Member
** Tarragon Savannah II, L.L.C.		100.00%	Managing Member
** TRI Woodcreek, Inc.		100.00%	1,000.00 Shares
** Woodcreek Garden Apartments		1.00%	General Partner
** Manchester Tarragon, LLC		100.00%	Managing Member
** Vintage Legacy Lakes National, L.P.		99.00%	Limited Partner
** Vintage National, Inc.		100.00%	1,000.00 Shares
** Heather Limited Partnership		1.00%	General Partner
** Vintage Legacy Lakes National, L.P.		1.00%	General Partner
** West Dale National Associates, L.P.		1.00%	General Partner
** West Dale National Associates, L.P.		99.00%	Limited Partner
** Woodcreek Garden Apartments		99.00%	Limited Partner
** Manchester Tarragon, LLC		100.00%	Managing Member
** Gull Harbor Apts., L.L.C.	99.00%	Managing Member	
** Gull Harbor MGR, Inc.	100.00%	100.00 Shares	
** Gull Harbor Apts, L.L.C.	1.00%	Managing Member	
Lake Lotta Apartments, L.L.C.	100.00%	Managing Member	
** RI Panama City LLC	100.00%	Managing Member	
RI Windsor, Ltd.	99.00%	Limited Partner	
Tarragon Stoneybrook Apartments, L.L.C.	100.00%	Managing Member	
** Vineyard at Eagle Harbor, L.L.C.	100.00%	Managing Member	
Orlando Central Park Tarragon, L.L.C.	100.00%	Managing Member	
River House Tarragon, LLC	100.00%	Managing Member	
One Las Olas, Ltd.	99.00%	Limited Partner	
SO. Elms National Associates Limited P	99.00%	General Partner	
Stamford Tarragon I LLC	100.00%	Managing Member	

Stonington Tarragon, LLC	100.00%	Managing Member
Summit on the Lake Associates, Ltd.	99.00%	Limited Partner
Tampa Palms Tarragon, L.L.C.	100.00%	Managing Member
Tarragon Calistoga, L.L.C.	80.00%	Managing Member
Calistoga Ranch Owners, L.L.C.	5.00%	Member
CR Tarragon Palm Springs, L.L.C.	25.00%	Member
Tarragon Development Company LLC	81.53%	Managing Member
** Ansonia Apartments, L.P.	89.44%	General Partner
** Ansonia MezzCo, LLC	100.00%	Managing Member
** Ansonia Acquisitions I, L.L.C.	100.00%	Managing Member
** Ansonia Liberty, LLC	100.00%	Managing Member
** Autumn Ridge Apartments, LLC	100.00%	Managing Member
** Danforth Apartment Owners, L.L.C.	100.00%	Managing Member
** Dogwood Hills Apartments, L.L.C.	100.00%	Managing Member
** Forest Park Tarragon, LLC	100.00%	Managing Member
** Hamden Centre Apartments, L.L.C.	100.00%	Managing Member
** Heather Limited Partnership	99.00%	Limited Partner
** Heron Cove National, Inc.	100.00%	100.00 Shares
** Ocean Beach Apartments, LLC	100.00%	Managing Member
** Plantation Bay Apartments, L.L.C.	100.00%	Managing Member
** Stewart Square National, Inc.	100.00%	100.00 Shares
** Summit / Tarragon Murfreesboro, L.L.C.	100.00%	Managing Member
** Tarragon Huntsville Apartments, L.L.C.	100.00%	Managing Member
** Tarragon Savannah I, L.L.C.	100.00%	Managing Member
** Tarragon Savannah II, L.L.C.	100.00%	Managing Member
** TRI Woodcreek, Inc.	100.00%	1,000.00 Shares
** Woodcreek Garden Apartments	1.00%	General Partner
** Manchester Tarragon, LLC	100.00%	Managing Member
** Vintage Legacy Lakes National, L.P.	99.00%	Limited Partner
** Vintage National, Inc.	100.00%	1,000.00 Shares
** Heather Limited Partnership	1.00%	General Partner
** Vintage Legacy Lakes National, L.P.	1.00%	General Partner
** West Dale National Associates, L.P.	1.00%	General Partner

West Dale National Associates, L.P.		99.00%	Limited Partner
Woodcreek Garden Apartments		99.00%	Limited Partner
** Manchester Tarragon, LLC		100.00%	Managing Member
** Gull Harbor Apts., L.L.C.	99.00%	Managing Member	
** Gull Harbor MGR, Inc.	100.00%	100.00 Shares	
** Gull Harbor Apts, L.L.C.		1.00%	Managing Member
Lake Lotta Apartments, L.L.C.	100.00%	Managing Member	
** RI Panama City LLC	100.00%	Managing Member	
RI Windsor, Ltd.	99.00%	Limited Partner	
Tarragon Stoneybrook Apartments, L.L.C.	100.00%	Managing Member	
** Vineyard at Eagle Harbor, L.L.C.	100.00%	Managing Member	
Tarragon Development Corporation	100.00%	100.00 Shares	
900 Monroe Development LLC	12.50%	Member	
999 Madison Street Urban Renewal, LL	15.00%	Member	
Adams Street Development, L.L.C.	30.00%	Member	
1100 Adams Street Urban Renewal, LL	100.00%	Managing Member	
1118 Adams Street Urban Renewal, LL	0.01%	Managing Member	
Block 102 Development, LLC	47.50%	Managing Member	
Block 106 Development, LLC	62.50%	Managing Member	
Block 110 Development, LLC	62.50%	Managing Member	
Block 144 Development, LLC	62.50%	Managing Member	
Block 150 Development, LLC	47.50%	Managing Member	
Block 88 Development, L.L.C.	30.00%	Member	
800 Madison Street Urban Renewal, LLC	100.00%	Managing Member	
Charleston Tarragon Manager, LLC	100.00%	Managing Member	
Fenwick Plantation Tarragon, LLC	1.00%	Managing Member	
Fenwick Plantation Tarragon, LLC	99.00%	Member	
North Water Street Tarragon, LLC	100.00%	Managing Member	
Palisades Park East Tarragon LLC	100.00%	Managing Member	
Park Development East, LLC	100.00%	Managing Member	
Palisades Park West Tarragon LLC	100.00%	Managing Member	
Park Development West, LLC	100.00%	Managing Member	
Rutherford Tarragon Development I, LLC	100.00%	Managing Member	

Rutherford LL Tarragon, LLC	100.00%	Managing Member
Rutherford Tarragon Development II, LLC	100.00%	Managing Member
Rutherford Tarragon Development III, LLC	100.00%	Managing Member
Southampton Pointe Tarragon LLC	99.00%	Member
Southampton Tarragon Manager LLC	100.00%	Managing Member
Southampton Pointe Tarragon LLC	1.00%	Managing Member
Tarragon Edgewater Associates, LLC	100.00%	Managing Member
Tarragon/URSA Redevelopment Partnership LLC	62.50%	Managing Member
TDC Hanover Holdings LLC	100.00%	Managing Member
East Hanover Tarragon LLC	100.00%	Managing Member
Tarragon Limited, Inc.	100.00%	1,000.00 Shares
Mustang Creek National, L.P.	99.00%	Limited Partner
Vinland Aspentree, Inc.	100.00%	100.00 Shares
Tarragon Management, Inc.	100.00%	100.00 Shares
Tarragon South Development Corp.	100.00%	10,000.00 Shares
Exchange Tarragon, LLC	100.00%	Managing Member
Montreux at Deerwood Lake, LLC	100.00%	Managing Member
North Village Tarragon, LLC	100.00%	Managing Member
Omni Equities Corporation	100.00%	1,000.00 Shares
One Las Olas, Ltd.	1.00%	General Partner
Omni-Tivoli, LLC	100.00%	Managing Partner
Orion Tarragon GP, Inc.	100.00%	1,000.00 Shares
Orion Towers Tarragon, LLP	0.10%	General Partner
Orion Tarragon LP, Inc.	100.00%	1,000.00 Shares
Orion Towers Tarragon, LLP	69.90%	General Partner
Park Avenue Tarragon, LLC	100.00%	Managing Member
Park Avenue Metrowest LLC	100.00%	Managing Member
Park Avenue at Metrowest, Ltd.	99.00%	Limited Partner
Park Avenue GP, LLC	100.00%	Managing Member
Park Avenue at Metrowest, Ltd.	1.00%	General Partner
Tarragon Cypress Grove, LLC	100.00%	Managing Member
Orchid Grove, LLC	50.00%	Member
Tarragon Kissimmee, LLC	100.00%	Managing Member

Uptown Village Tarragon A, LLC	100.00%	Managing Member	
Uptown Village Tarragon B, LLC	100.00%	Managing Member	
Yacht Club Tarragon, LLC	100.00%	Managing Member	
Tarragon Stratford, Inc.	100.00%	1,000.00 Shares	
Merritt Stratford, L.L.C.	99.00%	Member	
Tarragon Venetian Bay, Inc.	100.00%	1,000.00 Shares	
Guardian Venetian Bay Holdings, LLC	80.00%	Managing Member	
Venetian Bay Village, LLC	70.00%	Managing Member	
TDC/Ursa Hoboken Sales Center, LLC	47.50%	Managing Member	
Thirteenth Street Development, L.L.C.	50.00%	Managing Member	
1200 Grand Street Urban Renewal, LLC	100.00%	Managing Member	
1300 Grand Street Urban Renewal, LLC	100.00%	Managing Member	
** Tradition Tarragon LLC	100.00%	Managing Member	
Tuscany Tarragon, LLC	100.00%	Managing Member	
Upper Grand Realty, LLC	50.00%	Managing Member	
Vinland Property Investors, Inc.	100.00%	1,000.00 Shares	
French Villa National Associates Limited	1.00%	Limited Partner	
SO. Elms National Associates Limited Partnership	1.00%	Limited Partner	
Vista Lakes Tarragon, LLC	100.00%	Managing Member	
Woodcreek National, L.C.	100.00%	Managing Member	

** To be directly or indirectly assigned to New Ansonia (as such term is defined in the Liquidating Plan) on the effective date of the Liquidating Plan.

1. Entities in Dissolution

Borrower	**Subsidiary**	**Ownership Interest**
Tarragon Corporation		
	Tarragon Time Square, Inc.	100% of the outstanding stock
	Tarragon Turtle, Inc.	100% of the outstanding stock
	Tarragon University, Inc.	100% of the outstanding stock
	Texas National Construction, Inc.	100% of the outstanding stock
	Vinland Holly House, Inc.	100% of the outstanding stock
	Vinland Oakbrook, Inc.	100% of the outstanding stock
	Tarragon Mariner Plaza, Inc.	100% of the outstanding stock
	Tarragon Mortgage Capital, LLC	100% membership interest
	Middletown Tarragon LLC	100% membership interest
	Bradenton Tarragon, LLC	100% membership interest
	Kennesaw Tarragon LLC	100% membership interest
	Consolidated Capital Properties II, LP	0.50% general partnership interest
	National Omni Associates L.P.	54.5% limited partnership interest
	Marina Park National Partners	90% general partnership interest
	Regent Circle, L.L.C.	99% membership interest
	Guardian Woods at Southridge Holdings, LLC	80% membership interest
	UGMC Holdings, LLC	55% membership interest
	Pinecrest Village Condominium, Inc.	100% of outstanding stock
	Sage Residential Texas, Inc.	100% of outstanding stock
	Tarragon Midway Mills, Inc.	100% of outstanding stock
	5600 GP, Inc.	100% of outstanding stock
	MSCP, Inc.	100% of outstanding stock
Tarragon Development Corporation		
	Jardin de Belle Development, LLC	100% membership interest

Borrower	Subsidiary	Ownership Interest
Tarragon South Development Corp.		
	Aventura Tarragon GP, LLC	100% membership interest
	Uptown Village Tarragon C, LLC	100% membership interest

2. Entities with legal ownership held by Tarragon Corporation, but beneficial interest has been assigned to Ansonia MezzCo, LLC. Both legal and beneficial interests have been pledged to GECC.

Borrower	Subsidiary	Ownership Interest
Tarragon Corporation	Heron Cove National, Inc.	100% of the outstanding stock
	Stewart Square National, Inc.	100% of the outstanding stock
	TRI Woodcreek, Inc.	100% of the outstanding stock
	Vintage National, Inc,	100% of the outstanding stock
	Vintage Legacy Lakes National, L.P.	99% limited partnership interest
	Heather Limited Partnership	99% limited partnership interest
	Woodcreek Garden Apartments, a California Limited Partnership	99% limited partnership interest
	West Dale National Associates, LP	99% limited partnership interest

EXHIBIT A
TO
CREDIT AND SECURITY AGREEMENT

LIST OF BORROWERS

Tarragon Corporation
Tarragon Development Corporation
Tarragon South Development Corp.
Tarragon Development Company LLC
Tarragon Management, Inc.
Bermuda Island Tarragon LLC
Orlando Central Park Tarragon, L.L.C.
Orion Towers Tarragon, LLP
Fenwick Plantation Tarragon, LLC
One Las Olas, Ltd.
Charleston Tarragon Manager, LLC
900 Monroe Development LLC
The Park Development East LLC
Omni Equities Corporation
Central Square Tarragon LLC
The Park Development West LLC
Vista Lakes Tarragon, LLC
Tarragon Edgewater Associates, LLC
Murfreesboro Gateway Properties, LLC
Tarragon Stonecrest LLC
Tarragon Stratford, Inc.
MSCP, Inc.
TDC Hanover Holdings LLC

EXHIBIT B
TO
CREDIT AND SECURITY AGREEMENT

DISBURSEMENT SCHEDULE

(Please see attached)

Exhibit B – Disbursement Schedule

In accordance with Section 3.12 of the Agreement, the anticipated expenditures of the net Loan proceeds (after deduction of Lender's expenses, not to exceed $100,000) are as follows:

1. Payment of all costs incurred by Borrowers in connection with the Loan, currently estimated to be approximately $15,000;

2. Payment of the outstanding balance due to Westminster DIP Funding, LLC pursuant to the Existing DIP Agreement (including all principal, interest and associated costs and expenses), currently estimated to be approximately $4,155,000; and

3. Payment to Professionals in an amount up to $550,000.

After payment of the above-referenced amounts, any excess net Loan proceeds shall be used for working capital and general business purposes of the Borrowers.

EXHIBIT C
TO
CREDIT AND SECURITY AGREEMENT

BUDGET

[Initial Delivery Waived by Lender]

EXHIBIT D
TO
CREDIT AND SECURITY AGREEMENT

PROPOSED INTERIM ORDER

(Please see attached)

UNITED STATES BANKRUPTCY COURT DISTRICT OF NEW JERSEY	
Caption in Compliance with D.N.J. LBR 9004-2(c) COLE, SCHOTZ, MEISEL, FORMAN & LEONARD, P.A. A Professional Corporation Court Plaza North 25 Main Street P.O. Box 800 Hackensack, NJ 07602-0800 Michael D. Sirota, Esq. Warren A. Usatine, Esq. (201) 489-3000 (201) 489-1536 Facsimile Attorneys for Tarragon Corporation, *et al.*, Debtors-in-Possession	
In re: TARRAGON CORPORATION, *et al.*, Debtors-in-Possession.	Case No. 09-10555 (DHS) Judge: Donald H. Steckroth Chapter 11 Hearing Date: March __, 2010

INTERIM ORDER (1) APPROVING POST-PETITION FINANCING WITH UTA CAPITAL LLC, (2) GRANTING LIENS AND PROVIDING SUPERPRIORITY ADMINISTRATIVE EXPENSE STATUS PURSUANT TO 11 U.S.C. §§ 363 AND 364, (3) MODIFYING AUTOMATIC STAY PURSUANT TO 11 U.S.C. §362, AND (4) GRANTING RELATED RELIEF

The relief set forth on the following pages, numbered two (2) through thirty-three (33), is hereby **ORDERED**.

THIS MATTER having come before the Court upon motion dated March 24, 2010 (the "**DIP Motion**") by Tarragon Corporation, *et al.* (the "**Debtors**" or "**Borrowers**" means all Debtors excluding 800 Madison Street Urban Renewal, LLC and Block 88 Development, LLC)[1], as debtors and debtors-in-possession in the above captioned chapter 11 cases (each a **"Case,"** collectively, the "**Cases**") seeking, among other things, entry of an order (this "**Order**") authorizing the Debtors to:

(i) Obtain credit and incur debt, pursuant to sections 363 and 364(c) of title 11 of the United States Code, as amended (the "**Bankruptcy Code**") on an interim basis in the sum of $4,200,000.00 for the purpose of (a) either for (1) payment to Westminster DIP Funding LLC in full satisfaction of its DIP Loan approved by the Court on December 10, 2009 (the "**Existing DIP Loan"**) or (2) payment into escrow of the amount alleged by Westminster DIP Funding LLC to be due under the Existing DIP Loan pending an adjudication of the proper amount due. (the "Escrowed DIP Payoff") and (b) paying Fees due to the DIP Lender (as defined below) under the DIP Credit Agreement (as defined below). All amounts advanced hereunder shall be

[1] The Debtors are Tarragon Corporation, Tarragon Development Corporation, Tarragon South Development Corp., Tarragon Development Company LLC, Tarragon Management, Inc., Bermuda Island Tarragon LLC, Orion Towers Tarragon, LLP, Orlando Central Park Tarragon L.L.C., Fenwick Plantation Tarragon LLC, One Las Olas, Ltd., The Park Development West LLC, 900 Monroe Development LLC, Central Square Tarragon LLC, Charleston Tarragon Manager, LLC, Omni Equities Corporation, Tarragon Edgewater Associates, LLC, The Park Development East LLC and Vista Lakes Tarragon, LLC. Affiliates of the Debtors that have filed Chapter 11 petitions but are not Borrowers under the DIP Credit Agreement (as defined below) are: Block 88 Development, LLC, 800 Madison Street Urban Renewal, LLC, Murfreesboro Gateway Properties LLC, Tarragon Stonecrest LLC, TDC Hanover Holdings LLC, Tarragon Stratford, Inc. and MSCP, Inc.

secured by first priority perfected liens and security interests as defined in section 101(37) of the Bankruptcy Code and referred to and defined in more detail herein as the "**DIP Liens**", on property and assets of the Borrowers' estates and Borrower Parties,[2] pursuant to section 364(c)(2) of the Bankruptcy Code and as more particularly described herein, and with priority over all administrative expenses as provided in section 364(c)(1) of the Bankruptcy Code, subject to certain terms and conditions;

(ii) (a) Enter into the financing arrangement as provided for in that certain Secured, Super-Priority Debtor-in-Possession and Exit Financing Credit and Security Agreement, substantially in the form filed of record in the Cases and made part of the record at the hearing (the **"Hearing"**) on the DIP Motion (as amended, modified and in effect from time to time, and together with any and all other related documents and agreements entered into in connection with or related to the Secured Super-Priority Debtor-in-Possession and Exit Financing Credit and Security Agreement, the "**DIP Credit Agreement**") by and among the Debtors and UTA Capital LLC, a Delaware limited liability company[3] as lender (the "**DIP Lender**") attached hereto as

[2] All capitalized terms used but not defined in this Order shall have the meaning given to them in the DIP Credit Agreement, and if not defined therein they shall have the meaning given to them in the Uniform Commercial Code enacted in the State of New York, or, if required, in other federal or New York state statutes as applicable.

[3] The DIP Lender may syndicate a portion of DIP Loan to other parties, but will retain all decision-making authority with respect to all matters relating to the DIP Loan, the DIP Liens and the DIP Credit Agreement. Robert Rothenberg and two individual retirement plans having William Friedman and Lucy Friedman as their respective plan beneficiaries will be participants in the DIP Loan to the extent of $620,000.

Exhibit A, and (b) incur the "**Obligations**" under and as defined in the DIP Credit Agreement, including the Exit Fee and all Additional Interest (the "**DIP Obligations**");

(iii) Authorize the use of the proceeds of the DIP Loan (net of any amounts used to pay fees and interest under the DIP Credit Agreement) in a manner consistent with the terms and conditions of the DIP Credit Agreement, the Disbursement Schedule, the Budget (as defined below and attached hereto) and this Order;

(iv) Grant the DIP Liens to the DIP Lender pursuant to section 364(c)(2) of the Bankruptcy Code, subject only to the Carve Out (as defined below), upon the assets and property as provided in and as contemplated by this Order and the DIP Credit Agreement;

(v) Grant, pursuant to section 364(c)(1) of the Bankruptcy Code, the DIP Lender superpriority administrative claim status in respect of all DIP Obligations, senior to all other administrative claims, subject and junior to only the Carve Out as provided herein; and

(vi) Vacate and modify the automatic stay imposed by section 362 of the Bankruptcy Code to the extent necessary to implement and effectuate the terms and provisions of the DIP Credit Agreement and this Order.

The Court having considered the DIP Motion and the DIP Credit Agreement, and the evidence submitted or proffered at the hearing on the DIP Motion and on the proposed entry this Order is in accordance with Rules 2002, 4001(b), (c), and (d), and 9014 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"), and due and proper notice of the DIP Motion

and the Hearing on the DIP Motion and DIP Credit Agreement having been given; and the Hearing having been held and concluded; and upon the consent of the Official Committee of Unsecured Creditors (the "**Committee**") and it appearing that approval of the relief requested in the DIP Motion is fair and reasonable and in the best interests of the Debtors, their creditors, their estates and their equity holders, and is essential for the continued operation of the Debtors' businesses; and it further appearing that the Borrowers are unable to secure unsecured credit for money borrowed allowable as an administrative expense under Bankruptcy Code section 503(b)(1); and all objections, if any, to the entry of this Order having been withdrawn, resolved or overruled by the Court; and upon all pleadings filed with this Court, all proceedings held before the Court, and the evidence adduced in connection therewith; and after due deliberation and consideration, and for good and sufficient cause appearing therefor:

BASED UPON THE RECORD ESTABLISHED AT THE HEARING BY THE DEBTORS, THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:

A. Petition Date. On January 12, 2009, January 13, 2009 and February 5, 2009 (the "**Petition Date**"), the Debtors filed voluntary petitions under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the District of New Jersey. The Debtors have continued in the management and operation of their businesses and properties as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. The Debtors' cases are

being jointly administered under case # 09-10555(DHS). No trustee or examiner has been appointed in the Cases.

B. Jurisdiction and Venue. This Court has jurisdiction, pursuant to 28 U.S.C. §§ 157(b) and 1334, over these proceedings, and over the persons and property affected hereby. Consideration of the DIP Motion constitutes a core proceeding under 28 U.S.C. § 157(b)(2). Venue for the Cases and proceedings on the DIP Motion is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

C. Committee Formation. The Committee was appointed in the Cases on February 4, 2009. The Committee has been authorized to and has retained attorneys and financial advisors.

