

- (e) The amount of Company liabilities that are assumed by the members.

2. Decreases in Capital Account. The Capital Account of the members shall be decreased by:

- (a) The amount of money distributed to the members by the Company pursuant to any provision of this Agreement.
- (b) The fair market value of property distributed to the members by the Company (net of liabilities secured by such distributed property that such members are considered to assume or take subject to under Code Section 752).
- (c) Allocations to the members of Losses.
- (d) Allocations to the members of deductions, expenses, Nonrecourse Deductions and net losses allocated to it pursuant to this Agreement, and the members' share of Company expenditures which are neither deductible nor properly chargeable to Capital Accounts under Code Section 705(a)(2)(B) or are treated as such expenditures under Treasury Regulation Section 1.704-1(b)(2)(iv)(i). "Nonrecourse Deductions" shall have the meaning set forth in Treasury Regulation Section 1.704-2.
- (e) The amount of any liabilities of the members that are assumed by the Company.

SECTION IV **ALLOCATIONS AND DISTRIBUTIONS.**

A. Allocations. For purposes of maintaining the Sole Member's Capital Account, all of the Company's net profits, net losses, expenses and other items of income, gain, loss, and credit shall be allocated to the Sole Member. All items of Company taxable income, gain, loss, deduction, and credit recognized or allowable for Federal income tax purposes shall be allocated and credited or charged to the Sole Member.

B. Distributions. Net cash flow shall be distributed in the following priority,

- 1. First, to the Sole Member in repayment of any advance of funds to the Company as a lender, to the extent of and in proportion to such advances, including interest thereon, if any;
- 2. Additional distributions, if any will be made to the Sole Member, in such amounts and at such times as determined by the Sole Member.