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Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY
CASE NOS. 09-

In re:

TARRAGON CORPORATION, *et al.*,
Debtors-in-Possession.

Chapter 11
(Joint Administration Pending)

**NOTICE OF 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**

HEARING DATE:

January _____, 2009, at __:__ .m.

ORAL ARGUMENT REQUESTED

TO: All Parties-in-Interest

PLEASE TAKE NOTICE that pursuant to an Order Regarding Application For Expedited Consideration of First Day Matters served herewith, on the ___ day of January, 2009, at ___ .m., or as soon thereafter as counsel may be heard, the undersigned, proposed attorneys for Tarragon Corporation, *et al.*, the within debtors and debtors-in-possession



(collectively, the “Debtors”),¹ shall move before the assigned United States Bankruptcy Judge, at the United States Bankruptcy Court, Martin Luther King, Jr. Federal Building, 50 Walnut Street, Third Floor, Newark, New Jersey, 07102, for entry of 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 (the “Motion”).

PLEASE TAKE FURTHER NOTICE that in support of the Motion, the undersigned shall rely on the Affidavit of William S. Friedman submitted in support of “First Day Motions,” and the accompanying Application, which collectively set forth the relevant factual and legal bases upon which the relief requested should be granted. A proposed Order granting the relief requested in the Motion is also being submitted.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the relief requested in the Motion shall be presented in accordance with the Order Regarding Application for Expedited Consideration of First Day Matters.

PLEASE TAKE FURTHER NOTICE that unless objections are timely presented, the Motion shall be deemed uncontested in accordance with D.N.J. LBR 9013-1(a) and the relief requested may be granted without a hearing.

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, and Vista Lakes Tarragon, LLC.

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In re:

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Chapter 11
(Joint Administration Pending)

**APPLICATION IN SUPPORT OF 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**

HEARING DATE AND TIME:

January __, 2009, __: __.m.

ORAL ARGUMENT REQUESTED

TO: Honorable Judge of the
United States Bankruptcy Court

The Application of Tarragon Corporation, *et al.*, the within debtors and debtors-in-possession (collectively, the “Debtors”),¹ by and through their proposed counsel, Cole, Schotz, Meisel, Forman & Leonard, P.A., respectfully states as follows:

I. INTRODUCTION AND JURISDICTION

1. This Verified Application is submitted in support of 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 in and of the Debtors and claims against the Debtors and (b) approving related notice procedures (the “Motion”). As set forth below, granting the Debtors the relief requested in the Motion is crucial to the Debtors’ ability to operate their businesses during these Chapter 11 cases without interruption.

2. The Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 1334 and 157(b). This is a “core” proceeding pursuant to 28 U.S.C. § 157(b)(2).

3. Venue is proper in this Court pursuant to 28 U.S.C. § 1409(a).

II. BACKGROUND

4. On January 12, 2009 (the “Filing Date”), each of the Debtors filed a voluntary petition for relief pursuant to Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”). Since the Filing Date, the Debtors have remained in possession of their assets and

¹ The Debtors are Tarragon Corporation (“Tarragon Corp.”), 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 LLC, 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, Vineyard at Eagle Harbor, L.L.C., and Vista Lakes Tarragon, LLC.

continued management of their businesses as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

5. A detailed description of the Debtors' businesses and facts precipitating the filing of the Debtors' Chapter 11 cases is set forth in the Affidavit of William S. Friedman (the "Friedman Affidavit") submitted in support of the Debtors' various "First Day Motions." Those facts are incorporated herein by reference.

6. As set forth in the Friedman Affidavit, Tarragon Corp. and its direct and indirect, debtor and non-debtor affiliates (collectively, "Tarragon") are leading real estate developers, owners and managers. Tarragon operates two (2) 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. The Investment Division owns and operates a portfolio of stabilized rental apartment communities.

7. Tarragon Corp.'s common stock is publicly traded on the NASDAQ Global Market ("NASDAQ") under the symbol "TARR." According to Tarragon Corp.'s transfer agent's records, as of August 4, 2008, Tarragon Corp. had 28,987,734 shares of common stock outstanding. On September 26, 2008, Tarragon Corp. received a deficiency notice from NASDAQ stating that Tarragon Corp. 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 letter has no immediate effect on the NASDAQ listing or trading of Tarragon Corp.'s common stock.

8. As of September 30, 2008, Tarragon had consolidated assets totaling approximately \$840,688,000 and consolidated liabilities totaling \$1,035,582,000.

A. The Debtors' Net Operating Losses ("NOLs")

9. As more fully described in the Friedman Affidavit, the Debtors have had significant operating losses in the recent past. Since at least their fiscal tax year ending November 30, 2006, the Debtors have not incurred significant federal income tax liability and in fact have incurred substantial net operating losses ("NOLs").² The Debtors' NOLS are an extremely valuable asset because under the Internal Revenue Code (the "IRC"), the Debtors can carry forward their NOLs to offset their future taxable income for up to twenty (20) taxable years and thereby reduce their future aggregate tax obligations.³

10. The Debtors' NOLs are currently estimated to be in excess of \$170 million, which, based on the 35% corporate tax rate now in effect, are worth as much as \$59.5 million in potential future federal tax savings. These tax savings -- and the accompanying increase in the Debtors' cash flow -- will greatly facilitate the Debtors' successful reorganization. As one bankruptcy court has recognized, "[W]hat is certain is that the NOL has a potential value, as yet undetermined, which will be of benefit to creditors and will assist [the debtors] in their reorganization process. This asset is entitled to protection while [the debtors] move forward toward their reorganization." See In re Phar-Mor, Inc., 152 B.R. 924, 927 (Bankr. N.D. Ohio 1993).

11. A corporation's ability to use its NOLs may be reduced under certain circumstances.⁴ This Motion focuses on two (2) of those circumstances.

² NOLs can be used as either "carrybacks" (in which the corporation uses the NOLs to offset taxable income for up to two (2) previous taxable years) or "carryovers" (in which the corporation uses the NOLs to offset taxable income for up to twenty (20) taxable years into the future).

³ See 26 U.S.C. § 172.

⁴ See 26 U.S.C. § 269, 381, 382, 383 and 384.

(a) If the Corporation Experiences an “Ownership Change.” A corporation that undergoes an “ownership change” may be limited in the amount of taxable income that it can offset against its NOLs.⁵ Pursuant to IRC Section 382(g), an “ownership change” occurs if, immediately after a “testing date,” and as measured during a rolling 3-year “testing period,”⁶ the percentage of the corporation’s stock (measured by value) held by certain significant shareholders (i.e., shareholders owning 5% or more) increases by 50 percentage points or more. For example, if a 10% shareholder purchased additional stock and became a 61% shareholder, the percentage of stock owned by 5% stockholders would have increased by 51 percentage points, thereby causing an “ownership change.”⁷ A “significant shareholder” also includes an

⁵ In general, under IRC § 382, if a corporation undergoes an “ownership change,” the amount of NOLs that the corporation can use in any given year to reduce its taxable income is limited to an amount equal to (a) the value of the corporation’s equity on the date that the “ownership change” occurs multiplied by (b) the tax-exempt bond rate on that date. In December 2008, the tax-exempt bond rate was 5.4%. As a result, if a debtor’s equity had a total market value of \$150 million on a date in December 2008 that an “ownership change” occurred, the amount of NOLs that the corporation could use to offset its taxable income would be limited to approximately \$8.1 million per year (i.e., \$150 million x 5.4%). If the debtor later had \$50 million of taxable income in a future year, it would be able to offset just \$8.1 million of such taxable income, but would have to pay tax on the remaining \$41.9 million. Because the Debtors have approximately \$170 million of NOLs, a limitation amount of \$8.1 million per year would effectively mean that it would take the Debtors 20 years to use approximately \$162 million of NOLS.

⁶ Generally, a “testing date” occurs when there is a change in the percentage of stock owned by a 5% shareholder before or after the change, or when an option to purchase the stock of the corporation is granted by the corporation. The “testing period” generally consists of the 3-year period prior to any testing date.