D. Notice. Notice of the Hearing and the relief requested in the DIP Motion has been provided by the Debtors, whether by email and/or overnight courier, to certain parties in interest, including: (i) the Office of the United States Trustee, (ii) the Securities and Exchange Commission, (iii) the Internal Revenue Service, (iv) the Committee and (v) all persons on the Rule 2002 service list. Under the circumstances, such notice of the Hearing and the relief requested in the DIP Motion constitutes proper and sufficient notice and complies with, among other things, sections 102(1), 362, 363 and 364 of the Bankruptcy Code and Bankruptcy Rules 2002 and 4001(c).

E. Findings Regarding the Post-Petition Financing.

(i) Need for Post-Petition Financing. A need exists for the Debtors to obtain funds pursuant to the DIP Credit Agreement in order to continue operations, to administer and preserve the value of their estates, to confirm a plan and to exit Chapter 11.

(ii) No Credit Available on More Favorable Terms. The Borrowers have been unable to obtain unsecured credit allowable under Bankruptcy Code section 503(b)(1) as an administrative expense. The Borrowers are also unable to obtain secured credit, allowable only under Bankruptcy Code section 364(c)(2) on more favorable terms and conditions than those provided in the DIP Credit Agreement and this Order. The Borrowers are unable to obtain credit for borrowed money without granting to the DIP Lender (i) the DIP Liens on the property and assets of the Debtors pursuant to Bankruptcy Code section 364(c)(2), (ii) superpriority administrative expense claim status pursuant to Bankruptcy Code sections 503(b) and 507(b) as provided in section 364(c)(1) of the Bankruptcy Code (such superpriority administrative expense claim having priority as provided by this Order), and (iii) the funds to be advanced by the DIP Lender pursuant to this Interim Order shall be used by the Debtors as set forth herein and in the DIP Credit Agreement.

(iii) Disbursement Schedule and Budget. The Debtors have prepared and delivered to the DIP Lender a Disbursement Schedule and Budget, copies of which are exhibits to the Credit Agreement, which set forth the anticipated uses of the DIP Loan proceeds. The

Budget has been thoroughly reviewed by the Debtors and their management and the Committee and sets forth, among other things, the projected financial information for the periods covered thereby.

F. Use of the DIP Loan. The DIP Loan (net of any amounts used to pay Fees and interest to the DIP Lender under the DIP Credit Agreement) shall be used in a manner consistent with the terms and conditions of the DIP Credit Agreement and in accordance with the Disbursement Schedule and Budget.

G. Application of Proceeds of Collateral. Net proceeds of the sale or other disposition of the Collateral (as defined below) shall be applied to the DIP Obligations in accordance with the terms hereof, the DIP Credit Agreement and the Plan.

H. Extension of Financing. The DIP Lender has agreed to provide financing to the Borrowers in accordance with the DIP Credit Agreement, subject to (i) the entry of this Order, and (ii) findings by the Court that such financing is essential to the preservation of the Debtors' estates, that the DIP Lender is a good faith financier, and that the DIP Lender's claims, superpriority claims, security interests and liens and other protections granted pursuant to this Order and pursuant to the DIP Credit Agreement will not be modified in any manner by any subsequent reversal, modification, vacatur or amendment of this Order or any other order, as provided in section 364(e) of the Bankruptcy Code.

I. Business Judgment and Good Faith Pursuant to Section 364(e). The terms and conditions of the DIP Credit Agreement and the Fees and expenses to be paid pursuant thereto, are fair, reasonable, and are the best available under the circumstances; reflect the Borrowers' exercise of prudent business judgment consistent with their fiduciary duties; and are supported by reasonably equivalent value and consideration. The DIP Credit Agreement was negotiated in good faith and at arms' length between the Borrowers and the DIP Lender with the consent of the Committee. The credit to be extended under the DIP Credit Agreement will be extended in good faith, and for valid business purposes and uses, the consequence of which is that the DIP Lender is entitled to the protections and benefits of section 364(e) of the Bankruptcy Code.

NOW, THEREFORE, on the DIP Motion of the Debtors and on the record before the Court with respect to the DIP Motion, and with the consent of the Debtors, the Committee and the DIP Lender to the form and entry of this Order, and good and sufficient cause appearing therefor,

IT IS ORDERED that:

1. DIP Credit Agreement Authorization.

(a) Approval of Entry into DIP Credit Agreement. The Debtors are expressly and immediately authorized, empowered and directed to execute and deliver the DIP Credit Agreement and to incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this Order and in the DIP Credit Agreement, and to deliver all instruments and

documents that may be required or necessary for the performance by the Debtors under the DIP Credit Agreement and the creation and perfection of the DIP Liens described in and provided for by this Order and the DIP Credit Agreement. The Debtors are hereby authorized and directed to pay to the DIP Lender the principal, interest, Additional Interest, Fees, Exit Fee, expenses and other amounts described in the DIP Credit Agreement and all other documents comprising the DIP Credit Agreement as such become due, which amounts shall not otherwise be subject to approval of this Court; *provided, however*, that unresolved disputes as to the reasonableness of any professional fees and expenses may be determined by the Court. Upon execution and delivery, the DIP Credit Agreement shall represent valid and binding obligations of the Borrowers, enforceable against the Borrowers in accordance with its terms.

(b) Authorization to Borrow. In order to enable the Debtors to continue to operate their businesses during these Chapter 11 proceedings and subject to the terms and conditions of this Order, the DIP Credit Agreement, and all other documents comprising the Loan Documents, the Borrowers are hereby authorized under the DIP Credit Agreement to request extensions of credit up to an aggregate committed amount of $4,200,000.00 on an interim basis (the "**DIP Loan**").

(c) Application of DIP Loan. The Debtors are authorized to borrow the DIP Loan under the DIP Credit Agreement, and the proceeds of the DIP Loan (net of any amounts used to pay Fees and interest under the DIP Credit Agreement) shall be used, in each case in a

manner consistent with the terms and conditions of the DIP Credit Agreement, the Disbursement Schedule and the Budget. The Disbursement Schedule and Budget cannot be modified without the written consent of the DIP Lender.

(d) Conditions Precedent. The DIP Lender shall have no obligation to make any Advance under the DIP Credit Agreement unless the conditions precedent to making such Advance under the DIP Credit Agreement, including but not limited to Sections 2.1 and 2.2 of the DIP Credit Agreement, have been satisfied in full or waived in writing by the DIP Lender in its sole and absolute discretion.

(e) Post-Petition Liens. (1) Effective immediately upon the entry of this Order, the DIP Lender is hereby granted the DIP Liens pursuant to sections 361, 362 and 364(c)(2) of the Bankruptcy Code, meaning a first priority, continuing, valid, binding, enforceable, non-avoidable and automatically perfected postpetition security interest in and lien, senior and superior in priority to the liens, security interests and claims of all other secured and unsecured creditors of the Borrowers' estates upon the following collateral, which DIP Liens are not subject to offset or challenge: (a) Tarragon's Equity Interests, as set forth more fully on Exhibit E to the DIP Credit Agreement and (b) any otherwise unencumbered assets and property (including but not limited to (x) assets and properties that hereafter would otherwise be unencumbered and (y) after-acquired assets and properties) of the Borrowers including all collateral securing the Existing DIP Loan, except for the interest of Tarragon Development

Corporation in Ansonia LP (other than (i) stock, limited partnership equity, general partnership equity or limited liability company interests not constituting Tarragon's Equity Interests or (ii) any asset or property of a non-debtor Borrower Party, other than Tarragon's Equity Interests, if the grant of a security interest hereunder or under the DIP Credit Agreement constitutes or results in a breach or an event of default (following the passage of all applicable cure periods) under any applicable loan or security agreement) (the **"Collateral"**). Notwithstanding the foregoing, the Collateral shall not include a security interest in and lien on all of the Borrowers' avoidance power actions and under chapter 5 of the Bankruptcy Code; *provided, however*, that any proceeds of any such avoidance action (net of costs and expenses, including legal fees, incurred in obtaining such proceeds) shall, within one (1) Business Day of receipt, be deposited into a blocked account at a bank designated by Borrower and reasonably approved by Lender, which account shall be subject to an account control agreement sufficient to give Lender a first priority perfected interest in such account and such proceeds and all such rights and remedies with respect to such proceeds and such account as are customarily obtained by secured creditors. Such proceeds shall be retained undisbursed until the earlier of (i) an Event of Default, at which time Lender may exercise all remedies against such proceeds as are provided in Section 8.2 of the DIP Credit Agreement, or (ii) the payment in full of all interest (other than Additional Interest) on and principal of, and the Exit Fee with respect to, the Loan, at which time such

proceeds shall be released from the blocked account and Lender's Lien and shall be paid to the Tarragon Creditor Entity for its own uses and purposes.

(2) In no event shall any lien or security interest that is avoided and preserved for the benefit of the Debtors' estates under section 551 of the Bankruptcy Code, or any person or entity who pays (or through the extension of credit to the Debtors, causes to be paid) any of the DIP Obligations, be subrogated, in whole or in part, to any rights, remedies, claims, privileges, liens or security interests granted in favor of, or conferred upon the DIP Lender by the terms of the DIP Credit Agreement or this Order, until such time as all of the DIP Obligations shall be indefeasibly paid in full in cash in accordance with the DIP Credit Agreement and this Order.

(3) Notwithstanding anything in this Order or the DIP Credit Agreement (i) no lien or security interest shall be created in any of the Debtors' interests in the limited liability companies governed by the operating agreements pursuant to which the Debtors and Ursa Development Group, LLC are members and managers (the "Ursa Companies"); and (ii) none of the Ursa Companies shall have any liability for any of the obligations to the DIP Lender created by this Order or the DIP Credit Agreement.

(4) DIP Lien Priority. The DIP Liens to be created and granted to the DIP Lender herein (i) are created pursuant to section 364(c)(2) of the Bankruptcy Code, (ii) are senior, valid, prior, perfected, unavoidable, and superior to any and other security, pledge, mortgage, or collateral interest or lien or claim to Collateral, and are subject only to the Carve Out and

Permitted Liens, and (iii) shall secure all DIP Obligations. The DIP Liens shall not be made subject to or *pari passu* with any lien or security interest by any court order heretofore or hereafter entered in the Cases; and shall be valid and enforceable against any trustee appointed in the Cases or upon the conversion of any Case to a case under chapter 7 of the Bankruptcy Code or in any other proceedings related to any of the foregoing (a "**Successor Case**"), and/or upon the dismissal of the Cases. The DIP Liens shall not and shall not hereafter be subject to sections 506(c), 510, 549, 550 or 551 of the Bankruptcy Code.

(f) Enforceable Obligations. The DIP Credit Agreement shall constitute and evidence the valid and binding obligations of the Debtors, which obligations shall be enforceable against the Debtors, their estates and any successors thereto and their creditors, in accordance with its terms.

(g) Superpriority Administrative Claim Status. Subject to the Carve Out, all DIP Obligations shall and shall be deemed to be an allowed superpriority administrative expense claim (the "**DIP Superpriority Claim**" and, together with the DIP Liens, the "**DIP Protections**") with priority (except as otherwise provided in paragraph 3 below) in each of the Debtors' Cases under sections 364(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all claims, including but not limited to, administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising, of any kind or nature whatsoever including, without limitation, administrative expenses of the kinds

specified in or ordered pursuant to sections 105, 326, 328, 330 of the Bankruptcy Code (except as otherwise provided in paragraph 3 below), 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 726(b), 1113 and 1114. Other than the Carve Out, no costs or expenses of administration, including, without limitation, professional fees allowed and payable under Bankruptcy Code sections 328, 330, and 331, or otherwise, that have been or may be incurred in these proceedings, or in any Successor Case, and no priority claims are, or will be, senior to, prior to, or on a parity with the DIP Superpriority Claims or the DIP Obligations, or with any other claims of the DIP Lender arising hereunder.

2. Post-Petition Lien Perfection. This Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of the DIP Liens without the necessity of filing or recording any financing statement or other instrument or document which may otherwise be required under the laws or rules of any jurisdiction or the taking of any other action (including, for the avoidance of doubt, entering into any deposit account control agreement (except as set forth in paragraph 1(e)) or the taking of possession of the Collateral) to validate or perfect the DIP Liens or to entitle the DIP Lender to the priorities granted in this Order. Notwithstanding the foregoing, the DIP Lender may, in its sole and absolute discretion, file such financing statements, mortgages, notices of liens and other similar documents or take possession of the Collateral, and is hereby granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such financing statements, mortgages, notices and other

documents shall be deemed to have been filed or recorded, and any such possession shall be deemed to have been obtained, at the time and on the date of the entry of this Order. The Borrowers and Borrower Parties (excluding 800 Madison Street Urban Renewal, LLC and Block 88 Development, LLC) shall execute and deliver to the DIP Lender all such financing statements, mortgages, notices, certificates, endorsements, stock powers, and other documents as the DIP Lender may reasonably request to evidence, confirm, validate or perfect, or to insure the contemplated priority of, the DIP Liens granted pursuant hereto. The DIP Lender, in its discretion, may file a photocopy of this Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which the Borrowers have real or personal property, and in such event, the subject filing or recording officer shall be authorized to file or record such copy of this Order.

3. Carve Out. The DIP Protections shall be subject only to the right of payment of the following expenses (the **"Carve Out"**): (a) the payment of any unpaid fees payable pursuant to 28 U.S.C. § 1930 (including, without limitation, fees under 28 U.S.C. § 1930(a)(6)), (b) the fees due to the Clerk of the Court, (c) the actual fees and expenses incurred by professionals, for the period prior to the occurrence of an Event of Default (less the unused portion of retainers held by such professionals), retained by an order of the Court entered pursuant to Sections 327, 328 or 1103 of the Bankruptcy Code (the **"Professionals"**), but only to the extent that they are within the amounts set forth in the Disbursement Schedule and are subsequently allowed by the

Bankruptcy Court under Sections 330 and 331 of the Bankruptcy Code. Additionally, Lender's Liens on the Collateral shall be subject to a claim (the "50/50 Claim") for allowed fees and expenses of the Professionals retained by the Debtors in an aggregate amount not to exceed $150,000 and allowed fees and expenses of the Professionals retained by the Committee in an aggregate amount not to exceed $150,000; *provided, however*, that unless and until Lender has foreclosed upon one or more items of the Collateral, all unpaid fees and expenses of Professionals not treated as Carve-Out Expenses shall be treated for all purposes as Deferred Confirmation Expenses and payable (prior to the Termination Date) only as provided in Section 1.6. At such time or times, if any, as Lender shall foreclose upon one or more items of Collateral, proceeds of such foreclosure(s) shall be shared one-half to Lender and one-half to the holder(s) of the 50/50 Claim (and ratably among such holders) until such time, if any, as $300,000 shall have been paid to such holder(s), at which time the 50/50 Claim shall be fully satisfied and extinguished. The holder(s) of the 50/50 Claim shall not demand, sue for or commence any action to recover or collect from Borrowers any fees or expenses encompassed by the 50/50 Claim (except to the extent such fees or expenses are payable in accordance with Section 1.6) or to enforce the 50/50 Claim until the Termination Date has occurred. No portion of the Carve-Out Expenses or any other proceeds of the Loan or any fees or expenses encompassed by the 50/50 Claim may be used to investigate, litigate, object, contest or challenge in any manner or raise any defenses to the debt, claims, offsets or collateral position of Lender

under this Agreement or any other claims against any of the entities owned or controlled by Lender or its Affiliates, whether by challenging the validity, extent, amount, perfection, priority or enforceability of the indebtedness under this Agreement or the validity, perfection or priority of any mortgage, pledge, security interest or lien with respect thereto or any other rights or interests or replacement liens with respect thereto or any other rights or interests of Lender, or by seeking to subordinate or recharacterize the Loan or disallow any claim, mortgage, pledge, security interest or lien by asserting any claims or causes of action, including, without limitation, any actions under Chapter 5 of the Bankruptcy Code, against Lender, or any of its Affiliates, insiders, officers, directors, employees, agents, attorneys, representatives or employees other than challenging whether an Event of Default has occurred or is continuing. In addition, the Carve-Out Expenses and any other proceeds of the Loan shall not be used, nor shall any fees or expenses encompassed by the 50/50 Claim be incurred or expended, in connection with (i) preventing, hindering or delaying Lender' s enforcement or realization upon the Collateral once an Event of Default has occurred, (ii) selling or otherwise disposing of the Collateral without the consent of Lender, (iii) using or seeking to use any insurance proceeds related to the Collateral without the consent of Lender, or (iv) incurring indebtedness senior to Lender's Liens hereunder. Lender shall not be responsible for the direct payment or reimbursement of any fees or disbursements of any Professionals incurred in connection with the Chapter 11 Case under any chapter of the Bankruptcy Code, and nothing herein shall be construed to obligate Lender in any

way to pay compensation to or to reimburse expenses of any Professional, or to guarantee that Borrowers have sufficient funds to pay such compensation or reimbursement..

4. Payment of Compensation. Nothing herein shall be construed as consent to the allowance of any Professional fees or expenses of the Debtors, the Committee, a Committee member, any other official committee appointed in the Cases or otherwise and nothing herein shall affect the right of the DIP Lender to object to the allowance and payment of such fees and expenses.

5. Section 506(c) Claims. No costs or expenses of administration which have been or may be incurred in the Cases at any time shall be charged against the DIP Lender, its claims, or the Collateral, pursuant to sections 105, 506(c) or 522 of the Bankruptcy Code, or otherwise, without the prior written consent of the DIP Lender, and no such consent shall be implied from any other action, inaction, or acquiescence by the DIP Lender.

6. Collateral Rights. Unless the DIP Lender has provided its prior written consent or all DIP Obligations have been indefeasibly paid in full in cash and all commitments to lend have terminated, there shall not be entered in these Cases, or in any Successor Cases, any order which authorizes the obtaining of credit or the incurring of indebtedness that is (a) secured by a security interest, mortgage, pledge, collateral interest or lien on all or any portion of the Collateral and/or (b) entitled to priority administrative status which is equal or senior to those granted to the DIP Lender other than in accordance with this Order and in the DIP Credit Agreement.

7. Proceeds of Subsequent Financing. Without limiting the provisions and protections of paragraph 6 above, if at any time following an Event of Default and prior to the indefeasible repayment in full of all DIP Obligations and the termination of the DIP Lender's obligation to make loans and Advances under the DIP Credit Agreement, including confirmation of a plan of reorganization with respect to the Debtors, the Borrowers' estates, any trustee(s), any examiner(s) with enlarged powers or any responsible officer appointed in connection with the Cases, shall obtain credit or incur debt pursuant to Bankruptcy Code section 364 in violation of the DIP Credit Agreement or this Order, then all of the cash proceeds derived from such credit or debt shall immediately be turned over to the DIP Lender in reduction of the DIP Obligations.

8. Maturity Date. All DIP Obligations of the Debtors to the DIP Lender shall be immediately due and payable on the Maturity Date (as defined in the DIP Credit Agreement).

9. Payment Upon Maturity. The DIP Obligations shall be due and payable in accordance with the terms of the DIP Credit Agreement, without notice or demand, on the Maturity Date.

10. Payment from Proceeds of Collateral. Net proceeds of all Collateral (including, for the avoidance of doubt, proceeds from all dispositions of Collateral, whether or not in the ordinary course) shall be applied to the DIP Obligations consistent with the DIP Credit Agreement and the terms hereof.

11. Disposition of Collateral. From and after date hereof, Borrowers shall proceed diligently to liquidate, and cause their Subsidiaries to liquidate, all assets owned by such Borrower or Subsidiary, provided that (i) prior to the Effective Date, such liquidation shall be accomplished in accordance with the Bankruptcy Code and as authorized by appropriate order of the Bankruptcy Court and (ii) from and after the Effective Date, such liquidation shall be accomplished by Borrowers and the Tarragon Creditor Entity as provided in the liquidating plan incorporating the terms of the DIP Credit Agreement and otherwise as contemplated by the Term Sheet (as defined in the DIP Credit Agreement) and the DIP Credit Agreement (the **"Plan"**). Subject to the Bankruptcy Code, all proceeds of such liquidation shall be paid and distributed as provided in Section 1.6 of the DIP Credit Agreement and the Plan. Borrowers shall have complete authority with respect to the terms of any proposed sale of any item of Collateral (including with respect to the price thereof); provided, however, that no sale of a Material Liquidation Asset shall occur that would result in Net Distributable Capital Proceeds of less than an amount agreed to by Lender, such agreement not to be unreasonably withheld, conditioned or delayed.

12. Events of Default; Remedies.

(a) Events of Default. An "**Event of Default**" shall have the same meaning as defined in the DIP Credit Agreement.

(b) Rights and Remedies Upon Event of Default.

(1) Immediately upon the occurrence and during the continuation of an Event of Default, (i) the DIP Lender may declare all or any portion of the DIP Obligations to be immediately due and payable all without presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Debtors, and may declare the termination, reduction or restriction of any further commitment to extend credit to the Borrowers to the extent any such commitment remains (the declaration of any of the foregoing being herein referred to as a "**Termination Declaration**" and the date of such declaration being herein referred to as the "**Termination Declaration Date**"), (ii) the DIP Lender may increase the rate of interest applicable to the DIP Loan to the Default Rate under the DIP Credit Agreement, and (iii) the DIP Lender may take any other actions permitted under the DIP Credit Agreement and applicable law.

(2) In addition to the remedies described above and other customary remedies, any automatic stay otherwise applicable to the DIP Lender is hereby modified so that upon the occurrence and during the continuance of an Event of Default, and following the giving of six (6) calendar days' prior written notice (the "**Remedies Notice Period**") to the Debtors, the Committee, and the United States Trustee, the DIP Lender shall immediately be entitled to foreclose on all or any portion of the Collateral. During the Remedies Notice Period, the Debtors shall be entitled to an emergency hearing with the Bankruptcy Court solely to challenge the occurrence of an Event of Default and, unless ordered otherwise prior to

the expiration of the Remedies Notice Period, the automatic stay, as to the DIP Lender, shall be automatically terminated at the end of the Remedies Notice Period without further notice or order.

(3) If the DIP Lender exercises any of its rights and remedies upon the occurrence of an Event of Default, upon the expiration of the Remedies Notice Period, the DIP Lender may retain one or more agents to take possession and control of, sell, lease, or otherwise dispose of the Collateral. In any exercise of its rights and remedies upon an Event of Default under the DIP Credit Agreement, the DIP Lender is authorized to proceed and to exercise all remedies and to take all actions permissible under or pursuant to the DIP Credit Agreement and applicable law.

(4) Subject to the terms of this Order, all proceeds realized from any of the foregoing (subject to the Carve Out) shall be applied to the DIP Obligations in accordance with the terms hereof.

(5) The Bankruptcy Court shall retain jurisdiction with respect to any and all remedies described in this Order, the DIP Credit Agreement and the Loan Documents, including any foreclosure or sale of the Collateral, and any objections thereto.

(c) Modification of Automatic Stay. The automatic stay imposed under Bankruptcy Code section 362(a) is hereby modified as necessary to (1) permit the Debtors to grant the DIP Liens and to incur all liabilities and obligations to the DIP Lender under the DIP

Credit Agreement and this Order, and (2) authorize the DIP Lender to retain and apply payments hereunder.

