

ABANDONMENT OWNERSHIP INTEREST
IN
Calvert Arms, Ltd
RD Case Number 50-98-963395646

THIS **ABANDONMENT OF OWNERSHIP INTEREST** (this "**Abandonment**") is made and entered into and effective as of August 2, 2024, by the undersigned party (the "**Party.**")

WHEREAS, Calvert Arms, Ltd., a Texas limited partnership ("**Partnership**") is the owner of a 24-unit multifamily apartment development located at Mesquite & Mitchell, Calvert, Texas, known as Calvert Arms Apartments. 100% of such dwelling units are set aside for rental to elderly individuals of low income, as provided in Internal Revenue Code Section 42(g) ("**Apartment Development**"); and is governed by a certain Second Amended and Restated Agreement and Certificate of Limited Partnership, dated as of July 1, 1993 ("**Partnership Agreement**"); and capitalized terms used but not defined herein shall have the meanings ascribed to such terms in Article I of the Partnership Agreement; and

WHEREAS, the Apartment Development had a fire in one 8-unit apartment building which destroyed the entire building.

WHEREAS, the former Managing Agent misappropriated \$100,000 of the insurance proceeds and failed to restore the building within one-year as required by the insurance carrier in order to obtain the balance of the insurance proceeds needed to rehab the building.

WHEREAS, the city of Calvert required that and the building was raised.

WHEREAS, without the 8-units lost because of the fire, the Apartment Development does not have sufficient income to carry its operations on a monthly basis.

WHEREAS, the recent Managing Agent, Eagle Creek Mgmt., Inc., which terminated its management agreement as of July 31, 2024, ("Eagle") and an affiliate, have unpaid management fees and out of pocket expenses in attempting to keep the Apartment Development in operation of \$149,632.

WHEREAS, the Apartment Development has \$246,604.90 of unused insurance proceeds from the fire ("Unused Insurance Proceeds"), which Eagle requested USDA-RD use to reimburse it for its Advances to \$149,632 and the negative cash flow from the continued operation of the Apartment Development, but USDA-RD indicated that the reserve requests for expenses are not an eligible replacement reserve account use and that the remaining insurance proceeds will need to be applied to the principal balance of the mortgage.

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