⁷ Under IRC § 382(g)(4)(A), all stockholders who individually hold less than 5% of the shares of stock of a company are generally deemed to be a single 5% stockholder throughout the 3-year testing period, and transfers between such stockholders are disregarded for purposes of determining whether an “ownership change” has occurred (the “Public Group Rule”). Thus, so long as half or more of the debtor’s stock is owned by less than 5% stockholders throughout the 3-year testing period, there will be no “ownership change” under IRC § 382. Accordingly, the Debtors do not seek to impose the requested notice and hearing procedures on transactions by stockholders holding less than 5% of the Debtors’ stock, provided that such stockholders do not intend to accumulate a 5% or greater block of stock or add or sell shares to or from such a block.

entity that becomes a significant shareholder by virtue of one or more purchases. Thus, for example, if a 2% shareholder purchased additional stock and became a 53% shareholder, then the percentage of stock owned by such shareholder would have increased by 51 percentage points, thereby causing an “ownership change.”

(b) “Changes of Ownership” When Debt Is Converted to Stock Under a Chapter 11 Plan. If the Debtors’ Chapter 11 plan of reorganization provides for certain creditors to receive stock in the reorganized debtor’s business, a “change of ownership” may occur that may limit the amount of NOLs that can be offset against income. However, if the Debtors’ shareholders and/or “Qualified Creditors”⁸ own at least 50% of the value and voting power of the debtor’s stock after reorganization, the Debtors’ NOLs will be preserved despite the “ownership change.”⁹

⁸ Under IRC § 382(l)(5)(E), a creditor whose debt is being converted into stock pursuant to a Chapter 11 plan is a “Qualified Creditor” if either: (a) the claim has been owned by the same beneficial owner since 18 months before the commencement of the bankruptcy case, or (b) the claim arose in the ordinary course of the Debtors’ business and has been owned at all times by the same beneficial owner. Examples of ordinary course debt include trade debt, a liability arising from a past or present employment relationship, and a past or present business relationship with a customer, supplier or competitor. See Treas. Reg. § 1.382-9(d)(2)(iv). A creditor who receives stock under the Debtors’ Chapter 11 plan of reorganization may also be a “Qualified Creditor” if it ultimately owns less than 5% of the reorganized business, despite not being able to satisfy the continuous ownership requirements. This is termed the “De Minimis Rule,” Treas. Reg. § 1.382-9(d)(3).

⁹ See 26 U.S.C. § 382(l)(5)(A). A corporation that has not previously had an ownership change is not subject to the limitations imposed by IRC § 382 with respect to an ownership change resulting from the consummation of a Chapter 11 plan or reorganization, provided that under the plan the debtor’s pre-ownership change shareholders (i.e., persons who owned the debtor’s equity immediately before the relevant ownership change) and/or “Qualified Creditors” emerge from the reorganization owning at least 50% of the total value and voting power of the debtor’s stock immediately after the ownership change. This is termed the “Safe Harbor.” Although there can be no assurance that the Safe Harbor ultimately will be available to the Debtors, it is important that the Debtors preserve their ability to propose a plan or reorganization that could take advantage of the Safe Harbor. Because whether a creditor is “qualified” depends on whether such creditor has held its claim until the effective date of a plan of reorganization, transfers of claims by creditors before such date pose a threat to the Debtors’ ability to satisfy the

12. Once all or part of a NOL is disallowed under IRC Section 382, its use is limited forever, and once a claim or equity interest is transferred, the transfer cannot be nullified without court action. Thus, unrestricted transfers of equity securities in and of, and claims against, the Debtors could hinder the Debtors' reorganization efforts by causing them to lose their ability to use NOLs to offset future taxable income.

13. The Debtors believe, based upon their analysis of publicly available Schedule 13Gs filed with the Securities & Exchange Commission by the Debtors' significant common shareholders in the past three years, that arguably a shift in ownership of at least 35 percentage points may be deemed to have occurred. Because of the huge potential tax savings that will be

requirements of the Safe Harbor. Similarly, because transfers of equity interests by or to 5% stockholders before the effective date of a plan of reorganization can trigger an ownership change that could impose a severe annual limitation on the Debtors' use of their NOLs, even if the Debtors later satisfied the Safe Harbor requirements in connection with a second ownership change resulting from a plan of reorganization, such transfers also pose a threat to the value of their NOLs. The requested relief will ensure that the Debtors have maximum flexibility to structure a plan of reorganization that meets the requirements of the Safe Harbor, and thus preserves their NOLs to the fullest extent.

Even if it is ultimately determined that the Safe Harbor is unavailable to the Debtors, it is in their best interests to restrict equity transactions which could result in an "ownership change" prior to consummation of a plan of reorganization for two additional reasons. First, an "ownership change" must occur pursuant to confirmation of a plan of reorganization for the Debtors to qualify for the "Favorable Valuation Rule" in 26 U.S.C. § 382(l)(6). IRC Section 382(l)(6) provides that if a corporation undergoes an "ownership change" pursuant to a plan of reorganization in Chapter 11 and the Safe Harbor does not apply (either because the corporation elects out of it or because its requirements are not satisfied), then the appropriate consolidated value of the Debtors for purposes of calculating the § 382 limitation will reflect the increase in the Debtors' value resulting from any surrender or cancellation of creditors' claims in the transaction. Thus, assuming the Debtors' consolidated value increases as a result of the reorganization, § 382(l)(6) will provide for a higher annual limitation than would result under the general rules of § 382, thereby accelerating the Debtors' ability to use a greater portion of their NOLs to offset any post-ownership change income. Second, preventing an "ownership change" prior to the effective date of a plan of reorganization will also benefit the Debtors' estates by ensuring that the reorganized Debtors will have unlimited use of their NOLs to offset any expected cancellation of indebtedness income arising on the effective date of a plan of reorganization, which income may be a significant amount. See 26 U.S.C. § 382(a).

lost if an “ownership change” occurs, it is necessary to restrict the trading of the claims against, and equity interests in and of the Debtors to facilitate a successful restructuring.

III. RELIEF REQUESTED AND BASIS THEREFOR

14. By the Motion, the Debtors request that this Court order that certain notice and waiting periods govern transfers of equity interests in and of, and claims against, the Debtors. This will provide the Debtors with advance notice of certain transfers that may jeopardize their NOLs, and will enable the Debtors, if necessary, to obtain substantive relief from this Court to protect their NOLs. The limited relief requested in this Motion will enable Debtors to closely monitor certain transfers of equity and claims, and ensure that the Debtors are in a position to act expeditiously to prevent such transfers if necessary, and thus allow the Debtors to protect and preserve their NOLs. Specifically, the Debtors request that the Court enter an Order approving the procedures set forth on Exhibit A hereto (the “Notice and Hearing Procedures”).

A. NOLs are Property of a Debtor’s Estate Entitled to Protection

15. Courts have uniformly held that a debtor’s NOLs constitute property of the estate under Section 541 of the Bankruptcy Code. Courts also have uniformly held that they have the authority to impose measures intended to protect and preserve a debtor’s NOLs. The seminal case articulating this rule is In re Prudential Lines, Inc., 107 B.R. 832 (Bankr. S.D.N.Y. 1989), aff’d, 119 B.R. 430 (S.D.N.Y. 1990), aff’d, 928 F.2d 565 (2d Cir. 1991), cert. denied 502 U.S. 821 (1991). In Prudential Lines, the court enjoined a parent corporation from taking a worthless stock deduction with respect to its equity in a bankrupt wholly-owned subsidiary, on the grounds that allowing the parent to take such a deduction would destroy its debtor-subsiary’s NOLs. In issuing the injunction, the court held that the “debtor’s potential ability to utilize NOLs is property of an estate,” and that “the taking of a worthless stock deduction is an exercise of control over a debtor’s NOLs” that was properly subject to the automatic stay. Prudential Lines,

107 B.R. 832, 838-42; see also In re Southeast Banking Corp., Case No. 91-14561-BKC-PGH (Bankr. S.D. Fla., July 21, 1994) (debtor's interest in their NOLs "constitutes property of the estate within the scope of [11 U.S.C. § 541 (a)(1)] and is entitled to the protection of the automatic stay"); In re Phar-Mor, Inc., 152 B.R. 924, 926 (Bankr. N.D. Ohio 1993) ("the sale of stock is prohibited by § 362(a)(3) as an exercise of control over the NOL, which is property of the estate"); In re Grossman's, Inc., Case No. 97-695 (PJW) (Bankr. D. Del. Oct. 9, 1997) (the debtors' net operating loss carryforward is property of the debtors' estates and is protected by the automatic stay); In re Delta Air Lines, Inc., Case No. 05-17923 (Bankr. S.D.N.Y. Sept. 16, 2005) (finding that tax credit carryforwards are property of the debtors' estate).