(d) Other Remedies. Nothing included herein shall prejudice, impair, or otherwise affect (1) the DIP Lender's right to seek any other or supplemental relief in respect of the rights of the DIP Lender (or its affiliates), as provided in the DIP Credit Agreement or the Loan Documents, to suspend or terminate providing any form or type of financial accommodation to the Debtors, including, without limitation, in relation to any of the DIP Loan, the DIP Obligations, or the DIP Credit Agreement, in accordance with the terms of and to the extent provided for in the DIP Credit Agreement and/or this Order.

13. Proofs of Claim. The DIP Lender will not be required to file proofs of claim in the Cases or any Successor Cases.

14. Debtors' Waivers. At all times during the pendency of the Cases and as provided in the Plan, and whether or not an Event of Default has occurred, the Debtors and the Committee irrevocably waive any right that they have or may have to directly or indirectly seek or cause to be sought authority (i) to obtain (or cause to be obtained) post-petition loans or other financial accommodations pursuant to Section 364(c) or 364(d) of the Bankruptcy Code or post-confirmation loans, other than from the DIP Lender or as may be otherwise expressly permitted pursuant to the DIP Credit Agreement, as a result of which the Collateral would become encumbered by any lien or claim that primes or is *pari passu* with the DIP Protections

afforded to the DIP Lender, (ii) to challenge the application of any payments authorized by this Order as pursuant to Section 506(b) of the Bankruptcy Code or otherwise, or (iii) to seek relief under the Bankruptcy Code, including without limitation, under Section 105 of the Bankruptcy Code, to the extent any such relief would in any way restrict or impair the rights and remedies of DIP Lender as provided in this Order and the DIP Credit Agreement or the DIP Lender's exercise of such rights or remedies; provided, however, that DIP Lender may otherwise consent in writing in its sole and absolute discretion, but no such consent shall be implied from any other action, inaction, or acquiescence by the DIP Lender.

15. Other Rights and Obligations.

(a) Good Faith under Section 364(e) of the Bankruptcy Code; No Modification or Stay of this Order. Based on the findings set forth in this Order and in accordance with section 364(e) of the Bankruptcy Code, which is applicable to the DIP Loan contemplated by this Order, in the event any or all of the provisions of this Order are hereafter modified, amended or vacated by a subsequent order of this or any other Court, the DIP Lender is entitled to the protections provided in section 364(e) of the Bankruptcy Code and no such modification, amendment or vacation shall affect the validity and enforceability of any Advances made hereunder or lien or priority authorized or created hereby. Notwithstanding any such modification, amendment or vacation, any claim granted to the DIP Lender hereunder arising prior to the effective date of such modification, amendment or vacation of any DIP Protections

granted to the DIP Lender shall be governed in all respects by the original provisions of this Order, and the DIP Lender shall be entitled to all of the rights, remedies, privileges and benefits, including the DIP Protections granted herein, with respect to any such claim. Since the loans made pursuant to the DIP Credit Agreement are made in reliance on this Order, the obligations owed the DIP Lender prior to the effective date of any stay, modification or vacation of this Order cannot, as a result of any subsequent order in the Cases, or in any Successor Cases, be subordinated, lose its lien priority or superpriority administrative expense claim status, or be deprived of the benefit of the status of the liens and claims granted to the DIP Lender under this Order and/or the DIP Credit Agreement.

(b) Expenses. As provided in the DIP Credit Agreement and Loan Documents, the Fees due to the DIP Lender are hereby authorized and shall be paid by the Borrowers consistent with the terms of the DIP Credit Agreement. The DIP Lender shall provide to the Debtors, the Committee and the U.S. Trustee (through confirmation of the Plan), on a monthly basis, the total amount of professional fees incurred per calendar month in the Cases by summary invoice. Under no circumstances shall professionals for the DIP Lender be required to comply with the U.S. Trustee fee guidelines, and such fees and expenses shall not be subject to allowance by the Bankruptcy Court.

(c) Binding Effect. The provisions of this Order shall be binding upon and inure to the benefit of the DIP Lender, the Debtors and their successors and assigns (including

any trustee or other fiduciary hereinafter appointed as a legal representative of the Debtors or with respect to the property of the estate of the Debtors) whether in the Cases, in any Successor Cases, or upon dismissal of any such chapter 11 or chapter 7 case, and shall be binding upon all parties-in-interest in the Debtors' bankruptcy Cases.

(d) No Waiver. The failure of the DIP Lender to seek relief or otherwise exercise its rights and remedies under the DIP Credit Agreement, this Order or applicable law, as applicable, shall not constitute a waiver of any of its rights hereunder, thereunder, or otherwise. Notwithstanding anything herein, the entry of this Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair (1) the rights of the DIP Lender under the Bankruptcy Code or under non-bankruptcy law, including without limitation, the rights of the DIP Lender to (i) request conversion of any Case to a case under chapter 7, dismissal of any Case, or the appointment of a trustee in any Case (but only in the event an Event of Default has occurred and is continuing), or (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a chapter 11 Plan or Plans, or (2) any of the rights, claims or privileges (whether legal, equitable or otherwise) of the DIP Lender.

(e) No Third Party Rights. Except as explicitly provided for herein, this Order does not create any rights for the benefit of any third party, creditor, equity holder or any direct, indirect, or incidental beneficiary.

(f) No Marshaling. The DIP Lender shall not be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the Collateral.

(g) Amendment. The Borrowers and the DIP Lender may amend or waive any provision of the DIP Credit Agreement, provided that such amendment or waiver, in the judgment of the Borrowers and the DIP Lender, is neither prejudicial to the rights of third parties nor material. Except as otherwise provided herein, no waiver, modification, or amendment of any of the provisions hereof shall be effective unless set forth in writing, signed by on behalf of the Borrowers and the DIP Lender and approved by this Court.

(h) Survival of Order. The provisions of this Order and any actions taken pursuant hereto shall survive entry of any order which may be entered (1) confirming the Plan in the Cases, (2) converting any Case to a case under chapter 7 of the Bankruptcy Code, (3) appointing a chapter 11 trustee or examiner, or (4) dismissing any Case, and the terms and provisions of this Order as well as the DIP Protections granted pursuant to this Order and the DIP Credit Agreement, shall continue in full force and effect notwithstanding the entry of such order, and such DIP Protections shall maintain their priority as provided by this Order until all the obligations of the Debtors to the DIP Lender pursuant to the DIP Credit Agreement and this Order are indefeasibly paid in full and discharged (such payment being without prejudice to any terms or provisions contained in the DIP Credit Agreement which survive such discharge by their terms). The DIP Obligations shall not be discharged by the entry of an order confirming a

Plan, the Borrowers having waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code. Unless otherwise agreed to by the DIP Lender, the Debtors shall not propose or support any plan that is not conditioned upon the payment in full in cash of all of the DIP Obligations, on or prior to the earlier to occur of (i) the effective date of such plan and (ii) the Maturity Date.

(i) Inconsistency. In the event of any inconsistency between the terms and conditions of the DIP Credit Agreement and of this Order, the provisions of this Order shall govern and control.

(j) Enforceability. This Order shall constitute findings of fact and conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully enforceable immediately upon entry hereof.

(k) Objections Overruled. All objections to the DIP Motion to the extent not withdrawn or resolved are hereby overruled.

(l) Retention of Jurisdiction. The Court has and will retain jurisdiction to enforce this Order according to its terms.

(m) Transfer Equity/Claims Order: Nothing contained in any Order relating to the Debtors' Motion for an Order pursuant to Sections 105(a), 362(a)(3) and 541 of the Bankruptcy Code (A) Limiting Certain Transfers of Equity Interests of the Debtors and Claims Against the Debtors and (B) Approving Related Notice Procedures shall in any way

modify, affect or otherwise apply to this Order and the Loan Documents (as such term is defined in the DIP Credit Agreement), including any and all rights or remedies granted to the DIP Lender and any right of the DIP Lender to exercise its rights or remedies with respect to the pledged Tarragon Equity Interests.

16. Term Sheet. The DIP Lender's agreement to enter into the DIP Credit Agreement and extend financial accommodations to the Debtors and their bankruptcy estates and the Borrowers was expressly contingent upon the Debtors and the Committee's agreement to enter into and execute a Term Sheet which was amended by Amendment No. 1 dated as of March 24, 2010 (copies of which are annexed hereto as Exhibit B). The Court hereby approves of the Term Sheet, and its provisions as so amended (to the extent not superseded by the DIP Credit Agreement), as binding on the Debtors, the Committee, Ansonia, LLC, Taberna Capital Management, LLC, UTA Capital LLC, Beachwold Partners, L.P., Robert Rothenberg and William Friedman pursuant to its terms, which terms are hereby incorporated by reference herein. Any material breach of the Term Sheet (once executed) by any party other than DIP Lender shall be an Event of Default under this Order and the DIP Credit Agreement.

17. Deadlines. The Debtors shall be required to (i) file a plan of reorganization and disclosure statement consistent with the terms and conditions set forth in the Term Sheet within sixty (60) days from the date of the Term Sheet (March 4, 2010); and (ii) the Court shall enter a

final order confirming said plan by no later than June 15, 2010, or these shall be Events of Default under this Order and the DIP Credit Agreement.

18. Restrictions. While the DIP Obligations are outstanding to the DIP Lender, the Debtors are prohibited from the following without the express written consent of the DIP Lender: (i) surrendering any assets, real property or interests in real property; (ii) entering into any settlements or compromises or restructuring any debt; (iii) selling, transferring or conveying any of the Debtors' assets, real property or interests in real property except to the extent provided in the DIP Credit Agreement; (iv) agreeing to permit any party relief from the automatic stay of section 362 of the Bankruptcy Code; and (v) or encumbering any assets, real property or interests in real property of the Debtors or any of the Debtors' affiliates or subsidiaries.

19. Upon the payment in full of the Westminster DIP Funding, LLC financing as approved by Order of the Court dated December 10, 2009 and any subsequent amendments, or upon entry of a final order otherwise adjudicating the rights of Westminster DIP Funding LLC with respect to the Escrowed DIP Payoff, the protections and rights granted to Westminster DIP Funding, LLC under said Order(s) shall expire and be of no force or effect.

20. Notwithstanding anything contained herein, in the DIP Credit Agreement, or in the Term Sheet to the contrary, all unpaid professional fees, accrued as of the date of the entry of this Order, that have been allowed by the Bankruptcy Court but remain "held back" pursuant to previous orders of the Bankruptcy Court shall be paid pursuant to the terms of the DIP Credit

Agreement and the Plan; provided, however, subject to the priorities established in the DIP Credit Agreement and the Plan, that nothing contained herein, in the DIP Credit Agreement, or in the Term Sheet shall be construed as a waiver of or otherwise to limit the right of any professional to seek compensation and reimbursement of expenses from the Bankruptcy Court and the rights of all parties with respect thereto are fully preserved with the express agreement and directive of the Court that (except as set forth in this paragraph 20) none of the professionals retained by the Debtors or the Committee can look to the DIP Lender and its Affiliates for payment of any such allowed fees and expenses.

21. Nothing contained herein shall prejudice any rights, powers, privileges or remedies available to General Electric Capital Corporation ("GECC") with respect to non-debtors or that GECC might have as a result of this financing to non-debtors.

22. A final hearing shall be held on April [ ], 2010 at _____ [].m. before the Court. Debtors' counsel shall serve a copy of this Interim Order on all required parties within two (2) days of its entry. Any objections to the entry of a final order must be filed with the Court and copies served on: (i) Cole, Schotz, Meisel, Forman & Leonard, P.A., Court Plaza North 25 Main Street, P.O. Box 800, Hackensack, New Jersey 07602-0800, Attn: Michael D. Sirota, Esq.; (ii) Patterson Belknap Webb & Tyler LLP, 1133 Avenue of the Americas, New York, NY 10036-6710, Attn: Daniel A. Lowenthal, Esq.; and (iii) Seyfarth Shaw LLP, 620 Eighth Avenue, New

York, NY 10018, Attn: Robert W. Dremluk, Esq., by no later than _____, 2010 at 5:00 p.m. prevailing Eastern time.

EXHIBIT E
TO
CREDIT AND SECURITY AGREEMENT

TARRAGON'S EQUITY INTERESTS

Parent Company	Affiliate Being Pledged	Percentage Interest	Other Equity Holder
Tarragon Corporation	1118 Adams Parking, Inc.	100	
	Acadian Place Apartments, L.L.C.	100	
	Alta Marina, LLC	100	
	AltaMar Development LLC	100	
	Bermuda Island Tarragon LLC	100	
	Central Square Tarragon LLC	100	
	Mohegan Hill Tarragon, LLC	100	
	MSCP, Inc.	100	
	Mustang National, Inc. (ONLY IF LENDER CONSENTS)	100	
	National Income Realty Investors, Inc.	100	
	Orlando Central Park Tarragon, L.L.C.	100	
	River House Tarragon, L.L.C.	100	
	SO. Elms National Associates Limited Partnership	99(GP)	Vinland Property Investors, Inc. (LP) (wholly owned subsidiary of Tarragon Corporation)
	Stamford Tarragon I LLC	100	
	Stonington Tarragon, LLC	100	

Parent Company	Affiliate Being Pledged	Percentage Interest	Other Equity Holder
	Summit on the Lake Associates, Ltd.	99(LP)	National Income Realty Investors, Inc. (wholly owned subsidiary of Tarragon Corporation)
	Tampa Palms Tarragon, LLC	100	
	Tarragon Development Company LLC	81.53	National Income Realty Investors, Inc. (wholly owned subsidiary of Tarragon Corporation)
	Tarragon Development Corporation	100	
	Tarragon Management, Inc.	100	
	Tarragon Mortgage Capital, LLC	100	
	Tarragon Stratford, Inc.	100	
	Tarragon Limited, Inc. (ONLY IF LENDER CONSENTS)	100	
Tarragon Development Corporation	Tarragon Edgewater Associates, LLC	100	
	North Water Street Tarragon, LLC	100	

Parent Company	Affiliate Being Pledged	Percentage Interest	Other Equity Holder
Tarragon South Development Corp.	Uptown Village Tarragon B, LLC	100	
	Omni-Tivoli, LLC	100	
	Orion Tarragon GP, Inc.	100	
	Orion Tarragon LP, Inc.	100	
	Omni Equities Corporation	100	
	Uptown Village Tarragon A, LLC	100	
Vinland Property Investors, Inc.	SO. Elms National Associates Limited Partnership	1 (LP)	Tarragon Corporation
National Income Realty Investors, Inc.	Summit on the Lake Associates, Ltd.	1 (GP)	Tarragon Corporation
National Income Realty Investors, Inc.	Tarragon Development Company LLC	18.47	Tarragon Corporation

EXHIBIT F
TO
CREDIT AND SECURITY AGREEMENT

COMPLIANCE CERTIFICATE

(Please see attached)

COMPLIANCE CERTIFICATE
[Letterhead of Tarragon Corp.]

_____,20___

To: UTA CAPITAL LLC

The undersigned, the [chief financial officer] [or other Financial Officer] of the undersigned ("Borrowers"), gives this certificate to UTA CAPITAL LLC ("Lender") in accordance with the requirements of Section (a)(iii) of Annex C to that certain Secured, Super-Priority Debtor-In-Possession and Exit Financing Credit and Security Agreement dated as of March 24, 2010 by and between Borrowers and Lender (the "DIP Agreement"). Capitalized terms used in this Certificate, unless otherwise defined herein, shall have the meanings ascribed to them in the DIP Agreement.

1. The attached projected 12 weeks cash flow present fairly, based on our knowledge and belief today, the projected cash flows of the Borrowers as of the dates and for the periods set forth therein.

2. [No Event of Default exists on the date hereof.] or [No Event of Default exists on the date hereof, other than _____ [specify the details of each Default and any action taken or proposed to be taken with respect thereto].]

3. There is no notice required to be furnished to Lender pursuant to the DIP Agreement (including without limitation, pursuant to Annex C to the DIP Agreement) that has not been furnished to Lender.

4. All information required to be furnished to Lender pursuant to the DIP Agreement (including without limitation, pursuant to Sections (a)(v), (c) and (d) of Annex C to the DIP Agreement) has been furnished to Lender on a timely basis.

[signature page follows]

Very truly yours,

TARRAGON CORPORATION,
as Borrower

By:_____
Name:
Title:

TARRAGON DEVELOPMENT CORPORATION,
as Borrower

By:_____
Name:
Title:

TARRAGON SOUTH DEVELOPMENT CORP.,
as Borrower

By:_____
Name:
Title:

[Signatures Continued on Next Page]

TARRAGON DEVELOPMENT COMPANY LLC,
as Borrower

By:_____
Name:
Title:

TARRAGON MANAGEMENT, INC.
as Borrower

By:_____
Name:
Title:

BERMUDA ISLAND TARRAGON LLC,
as Borrower

By:_____
Name:
Title:

ORION TOWERS TARRAGON, LLP,
as Borrower

By:_____
Name:
Title:

[Signatures Continued on Next Page]

ORLANDO CENTRAL PARK TARRAGON, L.L.C.,
as Borrower

By:_____
Name:
Title:

FENWICK PLANTATION TARRAGON, LLC,
as Borrower

By:_____
Name:
Title:

CHARLESTON TARRAGON MANAGER, LLC,
as Borrower

By:_____
Name:
Title:

900 MONROE DEVELOPMENT LLC,
as Borrower

By:_____
Name:
Title:

[Signatures Continued on Next Page]

THE PARK DEVELOPMENT EAST LLC,
as Borrower

By:_____
Name:
Title:

ONE LAS OLAS, LTD.
as Borrower

By:_____
Name:
Title:

OMNI EQUITIES CORPORATION,
as Borrower

By:_____
Name:
Title:

CENTRAL SQUARE TARRAGON LLC,
as Borrower

By:_____
Name:
Title:

THE PARK DEVELOPMENT WEST LLC,
as Borrower

By:_____
Name:
Title:

[Signatures Continued on Next Page]

VISTA LAKES TARRAGON, LLC,
as Borrower

By:_____
Name:
Title:

TARRAGON EDGEWATER ASSOCIATES, LLC,
as Borrower

By:_____
Name:
Title:

MURFREESBORO GATEWAY PROPERTIES, LLC,
as Borrower

By:_____
Name:
Title:

TARRAGON STONECREST LLC,
as Borrower

By:_____
Name:
Title:

[Signatures Continued on Next Page]

TARRAGON STRATFORD, INC.
as Borrower

By:_____
Name:
Title:

MSCP, INC.,
as Borrower

By:_____
Name:
Title:

TDC HANOVER HOLDINGS LLC,
as Borrower

By:_____
Name:
Title:

EXHIBIT G
TO
CREDIT AND SECURITY AGREEMENT

LIST OF MATERIAL LIQUIDATION ASSETS AND ASSOCIATED LIABILITIES

(Please see attached)

	Principal	Accrued Interest	Accrued Default Interest*	As of:	Real Estate Taxes	Payables > $100,000	
800 Madison	66,628,679.94	128,393.57	-	2/08 - 3/08	-	-	
	4,623,192.99	11,686.40	-	2/01 - 3/01	-	-	
	71,251,872.93	140,079.97	n/a	2/28 - paid 3/05	Internally Escrowed	n/a	
900 Monroe	3,900,000.00	205,999.58	n/a	2/28/2010	81,411.11	n/a	RE taxes: includes int and penalties to April 1
Block 106	4,500,000.00	192,416.66	379,201.00	2/28/2010	166,914.56	n/a	RE taxes: includes int and penalties to April 1
Block 144	900,000.00	38,483.53	75,840.00	2/28/2010	30,285.13	n/a	RE taxes: includes int and penalties to April 1
URSA PMN	n/a	n/a	n/a	n/a	n/a	n/a	
Hoboken Cinema	n/a	n/a	n/a	n/a	n/a	n/a	
Orion Towers	7,690,400.00	401,755.27	n/a	2/28/2010	182,409.05	n/a	RE taxes: includes int and penalties to March 31
Mustang Creek	5,305,620.35	33,260.34	n/a	2/28 - paid 3/01	Escrowed by Lender	n/a	
Summit on the Lake	5,982,483.41	26,103.57	n/a	2/28 - paid 3/01	Escrowed by Lender	n/a	
Keane Stud	1,181,559.25	112,924.17	n/a		n/a		
Uptown Village	n/a	n/a	n/a	n/a	282,013.31	n/a	RE taxes: includes int and penalties to March 31

* *Excludes late fees, extension fees if any*

EXHIBIT H
TO
CREDIT AND SECURITY AGREEMENT

AFFILIATED INDEBTEDNESS

Secured Debt

Borrower	Lender	Guarantor	Amount of Indebtedness Outstanding as of 12/31/2008	Cross-Default with other Tarragon Loans
Manchester Tolland Development, LLC	GECC	Tarragon Corporation	$59,105,450, of which $13,579,497 is affiliated debt owed to Tarragon Corporation	No
Mustang Creek National, L.P.	FannieMae	Tarragon Corporation	$5,639,461	No
Block 144 Development, LLC	The Provident Bank	Tarragon Corporation and Tarragon Development Corporation, jointly and severally	$1,403,108 of which $407,694 is affiliated debt owed to Tarragon Corporation	Yes; a monetary default by Block 106 Development, LLC and/or Guarantor in connection with any loan with Provident Bank or any other Person, if such default would permit the acceleration of such debt
One Las Olas, Ltd.	Regions Bank	Tarragon Corporation	$899,685	Yes; with Central Square and any other loans advanced to Tarragon by Regions Bank
One La Olas, Ltd.	BankAtlantic	Tarragon Corporation	$1,960,577	Yes; with any other loans advanced to Tarragon by BankAtlantic

Material Litigation; Asserted/Unasserted Claims

PLAINTIFF NAME	DEFENDANT NAME	COURT/AGENCY/LOCATION
GENERAL/COMMERCIAL		
Premier Sales Group, Inc.	100 East Las Olas, Ltd.	Claim
Estate of Leonard Vorcheimer, Stuart Vorcheimer, Executor	Rutherford Tarragon Development, LLC and Tarragon Corporation	Docket No. L-4978-08 Superior Court of New Jersey, Law Division Passaic County
Roto Rooter Plumbing	Acadian Place Apartments, LLC and Developers Surety and Indemnity Company	No. 545, 139, SEC. 27 19th Judicial District Court, Parish of East Baton Rough
Soares de Costa Construction Services, LLC (Claimant and Counter Respondent)	Alta Mar Development, LLC, Balsam Acquisitions LLC, Tarragon Development Corporation v. Soares Da Costa Construction Services, LLC and Insurance Company of the State of Pennsylvania	Arbitration proceeding (American Arbitration Assn, Case No. 501 10S 00346 06)
Soares de Costa Construction Services, LLC	Alta Mar Development, LLC, Balsam Acquisitions LLC; Tarragon Development Corporation; and Safeco Insurance Company of America	Case No. 07-CA-005825 In the Circuit Court of the 20th Judicial Circuit, in and for Lee County, Florida
Safeco Insurance Company of America	Tarragon Corporation	Case No. 2:07-CV-760-Ftm 29 DNF US District Court, Middle District of Florida
		Additional Claim by Safeco
Graybar Electric Company, Inc.	Alta Mar Development, LLC, Balsam Acquisitions LLC; Soares Da Costa Construction Services, LLC, SunTech Electrical Contractors, Inc., Insurance Company of the State of Pennsylvania and Thomas J. Czajkowski, Jr.	Case No. 06-CA-002654 In the Circuit Court of the 20th Judicial Circuit, in and for Lee County, Florida

