

TARRAGON REALTY INVESTORS, INC.

EXECUTIVE COMPENSATION COMMITTEE CHARTER

ARTICLE I PURPOSE

The Executive Compensation Committee assists the Board of Directors to fulfill its fiduciary responsibilities relating to the fair and competitive compensation of the principal executives and other key employees of the Company. The Executive Compensation Committee's primary responsibilities are to review and approve the Company's compensation philosophy and executive compensation programs, plans and awards, administer the Company's stock option and other short and long term incentive plans, and issue an annual report on executive compensation in accordance with applicable rules and regulations of the Securities and Exchange Commission for inclusion in the Company's annual proxy statement. The Executive Compensation Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Article IV of this charter.

ARTICLE II COMPOSITION

The Executive Compensation Committee shall be comprised of three or more independent directors as determined by the Board. The Board shall also designate a chairperson for the Executive Compensation Committee. Each member of the Executive Compensation Committee shall meet the definitions of (i) a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and (ii) an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. The Board will determine, in its business judgment, whether the members of the Executive Compensation Committee meet such definitions. The Board may remove and/or replace an Executive Compensation Committee member at any time with or without cause.

ARTICLE III MEETINGS

Regular meetings of the Executive Compensation Committee may be held without notice at such times and at such places as shall from time to time be determined by the chairperson of the Executive Compensation Committee, or the president or secretary of the Company. Special meetings of the Executive Compensation Committee may be called by or at the request of any member of the Executive Compensation Committee on at least twenty-four hours notice. Management and/or the Company's legal counsel may attend each meeting or portions thereof as required by the Executive Compensation Committee.

A majority of the Executive Compensation Committee members shall constitute a quorum for the transaction of the committee's business. Unless otherwise required by applicable

law, the Company's Articles of Incorporation or bylaws, or the Board of Directors, the Executive Compensation Committee shall act upon the vote or consent of a majority of its members at a duly called meeting at which a quorum is present. The Executive Compensation Committee may also take action by written instrument signed by all of the members of the Executive Compensation Committee. Members of the Executive Compensation Committee may participate in committee proceedings by means of conference telephone or similar communications equipment so long as all persons participating in the proceedings can hear the others, and such participation shall constitute presence in person at such proceedings.

ARTICLE IV RESPONSIBILITIES

The following functions shall be the key responsibilities of the Executive Compensation Committee.

- Periodically review the Company's philosophy regarding executive compensation and discuss with the CEO different compensation approaches.
- Annually review market data to assess the Company's competitive position for the three components of executive compensation (base salary; annual incentives; and long-term incentives).
- Administer and make recommendations to the Board regarding the adoption, amendment or rescission of incentive compensation plans and stock-related plans in which the CEO and other principal executives and key employees may be participants, including:
 - Approving option grants
 - Interpreting the Plans
 - Establishing rules and regulations relating to the Plans
 - Modifying or canceling existing grants
 - Designating employees eligible to participate in the Plans
 - Imposing limitations, restrictions and conditions upon any award as the Committee deems appropriate
- Review recommendations made by the CEO for the compensation of the Company's principal executives and other key employees, to assure that total compensation paid is reasonable.
- Annually issue a report on executive compensation in accordance with applicable rules and regulations of the Securities and Exchange Commission for inclusion in the Company's proxy statement.

**ARTICLE V
MISCELLANEOUS**

The Executive Compensation Committee may perform any other activities consistent with this charter, the Company's Articles of Incorporation and Bylaws or governing law, as the Executive Compensation Committee or the Board deems necessary or appropriate.

As Approved by the Board of Directors of Tarragon Realty Investors, Inc.

April 7, 2000