16. Because the Debtors' NOLs are property of their estates, this Court has the authority under Section 362 of the Bankruptcy Code to enforce the automatic stay by restricting the transfer of the Debtors' equity securities in and of, and claims against, the Debtors which could reduce the value of the NOLs.

B. Propriety of Relief Requested

17. Courts have commonly granted the relief requested herein (i.e., the restriction or enjoining of transfers of claims or equity securities in order to protect a debtor against the possible loss of its NOLs). See, e.g., In re Dana Corp., Case No. 06-10354 (Bankr. S.D.N.Y. Aug. 9, 2006) (approving notification procedures similar to the procedures requested herein); In re Delta Air Lines, Inc., Case No. 05-17923 (Bankr. S.D.N.Y. Sept. 16, 2005) (approving notification procedures and restrictions on certain transfers of claims against and equity interests in the debtors on an interim basis); In re Northwest Airlines Corp., Case No. 05-17930 (Bankr. S.D.N.Y. Sept. 15, 2005) (approving notification procedures and restrictions on certain transfers of claims against and equity interest in the debtors on an interim basis); In re UAL Corporation,

et al., Case No. 02-48191 (Bankr. N.D. Ill. Dec. 30, 2002 and January 15, 2003) (approving notification procedures and restrictions of transfers of claims against and equity interests in the debtors similar to the procedures requested herein); (In re Airways Group, Inc., et al., Case No. 02-83984 (SSM) (Bankr. E.D. Va. Oct. 2, 2002) (debtor provided 10 days notice to object to proposed transfers of claims against the debtor that would increase the transferee's holdings to or above \$100 million in the aggregate face amount; \$100 million in claims was the lowest amount that could reasonably be expected to lead to a distribution of 5% of the stock in the reorganized debtor); In re Williams Comm. Group, Inc., Case No. 02-11957 (BRL) (Bankr. S.D.N.Y. July 24, 2002) (debtor provided 30 days notice to object to proposed transfers of claims against the debtor that would increase the transferee's holdings to or above \$200 million in the aggregate face amount; \$200 million in claims was the lowest amount that could reasonably be expected to lead to a distribution of 5% of the stock in the reorganized debtor); In re Metrocall, et al., Case No. 02-11579 (RB) (Bankr. D. Del. June 6, 2002) (debtor provided 5 business days notice to object to proposed transfers of stock that would result in the transferee holding 5% or more of the debtor's stock or a reduction in the ownership interest of an existing 5% or greater shareholder); In re Casual Male Corp., Case No. 01-41404 (REG) (Bankr. S.D.N.Y. May 18, 2001) (enjoining transfers of common stock and convertible notes that would result in the transferee's holdings increasing to or beyond 4.99%; debtor provided 30 days notice to object to proposed transfers of senior subordinated notes or other general unsecured claims against the debtor); In re Worldtex, Inc., Case No. 01-785 (MFW) (Bankr. D. Del. Apr. 2, 2001) (debtor provided 30 days notice to object to proposed transfers that would result in the transferee holding 5% or more of the debtor's common stock or decrease the ownership interest of an existing 5% or greater shareholder); In re Reliance Acceptance Group, Inc., Case No. 98-288 (PJW) (Bankr.

D. Del. Apr. 28., 1998) (debtor provided 30 days notice to object to proposed transfers that would result in the transferee holding 5% or more of debtor's common stock); In re First Merchants Acceptance Corp., 1998 Bankr. LEXIS 1816 (Bankr. D. Del. 1998) (debtor provided 30 days notice to object to proposed transfers of stock in the debtor that would increase the transferee's holdings to or above 300,000 shares of the debtor's stock and to any proposed transfers of 1995 subordinated notes or general unsecured claims against the debtor); In re Grossman's, Inc., Case No. 97-695 (PJW) (Bankr. D. Del. Oct. 9, 1997) (debtor provided 30 days notice to object to proposed transfers of stock that would increase the transferee's holdings to or above 1,350,000 shares of debtor's stock and to proposed transfers of general unsecured claims that would increase the transferee's the holdings to or above an aggregate face amount of \$3,500,000); In re Southeast Banking Co., Case No. 91-14561-BKC-PGH (Bankr. S.D. Fla. July 21, 1994) (enjoining 5% trades of common stock); In re Phar-Mor Inc., 152 B.R. 924 (Bankr. N.D. Ohio 1993) (enjoining shareholders from selling stock in the debtor unless they obtained relief from the automatic stay); In re McLean Indus. Inc., Case Nos. 86-B-12238-12241 (Bankr. S.D.N.Y. Feb. 16, 1989) (requiring an application to the court for authority to transfer any claims).

18. Courts ordering such relief generally have done so by imposing notice and hearing requirements on any proposed transfer of claims or stock to or by a person whose holdings of such claims or stock exceeds, or would exceed as a result of the proposed transfer, a certain threshold amount. The order in First Merchant Acceptance, 1998 Bankr. LEXIS 1816 (Bankr. D. Del. 1998), was typical in this regard. There, the Court entered an order imposing on any party a duty to provide notice to the Court and to debtor's counsel if such party intended to (a) acquire, accumulate or sell more than a prescribed number of shares of the debtor, or to add

additional shares to such a block, or (b) acquire or sell any subordinated notes or unsecured claims against the debtors. The debtor then was afforded 30 days to object to such transaction, at which point a hearing would be held so that the court could decide whether to allow any such transfer to be consummated. See also In re Williams Comm. Group, Inc., Case No. 02-11957 (BRL) (Bankr. S.D.N.Y. July 24, 2002) (claims trading restrictions applied to certain claimholders); In re Worldtex, Inc., Case No. 01-785 (MFW) (Bankr. D. Del. Apr. 2, 2001) (stock trading restrictions applied to persons who were, or would become as a result of the proposed transfer, 5% stockholders).

C. The Relief Sought Is Narrow in Scope

19. The requested relief has been narrowly tailored to apply only to: (a) those persons who own (or would own as a result of the proposed transfer), directly or indirectly, equity in the Debtors of 1,304,448 shares or more; and (b) those holders who own (or would own as a result of the proposed transfer) claims against the Debtors with an aggregate principal amount of \$7,500,000.00 or more. The Debtors believe that these levels are the lowest amounts that can be reasonably expected to lead to a distribution of 5% of the equity in the Debtors as reorganized. Thus, the Debtors only seek to impose the notice and hearing requirements on transfers of equity interests and claims by or to a relatively small group of persons. The procedures requested by the Debtors would still permit most transactions acquiring or disposing of equity securities and claims to continue, subject only to Bankruptcy Rule 3001(c) and applicable securities, corporate and other laws.¹⁰

¹⁰ The Debtors do not seek to impose the requested notice and hearing procedures on stockholders holding less than approximately 4.5% of the Debtors' stock or perhaps holding claims less than \$7,500,000 which are not likely to result in such claimholder acquiring 5% or more of the Debtors' equity.

20. Although the Debtors' proposed procedures are similar to those approved in First Merchants Acceptance, supra, the Debtors have excluded from their proposed notice and hearing procedures those transfers by holders of claims and interests expected to fall under the so-called "De Minimis Rule" (i.e., persons who beneficially own or would own, after giving effect to any proposed transfer, claims with an aggregate principal amount of less than \$7,500,000.00). Thus, the Debtors' proposed procedures are less burdensome than those approved in First Merchant Acceptance.

21. Also, similar to the notice and hearing procedures approved in First Merchants Acceptance, supra, the Debtors' proposed notice and hearing procedures provide that significant claimholders and equity holders (including entities that would become significant claimholders or equity holders after a proposed purchase transaction) must give the Debtors 30 days notice of a proposed transfer of such claims or equity interest before such holders could move the court for relief from the automatic stay should the Debtors object to such transaction.