PLAINTIFF NAME	DEFENDANT NAME	COURT/AGENCY/LOCATION
Hannula Landscaping, Inc.	Alta Mar Development, LLC, Soares Da Costa Construction Services, LLC and AIG Domestic Claims, Inc. Third Party Claim: Alta Mar Development, LLC v. Insurance Company of the State of Pennsylvania, Alta Mar Development LLC and Balsam Acquisitions	Case No. 06-CA-002409 In the Circuit Court of the 20th Judicial District, in and for Lee County, Florida
T.C.T. Corp. d/b/a Tamiami Carpet Interiors	Soares Da Costa Construction Services, LLC, Alta Mar Development LLC a/k/a Balsam Acquisitions, LLC, Platte River Insurance Company and Insurance Company of the State of Pennsylvania	Case No. 07-CA-2788 In the Circuit Court of the 20th Judicial District, in and for Lee County, Florida
Rice Insulation and Glass, Inc.	Alta Mar Development, LLC, Soares da Costa Construction Services, LLC, Insurance Company of the State of Pennsylvania and Platte River Insurance Company	Case No. 07-CC-2081 In County Court, Lee County, Florida
Goshorn Plumbing, Inc.	Alta Mar Development, LLC and Soares Da Costa Construction Services, LLC	Case No. 07-CA-007856 In the Circuit Court of the 20th Judicial Circuit, in and for Lee County, Florida
Florida Department of Environmental Protection	Alta Manna, LLC	Violations
PMK Group	Block 114 Development, LLC	Docket No. UNN-L-1173-09
City of Lauderdale Lakes	Central Square Tarragon, LLC and Tarragon South Development Corporation	Case No. 09-26976-05 In the Circuit Court of the 17th Judicial Circuit in and for Broward County, FL
City of Lauderdale Lakes	Central Square Tarragon, LLC and Tarragon Corporation	Code violation, Case #09-2120
Somerset Condominium Coordinating	Central Square Tarragon, LLC	Claim

PLAINTIFF NAME	DEFENDANT NAME	COURT/AGENCY/LOCATION
Peter Graeber, an infant, by his Guardian, Ad Litem, Robert Graeber	Stations, Inc., c/o Ann Farmer, and Ann Farmer, John Doe 1-10, and ABC Corp. 1-10 (Defendants) and Stations, Inc. and Ann Farmer (Defendants/Third Party Plaintiffs) and East Hanover Tarragon, LLC (Third Party Defendant)	Superior Court of New Jersey Law Division, Moms County, Docket No. MRS-L-1080-09
Bailey, Christine	Suffolk Construction Company, Inc., Tarragon Management, Inc., and John Candelora	Case No. 05-005584 (18) In the Circuit of the 17th Judicial Circuit, in and for Broward County, Florida
Eastern Concrete Materials, Inc.	Tarragon Edgewater Associates, LLC, Daibes Brothers, Inc., and Nigo Construction Corp.	Docket No. BER-L-2443-07 Superior Court of New Jersey Law Division, Bergen County
Regions Bank	Orchid Grove, LLC; Tarragon Corporation; Coscan Homes, LLC; Coscan Corporate Holdings, LLC; Orchid Grove Master Association, Inc.; Orchid Grove I Condominium Association, Inc.; Orchid Grove II Condominium Association, Inc., and Wells Fargo Bank, N.A.	Case No. 09-006284-14 In the Circuit Court of the Seventeenth Judicial Circuit in and for Broward County, Florida
Whirlpool Corporation	Orchid Grove, LLC	Circuit Court of the 17th Judicial Court, Broward County, Florida, Case No. 08-015323CA14
Sadiki, Christine and Fouad	The Sullivan Group of Florida, Inc., Orlando Central Park Tarragon, L.L.C., Ralph Caban Cross Claimant: Orlando Central Park Tarragon, L.L.C. v The Sullivan Group of Florida, Inc., and Ralph Caban	Case No. CA-03-153, in the Circuit Court of the Ninth Judicial Circuit of Orange County, FL
Arrow Financial	Tarragon Corporation	Claim
Builders Technical Services, Inc., and Garry D. Mullins, Jr.	J. Robert Day, David G. Spiers, Asbury Place Development, Ltd., and RODC, LLC vs. Orion Towers Tarragon, L.L.P., Orion Tarragon, L.P., Orion Tarragon GP, Inc. and Tarragon South Development Corp.	In the District Court of Harris County Texas (269th Judicial District); Case No. 2008-20881

PLAINTIFF NAME	DEFENDANT NAME	COURT/AGENCY/LOCATION
Charles DeWeese Construction Co., Inc.	Murfreesboro Gateway Properties, LLC and Tarragon Stonecrest, LLC	Lien/Claim
Charles DeWeese Construction Co., Inc.	Murfreesboro Gateway Properties, LLC and Tarragon Stonecrest, LLC	Lien/Claim
TDK Construction Company, Inc.	Tarragon Corporation, Tarragon Stonecrest, LLC, Tarragon Development Corporation, Murfreesboro Gateway Properties, LLC and National City Bank	In the Chancery Court for Rutherford County, Tennessee at Murfreesboro, Case Number 08-1452CV
Fugleberg Koch Architects	Tarragon Realty Investors, Murfreesboro Gateway Properties, LLC, Tarragon Development Corp., Tarragon Stonecrest, LLC and Tarragon Corporation	Lien/Claim
Liberty Mutual Group	Tarragon Development and Lake Lotta Apartments, LLC	Claim
C.D.C. Drywall, Inc.	Bluewater Builders, Inc. and Exchange Tarragon, LLC	Case No. 08-02551 CACE (18) In the Circuit Court of the 17th Judicial Circuit, in and for Broward County, Florida, General Jurisdiction Division
Fairfield Residential	The Exchange Lofts and Exchange Tarragon, LLC	Claim
Johnstone Supply	Villas at Eagle Landing (Owning entity: Gas Light Associates, L.L.C.)	Case No. SM 09-3125 In the District Court of Montgomery
Leyland Warwick Associates, LLC and Warwick Grove, LLC	Tarragon Corporation	No. 07/603079 Supreme Court of the State of New York, County of New York
EMPLOYMENT		
Tyler, Jamie	Tarragon Management, Inc.	CHRO No. 0840118, Connecticut Human Rights and Opportunities; EEOC No. Pending
DeLeon, Isabel	Tarragon Management, Inc.; Tarragon Corporation; Tarragon Edgewater Associates, LLC; Tarragon Development Corporation; William Friedman; Robert Rothenberg	Docket No. L-3945-06 Superior Court of New Jersey, Bergen County Law Division

PLAINTIFF NAME	DEFENDANT NAME	COURT/AGENCY/LOCATION
Wolfson, Stephen	Tarragon Corporation	Case No. CACE08025839 In the Circuit Court of the 17th Judicial Circuit, in and for Broward County, Florida
MORTGAGE FORECLOSURES		
Paradigm Credit Corp. and The Legacy B Trust	Capitol Ave, Tarragon, LLC, Mariner's Point Tarragon, LLC and Merriti-Stratford, L.L.C.	Superior Court, Judicial District of Hartford at Hartford (Connecticut), Docket No. HHD-CV-09-6004433
	Same as above	Superior Court, Judicial District of New Haven (Connecticut), Docket No. NNH-CV-09-6004768-S
	East Hanover Tarragon, LLC	
Block 106 Mtge, LLC	Block 106 Development, LLC: The Provident Bank; State of New Jersey	Docket No.: F-3002-09 Superior Court of New Jersey, Chancery Division, Hudson County
Block 106 Mtge, LLC	Block 106 Development, LLC	Docket No.: L-802-09 Superior Court of New Jersey Law Division, Hudson County
Block 144 Mtge, LLC	Block 144 Development, LLC: The Provident Bank; State of New Jersey	Docket No.: F-2322-09 Superior Court of New Jersey, Chancery Division, Hudson County
Bank Atlantic	One Las Olas, Ltd.	
North Water LLC	North Water Street Tarragon, LLC; Tarragon Development Corporation	Docket NO. FST CV 07 5004758S Superior Court J.D. of Stamford/Norwalk
Paradigm Credit Corp., JFMV Trust and Dennis Herman	Exchange Tarragon, LLC; Ace Elevator Company, Andrew & Associates, Inc., and CDC Drywall, Inc.	Case No. 09-077564, in the Circuit Court of the Seventh Judicial Circuit of Broward County, FL
Alan Goldberg, as Receiver for the Exchange Lofts	Exchange Tarragon, LLC, Tarragon Management, Inc., and Platte River Insurance Company	Claim
Alan Goldberg, as Receiver for the Exchange Lofts	Exchange Tarragon, LLC	Claim
Fannie Mae	So. Elms National Association Limited Partnership	
NORTHLAND LITIGATION		

PLAINTIFF NAME	DEFENDANT NAME	COURT/AGENCY/LOCATION
Northland Portfolio L.P., Northland Fund I, L.P., Northland Fund II, L.P., Northland Fund III, L.P., Northland Investment Corporation, Northland Austin Investors, LLC, Austin Investors, L.P., Drake Investors, L.P. and Tatstone Investors L.P.	Tarragon Corporation, William S. Friedman, Robert Rothenberg and Ansonial LLC	Index No. 602425/08 Supreme Court of the State of New York, County of New York
Northland Fund II, L.P.	Tarragon Corporation, Tarragon South Development Corp.	Claim for indemnity
Northland Fund II Partners LLC, as General Partner of Northland Fund II, L.P.	Tarragon Corporation and First American Title Insurance Company	Civil Action No. 08-2944 Commonwealth of Massachusetts Superior Court Department of the Trial Court
VOLOSHIN/MOHEGAN HILL DEVELOPMENT LITIGATION		
Heritage Realty Advisors, LLC & Mark A. Ianhoma	Mohegan Hill Development, LLC; Mohegan Hill Tarragon, LLC; Tarragon Corporation and William S. Friedman	Index No. 104483/07 Superior Court of the State of New York, County of New York
Joel Greene & Montville Property Holdings V, LLC	John Voloshin; Linda Voloshin; Joll LLC; Voloshin Capital, LLC; Voloshin Capital - Uncasville, LLC; Voloshin Development Corporation; Monville Property Holdings I, LLC; Mohegan Hill Development, LLC; Mohegan Hill Tarragon, LLC; Tarragon Corporation; Mohegan Hill Development/Wilson, LLC	Docket No. HHD-X07-CV-06-50083075 Superior Court Complex Litigation Docket at Hartford
SMS Financial V, LLC	Joel Greene	Docket No. KNL-CV-07-4006995-S Superior Court J.D. of New London at New London
Monville Property Holdings I, LLC	Mohegan Hill Tarragon, LLC, William Friedman, and Mohegan Hill Development, LLC	Docket No. UWY-CV-5007764-S Superior Court J.D. of Waterbury
Stamford Tarragon I, LLC, Stonington Tarragon, LLC, Mohegan Hill Tarragon, LLC, Tarragon Development Corp.	John Voloshin, Voloshin Capital Stamford, LLC, Voloshin Capital Stonington, LLC and Montville Property Holdings I, LLC	Docket No. UWY-CV-07-5007298-S Superior Court J.D. of Waterbury
LAS OLAS RIVER HOUSE SQUARE FOOTAGE LITIGATION		

PLAINTIFF NAME	DEFENDANT NAME	COURT/AGENCY/LOCATION
Duncan, Douglas	One Las Olas, Ltd., Tarragon Corporation, Tarragon South Development Corporation and Omni Equities Corporation	In the Circuit Court of the 17th Judicial Circuit, in and for Broward County, Florida, Case No. 07-11266 (03)
Glessori, Kieran	One Las Olas, Ltd., Tarragon Corporation, Tarragon South Development Corporation, Omni Development Company, Inc. and Omni Equities Corporation	In the Circuit Court of the 17th Judicial Circuit, in and for Broward County, Florida, Case No. 07-2124 (14)
Maas, Philip	One Las Olas, Ltd., Tarragon Corporation, Tarragon South Development Corporation and Omni Equities Corporation	In the Circuit Court of the 17th Judicial Circuit, in and for Broward County, Florida, Case No. 06-020841 (02)
Sgarlato, Anthony	One Las Olas, Ltd., Tarragon Corporation, Tarragon South Development Corporation and Omni Equities Corporation	In the Circuit Court of the 17th Judicial Circuit, in and for Broward County, Florida, Case No. 06-08738 (02)
Voso, Dominick		In the Circuit Court of the 17th Judicial Circuit, in and for Broward County, Florida, Case No. 06-019902 (04)
Underwriters at Lloyd's London	One Las Olas, Ltd., Tarragon Corporation, Omni Equities Corp., Michael and Christine Durso and Peter Sgarlato	Case No. 08-39353-04 In the Circuit Court for the 17th Judicial District in and for Broward County
SECURITIES/DERIVATIVE CLASS ACTION LITIGATION Vivian and Leonard Judelson, as Trustees of the Vivian Judelson Revocable Trust dated 10/9/95, and Vivian S. Judelson Contributory IRA, Individually and On Behalf of All Others Similarly Situated	Tarragon Corporation; William S. Friedman; Robert P. Rothenberg; Erin D. Pickens	United Stated District Court, Southern District of New York, Civil Action No. 07 Civ. 7972 (PKC)

PLAINTIFF NAME	DEFENDANT NAME	COURT/AGENCY/LOCATION
HOA-UNIT OWNER CLAIMS/LAWSUITS 1200 Grand Suite Condominium Association and Martin Skotnick, Pro Se and Counsel for Susan Skolnick, Cheryl Abransom, Todd Abramson, Judith Anderson, Myron Weiner, Kim Blackmore, Monica Datta, Kim DeRosa, Brian Duis, Todd Miller, Brian Finney, Rick Gyan, Sara Ferry, Patrick Healey, Lincoln Hochberg, Robert Holzberg, Michael Katsaros, James Lake, Erika Lake, Bradford C. Leman, Shahid Malik, David Missig, Lori Missig l/k/a Lori Pellilo, Janie O'Brien, Stephanie Petrillo, Ryan Pryor, Kyla Pryor l/k/a Kyla DeMarzlo, Harla Seckular, Darren Sikorski, Jordan Siberberg, Justin Siberberg, Manisha Varsani, Steve Warjanka, Lara Warjanka, James Weinberg	1200 Grand Street Urban Renewal, LLC d/b/a Tarragon, Thirteenth Street Development, LLC, Tarragon Realty Investors, Inc., URSA Development Group, LLC, Mark Septembre, Michael Sciarra and the City of Hoboken (Tarragon corporation and Tarragon Realty Investors, Inc.) Third Party Plaintiffs; URSA Development Group, LLC. Mark Septembre, Michael Sciarra Third Party Defendants: Robert Rohdis, Robert P. Rothenberg, Todd M. Scheffer, William S. Friedman, (Beth fisher, Gary Lowitt, Alyssa Rohdie, Jiff Kaplan, Tamar Rothenberg, Frank Raia, David Matzheiser, Michelle Russo, Timothy Maloney and XYZ Corps. (Grand Bank National Association and Upper Grand Realty not named in Abramson/Skolnick consolidation)), Jewel Contracting, Inc., Minno & Wasko Architects and Planners, P.C. and John Does	United States Bankruptcy Court for the District of New Jersey, Case No. 09-10555-DHS. Adv. No. 09-1465 (lead case). Adv. Pro. No. 09-02012-DHS (Abramson: Former Docket No. HUD-L-4707-07 Superior Court of New Jersey, Law Division, Hudson County) (Abramson/Skolnick: Former Docket NO. L-4213-08 Hudson County, Law Division, New Jersey)
Alexandria Place HOA/Rock Springs	Rock Springs Road, LC	Claim
Alta Mar Condominium Association, Inc.	Alta Mar Development, LLC	Claim
Hampson, Raymond K.	Alta Mar Development LLC and Tarragon Corporation	Case NO. 08-CA-011312 In the Circuit Court of the 28th Judicial Court, in and for Lee County Florida
Bishop's Court at Windsor Parks Condominium Association, Inc.	RI Windsor, Ltd. Mountain View National, Inc. and Muray R Schmidt	Lawsuit
Central Park on Lee Vista Condominium Association	Central Park Vista Lakes Tarragon LLC and Tarragon Corporation	Claim

PLAINTIFF NAME	DEFENDANT NAME	COURT/AGENCY/LOCATION
Rodriguez, Lymarie, on Behalf of Herself and All Others Similarly Situated	Vista Lakes Tarragon, LLC; tarragon Corporation; Tarragon Development Corporation; Tarragon Development company, LLC; Tarragon Management, Inc.; Tarragon Mortgage Company, LLC; Choice Home Financing, LLC: The Condo Store, Inc.; NRT the condo Store LLC d/b/a Cokwell Banker the Condo Store; Terrabrook Vista Lakes, L.P.; Terrabrook Vista Lakes GP, L.L.C.; Newland Communities, LLC; and Westerra Management, L.L.C.	Case No. 48-2008-CA 016343-0, Division 32 In the Circuit Court of the 9th Judicial Circuit, in and for Orange County, Florida Complex Business Litigation Court
Brian Perry and Cathy Perry, individually and as parents and legal guardians of Ryan Perry and Amanda Perry	Vineyard at Eagle Harbor, LLC and Tarragon Management, Inc.	Case No. 2004-CA-000338A In the Circuit Court of the Ninth Judicial Circuit in and for Osceola County, Florida, Case No. 09-CA-11150 OC
Georgetown at Celebration Condominium Association, Inc.	Tarragon South Development Corporation and North Village Tarragon, LLC	In the Circuit Court of the Ninth Judicial Circuit in and for Osceola County, Florida, Case No. 09-CA-1150 OC
Las Olas River House Condominium Association, Inc.	One Las Olas, Ltd. and Omni Equities Corporation	Claim
Las Olas River House Condominium Association, Inc.	One Las Olas, Ltd. and Omni Equities Corporation	Claim
Stadler Management Group	Silvercore, Inc. d/b/a Criteria, Omni Equities Corporation and One Las Olas, Ltd.; Omni Equities Corporation and One Las Olas, Ltd. v. Francis Engineering, Inc.	Case No. 06-7170 (04) In the Circuit Court of 17th Judicial Circuit, in and for Broward County, Florida
Sate Farm Insurance Company on behalf of Kuzweil, Howard	Tarragon Corporation and One Las Olas, Ltd.	Claim
Mirabelle Condominium Association, Inc.	Omni-Trivoli, LLC	Claim
Montreux at Deerwood Lake Condominium Association	Montreux at Deerwood Lake, LLC, Muray R. Schmidt and AWF Fumigators, Inc.	Case No. 09-5053-CA In the Circuit Court of the Seventh Judicial Circuit, in and for Duval County, Florida
One Hudson Park Condominium Association, Inc.	Tarragon Corporation and Tarragon Development Corporation	Claim

PLAINTIFF NAME	DEFENDANT NAME	COURT/AGENCY/LOCATION
Kevin Pacheco (and other similar unit owner matters)	Orchid Grove, LLC and Commonwealth Land Title Company and Coscan Homes Realty, LLC	Circuit Court of the 7th Judicial Circuit in and for Broward County, Case No. 08-62737 (03)
Oxford Place at Tampa Palms Condominium Association, Inc.	Tampa Palms Tarragon, LLC and Tarragon Corporation	Claim
Joshua Schaap, Bobby R. Bryant and Ronak Patel, on behalf of themselves and other similarly situated	Southampton Pointe Tarragon, LLC, Southampton Pointe Property Owners Association, Inc., Southampton Apartments, LLC, Crow Terwillinger & Simpson Construction Company, Inc., d/b/a Paces Contractors, Trammell Crow Carolinas Development, Inc. d/b/a Paces Contractors	Case No. 2009-CP2978 In the Circuit Court for the Ninth Judicial, Charleston County, SC
The Bordeaux Condominium Association, Inc.	Lake Lotta Apartments, LLC; Summit Contractors, Inc.	In the Circuit Court of the Ninth Judicial Circuit in and for Orange County, Case No. 2009-CA-027435-O
The Hamptons at Metrowest Condominium Association, Inc.	Tarragon Corporation, Park Avenue at Metrowest, Ltd., Park Avenue GP, LLC, Park Avenue Metrowest, LLC, Park Avenue Tarragon, LLC, Tarragon South Development Corp. and Epoch Properties, Inc.	Case No. 48-08-CA-008235-0 (Business Litigation Division) In the Circuit Court of the 9th Judicial Circuit, in and for Orange County, Florida
City of Orlando	The Hamptons at Metrowest Condominium Association, Inc. (Multiple Code Violations), Park Avenue at Metrowest, Ltd., served and listed as "owner/person in charge."	Code violations
The Hamptons at Metrowest Condominium Association, Inc.	Park Avenue at Metrowest, Ltd.	In the Circuit court of the Ninth Judicial Circuit in and for Orange County, Florida, Case No. 09-CA-33132 (35)
The Hamptons at Metrowest Condominium Association, Inc.	Park Avenue at Metrowest, Ltd.	In the Circuit court of the Ninth Judicial Circuit in and for Orange County, Florida, Case No. 09-CA-33186 (34)
The Hamptons at Metrowest Condominium Association, Inc.	Park Avenue at Metrowest Limited	Case No. 08-CA-14791 (Division 37) In the Circuit Court of the 9th Judicial Circuit, in and for Orange County, Florida

PLAINTIFF NAME	DEFENDANT NAME	COURT/AGENCY/LOCATION
Hohlman, Thomas P.	Park Avenue at Metrowest, Ltd., a/k/a The Hamptons at Metrowest and Orlando Appraisal Company, Inc.	Case No. 08-CA-30249-33 In the Circuit Court of the 9th Judicial Circuit, in and for Orange County, Florida
Mark F. and Nan M. Eseniar on behalf of themselves and others similarly situated	Fenwick Plantation Tarragon, LLC f/k/a Fenwick Tarragon Apartments, LLC, Charleston Tarragon Manager, LLC and Tarragon Development Corporation, Summit Contractors Group, Fugleberg Koch Architects, Development Compliance and Inspections, Inc., H2L Consulting Engineers, Twelve Oaks at Fenwick Property Owners Association, Inc. and Professional Plastering & Stucco, Inc., Johnson Companies, Inc., d/b/a Johnson Roofing, Inc, Los Campos, Inc. North Florida Framing, Inc., Magna Wall, Inc., All South Vinyl Products, Inc. Marquez Construction, Inc., J.T. Walker Industries, Inc., J.T. Industries d/b/a General Aluminum Corporation and General Aluminum Company of Texas, LP. and J.R. Hobbs Co. Atlanta, LLC f/k/a JRH Merger Co., LLC	Case No. 2008-CP-10-0049 In the Circuit Court for the Charleston County Court of Common Pleas, South Carolina
State Farm Insurance Company	Tarragon Development Corporation	Claim
Noble, Lori	Fenwick Plantation Tarragon, LLC	Claim
The Yacht Club in the Intra-coastal Condominium Association, Inc.	Yacht Club Tarragon, LLC	Case No. 502008CA018861XXXXMB In the Circuit Court of the 15th Judicial Circuit in and for Palm Beach County, Florida
Villas at Seven Dwarfs Lane Condominium, Inc.	Tarragon Kissimmee, LLC	Case No. 09-CA-2724-CN In the Circuit Court of the Ninth Judicial Circuit, in and for Osceola County, Florida

PLAINTIFF NAME	DEFENDANT NAME	COURT/AGENCY/LOCATION
Waterstreet at Celebration Condominium Association, Inc.	Celebration Tarragon, LLC, Tarragon Corporation, Tarragon South Development Corp., Condo Rehab Inc., Lion Gables Realty Limited Partnership f/k/a Gables Realty Limited Partnership, N.H. Joshi & Associates, Inc., McLarrand, Vasquez and Partners, Inc., Steide Bros., Construction, LLC, Gables East Construction, Inc., and Gables Residential Trust	Circuit Court of the Ninth Judicial Circuit in and for Osceola County, Florida, Case No. 08-C1-001485
Waterstreet at Celebration Condominium Association, Inc.	Celebration Tarragon, LLC	Claim
TARRAGON AS PLAINTIFF		
Central Square Tarragon, LLC	Great Divide Insurance Company	Case No. 07000612, in the Circuit Court of the 17th Judicial Court, Broward County, FL
Exchange Tarragon, LLC	International Realty, Inc.	Case No., CACE 08-040102, in the Circuit Court of Broward County, FL
Exchange Tarragon, LLC	Regency Realty Services, Inc.	County Court, Broward County, Florida, Case No. 08-07207-COCE-55
Fenwick Plantation Tarragon, LLC	Fenwick Hall Property Owners Association, Inc., Michael LaPlante, John LaPlante, John C. Pernell and Kevin Flynn	Case No. 2007-CP-10-001327 In the Circuit Court for the Charleston County Court of Common Pleas, South Carolina
Orion Towers Tarragon, L.L.P.	The city of Houston	Demand
Tarragon Corporation	Ridgefield Associates	Unknown at this time
Tarragon Development Corporation	Brown's Farm, Chris Pardue and Fidelity National Title Insurance Company	Adv. Pro. No. 09 (need case #) U.S. Bankruptcy Court for the District of New Jersey Honorable Donald J. Steckroth Case No. 09-10555 (DHS)
Tarragon Stoneybrook Apartments, LLC	Summit Contractors, Inc., and Federal Insurance Company;	Case No. 05-7658 C. Div. 15, in the Circuit Court Sixth Judicial Circuit of Pinellas County, FL

PLAINTIFF NAME	DEFENDANT NAME	COURT/AGENCY/LOCATION
	Summit Contractors, Inc. v. Amerisure Mutual Insurance Company, ZOM Kensington, Ltd. Cape House Properties, Ltd. Mariner Club, Ltd., Montecito Enclave	Case No. 05-7568 C. Div. 15, in the Circuit Court Sixth Judicial Circuit of Pinellas County, FL
Thirteenth Street Development, LLC	R.G. Delivery Service, Inc., and BF-Hoboken Property, LLC	Docket No. C-178-08 Superior Court of New Jersey, Chancery Division, Hudson County
Tarragon Corporation	Michael Daley	Documentation filed with State Attorney's Office in the Seventeenth Judicial Circuit of Florida, Broward County Courthouse

Exhibit I

Operating Agreement of New Ansonia

[See attached.]

OPERATING AGREEMENT

of

ANSONIA APARTMENTS HOLDINGS LLC

a Delaware Limited Liability Company

_____ __, 2010

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OPERATING AGREEMENT
OF ANSONIA APARTMENTS HOLDINGS LLC

THIS OPERATING AGREEMENT ("Agreement") of Ansonia Apartments Holdings LLC (the "Company") is entered into as of _____, 2010, by and among the Persons listed on Exhibit A hereto (such Persons hereinafter sometimes referred to collectively, together with any other Persons who become parties to this Agreement after the date hereof in accordance with the terms hereof, as the "Members" and individually as a "Member").

RECITALS

1. Robert Rothenberg, the original Member of the Company, formed the Company under the Delaware Limited Liability Company Act, as amended (the "LLC Act"), as a Delaware limited liability company by filing a Certificate of Formation (the "Certificate") with the office of the Secretary of State of the State of Delaware on April **[___]**, 2010.

2. This Agreement is being executed upon the confirmation of the plan of reorganization (the "Plan") of Tarragon Corp. and the other debtors under the Plan (collectively, the "Debtors") by the Bankruptcy Court (as defined herein) on the date hereof;

3. In accordance with the Plan, the Debtors are simultaneously herewith transferring to the Company the equity interests listed on Exhibit B.

4. Pursuant to the Plan, the Debtors are borrowing from UTA Capital LLC (the "Lender") the sum of $4,820,000 in accordance with the provisions of a Credit Agreement (the "Credit Agreement") by and among the Debtors and the Lender. Pursuant to a letter agreement dated the date hereof (the "Letter Agreement") by and among the Lender, the Company, the Creditor Trust and the Beachwold Parties, the Lender has the right, in specified circumstances, to acquire 11% of the issued and outstanding membership interests in the Company, after which time the membership interests in the Company held by the Creditor Trust and Beachwold Parties shall be adjusted as set forth in the Letter Agreement.

5. The Members wish to memorialize various matters regarding the operation and governance of the Company and their respective rights and responsibilities regarding the Company pursuant to this Agreement and the LLC Act.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and intending to be legally bound, the parties hereto agree as follows:

SECTION 1

THE COMPANY

1.1 Agreement. Each of the Members acknowledges and agrees that this Agreement, as it may be amended from time to time, shall serve as the Limited Liability

Company Agreement of the Company in accordance with the LLC Act, and that any and all prior versions, amendments and/or supplements shall be of no further force and effect.

1.2 Formation. The Company has been organized as a Delaware limited liability company by the filing of the Certificate with the office of the Secretary of State of the State of Delaware on _____ ___, 2010, in accordance with the LLC Act.

1.3 Company Name. The name of the Company is Ansonia Apartments Holdings LLC.

1.4 Purposes. The purposes of the Company shall be to engage in the management and operation of the assets of Ansonia Partners, L.P. (the "Business").

1.5 Principal Place of Business; Registered Agent and Office.

(a) The principal place of business of the Company will be [_____], or such other place as the Board may determine from time to time, and its address (for purposes of notices hereunder) shall be [_____] (Attention: [_____]). The Company will maintain, at its principal office, all records pertaining to the Company as required by the LLC Act.

(b) The registered agent for the service of process and the registered office shall be that Person and location reflected in the Certificate as filed in the office of the Secretary of State of the State of Delaware. The Company may, from time to time, change the registered agent or office through appropriate filings with the Secretary of State of the State of Delaware. In the event the registered agent ceases to act as such for any reason or the registered office shall change, the Company shall designate a replacement registered agent or file a notice of change of address, as the case may be.

1.6 Term. The term of the Company will continue until the Company is dissolved in accordance with the provisions of this Agreement.

1.7 Filings.

(a) The Certificate of the Company has been filed in the office of the Secretary of State of the State of Delaware in accordance with the provisions of the LLC Act. The Board and, if applicable, the Member or Members will take any and all other actions reasonably necessary to perfect and maintain the status of the Company as a limited liability company under the laws of Delaware.

(b) The Board and, if applicable, the Member or Members will take any and all other actions as may be reasonably necessary to perfect and maintain the status of the Company as a limited liability company or similar type of entity under the laws of any other states or jurisdictions other than Delaware in which the Company engages in business.

(c) Upon the dissolution of the Company, the Board, and, if applicable, the Member or Members will promptly execute and cause to be filed a certificate of cancellation in

accordance with the LLC Act and the laws of any other states or jurisdictions in which the Company has qualified to conduct business.

1.8 Defined Terms. Unless the context otherwise requires or unless otherwise provided in this Agreement, capitalized terms used in this Agreement shall have the meanings ascribed to them in Appendix A to this Agreement.

SECTION 2

MEMBERS, UNITS AND PERCENTAGE INTERESTS

2.1 Names, Addresses, Units and Capital Contributions of Members. The names, addresses, number of Units and the Capital Contributions of the Members are set forth on Exhibit A hereto. The Board shall amend Exhibit A from time to time to reflect: the admission or withdrawal of Members; a change in a Member's address; the sale, transfer, grant, issuance, forfeiture or redemption of Units; or the receipt of additional Capital Contributions, in each case in accordance with this Agreement. Any amendment to Exhibit A shall be effective as of the date of the event necessitating such amendment. The Company currently has one class of Units. The membership interests of the Company may be further divided into additional classes or series of Units as may be fixed and determined from time to time by the Board, subject to the other provisions of this Agreement. The designations, preferences and relative participating, optional or other rights, qualifications, limitations and restrictions of the membership interests of each new class or series of Units shall be determined by the Board, subject to the other provisions of this Agreement.

2.2 Certificates for Membership Units. A Member's Units may, but need not, be represented by a Certificate of Membership. The exact contents of a Certificate of Membership, if any, will be determined by the Board. Pursuant to Delaware Uniform Commercial Code Sec. 8-103(c), all Interests in the Company shall be considered securities governed by Article 8 of the Delaware Uniform Commercial Code.

2.3 Additional Members; Additional Issuances of Equity. Subject to Section 6.2(j), the Company may admit one or more additional Members from time to time by an amendment or supplement to this Agreement approved in writing by the Board and in accordance with the provisions of the Letter Agreement. As a condition to being admitted as a Member of the Company, each additional Member shall execute an appropriate counterpart of or supplement to this Agreement, together with such other agreements, documents or instruments as the Board may require, pursuant to which such additional Member agrees to be bound by the terms and conditions of this Agreement and any related agreements, documents or instruments and no further amendment of this Agreement shall be required in order to effect such admission.

SECTION 3

CAPITAL CONTRIBUTIONS

3.1 Capital Contributions.

The Capital Contributions made by the Member is set forth on Exhibit A hereto. The Member will not be required to make any Capital Contributions other than the initial Capital Contributions reflected on such Exhibit A.

3.2 No Preemptive Rights. Except as specifically provided in this Agreement, no Member shall have any preemptive or other similar right with respect to the issuance or sale of any Units by the Company.

3.3 Other Matters.

(a) Except as otherwise provided in this Agreement, no Member may demand or receive a return of its Capital Contribution. Under circumstances requiring a return of any Capital Contribution, no Member will have the right to receive property other than cash except as may be specifically provided in this Agreement.

(b) No Member will receive any interest, salary or draw with respect to its Capital Contribution or its Capital Account or otherwise solely in its capacity as a Member. Members or their Affiliates may act as employees of the Company or provide services to the Company in other capacities and nothing herein shall restrict the right to receive salary, bonuses and/or other compensation for such services as approved from time to time by the Board, subject to the other provisions of this Agreement.

(c) No Member will be liable for the debts, liabilities, contracts or any other obligations of the Company unless provided in a separate agreement signed by a Member specifically providing for the assumption of liability by such Member.

SECTION 4

CAPITAL ACCOUNTS AND ALLOCATIONS

4.1 Capital Accounts. A Capital Account shall be maintained for each Member in the manner set forth in the definition of "Capital Account" as set forth in Appendix A to this Agreement.

4.2 Profits, Losses and Tax Items. After giving effect to the special and curative allocation provisions set forth in Appendix B, the Profits and/or Losses of the Company and any tax items of the Company for any Fiscal Year or other applicable period shall be allocated among the Members pro rata, based on the number of Units held.

SECTION 5

DISTRIBUTIONS TO MEMBERS

5.1 Distributions of Available Cash.

(a) The Company shall, with respect to a particular Fiscal Year (each, a "Subject Fiscal Year"), make distributions out of Available Cash (but only to the extent permitted pursuant to the terms of any of the Company's outstanding indebtedness) to each Member on April 10 of the following year to the extent of the excess of (i) the cumulative Tax Amount, if any, for each such Member for the Subject Fiscal Year immediately preceding such April 10 over (ii) all previous distributions attributable to such Subject Fiscal Year to such Member, with any distribution to a Member pursuant to this Section 5.1 being treated as an advance to that Member of the amounts to which it is or will be entitled in accordance with Sections 5.2 and 10.2. Any adjustments to be made in the amounts of subsequent distributions to each Member to account for any such advance shall be made with respect to the earliest possible subsequent distributions.

(b) Notwithstanding any provision of this Section 5, the Company shall not make any distributions to Members if such distributions are prohibited by the provisions of the Credit Agreement.

5.2 Further Distributions of Available Cash. In addition to the distributions on account of a Member's Tax Amount required to be made pursuant to Section 5.1, the Board may, in its discretion, subject to the other provisions of this Agreement, authorize the Company to make distributions of Available Cash to the Members at such times and in such amounts as the Board shall determine. In the case of Available Cash arising out of a Sale, such Available Cash shall be (i) net of all transaction-related expenses arising from the Sale and (ii) net of all payments that would be required under Sections 10.2(a) and 10.2(b) as if such Sale transaction were a Dissolution Event. If such Sale is a sale of all of the Company's then outstanding Units, then the net proceeds of such Sale shall be apportioned among the Members in the same proportions as if such proceeds were paid to the Company and the Company then distributed such net proceeds to the Members.

5.3 Treatment of Taxes Withheld. All amounts withheld or paid by the Company pursuant to the Code or any provision of any state, local or foreign tax law with respect to any payment, distribution or allocation to a Member (other than any amounts withheld pursuant to Section 3102 or 3402 of the Code), or any such amount that is paid by the Company solely by reason of the holding of an Interest by any Member, shall be deemed made pursuant to and credited against the Company's obligation to make tax distributions pursuant to Section 5.1 and to the extent of any excess, other distributions pursuant to Section 5.2.

SECTION 6

MANAGEMENT AND CONTROL

6.1 Management. Subject to the limitations imposed by the LLC Act and this Agreement, the Board, in its full and exclusive discretion, subject to the other provisions of this Agreement, will manage and control, have authority to obligate and bind, and make all decisions affecting the business and assets of the Company. The Board shall also appoint a Member to act as the tax matters Member, who shall act in the same capacity as the "Tax Matters Partner" of a partnership as referred to in Section 6231(a)(7)(A) of the Code. _____ shall initially serve as the tax matters Member.

6.2 Board of Directors.

(a) The Company shall have a Board of four members (collectively, the "Directors"). Two Directors shall be appointed from time to time by the Beachwold Parties (the "Beachwold Directors") and two Directors shall be appointed from time to time by the Creditor Trust (the "Trust Directors"). The Beachwold Parties shall have the right to re-elect, remove, and/or replace each of the Beachwold Directors, and to otherwise designate a successor for each of the Beachwold Directors. The Creditor Trust shall have the right to re-elect, remove, and/or replace each of the Trust Directors, and to otherwise designate a successor for each of the Trust Directors. Each Director shall serve until his successor is duly elected and qualified or until he is removed. For the avoidance of doubt, each Director may serve for more than one term. Each Director will have one (1) vote on all matters.

(b) Representatives on the Board need not be Members.

(c) A resignation from the Board shall be deemed to take effect upon its receipt by the Company, unless some other time is specified therein.

(d) Meetings of the Board may be called by any Director on two (2) business days notice to each Director, either personally, by mail, by facsimile, or by electronic mail. Meetings of the Board may also be called by the Secretary (as defined herein), if one has been appointed, in like manner and on like notice. Meetings may be held at such times and places as may be designated in the notices of their call, or they may be held at any time or place, without notice, by the presence of all Board members.

(e) At all meetings of the Board, the presence of at least three Directors, at least one of whom shall be a Beachwold Director and at least one of whom shall be a Trust Director, shall be necessary to constitute a quorum for the transaction of business and, except as otherwise specified herein, the acts of a majority of the votes that may be cast by the Directors present at a meeting at which a quorum is present, shall be the acts of the Board. The presence of Directors who have a personal or financial interest in a contract or transaction which is before the Board, or who are common managers or directors of the Company and another corporation or entity with respect to which a contract or transaction is before the Board, may be counted in determining the presence of a quorum at a meeting of the Directors, or a committee thereof. If a quorum shall not be present at any meeting of Directors, the Directors present thereat may

adjourn the meeting from time to time, without notice other than announcement of the meeting, until a quorum shall be present.

(f) To the extent permitted by law, members of the Board or any committee thereof may participate in a meeting of such body through the use of telephone conference or similar communications equipment by means of which all Persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section shall constitute presence in person at such meeting.

(g) Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting by unanimous written consent of the Board. Any and all signed Board consents shall be delivered to the Company for inclusion in the minutes of the Company or for filing with the Company records.

(h) The Board may delegate any of its duties or responsibilities to one or more committees of the Board. Each committee shall have at least two Directors, one of whom must be a Beachwold Director and one of whom must be a Trust Director. At all meetings of any committee of the Board, the presence of at least a majority of the members of the committee, including at least one Beachwold Director and one Trust Director, shall be necessary to constitute a quorum for the transaction of business, and the acts of a majority of the votes that may be cast by the Directors present at a meeting at which a quorum is present.

(i) The Board may appoint a chairman of the Board (the "Chairman"), which person may or may not be an officer of the Company.

(j) Notwithstanding any other provision contained in this Agreement, without the approval of the Board and the prior written consent of the Creditor Trust, if the Creditor Trust is then a Member:

(i) no indebtedness shall be incurred by the Company or by any of the Company's direct or indirect subsidiaries, other than (A) pursuant to the Credit Agreement, (B) mortgage indebtedness which, directly or indirectly, replaces mortgage indebtedness outstanding upon confirmation of the Plan (or replaces mortgage indebtedness which replaced mortgage indebtedness outstanding upon confirmation of the Plan) and expenses of any such refinancing, and (C) an unsecured revolving credit facility to be used to fund short-term operating cash flow deficiencies, with the following additional terms and conditions: a principal amount not to exceed $1.0 million at any time, an interest rate not to exceed 18% per year, draws shall be repaid immediately when the circumstances giving rise to such deficiencies cease, and such other reasonable commercial terms as are generally available to a business similar to the Company;

(ii) no guarantees shall be executed by the Company or any of the Company's direct or indirect subsidiaries;

(iii) neither the Company nor any of the Company's direct or indirect subsidiaries shall engage in New Business;

(iv) no assets of the Company shall be pledged by the Company;

(v) neither the Company nor any of the Company's direct or indirect subsidiaries shall enter into any Related Party Transaction;

(vi) neither the Company nor any of its direct or indirect subsidiaries shall (A) issue or agree to issue any additional Units or other equity interest in the Company or any of the Company's direct or indirect subsidiaries or (B) except as contemplated in the Credit Agreement, make any loans to, or borrow any money from any Beachwold Party and/or its Affiliates or their respective Family Members; and

(vii) the Company shall not (A) liquidate, dissolve or wind-up the business and affairs of the Company or any of its direct or indirect subsidiaries, (B) file or consent to the filing of any bankruptcy, insolvency or reorganization case or proceeding of any of the Company or its direct or indirect subsidiaries, (C) institute any proceedings under any applicable insolvency law or otherwise seek relief under any laws relating to the relief from debts or protection of debtors generally with respect to any of the Company or its direct or indirect subsidiaries, (D) seek or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official for any of the or a substantial portion of any of their property; (E) make any assignment for the benefit of any of the creditors of any of the Company or its direct or indirect subsidiaries; or (F) determine not to oppose any involuntary bankruptcy proceeding.

6.3 Officers. The Board may appoint individuals as officers of the Company which may include (a) the Chairman; (b) a chief executive officer (the "CEO"); (c) a chief operating officer (the "COO"); (d) a chief financial officer (the "CFO"); (e) one or more executive vice presidents (each, an "Executive Vice President"); (f) one or more vice presidents (each vice president who is not an Executive Vice President, a "Vice President"); (g) a secretary (the "Secretary") and/or one or more assistant secretaries (each, an "Assistant Secretary"); (h) a treasurer (the "Treasurer") and/or one or more assistant treasurers and (i) a chief legal officer (the "CLO"). The Board may delegate a portion of its day-to-day management responsibilities to any such officers, as determined by the Board from time to time, and such officers will have the authority to contract for, negotiate on behalf of and otherwise represent the interests of the Company as so authorized by the Board, provided that in no event will any officer have any rights, duties, powers or authority greater than that so delegated or that of the Board.

(a) The Chairman of the Board, or the CEO in the absence of a Chairman of the Board, shall preside over all meetings of the Board.

(b) The CEO, COO, CFO and CLO shall have such powers as shall be granted to them by the Board, subject to authority of the Board.

(c) The Executive Vice President or, if there are more than one, the Executive Vice President who has been designated by the Board, shall, in the absence or disability of the

COO, perform the duties and exercise the powers of the COO. In addition, each Executive Vice President and each Vice President shall perform such other duties as shall from time to time be delegated to him by the Board, CEO or COO.

(d) The Secretary shall give, or cause to be given, notice of all meetings of the Members and of special meetings of the Board, and shall perform such other duties as may be prescribed by the Board or CEO, under whose supervision he/she shall act. The Secretary shall not, without the express written authorization of the Board, have any responsibility for, or any duty or authority with respect to, the withholding or payment of any federal, state or local taxes of the Company or the preparation or filing of any tax returns, but shall perform such other duties as shall from time to time be imposed upon him by the Board, CEO or COO.

(e) The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company, and shall deposit all moneys and other valuable effects in the name and to the credit of the Company in such depositories as shall be designated by the Board. The Treasurer shall disburse the funds of the Company as may be directed by the Board, taking proper vouchers for such disbursements, and shall render to the CEO and Board an accounting of all his/her transactions as Treasurer and of the financial condition of the Company. The Treasurer shall perform such other duties as shall from time to time be imposed upon him by the Board, CEO or COO.

(f) In the absence or disability of the Secretary, the Assistant Secretaries, in the order designated by the Board, shall perform the duties of the Secretary, and shall have the full powers thereof. In no case shall any Assistant Secretary, without the express authorization and direction of the Board, have any responsibility for, or any duty or authority with respect to, the withholding or payment of any federal, state or local taxes of the Company, or the preparation or filing of any tax return.

6.4 Duties and Liability of the Board.

(a) Each Director will devote such part of his, her or its time to the Company's affairs as he, she or it deems to be necessary or desirable in connection with his, her or its duties and responsibilities hereunder.