22. It is imperative that the Debtors closely scrutinize any transactions that would increase the risk of an "ownership change" because the very low consolidated value of the Debtors' equity makes acquiring large blocks of such equity relatively inexpensive (and therefore likely), and there may be a significant delay until current significant equity holders have to disclose their stock transactions to the Debtors or to the SEC. For the Debtors to adequately evaluate whether a particular transaction would materially increase the risk of an "ownership change" occurring, the Debtors need to conduct a thorough investigation to determine the identity of their stakeholders and the size of such stakeholders' holdings before and after such proposed transaction. Once the Debtors determine the identity of their current stakeholders, the Debtors must make a very complicated legal determination of whether the

proposed transfer of claims or stock would likely trigger an “ownership change” for purposes of IRC Section 382. The Debtors believe that they cannot conduct a necessarily thorough and diligent investigation and analysis in much less than 30 days.

IV. CONCLUSION

23. The Debtors’ NOLs are valuable assets of their estates that will facilitate the Debtors’ reorganization and benefit all of their stakeholders. If the Debtors are unable to monitor and object to the above-referenced transfers, the Debtors’ future use of their NOLs may be jeopardized. The Debtors have proposed notice and hearing procedures that impose minimal burdens to achieve a substantial benefit to the Debtors’ estate, and the Debtors believe that granting the relief requested in this Motion is in the best interests of the Debtors’ estates, their creditors and other parties in interest.

24. Notice of this Motion has been given to (a) Office of the United States Trustee; (b) counsel to the proposed debtor in possession lender; (c) the holders of 4% or more of Tarragon Corp. stock; (d) American Stock Transfer & Trust Co., the Debtors’ transfer agent; and (d) those parties listed on the Debtors’ Consolidated List of Creditors Holding 20 Largest Unsecured Claims. In light of the nature of the relief requested, the Debtors submit that no further notice is necessary.

WHEREFORE, the Debtors respectfully request that the Court (a) enter an Order, substantially in the form attached hereto, implementing the Notice and Hearing Procedures set forth on Exhibit A hereto, and (b) grant such other and further relief as the Court deems appropriate.

COLE, SCHOTZ, MEISEL,
FORMAN & LEONARD, P.A.
Proposed Attorneys for Tarragon
Corporation, *et al.*, Debtors-in-
Possession

By: /s/ Michael D. Sirota

Michael D. Sirota
Warren A. Usatine

DATED: January 12, 2009

EXHIBIT A

1. Notice Procedure for Trading in Equity Securities of the Debtors
 - (a) Notice of Substantial Equityholder Status. Any person or entity who currently or in the future Beneficially Owns (as defined in paragraph (i) below) at least 1,304,448 shares (representing approximately 4.5% of all issued and outstanding shares on a fully diluted basis) of the common stock of the Debtors (a “Substantial Equityholder”) shall file with the Court and serve upon the Debtors’ counsel a notice of such status in the form attached hereto as **Exhibit 1A** on or before the date that is the later of: (A) forty (40) days after the entry of the Order or (B) ten (10) days after such person or entity becomes a Substantial Equityholder.
 - (i) Beneficial Ownership. For purposes of the Order, “Beneficial Ownership” of an “equity security” or “claim” (as such terms are defined in Section 101 of the Bankruptcy Code) includes:
 - (1) direct and indirect ownership by a holder (e.g., a holding company would be considered to “beneficially own” all equity interests or claims, as the case may be, owned or acquired by its subsidiaries);
 - (2) ownership by such holder’s family members and persons acting in concert with such holder to make a coordinated acquisition of an equity interest or claim, as the case may be; and
 - (3) ownership of an equity interest or claim, as the case may be, that such holder has a right to acquire through the ownership of an option, a contingent purchase right, a warrant, convertible debt or equity, a put, an equity interest or claim, as the case may be, subject to risk of forfeiture, or a contract to acquire an equity interest or claim, regardless of whether such interest or right to acquire is contingent or otherwise not currently exercisable (each such right or interest to acquire, an “Option”).
 - (b) Acquisition of Equity Securities. Prior to effecting any acquisition of the Debtors’ equity securities (including the acquisition of Options to acquire the Debtors’ equity securities) that would result in an increase in the amount of the Debtors’ equity securities Beneficially Owned by a Substantial Equityholder or would result in a person or entity becoming a Substantial Equityholder including without limitation a margin call or similar transaction of the stock of a Substantial Equityholder (a “Proposed Equity Acquisition Transaction”), such person, entity or Substantial Equityholder (a ‘Proposed Equity Transferee’) shall file with the Court

and serve on the Debtors' counsel a Notice of Intent to Purchase, Acquire or Otherwise Accumulate an Equity Interest (an "Equity Acquisition Notice"), in the form attached hereto as **Exhibit 1B**, specifically and in detail describing the intended transaction acquiring the Debtors' equity securities,

- (c) Disposition of Equity Securities. Prior to effecting any disposition of the Debtors' equity securities (including the disposition of Options to acquire the Debtors' equity securities) that would result in a decrease in the amount of the Debtors' equity securities Beneficially Owned by a Substantial Equityholder, that would result in a person or entity ceasing to be a Substantial Equityholder including without limitation a margin call or similar transaction of stock of a Substantial Equityholder (a "Proposed Equity Disposition Transaction"), such person, entity or Substantial Equityholder (a "Proposed Equity Transferor") shall file with the Court and serve on the Debtors' counsel a Notice of Intent to Sell, Trade or Otherwise Transfer an Equity Interest (an "Equity Disposition Notice"), in the form attached hereto as **Exhibit 1C**, specifically and in detail describing the intended transaction disposing of the Debtors' equity securities,
- (d) Objection Procedures. No later than the date that is thirty (30) calendar days after the Debtors' actual receipt of an Equity Acquisition Notice or an Equity Disposition Notice, as the case may be (the "Equity Objection Deadline"), the Debtors may file with the Court and serve on a Proposed Equity Transferor or a Proposed Equity Transferee, as the case may be, an objection to any proposed transfer of the Debtors' equity securities described in an Equity Acquisition Notice or an Equity Disposition Notice, as the case may be, on the grounds that such transfer would adversely affect the Debtors' ability to utilize their NOLs (an "Equity Objection").
 - (i) If the Debtors timely file an Equity Objection by the Equity Objection Deadline, the Proposed Equity Acquisition Transaction or Proposed Equity Disposition Transaction, as the case may be, shall not be effective unless approved by an order of this Court, after notice and a hearing, and such order is not subject to appeal, stay, modification, or reconsideration.
 - (ii) If the Debtors do not timely file an Equity Objection by the Equity Objection Deadline, the Proposed Equity Acquisition Transaction or Proposed Equity Disposition Transaction, as the case may be, may proceed only as specifically described in an Equity Acquisition Notice or Equity Disposition Notice, as the case maybe.

- (iii) Any further transactions beyond the scope of the Equity Acquisition Notice or Equity Disposition Notice, as the case may be, must separately follow the notice procedure as set forth herein.

2. Notice Procedure for Transfers of Claims

- (a) Notice of Substantial Claimholder Status. Any person or entity who currently or in the future Beneficially Owns (as defined in ¶ 1(a)(i) above) an aggregate principal amount of claims against the Debtors equal to or exceeding \$7,500,000.00 (4.5% of fixed amount of debt) or any controlled entity through which such person or entity Beneficially Owns an indirect interest in such claims against the Debtors shall file with the Court, and serve upon the Debtors' counsel, a notice of such status, in the form attached hereto as **Exhibit 2A**, on or before the date that is the later of: (A) the date that is forty (40) days after the entry of the Order or (B) the date that is ten (10) days after becoming a Substantial Claimholder.
- (b) Acquisition of Claims. Prior to effecting any acquisition of claims against the Debtors that would result in an increase in the aggregate principal amount of such claims Beneficially Owned by a Substantial Claimholder or would result in a person or entity becoming a Substantial Claimholder (a "Proposed Claims Acquisition Transaction"), such person, entity or Substantial Claimholder (a "Proposed Claims Transferee") shall file with the Court, and serve on the Debtors' counsel a Notice of Intent to Purchase, Acquire or Otherwise Accumulate a Claim (a "Claims Acquisition Notice"), in the form attached hereto as **Exhibit 2B**, specifically and in detail describing the intended acquisition of claims against the Debtors, regardless of whether such acquisition would also be subject to the filing, notice and hearing requirements of Federal Rule of Bankruptcy Procedure 3001.
- (c) Disposition of Claims. Prior to effecting any disposition of claims against the Debtors that would result in a decrease in the aggregate principal amount of such claims Beneficially Owned by a Substantial Claimholder or would result in a person or entity ceasing to be a Substantial Claimholder (a "Proposed Claims Disposition Transaction"), such person, entity or Substantial Claimholder (a "Proposed Claims Transferor") shall file with the Court, and serve on the Debtors' counsel a Notice of Intent to Sell, Trade or Otherwise Transfer a Claim (a "Claims Disposition Notice"), in the form attached hereto as Exhibit 2C, specifically and in detail describing the intended disposition of claims against the Debtors, regardless of whether such disposition would also be subject to the filing, notice and hearing requirements of Federal Rule of Bankruptcy Procedure 3001.
- (d) Objection Procedures. No later than the date that is thirty (30) calendar days after the Debtors' actual receipt of a Claims Acquisition Notice or a

Claims Disposition Notice, as the case may be (the “Claim Objection Deadline”), the Debtors may file with the Court and serve on a Proposed Claims Transferor or Proposed Claims Transferee, as the case may be, an objection to any proposed transfer of claims described in a Claims Acquisition Notice or Claims Disposition Notice, as the case may be, on the grounds that such transfer would adversely affect the Debtors’ ability to utilize their NOLs (a “Claim Objection”).