(b) In carrying out its obligations, the Board will:

(i) Cause to be obtained and maintained such public liability and other insurance as may be available and as the Board deems necessary or appropriate, including without limitation directors' and officers' insurance at such levels as the Board deems appropriate;

(ii) Cause to be deposited all funds of the Company in one or more separate bank accounts with such banks or trust companies as the Board may designate (withdrawals from such bank accounts to be made upon such signature or signatures as the Board may designate);

(iii) Cause to be maintained complete and accurate records of all assets owned or leased by the Company and complete and accurate books of account and all other records required by the LLC Act (and containing such information as shall be necessary to record allocations and distributions), and make such records and books of account available for inspection and audit by any Member or its duly authorized representative (at the expense of such Member) during regular business hours and at the office specified in Section 1.5;

(iv) Cause to be prepared and distributed to all Members all reasonable tax reporting information within ninety (90) days after the end of each fiscal year or as soon thereafter as is reasonably practicable;

(v) Cause to be prepared and distributed to all Members quarterly financial statements of the Company within thirty (30) days after the end of each of the first three fiscal quarters of the Company and annual financial statements of the Company within sixty (60) days after the end of the fourth fiscal quarter of the Company, such financial statements to be prepared in accordance with U.S. GAAP or as otherwise determined by the Board;

(vi) Cause to be prepared and distributed to all Members by the 60th day prior to the end of each fiscal year a comprehensive budget, forecasting revenues, expenses and cash position on a month-to-month basis for the upcoming fiscal year for the Company and its direct and indirect subsidiaries;

(vii) Cause to be prepared and distributed to all Members on a quarterly basis a description of any equity investments in the Company and its direct and indirect subsidiaries;

(viii) Cause to be filed such instruments or certificates and amendments thereto and do such other acts as may be required by law to qualify and maintain the Company as a limited liability company in all states in which the Company transacts any business; and

(ix) Cause the Company to observe the limited liability company formalities necessary in order to have the Company's separate existence as a limited liability company recognized under applicable law.

(c) The Directors shall not be personally liable for the return of all or any part of the Capital Contributions by the Company. Any such return shall be made solely from the assets of the Company.

6.5 Rights of Members. Except as otherwise expressly provided in this Agreement, no Member shall be entitled to participate in the control and management of the Company, nor shall any Member have the right to sign for or bind the Company, except when acting as a duly designated Director or when acting within the scope of powers properly delegated by the Board to a Member, officer, employee or agent of the Company.

6.6 Observer Rights. For so long as Taberna owns a majority interest (or is the majority beneficiary) of the Creditor Trust, a representative of Taberna shall be entitled to attend all meetings of the Board or any committee of the Board (whether in person, telephonically or otherwise), solely in a nonvoting observer capacity (such Person, a "Board Observer"), and the Company shall give such Board Observer copies of all notices, minutes, consents, and other materials that the Company provides to its Directors. Notwithstanding the foregoing, (i) the Company reserves the right to withhold any information and to exclude such Board Observer from any meeting or portion thereof if access to such information or attending such meeting (A) could adversely affect the attorney-client privilege between the Company and its counsel with respect to any pending or potential matter to be discussed at such meeting; or (B) could breach any applicable privacy law or regulation, provided that the Company promptly informs the Board Observer that certain information is being withheld pursuant to this Section 6.6; and (ii) each Board Observer shall, prior to being given any information or being permitted to attend any meetings, enter into an agreement with the Company providing that such Board Observer shall hold in confidence and trust and act in a fiduciary manner with respect to all information provided to such Board Observer or learned by such Board Observer in connection with the observer rights described herein, except to the extent otherwise required by law.

6.7 Non-Exclusivity; Other Businesses; Liabilities and Duties.

(a) Except as set forth in this Agreement or in any other written agreement between or among the parties, the creation of the Company and the assumption by the Members and the Directors of their duties under this Agreement will be without prejudice to the rights of the Members and the Directors (or the rights of their Affiliates) to pursue or participate in other interests and activities including, without limitation, investments in and devotion of time to other businesses, and to receive and enjoy profits or compensation therefrom, and neither the Company nor any of the other Members shall have any rights in or with respect to those independent ventures.

(b) No Member shall be liable as such for the liabilities of the Company. The failure of the Company to observe any formalities or requirements relating to the exercise of its powers or management of its business or affairs under this Agreement or the LLC Act shall not be grounds for imposing personal liability on the Members for liabilities of the Company.

6.8 Indemnification.

(a) To the fullest extent permitted by applicable law, the Company shall, by action of the Board, indemnify any member of the Board, any Board observer, and any officer of the Company (individually, an "Indemnified Person" and collectively, "Indemnified Persons") for any loss, damage or claim incurred by such Indemnified Person by reason of the fact that he, she or it is an Indemnified Person, if the Person acted in good faith and in a manner the Person reasonably believed to be in, and not opposed to, the best interest of the Company; *provided however*, that any indemnity under this Section 6.8 shall be provided out of and to the extent of Company assets only and, *provided further*, that no Indemnified Person shall be entitled to any indemnification under this Section 6.8 for any loss, damage or claim incurred by such Indemnified Person resulting, directly or indirectly, from his, her or its breach of this Agreement. The Company may indemnify any Person who was or is a party, or who is threatened to be made

a party, to any threatened, pending or completed civil, criminal or administrative proceeding, because such Person is or was an employee or agent of the Company in the same manner as it may indemnify an Indemnified Person pursuant to this Section 6.8.

(b) To the fullest extent permitted by applicable law, expenses (including reasonable legal fees) incurred by an Indemnified Person in defending any claim, demand, action, suit or proceeding (relating to any matter for which indemnification may be available pursuant to Section 6.8(a)) shall, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of an undertaking on behalf of the Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified as authorized in Section 6.8(a). The Board shall approve any choice of counsel or other advisor by an Indemnified Person, such approval not to be unreasonably withheld.

(c) The indemnification authorized by this Section 6.8 is not exclusive of and will be in addition to any other rights granted to those seeking indemnification under this Agreement, any other agreement, a vote of Members or Directors of the Company, or otherwise, both as to action in their official capacities and as to action in another capacity while holding their offices or positions. Any indemnification granted hereunder will continue as to a Person who has ceased to be a Director, officer, employee or agent of the Company and will inure to the benefit of such Person's heirs, executors, administrators, successors and assigns.

(d) The Company may purchase and maintain insurance or furnish similar protection, including, but not limited to, trust funds, letters of credit or self-insurance, for or on behalf of any Person who is or was a Director, officer, employee or agent of the Company. The insurance or similar protection purchased or maintained for those Persons may be for any liability asserted against them and incurred by them in any capacity described in this Section 6.8 or for any liability arising out of their status as described in this Section 6.8, whether or not the Company would have the power to indemnify them against that liability under this Section 6.8, provided that any such insurance and protection shall provide coverage in the same amounts and on the same terms for all Directors. Insurance may be so purchased from or so maintained with a Person in which the Company has a financial interest.

6.9 Reliance on Acts of the Board. No financial institution or any other Person, firm or corporation dealing with the Board or any officer appointed by the Board shall be required to ascertain whether the Board or such officer is acting in accordance with this Agreement, but such financial institution or such other Person, firm or corporation shall be protected in relying solely upon the deed, transfer or assurance of, and the execution of such instrument or instruments by the Board or such officer.

6.10 Consents. To the extent that this Agreement requires the consent of any person or persons to perform any action, such consents shall be delivered to the Secretary of the Company (or, if no Secretary is appointed, to the person designated by the Board to be its Chairman or, if no Chairman is appointed, to the person serving as the Company's chief executive officer). Such consents may be delivered by email (provided that such email clearly designates the person who sent the message), facsimile or pdf transmission, as well as by mail, courier or hand delivery.

6.11 Acquisition of Original Assets. Each of the Beachwold Parties and/or their Affiliates and their respective Family Members hereby agree that they will not acquire any of the Original Assets or any interest in any of the Original Assets without the written consent of the Creditor Trust. In addition, the Company shall not permit the sale of any Original Asset to any Beachwold Party, any Affiliate of a Beachwold Party, and/or any of their respective Family Members.

6.12 Property Management. The Company shall enter into or cause its subsidiaries which own the Company's properties to enter into property management agreements (collectively, the "Property Management Agreement") with William Friedman and Robert Rothenberg or an Affiliate of Friedman and Rothenberg ("Property Manager") pursuant to which the Property Manager shall receive a management fee ("Management Fee") of 5% of gross monthly collections; provided, however, (1) to the extent that the Company is obligated or determines to have any of the Company's properties managed by an unaffiliated third party, Property Manager shall subcontract the property management and shall be entitled to retain the difference in the compensation paid to the third party manager and what Property Manager is entitled to receive under the Property Management Agreement, and (2) if it is determined to have the Company directly manage any of its properties (or to have a Company subsidiary provide such management), then Friedman and Rothenberg (or their Affiliate) shall enter into an asset management agreement with Company to oversee and supervise the property management and shall be entitled to receive from Company a fee equal to the Management Fee less all costs and expenses which would have been paid by the Property Manager as an expense to perform its services under the Property Management Agreement and which are being paid by the Company. Any dispute regarding whether an expense should be deducted from the Management Fee shall be determined by the accountants for the Company.

SECTION 7

BOOKS AND RECORDS

7.1 Books and Records. The Company will keep adequate books and records at its principal place of business, setting forth a true and accurate account of all transactions and other matters arising out of and in connection with the conduct of the Company's business, which books and records will be otherwise kept in accordance with the provisions of the LLC Act. Any Member or its designated representative will have the right, at any reasonable time, to (a) have access to and to inspect such books and records, including any books, records and computer files of Tarragon Corporation and its direct and indirect subsidiaries that are in the possession of the Company, and (b) have reasonable access to employees of the Company for the purpose of obtaining from such employees information regarding Tarragon Corporation and its direct and indirect subsidiaries, provided that such access to employees is not burdensome to such employees or the Company, is done at times that are convenient for such employees and does not adversely impact the ability of such employees to perform their regular responsibilities on a timely and complete basis.

7.2 Fiscal Year. The accounting period and fiscal year of the Company will end on December 31 of each year.

SECTION 8

TRANSFERS OF UNITS

8.1 Restriction on Transfers. Except as otherwise permitted by this Agreement and except to one or more of such Member's Family Members, if any, no Member may Transfer all or any portion of its Units without the approval of the Board (which, for the avoidance of doubt, means the approval of at least a majority of the Directors). Any purported Transfer of Units or other equity securities in violation of this Agreement shall be null and void.

8.2 Permitted Transfers of Units. Subject to Section 8.1 above and subject to the conditions and restrictions set forth below and in Sections 8.3, 8.4 and 8.5, the Units of any Member may be Transferred (a "Permitted Transfer") solely in accordance with the following:

(a) A Member who wishes to Transfer all or any portion of its Units (the "Selling Member") shall deliver a notice (the "Right of First Refusal Notice") to the other Members stating its bona fide intention to sell its Units, the number of Units it wishes to sell and the price and terms upon which it proposes to sell such Units. By written notification received by the Selling Member within sixty (60) days after the other Members have received the Right of First Refusal Notice, the other Members may elect to purchase, at the price and on the terms specified in the Right of First Refusal Notice, up to their respective pro rata share (based on the number of Units held by each of them) of the Units the Selling Member wishes to sell. In addition, each other Member may indicate in its respective notification that if any other Member does not elect to purchase its pro rata share of the Units the Selling Member wishes to sell, then such other Member elects to purchase any Units the others do not elect to purchase. Within sixty (60) days of receipt of such a notification, the Selling Member shall sell to the other Members, and the other Member shall purchase from the Selling Member, the Units designated for purchase by such party on the terms specified in the Right of First Refusal Notice. If the other Members do not elect to purchase all of the Units on the terms set forth in the Right of First Refusal Notice, then the Selling Member may, during the one hundred twenty (120) days following the expiration of the period by which the other Members are required to notify the Selling Member of their election to purchase the Units which the Selling Member wishes to sell, offer and sell the Units set forth in the Right of First Refusal Notice to any other Person at a price not less than that, and upon terms no more favorable to the offeree than those, specified in the Right of First Refusal Notice. If the sale of such Units is not consummated within such 120-day period, then the right of first refusal described in this Section 8.2(b) shall be deemed to be revived and no Units may be offered for sale unless first offered (or reoffered) pursuant hereto.

(b) Notwithstanding any provision herein to the contrary, until the consummation of an IPO by the Company, no Member may Transfer any Units, in one transaction or a series of transactions if, as a result of such transfer, any class of equity securities of the Company, including the Units, would be held of record by 500 Persons (which calculation shall, for purposes of this paragraph, include the number of holders of any securities exercisable, convertible or exchangeable into such equity securities or Units) or otherwise in circumstances that the Board determines would require the Company to register its equity interests under the Exchange Act, if it is not otherwise subject to such requirements.

(c) Notwithstanding any provision herein to the contrary, until the consummation of an IPO by the Company, no Member may sell all or any of its Units to a Person who has been convicted of a felony or crime involving moral turpitude or who has been barred from working in the securities industry.

8.3 Co-Sale Rights.

(a) Subject to Sections 8.3(d) and 8.3(e), if any Member (other than the Creditor Trust) desires to Transfer any or all of its Units to one or more Persons pursuant to a bona fide third party private sale or exchange or a series of bona fide third party private sales or exchanges, such Member (the "Selling Unitholder") must first notify all other Members in writing (for purposes of this Section 8.3, the "Tag-Along Notice") of such intended transfer at least fifteen (15) days prior to the proposed date for the consummation of such Transfer, which notice shall contain the material terms of the transfer, including without limitation the name and address of the prospective purchaser(s), the purchase price and other terms and conditions of payment (or the basis for determining the purchase price and other terms and conditions), including all extraordinary compensation or other payments to be paid in connection with such transfer and include, to the extent available, all material documentation relating to the transfer, and the date on or about which such transfer is to be consummated. Any such Tag-Along Notice shall be treated as confidential information and shall be maintained in the strictest confidence by each recipient thereof unless otherwise specified by the Person giving such notice.

(b) Within fifteen (15) days after receipt of the Tag-Along Notice, each of the other holders of non-selling Members may notify (for purposes of this Section 8.3, the "Participation Notice") the Selling Unitholder that it (any Person providing a Participation Notice, a "Tag-Along Member") desires to include in such sale a specified number of the Units held by it (provided that the maximum number of Units that may actually be sold is subject to limitations to be determined as set forth below) on the same terms as set forth in the Tag-Along Notice. If the prospective purchaser(s) are unwilling to purchase all of the Units tendered pursuant to this Section 8.3 (including the Units to be sold by the Selling Unitholder), then the maximum number of Units which each Tag-Along Member (including the Selling Unitholder) will be entitled to sell under this Section 8.3 will be determined as of the date of consummation of such transfer and will equal (i) the total number of Units that the prospective purchaser(s) are willing to purchase, multiplied by (ii) a fraction, the numerator of which is the total number of Units owned by such Tag-Along Member or Selling Unitholder (as the case may be), and the denominator of which is the total number of all Units then held by the Selling Unitholder and each Tag-Along Member who elects to participate in the proposed sale by delivering a Participation Notice to the Selling Unitholder.

(c) The costs and expenses of any transfer pursuant to this Section 8.3 will be borne by the Selling Unitholder and all participating Tag-Along Members on a pro rata basis according to their Units being sold (or in such other proportion as such Members may agree).

(d) Notwithstanding the foregoing, the provisions of this Section 8.3 shall not apply to a Transfer by any Member to an Affiliate of such Member.

(e) For the avoidance of doubt, a Member (other than the Creditor Trust) that intends to Transfer any Units shall be required to comply with both Section 8.2 and this Section 8.3.

8.4 Conditions to Permitted Transfers. The transferor may grant to any assignee or transferee of Units pursuant to a Permitted Transfer the right to become a substitute Member, with respect to the Units transferred. All transferees hereunder shall be bound by the terms of this Agreement in the same manner as the transferors. A Transfer will not be treated as a Permitted Transfer unless and until all of the following conditions are satisfied:

(a) The transferor and transferee shall execute and deliver to the Company such documents and instruments of conveyance as may be necessary or appropriate in the opinion of counsel to the Company to effect such Transfer and to confirm the agreement of the transferee to be bound by the provisions of this Agreement. The Company will be reimbursed by the transferor and/or transferee for all costs and expenses that the Company reasonably incurs in connection with such Transfer.

(b) The transferor and transferee will furnish the Company with the transferee's taxpayer identification number, and any other information necessary to permit the Company to file all required federal and state tax returns and any other legally required information statements or returns. Without limiting the generality of the foregoing, the Company will not be required to make any distribution otherwise provided for in this Agreement with respect to any transferred Units until it has received such information.

(c) The transferor will provide, upon the Company's request, an opinion of counsel, which opinion and counsel will be reasonably satisfactory to the Company, to the effect that such Transfer will be exempt from all applicable registration requirements and that such Transfer will not violate any applicable laws regulating the transfer of securities.

(d) In the case of a Transfer or attempted Transfer of a Unit that is not made pursuant to this Section 8, the parties engaging or attempting to engage in such Transfer will be liable to indemnify and hold harmless the Company and the other Members from all costs, liability, and damage that any of such indemnified Persons may incur (including, without limitation, incremental tax liability and attorneys' fees and expenses) as a result of such Transfer or attempted Transfer and efforts to enforce the provisions contemplated hereby.

8.5 Representations; Legend. Each Member hereby represents and warrants to the Company that such Member's acquisition of a Unit hereunder is made for such Member's own account and not for resale or distribution of such Unit. Each Member further hereby agrees that the following legend may be placed upon any counterpart of this Agreement, the certificate, or any other document or instrument evidencing ownership of a Unit:

> The Units represented by this document have not been registered under the Securities Act of 1933, as amended, or the securities laws of any state or foreign jurisdiction and the transferability of such Units is restricted. A Unit may not be sold, assigned or transferred, nor will any assignee, vendee, transferee or endorsee thereof be recognized as having acquired any such Unit by the issuer for any purposes, unless (1) a registration statement under the Securities Act of 1933, as

amended, with respect to such Unit is then in effect and such transfer has been qualified under all applicable state securities laws, or (2) the availability of an exemption from such registration and qualification is established to the reasonable satisfaction of counsel to the Company.

8.6 Distributions and Allocations with Respect to Transferred Units. If any Unit is transferred during any accounting period in compliance with the provisions of this Section 8, Profits, Losses, each item thereof, and all other items attributable to the transferred Unit for such period will be divided and allocated between the transferor and the transferee by taking into account their varying interests during the period in accordance with Code Section 706(d), using any conventions permitted by law and selected by the Board. All distributions on or before the date of such Transfer will be made to the transferor, and all distributions thereafter will be made to the transferee. Solely for purposes of making such allocations and distributions, the Company will recognize such Transfer not later than the end of the calendar month during which it is given notice of such Transfer, provided that if the Company does not receive a notice stating the date such Unit was Transferred and such other information as the Company may reasonably require within thirty (30) days after the end of the accounting period during which the Transfer occurs, then all of such items will be allocated, and all distributions will be made, to the Member who, according to the books and records of the Company, on the last day of the accounting period during which the transfer occurs, was the owner of the Unit. Neither the Company, the Board nor any Member will incur any liability for making allocations and distributions in accordance with the provisions of this Section 8.6, whether or not the Company has knowledge of any Transfer of ownership of any Unit.

8.7 Put Option / Call Right.

(a) Subject to Section 8.7(e), for a period of sixty (60) days immediately following the eighth anniversary of the confirmation of the Plan, the Creditor Trust (but not any successor or assign of the Creditor Trust) shall have the right to give notice to the Company (the "Put Notice") that it wishes to sell all of its Units to the Company on the terms provided herein, and upon receipt of such Put Notice during the period specified above, the Company shall be obligated to purchase all of such Units on the terms provided herein; provided that the Beachwold Parties shall have the right to assume the obligations of the Company and either purchase such Units or procure a third party to do so; provided further, that any such assumption by the Beachwold Parties shall not relieve the Company of its obligations hereunder. The closing of such purchase shall be held at the office of the Company, or at any other location mutually agreed to by the parties, on such date that is mutually agreed to by the parties, or if they cannot so agree, on the 120th day after receipt by the Company of the Put Notice.

(b) The purchase price for all of the Units held by the Creditor Trust and subject to purchase upon exercise of the put right contained in this Section 8.7 shall be determined by an independent third party appraiser agreed to by the Creditor Trust and the Beachwold Parties based on the Fair Market Value (as defined in paragraph (d) below) of such Units at the date the Put Notice is received by the Company. If the Company and the Beachwold Parties cannot agree on the appraiser, then the Beachwold Parties shall select one appraiser, the Creditor Trust shall select a second appraiser, and those two appraisers shall select a third appraiser who shall conduct the appraisal. The determination of the purchase price by the appraiser selected by the

Creditor Trust and the Beachwold Parties or the appraiser selected by their respective appraisers shall be binding on all parties. The costs of the appraiser (or appraisers) shall be paid 50% by the Company and 50% (from the proceeds of such sale) by the Creditor Trust.

(c) The purchase price as determined by the appraiser (or appraisers) shall be paid by the Company to the Creditor Trust within ninety (90) days after the purchase price is determined by the appraiser (or appraisers).

(d) For purposes of this Section 8.7, "Fair Market Value" means, with respect to the Units, the fair market value of such Units as determined in good faith by the appraiser using customary valuation methodologies, provided that the minority interest discount, if any, shall not exceed 10%.

(e) The put right described in Section 8.7(a) shall expire on the consummation by the Company of an IPO.

(f) Call Right.

(i) At the time of a contribution of additional capital to the Company by a bona fide third party who is not affiliated, directly or indirectly, with any Beachwold Party or any Family Member of any Beachwold Party (the "Refinancing Contributor") for at least 25% of the outstanding Units of the Company on a post-transaction basis, the Company or the Refinancing Contributor (or their designee) (the "Call Purchaser") shall, subject to the provisions of this Section 8.7(f), have the right ("Call Right") to acquire all, but not less than all, the Interests of the Creditor Trust for an aggregate purchase price ("Call Cash Price") equal to the per Unit price paid by the Refinancing Contributor multiplied by the number of Units held by the Creditor Trust. For example, if the Creditor Trust and the Beachwold Parties each own 500 Units, and the Refinancing Contributor buys 50% of the Company, or 1,000 Units, for $40 million ($40,000 per Unit), the Call Cash Price would be $20 million (500 Units multiplied by $40,000 per Unit).

(ii) To exercise the Call Right, the Call Purchaser shall give the Creditor Trust notice (the "Call Notice") of its intention to exercise the Call Right, and the Creditor Trust shall, after receipt of the Call Notice, have a period of thirty (30) days to elect either (x) to sell its Interest for the Call Cash Price, or (y) not to sell its Interest.

(iii) If the Creditor Trust elects to sell its Interest pursuant to Section 8.7(f)(ii)(x) above, then the closing of such transaction shall take place within thirty (30) days of such election, at which time the Company shall pay and the Creditor Trust shall receive, by wire transfer of immediately available funds, the Call Cash Price.

(iv) If the Creditor Trust elects not to sell its Interest pursuant to Section 8.7(f)(ii)(y) above, then (A) the rights of the Creditor Trust set forth in Section 8.7(a) through (c) shall terminate immediately, and (B) from and after the

time of such election, following the receipt of a notice from the Creditor Trust informing the Company of any sale of Units held by the Creditor Trust, the Company shall pay to the Creditor Trust, from time to time, an amount equal to 10% of the amount paid to the Creditor Trust for such Units (the "Call Premium Amount"). The Call Premium Amount shall be paid by the Company by wire transfer of immediately available funds solely out of distributions (including distributions of Available Cash) otherwise payable by the Company to the Beachwold Parties, and the Beachwold Parties hereby authorize and direct the Company to pay the Call Premium Amount to the Creditor Trust out of such distributions.

SECTION 9

WITHDRAWAL OF A MEMBER

9.1 Withdrawal of a Member. Unless otherwise provided in this Agreement, a Member shall cease to be a Member upon the happening of any of the following events of "Withdrawal":

(a) in the case of a Member that is an entity, the dissolution and commencement of the winding-up of such entity or the filing of a certificate of dissolution or its equivalent, as applicable; or

(b) upon the Bankruptcy of a Member.

9.2 Company's Rights With Respect to a Withdrawing Member. In the event of a Withdrawal by any Member from the Company prior to the expiration of the Company's term (as set forth in Section 1.6 of this Agreement):

(a) The Company shall have the option to purchase the entire Interest of the withdrawing Member for a period of ninety (90) days following such Withdrawal, for an amount equal to the fair market value of such Interest, as determined in good faith by the Board. If the Company elects not to purchase the Interest of a withdrawing Member within the period described above, then the Members (other than any Member whose Interest is the subject of such purchase right), in proportion to their respective Units and subject to each such Member's ability to reaffirm its representations and warranties contained in Section 13.1, shall have the right, for an additional period of thirty (30) days following the expiration of the Company's option period, to indicate its or their desire to purchase the Interest of such withdrawing Member by delivering a notice to such withdrawing Member or its designee or legal representative, who shall be obligated to sell such withdrawing Member's Interest to the Members on the terms provided herein. The notice shall include the closing date of the purchase, which shall be no later than thirty (30) days after the date of such notice. Until such option is exercised and/or payment made thereunder, the withdrawing Member will be entitled to receive distributions applicable to the withdrawing Member's Interest but will not otherwise be entitled to participate in the Company as a Member. The closing for the sale shall be held at the principal offices of the Company.

(b) If the Company and the Members do not elect to purchase the Interest of such withdrawing Member in accordance with this Section, then the successor in interest to such withdrawing Member ("Successor in Interest") will be an assignee of the Interest of the withdrawing Member. In such event, the Successor in Interest will not become a Member unless and until the admission of the Successor in Interest as a Member is consented to in writing by the Board, provided that the Successor in Interest executes and delivers such documents as the Board may reasonably require to make the Successor in Interest a party to this Agreement. If the Successor in Interest is a competitor of the Company or has a criminal record, the Board shall be authorized to withhold its consent.

(c) If a Member withdraws from the Company in contravention of this Agreement, in addition to any other remedies available to the Company under applicable law, the Company may recover from the withdrawing Member damages for breach of this Agreement and may offset the damages against the amount otherwise distributable to such Member on account of its Interest.

9.3 Company to Continue Upon Withdrawal. The Company shall not dissolve upon the withdrawal of a Member, but shall continue until dissolved in accordance with Section 10.

SECTION 10

DISSOLUTION OF THE COMPANY

10.1 Dissolution Events. The Company will dissolve and commence winding up and liquidation upon the first to occur of any of the following (each, a "Dissolution Event"):

(a) the sale or other transfer of all or substantially all of the Company's assets;

(b) the approval of the Board and the prior written consent of the Creditor Trust, if the Creditor Trust is then a Member; or

(c) upon entry of a decree of judicial dissolution under the LLC Act.

The Members hereby agree that, notwithstanding any provision of the LLC Act, the Company will not dissolve prior to the occurrence of a Dissolution Event.

10.2 Winding Up. Upon the occurrence of a Dissolution Event, the Company will continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Members. No Member will take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Company's business and affairs. The Company's assets will be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom, to the extent sufficient therefor, will be applied and distributed in the following order:

(a) First, to the payment and discharge of all of the Company's debts and liabilities to creditors other than Members;

(b) Second, to the payment and discharge of all of the Company's debts and liabilities to Members; and

(c) The balance, if any, to the Members in accordance with Section 5 of this Agreement. The parties intend that the allocation provisions contained in Appendix B shall produce final Capital Account balances of the Members that will permit liquidating distributions that are made in accordance with final Capital Account balances pursuant to this Section 10.2(c) to be made in a manner identical to the order of priorities contained in Section 5 hereof. To the extent that the allocation provisions contained in Appendix B fail to produce such final Capital Account balances, (i) such provisions shall be amended by the Board if and to the extent necessary to produce such result, (ii) Profits and Losses of the Company for any open years (or items of gross income and deduction of the Company for such open years) shall be reallocated by the Board among the Members to the extent it is not possible to achieve such result with allocations of Profits or Losses (or items of gross income and deduction) for the current and future years, and (iii) the provisions of this sentence shall control notwithstanding any reallocation or adjustment of Profits or Losses (or items thereof) by the Internal Revenue Service or other taxing authority.

Any distribution to a Member pursuant to clauses 10.2(b) or (c) above will be net of any amounts owed to the Company by such Member.

No Member will receive any additional compensation for any services performed pursuant to this Section 10.

10.3 Compliance With Timing Requirements of the Regulations. In the event the Company is "liquidated" within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Regulations, distributions will be made pursuant to this Section 10.3 to the Members who have positive Capital Accounts in compliance with Section 1.704-1(b)(2)(ii)(b)(2) of the Regulations. If any Member has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), such Member will have no obligation to make any contribution to the capital of the Company with respect to such deficit, and such deficit will not be considered a debt owed to the Company or to any other Person for any purpose whatsoever. In the discretion of the Board, a pro rata portion of the distributions that would otherwise be made to the Members pursuant to this Section 10.3 may be:

(a) distributed to a trust established for the benefit of the Members for the purposes of liquidating Company assets, collecting amounts owed to the Company, and paying any contingent or unforeseen liabilities or obligations of the Company or of the Members arising out of or in connection with the Company. The assets of any such trust shall be distributed to the Members from time to time, in the discretion of the Board, in the same proportion as the amount distributed to such trust by the Company would otherwise have been distributed to the Members pursuant to this Agreement; or

(b) withheld to provide a reserve for Company liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the

Company, provided that such withheld amounts shall be distributed to the Members as soon as reasonably practicable.

10.4 Deemed Contribution and Distribution. Notwithstanding any other provision of this Section 10, in the event the Company is liquidated within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Regulations but no Dissolution Event has occurred, the Company's assets will not be liquidated, the Company's liabilities will not be paid or discharged, and the Company's affairs will not be wound up. Instead, except as otherwise provided in applicable Regulations, the Company will be deemed to have contributed all of its assets and liabilities to a new limited liability company and immediately thereafter to have distributed the interest in such new limited liability company to the Members in proportion to their respective Interests in the Company.

10.5 Rights of Members. Except as otherwise provided in this Agreement, (a) each Member will look solely to the assets of the Company for the return of its Capital Contribution and will have no right or power to demand or receive property other than cash from the Company, and (b) no Member will have priority over any other Member as to the return of its Capital Contribution, distributions or allocations.

10.6 Prohibition on Withdrawal. Except as otherwise provided in Sections 8 or 9 of this Agreement or another written agreement between the Company and one or more Members, no Member is entitled to withdraw from the Company prior to the Company's dissolution pursuant to this Section 10.

SECTION 11

MEETINGS OF MEMBERS

11.1 Meetings. Meetings of the Members, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the Board and by any Member or group of Members holding at least forty percent (40%) of the outstanding Units. The Chairman of the Board, or such other Person as designated by the Board, shall preside at all meetings of the Members.

11.2 Place of Meetings. Unless otherwise designated in the notice of a meeting, the place of meeting shall be at the Company's principal place of business as set forth in Section 1.5 hereof.

11.3 Notice of Meetings. Except as provided in Section 11.4 hereof, the Board shall deliver or cause to be delivered a notice of such meeting to each Member entitled to vote at such meeting. Said notice shall be delivered not less than five (5) days nor more than sixty (60) days before the date of such meeting and shall state the place, day and hour of the meeting and the purpose or purposes for which the meeting is called.

11.4 Meeting of all Members. If all of the Members shall meet at any time and place, and consent to the holding of a meeting at such time and place, such meeting shall be valid without call or notice, and at such meeting lawful action may be taken. Any Member attending such meeting (whether in person or by proxy) as to which proper notice pursuant to

Section 11.3 hereof shall not have been given, and not objecting to such lack of notice, shall be deemed to have given such Member's consent to the holding of such meeting without proper notice.

11.5 Record Date. For the purpose of determining Members entitled to notice of, or to vote at, any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any distribution, or in order to make a determination of Members for any other purpose, the date on which notice of the meeting is mailed or the date on which the resolution declaring such distribution is adopted, as the case may be, shall be the record for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Section, such determination shall apply to any adjournment thereof.

11.6 Quorum. Members holding at least 60% of the Units outstanding and entitled to vote on the matters to be presented at a meeting of the Members, whether represented in person or by proxy, shall constitute a quorum at such meeting. In the absence of a quorum at any such meeting, the Members holding at least a majority of the Units so represented may adjourn the meeting from time to time for a period not to exceed sixty (60) days without further notice. However, if the adjournment is for more than sixty (60) days, or if after the adjournment a new record date is fixed for the adjourned meeting, then a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal during such meeting of that number of Units whose absence would cause less than a quorum.

11.7 Manner of Acting. If a quorum is present, the affirmative vote of Members holding at least a majority of the Units outstanding and entitled to vote on the subject matter shall be the act of the Members, unless the vote of a greater or lesser proportion or number or separate class vote is otherwise required by the LLC Act, the Certificate or this Agreement.

11.8 Proxies. At all meetings of the Members, a Member may vote in person or by written proxy executed by the Member or by such Member's duly authorized attorney in fact. Such proxy shall be filed with the Company before or at the time of the meeting. No proxy shall be valid after twelve (12) months from the date of its execution, unless otherwise provided in the proxy.

11.9 Action by Members Without a Meeting. Action required or permitted to be taken at a meeting of the Members may be taken without a meeting only if such action is approved by Members holding the requisite number of Units required under this Agreement to take such action and such approval is evidenced by one or more written consents describing the action taken, signed by such Members and delivered to the Company for inclusion in the minutes of the Company or for filing with the Company records. Action taken under this Section 11.9 is effective when the requisite Members have signed the consent, unless the consent specifies a

different effective date. The record date for determining Members entitled to take action without a meeting shall be the date the first Member signs a written consent.

11.10 Waiver of Notice. When any notice is required to be given to any Member, a waiver thereof in writing signed by the Person entitled to such notice, whether before, at or after the time stated therein, shall be equivalent to the giving of such notice.

SECTION 12

AMENDMENTS

12.1 Authority to Amend. Amendments to this Agreement shall require the approval of the Board and the prior written consent of the Creditor Trust, if the Creditor Trust is then a Member.

12.2 Notice of Amendments. Every Member shall have the right to propose amendments to this Agreement. A copy of any amendment to be approved by the Members pursuant to Section 12.1 hereof shall be mailed in advance to each Member.

SECTION 13

REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGMENT

13.1 General. Each Member hereby represents, warrants and covenants that:

(a) such Member is acquiring such Member's Units solely for investment purposes and not with a view to the distribution or resale thereof;

(b) the Member has the full capacity, power and authority to execute, deliver and perform this Agreement and to subscribe for and purchase an interest as a Member of the Company;

(c) the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and the performance of the Member's obligations hereunder will not conflict with, or result in any violation of or default under, any provision of any agreement or other instrument to which such Member is a party or by which such Member or any of its assets are bound, or any judgment, decree, statute, order, rule or regulation applicable to such Member or its assets, and

(d) if the Member is not a natural person, (i) the Member is duly organized, formed or incorporated, as the case may be, and validly existing and in good standing under the laws of the Member's jurisdiction of organization, formation or incorporation, (ii) the Member has all requisite power and authority to execute, deliver and perform its obligations under this Agreement and each other document required to be executed and delivered by the Member in connection with this Agreement and to perform its obligations hereunder and consummate the transactions contemplated hereby, and (iii) the Person signing this Agreement on behalf of the Member has been duly authorized to execute and deliver this Agreement and each other

document required to be executed and delivered by the Member in connection with this Agreement.

13.2 Securities Law Compliance. Notwithstanding statements contained in any other Sections of this Agreement, no Unit may be offered or sold and no transfer of a Unit will be made either by the Company or the Members unless: (x) such Unit is registered under the Securities Act of 1933, as amended, and is registered under the applicable provisions of state securities laws, or (y) an opinion of counsel, reasonably satisfactory to the Board as to form, substance and counsel, is delivered to the Company by the Member desiring to offer, sell or transfer a Unit, to the effect that no such registration is necessary; provided that such requirement may be waived by the Board.

13.3 Acknowledgement. Each of the parties hereto and each of the substitute Members hereinafter becoming a signatory hereto, acknowledges that each such party or substitute Member has been advised of and hereby approves of the application of the Company funds to pay all expenses incurred in connection with the formation of the Company and admission of the Members, including, without limitation, legal fees, registration fees and filing and recording charges. Each Member acknowledges that the Member has been furnished, to the full satisfaction of such Member, any materials the Member has requested relating to the Company, has consulted to the extent deemed appropriate by the Member with the Member's own counsel and other advisors as to the financial, tax, legal and related matters concerning an investment in the Company, has been afforded the opportunity to ask questions of representatives of the Company concerning the terms and conditions of the offering and to obtain any additional information necessary to verify the accuracy of any representations or information provided to the Member and to make an informed investment decision with respect to an investment in the Company, and any such questions or requests for information have been addressed to such Member's satisfaction.

SECTION 14

MISCELLANEOUS

14.1 Notices. All notices, requests, demands and other communications under this Agreement must be in writing and will be deemed duly given, unless otherwise expressly indicated to the contrary in this Agreement, (a) when personally delivered, or (b) one (1) business day after having been dispatched by a nationally recognized overnight courier service, addressed to the parties or their permitted assigns with an acknowledgment of receipt requested at the following addresses:

(a) If to the Company, to the addresses set forth in Section 1.5 hereof; and

(b) If to a Member, to the address set forth on Exhibit A to this Agreement.

Any Person may from time to time specify a different address by written notice to the Company and to each Member.

14.2 Binding Effect. Except as otherwise provided in this Agreement, every covenant, term, and provision of this Agreement will be binding upon and inure to the benefit of

the Members and their respective heirs, legatees, legal representatives, successors, transferees and assigns.

14.3 Construction. Every covenant, term and provision of this Agreement will be construed simply according to its fair meaning and not strictly for or against any Member.

14.4 Waiver of Appraisal. Notwithstanding any provision which may be contained in the Last Will and Testament of a deceased Member, there shall be no inventory and no appraisal of the Company's assets or a sale of a deceased Member's Interest therein as a result of the death of a Member, and the Interest of a deceased Member shall be settled and disposed of exclusively in accordance with the terms of this Agreement.

14.5 Entire Agreement. This Agreement, together with the Certificate, as each of the foregoing may be amended in writing from time to time (the "Organizational Documents"), and the other agreements referred to herein, contain the entire understanding among the parties and supersede any prior understandings and agreements among them respecting the subject matter of this Agreement. There are no representations, agreements, arrangements or undertakings, oral or written, between or among the parties hereto relating to the subject matter of this Agreement which are not fully expressed in the Organizational Documents and the documents referred to herein.

14.6 Headings. Section and other headings contained in this Agreement are for reference purposes only and are not intended to describe, interpret, define or limit the scope or extent of this Agreement or any provision hereof.

14.7 Severability. Every provision of this Agreement is intended to be severable. If any term or provision hereof is invalid for any reason whatsoever, such illegality or invalidity will not affect the validity or legality of the remainder of this Agreement and the parties agree to amend this Agreement to replace such illegal or invalid provision with a legally permissible alternative that most closely resembles the parties intent with respect to the invalid or illegal provision.

14.8 Incorporation by Reference. Every appendix, exhibit, schedule, and other document attached to this Agreement and referred to herein is hereby incorporated into this Agreement by reference.

14.9 Further Action. Each Member agrees to perform all further acts and execute, acknowledge, and deliver any documents which may be reasonably necessary, appropriate, or desirable to carry out the provisions of this Agreement.

14.10 Variation of Pronouns. All pronouns and any variations will be deemed to refer to masculine, feminine, or neuter, singular or plural, as the identity of the Person or Persons may require.

14.11 Governing Law; Consent to Jurisdiction. The laws of the State of Delaware will govern the validity of this Agreement, the construction of its terms, and the interpretation of the rights and duties of the Members. All actions and proceedings arising out of or relating to this Agreement shall be heard and determined in a state or federal court sitting in

the City of New York, County of New York and State of New York and the parties hereto hereby irrevocably submit to the exclusive jurisdiction of such courts in any such action or proceeding and irrevocably waive the defense of an inconvenient forum to the maintenance of any such action or proceeding.

14.12 Specific Performance. The parties acknowledge that it may be impossible to measure, in money, the damages that shall accrue to a party or to the personal representative of a decedent from a failure of a party to perform certain of the obligations under this Agreement and that an aggrieved party shall have the right to seek specific performance, injunctive or other equitable relief in connection with such alleged failure.

14.13 Counterpart Execution. This Agreement may be executed in any number of counterparts with the same effect as if all of the Members had signed the same document. All counterparts will be construed together and will constitute one agreement.

14.14 Attorneys Fees. In any litigation by which one party seeks to enforce its rights under this Agreement (whether in contract, tort, or both) or seeks a declaration of any rights or obligations under this Agreement, the prevailing party or parties shall be awarded its or their reasonable attorney fees, and costs and expenses incurred. If more than one party receives judgment in any dollar amount or if damages are not sought in such litigation, the court will determine the prevailing party, taking into consideration the merits of the claims asserted by each party, the amount (if any) of the judgment received by each party and the relative equities among the parties.

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IN WITNESS WHEREOF, the undersigned have executed this Operating Agreement as of the date first set forth above.

[CREDITOR TRUST]

By:_____
Name:
Title: Authorized Signatory

BEACHWOLD RESIDENTIAL, LLC

By:_____
Name:
Title: Authorized Signatory

ANSONIA APARTMENTS HOLDINGS LLC

By:_____
Name:
Title: Authorized Signatory

APPENDIX A

DEFINITIONS

"**Related Party Transaction**" means, except as otherwise specifically permitted by this Agreement, (i) any transaction that would be required to be disclosed under Item 404(a) of Regulation S-K, as promulgated by the Securities and Exchange Commission, if the Company or the relevant subsidiary were subject to reporting obligations under Section 13(a) or 15(d) of the Exchange Act, or (ii) any other transaction between the Company or any of its subsidiaries, on the one hand, and any Beachwold Party, any Affiliate of a Beachwold Party or any of their respective Family Members, on the other hand.

"**Adjusted Capital Account**" means, with respect to any Member, the balance, if any, in such Member's Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

(i) Credit to such Capital Account any amounts which such Member is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Regulations; and

(ii) Debit to such Capital Account the items described in Sections 1.704-1 (b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6) of the Regulations.

The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Regulations and will be interpreted consistently therewith.

"**Affiliate**" means, with respect to any Person: (i) any Person directly or indirectly controlling, controlled by or under common control with such Person; (ii) any Person owning or controlling ten percent (10%) or more of the outstanding voting securities of such Person; (iii) any officer, director, manager, trustee or general partner of such Person; or (iv) any Person who is an officer, director, manager, trustee or general partner or holder of five percent (5%) or more of the voting securities of any Person described in clauses (i) through (iii).

"**Agreement**" means this Agreement, as originally executed and as amended from time to time. Terms such as "hereof," "hereto," "hereby," "hereunder" and "herein" refer to this Agreement as a whole, unless the context otherwise requires.

"**Available Cash**" means, during a fiscal period, all cash received by the Company from any source (including, without limitation, receipts from customers, financings, proceeds of sale of Company assets not in the ordinary course of business, (but excluding Capital Contributions received during such fiscal period)) reduced by (i) all cash expenditures made by the Company during such period (but not including expenditures made during such fiscal period from Capital Contributions (without regard to the fiscal period in which such Capital Contributions were received)) and (ii) such additions to reserves as the Board shall reasonably determine are required for the operation of the Company's business; provided, however, that upon the Final Distribution, any unexpended Capital Contributions shall be added back to Available Cash.

"**Bankruptcy**" means (i) the entry of a decree or order for relief against the Member by a court of competent jurisdiction in any involuntary case brought against the Member under any bankruptcy, insolvency or other similar law ("Debtor Relief Laws") generally affecting the rights of creditors and relief of debtors now or hereafter in effect, (ii) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar agent under applicable Debtor Relief Laws for the Member or for any substantial part of its assets or property, (iii) the ordering of the winding up or liquidation of the Member's affairs, (iv) the filing of the petition in any such involuntary bankruptcy case, which petition remains undismissed for a period of 60 days or which is not dismissed or suspended pursuant to Section 305 of the United States Bankruptcy Code (or any corresponding provision of any future United States bankruptcy law), (v) the commencement by the Member of a voluntary case under any applicable Debtor Relief Law now or hereafter in effect, (vi) the consent by the Member to the entry of an order for relief in an involuntary case under any such law or to the appointment of or the taking of possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar agent under any applicable Debtor Relief Law for the Member or for any substantial part of its assets or property, or (vii) the making by a Member of any general assignment for the benefit of its creditors.

"**Bankruptcy Court**" means the United States Bankruptcy Court for the District of New Jersey.

"**Beachwold Directors**" has the meaning set forth in Section 6.2 of this Agreement.

"**Beachwold Parties**" means Robert Rothenberg, William Friedman, Beachwold Residential, LLC and Beachwold Partners, L.P. and their respective assignees, if any.

"**Board**" means the Board of Directors of the Company.

"**Board Observer**" has the meaning set forth in Section 6.6 of this Agreement.

"**Capital Account**" means, with respect to any Member, the Capital Account maintained for such Member in accordance with the following provisions:

(i) To each Member's Capital Account there will be credited such Member's Capital Contributions, such Member's distributive shares of Profits and any items in the nature of income or gain which are specially allocated pursuant to Sections 1.2, 1.3 or 1.4 of Appendix B to this Agreement, and the amount of any Company liabilities assumed by such Member or which are secured by assets distributed to such Member.

(ii) To each Member's Capital Account there will be debited the amount of cash and the Gross Asset Value of any assets distributed to such Member pursuant to any provision of this Agreement, such Member's distributive share of Losses and any items in the nature of expenses or losses which are specially allocated pursuant to Sections 1.2, 1.3 or 1.4 of Appendix B to this Agreement, and the amount of any liabilities of such Member assumed by the Company or which are secured by any property contributed by such Member to the Company.