- (i) If the Debtors timely file a Claim Objection by the Claim Objection Deadline, the Proposed Claims Acquisition Transaction or Proposed Claims Disposition Transaction, as the case may be, shall not be effective unless approved by an order of this Court, after notice and a hearing, and such order is not subject to appeal, stay, modification, or reconsideration.
- (ii) If the Debtors do not timely file a Claim Objection by the Claim Objection Deadline, the Proposed Claims Acquisition Transaction or Proposed Claims Disposition Transaction, as the case may be, may proceed only as specifically set forth in a Claims Acquisition Notice or Claims Disposition Notice, as the case may be.
- (iii) Any further transactions beyond the scope of a Claims Acquisition Notice or Claims Disposition Notice, as the case may be, must separately follow the notice procedure as set forth herein.

3. Other Notice Procedures

- (a) Service of Procedures Notice. Following entry of the Order, the Debtors shall deliver a copy of the Notice of (A) notification procedures applicable to substantial holders of claims and equity securities and (B) notification and hearing procedures for trading in claims and equity securities (the “Notice of Notification Procedures”) (a copy of which is attached hereto as Exhibit 3) to the following entities.
 - (i) the Office of the United States Trustee
 - (ii) any official statutory committee appointed in these Chapter 11 Cases;
 - (iii) counsel for the Debtors’ debtor-in-possession lender;
 - (iv) entities that are recipients of the notice of commencement of these Chapter 11 Cases;
 - (v) the indenture trustees and transfer agents for all classes of equity securities of the Debtors and all bonds or debentures of the Debtors;

- (vi) all parties who file notices of transfers of claims under Federal Rule of Bankruptcy Procedure 3001 (e)(i);
 - (vii) all entities who file notice of appearance and request service of papers pursuant to Bankruptcy Rule 2002; and
 - (viii) those entities who are generally known in the financial services industry as entities in the business of buying and selling bankruptcy claims.
- (b) The Notice of Notification Procedures shall inform all recipients thereof how to obtain copies of these Notice Procedures and the relevant notices described herein.
- (c) Upon receipt of the Notice of Notification Procedures, any indenture trustee(s) or transfer agent(s) for any equity securities of the Debtors and any bonds or debentures of the Debtors shall within 10 days of receipt and thereafter at least once every three (3) months during the pendency of these Chapter 11 Cases, deliver the Notice of Notification Procedures to all holders of such bonds, debentures or equity securities registered with such indenture trustee or transfer agent.
- (i) Any such registered holder shall, in turn, deliver a copy of the Notice of Notification Procedures to any holder for whose account such registered holder holds such bonds, debentures or equity securities, and so on down the chain of ownership.
 - (ii) Any person or entity in their individual capacity (a “Prospective Seller”), and any broker or agent acting on behalf of a Prospective Seller, who contemplates selling (A) claims against the Debtors in the aggregate principal amount of at least \$1,500,000.00 or (B) 130,444 shares of equity securities of the Debtors to another person or entity (a “Prospective Purchaser”) must provide a Copy of the Notice of Notification Procedures to each Prospective Purchaser or any broker or agent acting on behalf of a Prospective Purchaser.
 - (iii) The transfer agent shall not process any proposed transfer of securities which, if consummated, would violate the Notice of Notification Procedures.
- (d) The Debtors shall publish the Notice of Notification Procedures in the domestic editions of the *Wall Street Journal*.

4. Any acquisition or disposition or other transfer of equity securities in or of the Debtors or claims against the Debtors in violation of the procedures set forth herein shall be null and void ab initio as an act in violation of the automatic stay prescribed in 11 U.S.C. §§ 362 and 105(a) and shall confer no rights on the transferee.

5. The requirements set forth in these Notice Procedures are in addition to the requirements of Federal Rule of Bankruptcy Procedure 3001(c) and applicable securities, corporate, and other laws, and do not excuse compliance therewith.

EXHIBIT 1A

**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
Michael D. Sirota, Esq.
Warren A. Usatine, Esq.
(201) 489-3000
(201) 489-1536 Facsimile
Proposed Attorneys for Tarragon Corporation, *et al.*,
Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY
CASE NOS. 09-

In re:

TARRAGON CORPORATION, *et al.*,¹

Debtors-in-Possession.

Chapter 11
(Joint Administration Pending)

**NOTICE OF STATUS AS A
SUBSTANTIAL EQUITYHOLDER**

PLEASE TAKE NOTICE that [name of equityholder] is/has become a Substantial Equityholder² with respect to the equity securities (the "Equity Securities") of [name of Debtor(s)], a debtor and debtor in possession in Case No. [_____] pending in the United States Bankruptcy Court for the District of New Jersey.

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, and Vista Lakes Tarragon, LLC.

² For purposes of this Notice, all capitalized terms not defined herein shall have the same meaning as is set forth in the Interim Order of this Court pursuant to Sections 105(a), 362(a)(3) and 541 of the Bankruptcy Code (a) limiting certain transfers of equity interests in the Debtors and claims against the Debtors and (b) approving related notice procedures.

PLEASE TAKE FURTHER NOTICE that, as of [date], [name of equityholder] Beneficially Owns [_____] shares of the Equity Securities of [name of Debtor(s)]. The following table sets forth the date(s) on which [name of equityholder] acquired or otherwise became the Beneficial Owner of such Equity Securities:

Number of Shares	Type of Equity Security	Date Acquired

(Attach additional page if necessary)

PLEASE TAKE FURTHER NOTICE that the taxpayer identification number of [name of equityholder] is _____.

PLEASE TAKE FURTHER NOTICE that, under penalties of perjury, [name of equityholder] hereby declares that it has examined this Notice and accompanying attachments (if any), and, to the best of its knowledge and belief, this Notice and any attachments that purport to be part of this Notice are true, correct and complete.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Order of this Court approving Notice Procedures Relating to Certain Transfers of Equity Interests in and of the Debtors and Claims Against the Debtors, this Notice is being (A) filed with the United States Bankruptcy Court for the District of New Jersey, and (B) served upon Cole, Schotz, Meisel, Forman & Leonard, P.A., counsel to the Debtors, 25 Main Street, Hackensack, New Jersey 07602, Attn.: Gerald H. Gline, Esq.

Dated:
[city, state]

Respectfully submitted,

[Name of Acquirer/Seller][Address]
[Telephone and facsimile]

EXHIBIT 1B

**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
Michael D. Sirota, Esq.
Warren A. Usatine, Esq.
(201) 489-3000
(201) 489-1536 Facsimile
Proposed Attorneys for Tarragon Corporation, *et al.*,
Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY
CASE NOS. 09-

In re:

TARRAGON CORPORATION, *et al.*,¹

Debtors-in-Possession.

Chapter 11
(Joint Administration Pending)

**NOTICE OF INTENT TO PURCHASE,
ACQUIRE OR OTHERWISE
ACCUMULATE AN EQUITY INTEREST**

PLEASE TAKE NOTICE that [name of prospective acquirer] hereby provides notice of its intention to purchase, acquire or otherwise accumulate one or more shares of the equity securities (the "Equity Securities") of [name of Debtor] or an Option with respect thereto (the "Proposed Transfer").