(iii) In the event all or a portion of an Interest is transferred in accordance with the terms of this Agreement, the transferee will succeed to the Capital Account of the transferor to the extent it relates to the transferred Interest.

(iv) In determining the amount of any liability for purposes of clauses (i) and (ii) above, there will be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b), and will be interpreted and applied in a manner consistent with such Regulations. In the event the Board determines that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed assets or which are assumed by the Company or Members), are computed in order to comply with such Regulations, the Board may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Person pursuant to Section 10 of the Agreement upon the dissolution of the Company. The Board also will (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Members and the amount of the Company's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q), and (ii) make any appropriate modifications in the event unanticipated events might otherwise cause the Agreement or Appendix B to the Agreement not to comply with Regulations Section 1.704-1(b).

"**Capital Contributions**" means, with respect to any Member, the amount of money and the initial Gross Asset Value of any assets (other than money) contributed to the Company with respect to the Interest held by such Person. The amount of a Member's Capital Contributions shall not be reduced, for purposes of this definition, by the amount of any return of capital to such Member.

"**Certificate**" has the meaning set forth in the first Recital of this Agreement.

"**CLO**" has the meaning set forth in Section 6.3 of this Agreement.

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provisions of succeeding law).

"**Company**" has the meaning set forth in the opening paragraph of this Agreement.

"**Company Minimum Gain**" has the meaning set forth in Section 1.704-2(b)(2) of the Regulations.

"**Credit Agreement**" has the meaning ascribed to such term in the Recitals.

"**Creditor Trust**" means **[_____]**.

"**Debtors**" has the meaning ascribed to such term in the Recitals.

"**Depreciation**" means, for each fiscal year or other period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable for federal income tax purposes with respect to an asset for such year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes as of the beginning of such year or other period, Depreciation will be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization, or other cost recovery deduction for such year is zero, Depreciation will be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Board.

"**Directors**" has the meaning set forth in Section 6.2 of this Agreement.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Family Member**" means, with respect to a person, (i) such person's spouse or parents, (ii) a lineal descendent of such person or such person's spouse or parents, (iii) a trust for the benefit of anyone in (i) or (ii) above and (iv) an entity that is owned by any of (i)-(iii) above.

"**Gross Asset Value**" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes except as follows:

(i) The initial Gross Asset Value of any asset contributed by a Member to the Company will be the gross fair market value of such asset, as determined by the contributing Member and the Board;

(ii) The Gross Asset Values of all Company assets will be adjusted to equal their respective gross fair market values, as determined by the Board, as of the following times: (a) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution or in exchange for services to or for the benefit of the Company; (b) the distribution by the Company to a Member of more than a de minimis amount of assets as consideration for an interest in the Company; and (c) the liquidation of the Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); provided, however, that adjustments pursuant to clauses (a) and (b) above will be made only if the Board reasonably determines that such adjustments are necessary to reflect the relative economic interests of the Members in the Company;

(iii) The Gross Asset Value of any Company asset distributed to any Member will be the gross fair market value of such asset on the date of distribution; and

(iv) The Gross Asset Values of Company assets will be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704 1(b)(2)(iv)(m) and Section 1.3(g) of Appendix B of this Agreement; provided, however, that Gross Asset Values will not be adjusted pursuant to this clause (iv) to the extent the Board determines that an adjustment pursuant to clause (ii) above is necessary

or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this clause (iv).

If the Gross Asset Value of an asset has been determined or adjusted pursuant to clauses (i), (ii), or (iv) above, such Gross Asset Value will thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

"**Interest**" means a Member's entire ownership interest in the Company represented by one or more Units, including any and all benefits to which the holder of such an Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement.

"**IPO**" means an underwritten initial public offering of the Company's equity.

"**Letter Agreement**" has the meaning set forth in Recitals.

"**LLC Act**" has the meaning set forth in the Recitals.

"**Member**" means any Person who (i) is referred to as such in the first paragraph of this Agreement or has become a Member pursuant to the terms of this Agreement, and (ii) has not ceased to be a Member pursuant to the terms of this Agreement. Solely for purposes of the allocation, distribution and transfer provisions of Appendix B and Sections 4, 5, 8 and 10 of this Agreement (and any definitions relating thereto), a Member shall also be deemed to include an assignee or transferee of a Unit who has not been admitted to the Company as a Member. "Members" means all such Persons.

"**New Business**" means any new business that is not directly related to the Original Assets.

"**Nonrecourse Deductions**" has the meaning set forth in Section 1.704-2(b)(1) of the Regulations. The amount of Nonrecourse Deductions for any fiscal year equals the excess, if any, of the net increase, if any, in the amount of Company Minimum Gain during that fiscal year over the aggregate amount of any distributions during that fiscal year of proceeds of a Nonrecourse Liability that are allocable to an increase in Company Minimum Gain, determined according to the provisions of Sections 1.704-2(c) and (d) of the Regulations.

"**Nonrecourse Liability**" has the meaning set forth in Section 1.704-2(b)(3) of the Regulations.

"**Original Assets**" means the equity interests and other assets owned, directly or indirectly, by the Company immediately following confirmation of the Plan.

"**Partner Minimum Gain**" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Company Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Section 1.704-2(i)(3) of the Regulations.

"**Partner Nonrecourse Debt**" has the meaning set forth in Section 1.704-2(b)(4) of the Regulations.

"**Partner Nonrecourse Deductions**" has the meaning set forth in Section 1.704-2(i)(1) of the Regulations. The amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for any fiscal year equals the excess, if any, of the net increase, if any, in the amount of Partner Minimum Gain attributable to such Partner Nonrecourse Debt during that fiscal year over the aggregate amount of any distributions during that fiscal year to the Member that bears the economic risk of loss for such Partner Nonrecourse Debt to the extent such distributions are from the proceeds of such Partner Nonrecourse Debt and are allocable to an increase in Partner Minimum Gain attributed to such Partner Nonrecourse Debt, determined in accordance with Sections 1.704-2(i)(2) and (3) of the Regulations.

"**Percentage Interest**" means, with respect to any Member, the amount, expressed as a percentage, that the number of Units and/or Units owned by such Member at any given time as set forth in Exhibit A hereto (as such Exhibit may be amended from time to time) bears to the total number of Units and Units owned by all Members as of such date.

"**Permitted Transfer**" has the meaning set forth in Section 8.2 of this Agreement.

"**Person**" means any individual, partnership, corporation, trust, limited liability company, or other entity.

"**Plan**" has the meaning set forth in the Recitals.

"**Profits and Losses of the Company**" means, for each fiscal year or other period, an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) will be included in taxable income or loss), from all sources with the following adjustments:

(i) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits and Losses of the Company will be added to such taxable income or loss;

(ii) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1 (b)(2)(iv)(1), and not otherwise taken into account in computing Profits or Losses of the Company will be subtracted from such taxable income or loss;

(iii) In the event the Gross Asset Value of any Company asset is adjusted, the amount of such adjustment will be taken into account as gain or loss from the disposition of such asset for purposes of computing Profits or Losses of the Company;

(iv) Gain or loss resulting from any disposition of assets with respect to which gain or loss is recognized for federal income tax purposes if the asset was located in the United States will be computed by reference to the Gross Asset Value of the assets

disposed of, notwithstanding that the adjusted tax basis of such asset differs from its Gross Asset Value;

(v) In lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing taxable income or loss, there will be taken into account Depreciation for such fiscal year or other period; and

(vi) Notwithstanding any other provision of this definition, any items which are specially allocated pursuant to Sections 1.2, 1.3 or 1.4 of Appendix B of this Agreement will not be taken into account in computing Profits or Losses of the Company.

"**Regulations**" means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"**Sale**" means any of the following transactions: (1) sale, transfer, lease, or disposition of all or substantially all of the properties and assets of the Company, whether as part of a single transaction or plan or in multiple transactions, so long as the sale, transfer, lease or disposition is not to an Affiliate; or (2) sale, transfer or other disposition of 100% of the Units of the Company, whether as part of a single transaction or plan or in multiple transactions, so long as the purchaser of such Units are not Affiliates of any of the Members.

"**Secretary**" has the meaning set forth in Section 6.3 of this Agreement.

"**Taberna**" means Taberna Capital Management, LLC.

"**Tax Amount**" means for each Member for any Fiscal Year or other applicable period, the amount of Federal income tax and state income tax which would be payable with such Member's tax returns for the year or other period (assuming, in each case, that such Member were a United States person whose aggregate tax rate was the rate set forth in this definition) with respect to the amount of income or gain of the Company, if any, allocable to such Member for that year or other period after giving effect to any available deductions, losses or credits allocable to such Member for such year or other period and for all prior years or other periods, assuming that such income or gain is taxed at a rate equal to the sum of (A) (i) if such Member is a "C" corporation, the highest federal income tax rate imposed on corporations, or (ii) if such Member is an individual or if such Member is a pass through entity for tax purposes, the highest Federal income tax rate imposed on individuals, in the case of each of the foregoing clauses (A)(i) and (ii) with respect to items of the same character as such income or gain; and (B) (i) if such Member is a "C" corporation, the highest state income tax rate imposed on corporations in the state to which Company income allocable to such corporation is sourced (and if sourced to multiple states, using the state with the highest rate), (ii) if such Member is an individual, the state income tax rate imposed on individuals in the state in which such Member resides or where the Company income is sourced, whichever is greater (and if sourced to multiple states, using the state with the highest rate), or (iii) if such Member is a pass through entity, the state income tax rate imposed on individuals in the state where the Company income is sourced (and if sourced to

multiple states, using the state with the highest rate), in the case of each of the foregoing clauses (B)(i), (ii) and (iii) with respect to items of the same character as such income or gain.

"**Transfer**" (whether or not such term is capitalized) means, as a noun, any voluntary or involuntary transfer, sale, pledge, hypothecation, assignment or other disposition by a Member and, as a verb, voluntarily or involuntarily to transfer, sell, pledge, hypothecate, assign or otherwise dispose of a Member's Interest or Units.

"**Trust Directors**" has the meaning set forth in Section 6.6 of this Agreement.

"**Unit**" means a unit of ownership interest in the Company and shall represent an undivided interest in the holder's Capital Account balance.

"**U.S. GAAP**" means generally accepted accounting principles as applied in the United States of America.

"**Vice President**" has the meaning set forth in Section 6.3 of this Agreement.

APPENDIX B

TAX MATTERS

1.1 **Definitions**. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in Appendix A of the Agreement.

1.2 **Special Allocations**. The following special allocations will be made in the following order:

(a) **Minimum Gain Chargeback**. Notwithstanding any other provision of this Appendix B and subject to the exceptions set forth in Sections 1.704-2(f)(2),(3),(4) and (5) of the Regulations, if there is a net decrease in Company Minimum Gain during any fiscal year, each Member will be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to the portion of such Member's share of the net decrease in Company Minimum Gain, determined in accordance with Section 1.704-2(g) of the Regulations. Allocations pursuant to the previous sentence will be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated will be determined in accordance with Section 1.704-2(f) of the Regulations. This Section 1.2(a) is intended to comply with the minimum gain chargeback requirement in such Section of the Regulations and will be interpreted consistently therewith.

(b) **Partner Minimum Gain Chargeback**. Notwithstanding any other provision of this Appendix B except Section 1.2(a) and subject to the exception in Section 1.704-2(i)(4) of the Regulations, if there is a net decrease in Partner Minimum Gain attributable to Partner Nonrecourse Debt during any Company fiscal year, each Member who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Section 1.704-2(i)(5), will be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to the portion of such Member's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Section 1.704-2(i)(5) of the Regulations. Allocations pursuant to the previous sentence will be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated will be determined in accordance with Section 1.704-2(i)(4) of the Regulations. This Section 1.2(b) is intended to comply with the minimum gain chargeback requirement in such Section of the Regulations and will be interpreted consistently therewith.

(c) **Qualified Income Offset**. In the event any Member unexpectedly receives any adjustments, allocations or distributions described in Section 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6) of the Regulations, items of Company income and gain will be specially allocated to each such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the deficit balance in such Member's Adjusted Capital Account as quickly as possible, provided that an allocation pursuant to this Section 1.2(c) will be made only if and to the extent that such Member would have a deficit balance in its Adjusted Capital Account after all other allocations provided for in this Section 1.2 have been tentatively made as if this Section 1.2(c) were not in this Appendix B.

(d) **Gross Income Allocation**. In the event any Member has a deficit balance in its Adjusted Capital Account at the end of any fiscal year, each such Member will be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 1.2(d) will be made only if and to the extent that such Member would have a deficit balance in its Adjusted Capital Account after all other allocations provided for in this Section 1.2 have been made as if Section 1.2(c) hereof and this Section 1.2(d) were not in this Appendix B.

(e) **Nonrecourse Deductions**. Nonrecourse Deductions for any fiscal year or other period will be specially allocated among the Members in the same manner that Profits and Losses are allocated for the applicable period.

(f) **Partner Nonrecourse Deductions**. Any Partner Nonrecourse Deductions for any fiscal year or other period will be specially allocated to the Member who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Section 1.704-2(i) of the Regulations.

(g) **Section 754 Adjustments**. To the extent the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Section 1.704-1(b)(2)(iv)(m) of the Regulations, to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss will be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Regulations.

(h) **Imputed Interest Income**. Any interest income imputed to the Company by reason of characterization of any payment of taxes by the Company as an interest free loan to a Member pursuant to Section 5 of this Agreement shall be specially allocated to the Member who is treated as having received such interest free loan.

1.3 **Curative Allocations**.

(a) The "**Regulatory Allocations**" consist of the "Basic Regulatory Allocations," as defined in Section 1.3(b) hereof, the "Nonrecourse Regulatory Allocations," as defined in Section 1.3(c) hereof, and the "Partner Nonrecourse Regulatory Allocations," as defined in Section 1.3(d) hereof.

(b) The "**Basic Regulatory Allocations**" consist of allocations pursuant to Sections 1.2(c), 1.2(d) and 1.2(g) hereof. Notwithstanding any other provision of this Appendix B, other than the Regulatory Allocations, the Basic Regulatory Allocations will be taken into account in allocating items of income, gain, loss, and deduction among the Members so that, to the extent possible, the net amount of such allocations of other items and the Basic Regulatory Allocations to each Member will be equal to the net amount that would have been allocated to each such Member if the Basic Regulatory Allocations had not occurred. For purposes of applying the foregoing sentence, allocations pursuant to this Section 1.3(b) will only be made

with respect to allocations pursuant to Sections 1.2(c), 1.2(d) or 1.2(g) hereof to the extent the Board reasonably determines that such allocations will otherwise be consistent with the economic agreement among the parties to the Agreement.

(c) The "**Nonrecourse Regulatory Allocations**" consist of all allocations pursuant to Sections 1.2(a) and 1.2(e) hereof. Notwithstanding any other provision of this Appendix B, other than the Regulatory Allocations, the Nonrecourse Regulatory Allocations will be taken into account in allocating items of income, gain, loss, and deduction among the Members so that, to the extent possible, the net amount of such allocations of other items and the Nonrecourse Regulatory Allocations to each Member will be equal to the net amount that would have been allocated to each such Member if the Nonrecourse Regulatory Allocations had not occurred. For purposes of applying the foregoing sentence (i) no allocations pursuant to this Section 1.3(c) will be made prior to the fiscal year during which there is a net decrease in Company Minimum Gain, and then only to the extent necessary to avoid any potential economic distortions caused by such net decrease in Company Minimum Gain, and (ii) allocations pursuant to this Section 1.3(c) will be deferred with respect to allocations pursuant to Section 1.2(e) hereof to the extent the Board reasonably determines that such allocations are likely to be offset by subsequent allocations pursuant to Section 1.2(a) hereof.

(d) The "**Partner Nonrecourse Regulatory Allocations**" consist of all allocations pursuant to Sections 1.2(b) and 1.2(f) hereof. Notwithstanding any other provision of this Appendix B, other than the Regulatory Allocations, the Partner Nonrecourse Regulatory Allocations will be taken into account in allocating items of income, gain, loss and deduction among the Members so that, to the extent possible, the net amount of such allocations of other items and the Partner Nonrecourse Regulatory Allocations to each Member will be equal to the net amount that would have been allocated to each such Member if the Partner Nonrecourse Regulatory Allocations had not occurred. For purposes of applying the foregoing sentence (i) no allocations pursuant to this Section 1.3(d) will be made with respect to allocations pursuant to Section 1.3(f) relating to a particular Partner Nonrecourse Debt prior to the fiscal year during which there is a net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, and then only to the extent necessary to avoid any potential economic distortions caused by such net decrease in Partner Minimum Gain, and (ii) allocations pursuant to this Section 1.3(d) will be deferred with respect to allocations pursuant to Section 1.2(f) hereof relating to a particular Partner Nonrecourse Debt to the extent the Board reasonably determines that such allocations are likely to be offset by subsequent allocations pursuant to Section 1.2(b) hereof.

(e) The Board will have reasonable discretion, with respect to each taxable year, to (i) apply the provisions of Sections 1.3(b), 1.3(c), and 1.3(d) hereof in whatever order is likely to minimize the economic distortions that might otherwise result from the Regulatory Allocations, and (ii) divide all allocations pursuant to Sections 1.3(b), 1.3(c), and 1.3(d) hereof among the Members in a manner that is likely to minimize such economic distortions.

1.4 **Other Allocation Rules**.

(a) For purposes of determining the Profits, Losses, or any other items allocable to any period, Profits, Losses, and any such other items will be determined on a daily,

monthly, or other basis, as determined by the Board using any permissible method under Code Section 706 and the Regulations thereunder.

(b) Except as otherwise provided in this Appendix B, for federal income tax reporting purposes, all items of Company income, gain, loss, deduction, and any other allocations (including allocations of credits) not otherwise provided for will be divided among the Members in the same proportions as they share Profits or Losses, as the case may be, for the year.

(c) The Members are aware of the income tax consequences of the allocations made by this Appendix B and hereby agree to be bound by the provisions of this Appendix B in reporting their shares of Company income and loss for income tax purposes.

(d) Upon the exercise of any option, conversion right or warrant (collectively, "options") to acquire Units, the Board shall make other allocations or effect a shift of Capital Account balances of the Members as the Board, in its sole discretion, shall determine to be necessary in order to properly reflect the interests of any option holder in the Company and to preserve the value of such option holder's option (i.e., by preserving the option holder's ability to realize the appreciation in value of a Unit over the option price applicable to his option). Any allocations or Capital Account shifts determined by the Board to be necessary under the immediately preceding sentence shall be made over such period as the Board determines to be reasonable. To the extent applicable, any such adjustments or allocations shall be made in a manner consistent with any proposed, temporary or final Regulations promulgated under Code Sections 704 or 721 with respect to partnership convertible obligations or options. If, in connection with the exercise of an option to acquire Units granted to an employee or consultant of the Company for services rendered to the Company, the Board determines that it is necessary to effect a Capital Account shift in order to properly reflect the interest of the Person (the "Optionholder") exercising the option in the Company, then the following shall occur: (A) the Company shall be deemed to have distributed an amount of cash to the Optionholder equal to the amount of the Capital Account balances of the other Members that are shifted to the Optionholder, and (B) the Optionholder shall be deemed to have contributed such amount to the capital of the Company.

(e) The Board is hereby authorized and directed to make an election to value interests issued by the Company as compensation for services to the Company ("Compensatory Interests") at liquidation value (the "Safe Harbor Election"), as the same may be permitted pursuant to or in accordance with the finally promulgated successor rules to Proposed Treasury Regulations Section 1.83-3(l) and IRS Notice 2005-43 (collectively, the "Proposed Rules"). The Board shall make any allocations of items of income, gain, deduction, loss, or credit (including forfeiture allocations and elections as to allocation periods) necessary or appropriate to effectuate and maintain the Safe Harbor Election. Any such Safe Harbor Election shall be binding upon the Company and on all of its Members with respect to all transfers of Compensatory Interests thereafter made by the Company while a Safe Harbor Election is in effect. A Safe Harbor Election once made may be revoked by the Company as permitted by the Proposed Rules or any applicable rule. Each Member (including any person to whom a Compensatory Interest is transferred in connection with the performance of services), by signing this Agreement or by accepting such transfer, hereby agrees to comply with all requirements of the Safe Harbor

Election with respect to all Compensatory Interests transferred while the Safe Harbor Election remains effective. The Company shall file all returns, reports, and other documentation as may be required to perfect and maintain the Safe Harbor Election with respect to transfers of Compensatory Interests covered by such Safe Harbor Election. The Board is hereby authorized and empowered, without further vote or action of the Members, to amend this Agreement as necessary to comply with the Proposed Rules or any rule, in order to provide for a Safe Harbor Election and the ability to maintain or revoke the same, and shall have the authority to execute any such amendment by and on behalf of each Member. Any undertakings by the Members necessary to enable or preserve a Safe Harbor Election may be reflected in such amendments and, to the extent so reflected, shall be binding on each Member. Each Member agrees to cooperate with the Company to perfect and maintain any Safe Harbor Election, and timely to execute and deliver any documentation with respect thereto reasonably requested by the Company. No transfer, assignment, or other disposition of any Interest by a Member shall be effective unless prior to such transfer, assignment, or disposition, the transferee, assignee, or intended recipient of such interest shall have agreed in writing to be bound by the provisions of this Subsection in a form satisfactory to the Company.

1.5 **Tax Allocations; Code Section 704(c)**.

(a) In accordance with Code Section 704(c) and the Regulations thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company will, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value.

(b) In the event the Gross Asset Value of any Company asset is adjusted, subsequent allocations of income, gain, loss, and deduction with respect to such asset will take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Regulations thereunder.

(c) Any elections or other decisions relating to such allocations will be made by the Board in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 1.5(c) are solely for purposes of federal, state, and local taxes and will not affect, or in any way be taken into account in computing any Member's Capital Account or share of Profits, Losses, other items or distributions pursuant to any provision of this Agreement.

EXHIBIT A

MEMBERS' NAMES, ADDRESSES, NUMBER OF UNITS AND CAPITAL CONTRIBUTIONS

Name and Address of Member	Number of Units	Capital Contribution
Creditor Trust [Address]	50	
Beachwold Residential, LLC [Address]	50	

EXHIBIT B

EQUITY INTERESTS BEING TRANSFERRED TO THE COMPANY

Exhibit J

Material Liquidation Assets

1. 800 Madison Street Urban Renewal, LLC
2. 900 Monroe Development, LLC
3. Block 106 Development, LLC
4. Promissory Note in the original principal amount of $1,500,000 from URSA Development Group, LLC to Block 112 Development, LLC
5. Hoboken Cinema, LLC
6. Orion Towers Tarragon, LLP
7. Mustang Creek National, LP
8. Summit on the Lake Associates, Ltd.
9. Keane Stud, LLC
10. Uptown Village A, LLC
    Uptown Village B, LLC

Schedule 5(F)

Executory Contracts and Unexpired Leases

[To be filed with the Plan Supplement.]