PLEASE TAKE FURTHER NOTICE that, if applicable, on [prior date(s)]. [name of prospective acquirer] filed a Notice of Status as a Substantial Equityholder² with the Court and served copies thereof on the Debtors' counsel.

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, and Vista Lakes Tarragon, LLC.

PLEASE TAKE FURTHER NOTICE that [name of prospective acquirer] currently Beneficially Owns _____ shares of the Equity Securities (type of Equity Security) of [name of Debtor].

PLEASE TAKE FURTHER NOTICE that, pursuant to the Proposed Transfer, [name of prospective acquirer] proposes to purchase, acquire or otherwise accumulate [_____] shares of Equity Securities or an Option with respect to [_____] shares of Equity Securities. If the Proposed Transfer is permitted to occur, [name of prospective acquirer] will Beneficially Own [_____] shares of Equity Securities after the transfer.

PLEASE TAKE FURTHER NOTICE that the taxpayer identification number of [name of prospective acquirer] is _____

PLEASE TAKE FURTHER NOTICE that, under penalties of perjury, [name of prospective acquirer] hereby declares it has examined this Notice and accompanying attachments (if any), and, to the best of its knowledge and belief, this Notice and any attachments that purport to be part of this Notice are true, correct and complete.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Order of this Court approving Notice Procedures Relating to Certain Transfers of Equity Interests in and of the Debtors and Claims Against the Debtors, this Notice is being (A) filed with the United States Bankruptcy Court for the District of New Jersey, and (B) served upon Cole, Schotz, Meisel, Forman & Leonard, P.A., counsel to the Debtors, 25 Main Street, Hackensack, New Jersey 07602, Attn.: Gerald H. Gline, Esq.

PLEASE TAKE FURTHER NOTICE that the Debtors have thirty (30) calendar days after receipt of this Notice to object to the Proposed Transfer described herein. If the Debtors file an objection, such Proposed Transfer will not be effective unless approved by an order of the Court not subject to appeal, modification, stay, or reconsideration. If the Debtors do not object within such thirty (30) day period, then after expiration of such period the Proposed Transfer may proceed specifically as set forth in the Notice.

² For purposes of this Notice, all capitalized terms not defined herein shall have the same meaning as is set forth in the Interim Order of this Court pursuant to Sections 105(a), 362(a)(3) and 541 of the Bankruptcy Code (a) limiting certain transfers of equity interests in the Debtors and claims against the Debtors and (b) approving related notice procedures.

The undersigned prospective acquirer understands that any further transactions that may result in [name of prospective acquirer] purchasing, acquiring or otherwise accumulating additional shares of Equity Securities (or an Option with respect thereto) will each require an additional notice filed with the Court to be served in the same manner as this Notice.

Dated:
[City, State]

Respectfully submitted,

[Name of Acquirer/Seller][Address]
[Telephone and facsimile]

EXHIBIT 1C

**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
Michael D. Sirota, Esq.
Warren A. Usatine, Esq.
(201) 489-3000
(201) 489-1536 Facsimile
Proposed Attorneys for Tarragon Corporation, *et al.*,
Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY
CASE NOS. 09-

In re:

TARRAGON CORPORATION, *et al.*,¹

Debtors-in-Possession.

Chapter 11
(Joint Administration Pending)

**NOTICE OF INTENT TO SELL, TRADE
OR OTHERWISE TRANSFER AN
EQUITY INTEREST**

PLEASE TAKE NOTICE that [name of prospective acquirer] hereby provides notice of its intention to sell, trade or otherwise transfer one or more shares of the equity securities (the "Equity Securities") of [name of Debtor] or an Option with respect thereto (the "Proposed Transfer").

PLEASE TAKE FURTHER NOTICE that, if applicable, on [prior date(s)]. [name of prospective acquirer] filed a Notice of Status as a Substantial Equityholder² with the Court and served copies thereof on [he Debtors' counsel].

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, and Vista Lakes Tarragon, LLC.

PLEASE TAKE FURTHER NOTICE that [name of prospective acquirer] currently Beneficially Owns _____ shares of the Equity Securities (type of Equity Security) of [name of Debtor].

PLEASE TAKE FURTHER NOTICE that, pursuant to the Proposed Transfer, [name of prospective seller] proposes to sell, trade or otherwise transfer [_____] shares of Equity Securities or an Option with respect to [_____] shares of Equity Securities. If the Proposed Transfer is permitted to occur, [name of prospective seller] will Beneficially Own [_____] shares of Equity Securities after the transfer.

PLEASE TAKE FURTHER NOTICE that the taxpayer identification number of [name of prospective acquirer] is _____

PLEASE TAKE FURTHER NOTICE that, under penalties of perjury, [name of prospective seller] hereby declares it has examined this Notice and accompanying attachments (if any), and, to the best of its knowledge and belief, this Notice and any attachments that purport to be part of this Notice are true, correct and complete.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Order of this Court approving Notice Procedures Relating to Certain Transfers of Equity Interests in and of the Debtors and Claims Against the Debtors, this Notice is being (A) filed with the United States Bankruptcy Court for the District of New Jersey, and (B) served upon Cole, Schotz, Meisel, Forman & Leonard, P.A. counsel to the Debtors, 25 Main Street, Hackensack, New Jersey 07602, Attn.: Gerald H. Gline, Esq.

PLEASE TAKE FURTHER NOTICE that the Debtors have thirty (30) calendar days after receipt of this Notice to object to the Proposed Transfer described herein. If the Debtors file an objection, such Proposed Transfer will not be effective unless approved by an order of the Court not subject to appeal, modification, stay, or reconsideration. If the Debtors do not object within such thirty (30) day period, then after expiration of such period the Proposed Transfer may proceed specifically as set forth in the Notice.

² For purposes of this Notice, all capitalized terms not defined herein shall have the same meaning as is set forth in the Interim Order of this Court pursuant to Sections 105(a), 362(a)(3) and 541 of the Bankruptcy Code (a) limiting certain transfers of equity interests in the Debtors and claims against the Debtors and (b) approving related notice procedures.

[Name of prospective seller] understands that any further transactions that may result in [name of prospective seller] selling, trading or otherwise transferring shares of Equity Securities (or an Option with respect thereto) will each require an additional notice filed with the Court to be served in the same manner as this Notice.

Dated:
[City, State]

Respectfully submitted,

[Name of Acquirer/Seller][Address]
[Telephone and facsimile]

EXHIBIT 2A

**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
Michael D. Sirota, Esq.
Warren A. Usatine, Esq.
(201) 489-3000
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Proposed Attorneys for Tarragon Corporation, *et al.*,
Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY
CASE NOS. 09-

In re:

TARRAGON CORPORATION, *et al.*,
Debtors-in-Possession.

Chapter 11
(Joint Administration Pending)

**NOTICE OF STATUS AS A
SUBSTANTIAL CLAIMHOLDER**

PLEASE TAKE NOTICE that [name of claimholder] is/has become a Substantial Claimholder¹ with respect to claims against Tarragon Corporation *et al.* (collectively, the

¹ For purposes of this Notice: (A) a “Substantial Claimholder” is any person or entity who currently or in the future “Beneficially Owns” an aggregate principal amount of claims against the Debtors equal to or exceeding \$7,500,000.00 or any controlled entity through which such person or entity “Beneficially Owns” an indirect interest in such claims against the Debtors; (B) “Beneficial Ownership” of claims includes direct and indirect ownership (e.g., a holding company would be considered to “Beneficially Own” all claims owned or acquired by its subsidiaries), ownership by family members and any group of persons acting pursuant to a formal or informal understanding to make a coordinated acquisition of claims, and ownership of claims that such holder has an Option to acquire; and (C) an “Option” to acquire claims includes any contingent purchase right, convertible debt or equity, put, a claim subject to risk of forfeiture, or a contract to acquire a claim(s) or similar interest, regardless of whether it is contingent or otherwise not currently exercisable.

“Debtors”),² debtors and debtors-in-possession in Case No. _____, pending in the United States Bankruptcy Court for the District of New Jersey.

PLEASE TAKE FURTHER NOTICE that, as of [date], [name of claimholder] Beneficially Owns claims in the aggregate principal amount of \$_____ against the Debtors. The following table sets forth the name of the Debtor issuer, a summary of the terms, and the date on which [name of claimholder] acquired or otherwise became the Beneficial Owner of each such Claim:

Debtor Issuer	Terms	Date Acquired

(Attach additional page if necessary)

PLEASE TAKE FURTHER NOTICE that the taxpayer identification number of [name of claimholder] is _____.

PLEASE TAKE FURTHER NOTICE that, under penalties of perjury, [name of claimholder] hereby declares that it has examined this Notice and accompanying attachments (if any), and, to the best of its knowledge and belief, this Notice and any attachments that purport to be part of this Notice are true, correct and complete.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Order of this Court approving Notice Procedures Relating to Certain Transfers of Equity Interests in and of the Debtors and Claims Against the Debtors, this Notice is being (A) filed with the United States Bankruptcy Court for the District of New Jersey, and (B) served upon Cole, Schotz, Meisel, Forman & Leonard, P.A., counsel to the Debtors, 25 Main Street, Hackensack, New Jersey 07602, Attn.: Gerald H. Gline, Esq.

² 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, and Vista Lakes Tarragon, LLC.

This Notice is given in addition to, and not as a substitute for, any requisite notice under Rule 3001(e) of the Federal Rules of Bankruptcy Procedure.

Dated:
[City, State]

Respectfully submitted,

[Name of Acquirer/Seller][Address]
[Telephone and facsimile]

EXHIBIT 2B

**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
Michael D. Sirota, Esq.
Warren A. Usatine, Esq.
(201) 489-3000
(201) 489-1536 Facsimile
Proposed Attorneys for Tarragon Corporation, *et al.*,
Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY
CASE NOS. 09-

In re:

TARRAGON CORPORATION, *et al.*,¹

Debtors-in-Possession.

Chapter 11
(Joint Administration Pending)

**NOTICE OF INTENT TO PURCHASE,
ACQUIRE OR OTHERWISE
ACCUMULATE A CLAIM**

PLEASE TAKE NOTICE that [name of acquirer/seller] hereby provides notice of its intention to purchase, acquire or otherwise accumulate a claim or claim(s) against the Debtors (the “Proposed Transfer”).

PLEASE TAKE FURTHER NOTICE that, if applicable, on [prior date(s)], [name of prospective acquirer] filed a Notice of Status as a Substantial Claimholder² with the Court and served copies thereof on the Debtors’ counsel.

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, and Vista Lakes Tarragon, LLC.

² For purposes of this Order: (A) a “Substantial Claimholder” is any person or entity who currently or in the future “Beneficially Owns” an aggregate principal amount of claims against

PLEASE TAKE FURTHER NOTICE that, pursuant to the Proposed Transfer, [name or prospective acquirer] proposes to purchase, acquire or otherwise accumulate claims against [name of Debtor issuer] in the aggregate principal amount of \$_____. If the Proposed Transfer is permitted to occur, [name of prospective acquirer] will Beneficially Own claims against the Debtors in the aggregate principal amount of \$_____ after the transfer.

PLEASE TAKE FURTHER NOTICE that the taxpayer identification number of [name of prospective acquirer is _____

PLEASE TAKE FURTHER NOTICE that, under penalties of perjury, [name of prospective acquirer] hereby declares that it has examined this Notice and accompanying attachments (if any), and, to the best of its knowledge and belief, this Notice and any attachments that purport to be part of this Notice are true, correct and complete.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Order of this Court approving Notice Procedures Relating to Certain Transfers of Equity Interests in and of the Debtors and Claims Against the Debtors, this Notice is being (A) filed with the United States Bankruptcy Court for the District of New Jersey, and (B) served upon Cole, Schotz, Meisel, Forman & Leonard, P.A., counsel to the Debtors, 25 Main Street, Hackensack, New Jersey 07602, Attn.: Gerald H. Gline, Esq,

PLEASE TAKE FURTHER NOTICE that the Debtors have thirty (30) days from receipt of this Notice to object to the Proposed Transfer described herein. If the Debtors file an objection, such Proposed Transfer will not be effective unless approved by an order of the Court not subject to appeal, modification, stay, or reconsideration. If the Debtors do not object within such thirty (30) day period, then after the expiration of such period the Proposed Transfer may proceed specifically as set forth in the Notice.

PLEASE TAKE FURTHER NOTICE that any further transactions that may result in [name of prospective acquirer] purchasing, acquiring or otherwise accumulating additional claims against the Debtors will each require an additional notice filed with the Court to be served in the same manner as this Notice.

the Debtors equal to or exceeding \$7,500,000.00 or any controlled entity through which such person or entity “Beneficially Owns” an indirect interest in such claims against the Debtors, (B) “Beneficial Ownership” of claims includes direct and indirect ownership (e.g., a holding company would be considered to “Beneficially Own” all claims owned or acquired by its subsidiaries), ownership by family members and any group of persons acting pursuant to a formal or informal understanding to make a coordinated acquisition of claims, and ownership of claims that such holder has an Option to acquire; and (C) an “Option” to acquire claims includes any contingent purchase right, convertible debt or equity, put, a claim subject to risk of forfeiture, or a contract to acquire a claim(s) or similar interest, regardless of whether it is contingent or otherwise not currently exercisable.

This Notice is given in addition to, and not as a substitute for, any requisite notice under Rule 3001(c) of the Federal Rules of Bankruptcy Procedure.

Dated:
[City, State]

Respectfully submitted,

[Name of Acquirer/Seller][Address]
[Telephone and facsimile]

EXHIBIT 2C

**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
Michael D. Sirota, Esq.
Warren A. Usatine, Esq.
(201) 489-3000
(201) 489-1536 Facsimile
Proposed Attorneys for Tarragon Corporation, *et al.*,
Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY
CASE NOS. 09-

Chapter 11
(Joint Administration Pending)

In re:

TARRAGON CORPORATION, *et al.*,¹

Debtors-in-Possession.

**NOTICE OF INTENT TO SELL, TRADE
OR OTHERWISE TRANSFER A CLAIM**

PLEASE TAKE NOTICE that [name of prospective seller] hereby provides notice of its intention to sell, trade or otherwise transfer a claim or claim(s) against the Debtors (the “Proposed Transfer”).

PLEASE TAKE FURTHER NOTICE that, if applicable, on [prior date(s)], [name of prospective seller] filed a Notice of Status as a Substantial Claimholder² with the Court and served copies thereof on the Debtors’ counsel.

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, and Vista Lakes Tarragon, LLC.

² For purposes of this Order: (A) a “Substantial Claimholder” is any person or entity who currently or in the future “Beneficially Owns” an aggregate principal amount of claims against

PLEASE TAKE FURTHER NOTICE that, [name of prospective seller] currently Beneficially Owns claims against the Debtors in the aggregate principal amount of \$_____.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Proposed Transfer, [name or prospective seller] proposes to sell, trade, or otherwise transfer claims against [name of Debtor issuer] in the aggregate principal amount of \$_____. If the Proposed Transfer is permitted to occur, [name of prospective seller] will Beneficially Own claims against the Debtors in the aggregate principal amount of \$_____ after the transfer.

PLEASE TAKE FURTHER NOTICE that the taxpayer identification number of [name of prospective seller] is _____

PLEASE TAKE FURTHER NOTICE that, under penalties of perjury, [name of prospective seller] hereby declares that it has examined this Notice and accompanying attachments (if any), and, to the best of its knowledge and belief, this Notice and any attachments that purport to be part of this Notice are true, correct and complete.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Order of this Court approving Notice Procedures Relating to Certain Transfers of Equity Interests in and of the Debtors and Claims Against the Debtors, this Notice is being (A) filed with the United States Bankruptcy Court for the District of New Jersey, and (B) served upon Cole, Schotz, Meisel, Forman & Leonard, P.A., counsel to the Debtors, 25 Main Street, Hackensack, New Jersey, Attn.: Gerald H. Gline, Esq.,

PLEASE TAKE FURTHER NOTICE that the Debtors have thirty (30) days from receipt of this Notice to object to the Proposed Transfer described herein. If the Debtors file an objection, such Proposed Transfer will not be effective unless approved by an order of the Court not subject to appeal, modification, stay, or reconsideration. If the Debtors do not object within such thirty (30) day period, then after the expiration of such period the Proposed Transfer may proceed specifically as set forth in the Notice.

[Name of prospective seller] understands that any further transactions that may result in [name of prospective seller] selling, trading or otherwise transferring claims against the Debtors

the Debtors equal to or exceeding \$7,500,000.00 or any controlled entity through which such person or entity “Beneficially Owns” an indirect interest in such claims against the Debtors, (B) “Beneficial Ownership” of claims includes direct and indirect ownership (e.g., a holding company would be considered to “Beneficially Own” all claims owned or acquired by its subsidiaries), ownership by family members and any group of persons acting pursuant to a formal or informal understanding to make a coordinated acquisition of claims, and ownership of claims that such holder has an Option to acquire; and (C) an “Option” to acquire claims includes any contingent purchase right, convertible debt or equity, put, a claim subject to risk of forfeiture, or a contract to acquire a claim(s) or similar interest, regardless of whether it is contingent or otherwise not currently exercisable.

will each require an additional notice filed with the Court to be served in the same manner as this Notice.

This Notice is given in addition to, and not as a substitute for, any requisite notice under Rule 3001(e) of the Federal Rules of Bankruptcy Procedure.

Dated:
[City, State]

Respectfully submitted,

[Name of Acquirer/Seller][Address]
[Telephone and facsimile]

EXHIBIT 3

**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
Michael D. Sirota, Esq.
Warren A. Usatine, Esq.
(201) 489-3000
(201) 489-1536 Facsimile
Proposed Attorneys for Tarragon Corporation, *et al.*,
Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY
CASE NOS. 09-

In re:

TARRAGON CORPORATION, *et al.*,¹
Debtors-in-Possession.

Chapter 11
(Joint Administration Pending)

**NOTICE OF (A) NOTIFICATION
PROCEDURES APPLICABLE TO
SUBSTANTIAL HOLDERS OF CLAIMS
AND EQUITY SECURITIES AND (B)
NOTIFICATION AND HEARING
PROCEDURES FOR TRADING IN
CLAIMS AND EQUITY SECURITIES**

PLEASE TAKE NOTICE that on January 12, 2009 (the "Petition Date"), the Debtors commenced cases under Chapter 11 of Title 11 of the United States Code as amended from time to time (the "Bankruptcy Code").

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, and Vista Lakes Tarragon, LLC.

PLEASE TAKE FURTHER NOTICE that on _____, the United States Bankruptcy Court for the District of New Jersey (the “Court”) entered an order (the “Order”) approving the procedures set forth in Exhibit A to the Motion (the “Notice Procedures”) to preserve the Debtors’ net operating losses (“NOLs”). Any sale or other transfer of claims against or equity securities in the Debtors in violation of the Notice Procedures shall be null and void *ab initio* and shall confer no rights on the transferee.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Order, the Notice Procedures shall apply to holding, acquiring and disposing, and any other transfers of CLAIMS AGAINST AND EQUITY SECURITIES IN AND OF THE DEBTORS.

PLEASE TAKE FURTHER NOTICE that any person or entity may obtain a copy of the Order, the Notice Procedures and the forms of each of the required notices described therein by contacting the Debtors’ counsel, Cole, Schotz, Meisel, Forman & Leonard, P.A., 25 Main Street, Hackensack, New Jersey 07602, (201) 525-6351 (Attn: Gerald. H. Gline)

ANY PROHIBITED ACQUISITION, DISPOSITION, OR OTHER TRANSFER OF CLAIMS AGAINST OR EQUITY SECURITIES IN OR OF THE DEBTORS IN VIOLATION OF THE ORDER WILL BE NULL AND VOID AND MAY RESULT IN THE IMPOSITION OF SANCTIONS BY THE BANKRUPTCY COURT.

PLEASE TAKE FURTHER NOTICE that the requirements set forth in this Notice are in addition to the requirements of Rule 3001(e) of the Federal Rules of Bankruptcy Procedure and applicable securities, corporate and other laws, and do not excuse compliance therewith.

COLE, SCHOTZ, MEISEL, FORMAN &
LEONARD, P.A.
Proposed Attorneys for Tarragon Corporation, *et al.*,
Debtors-in-Possession

January ____, 2009

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
25 Main Street
P. O. Box 800
Hackensack, NJ 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.

Case Nos.

Judge:

Chapter 11

Hearing Date: January ____, 2009

**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**

The relief set forth on the following page, numbered two (2) through five (5), is hereby
ORDERED.

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Debtors: TARRAGON CORPORATION, *et al.*
Case Nos. 09-
Caption of Order: 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

THIS MATTER having been opened to the Court by Cole, Schotz, Meisel, Forman & Leonard, P.A., proposed attorneys to Tarragon Corporation *et al.*, the within debtors and debtors-in-possession (collectively, the “Debtors”),¹ upon motion for entry of an Order pursuant to Sections 105(a), 362(a)(3) and 541 of the Bankruptcy Code (a) limiting certain transfers of equity securities of the Debtors and claims against the Debtors and (b) approving related notice procedures (the “Motion”);² and it appearing that good and sufficient notice of the Motion having been provided in accordance with the Order Regarding Application for Expedited Consideration of First Day Matters previously entered by the Court, as evidenced by the Affidavit of Service filed with the Court; and the Court having considered all the motion papers, the opposition thereto, if any, and the arguments of counsel, if any; and the Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates and creditors; and other good cause having been shown,

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, and Vista Lakes Tarragon, LLC.

² Unless otherwise defined herein, all capitalized terms used herein shall have the meanings set forth in the Motion.

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Debtors: TARRAGON CORPORATION, *et al.*
Case Nos. 09-
Caption of Order: 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

IT IS HEREBY ORDERED:

1. The procedures set forth on Exhibit A attached hereto shall apply to trading in and of the equity securities of the Debtors and transfers of claims against the Debtors and are incorporated in and deemed part of this Order.
2. This Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.
3. Notwithstanding the definition of “beneficial ownership” in Exhibit A hereto, sales, acquisitions or other transfers of claims against or equity securities in and of a Debtor by a person or entity acting as a broker, custodian, nominee, prime broker, clearinghouse or trustee on behalf of another person shall not be subject to this Order with respect to that particular sale, acquisition or other transfer; provided, however, that a trustee of a trust qualified under Section 401(a) of the IRC, and the customer or principal of such broker, custodian, nominee, prime broker, clearinghouse or trustee, shall not be excluded from this Order by reason of this paragraph.
4. Notwithstanding the definition of “beneficial ownership” in Exhibit A hereto, sales, acquisitions or other transfers of claims against or equity securities in and of a Debtor by a person or entity acting as a discretionary account manager or manager for one or more accounts, customers, regulated investment company or mutual fund shall not be subject to

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Debtors: TARRAGON CORPORATION, *et al.*
Case Nos. 09-
Caption of Order: 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

this Order with respect to a sale, acquisition or other transfer and such persons or entities acting in such capacity shall not be considered a “Substantial Claimholder”; provided, however, that an account manager’s individual customer, individual account holder, single regulated investment company or single mutual fund shall not be excluded from this Order by reason of this paragraph.

5. The trustee of any trust, any Indenture Trustee, Owner Trustee or transfer agent, in each case for any bonds, debentures, pass-through certificates or other debt securities (collectively, “Debt Securities”) (i) issued by the Debtor(s), (ii) issued by any governmental or quasi-governmental authority for the benefit of the Debtor(s) or (iii) secured by assets of the Debtors or agreements with respect to such assets shall not be subject to this Order to the extent such trustee or transfer agent complies with the terms of the governing documents with respect to any transfer of any such Debt Securities; provided, however, that the beneficial owners of such trust shall not be excluded from this Order by reason of this paragraph.

6. Any transactions executed in violation of this Order and the procedures set forth in Exhibit A hereto including any acquisition or other transfer of equity securities in or of the Debtors or claims against the Debtors in violation of this Order and the procedures set forth in Exhibit A shall be null and void ab initio as a violation of the automatic stay prescribed in 11 U.S.C. §§ 362 and 105(a) and shall confer no rights on the transferee. In addition, the Court may

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Debtors: TARRAGON CORPORATION, *et al.*
Case Nos. 09-
Caption of Order: 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

impose sanctions, forfeiture and such other remedies the Court deems appropriate for any such violation.

7. Notwithstanding the possible applicability of Bankruptcy Rules 6004(g), 7062, 9014, or otherwise, the terms and conditions of this Order shall become immediately effective and enforceable.

8. All time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

9. The Debtors' proposed counsel shall served copies of this Order within seven (7) days hereof.