

(a) At the end of each Accounting Period, the Capital Account of a Partner (including the General Partner) for such Accounting Period shall be adjusted by crediting (in the case of Net Capital Appreciation) or debiting (in the case of Net Capital Depreciation) the Net Capital Appreciation or Net Capital Depreciation, as the case may be, to the Capital Accounts of all the Partners (including the General Partner) in proportion to their respective Partnership Percentage.

(b) (i) Subject to Sec. 3.05(b)(ii), (iii), (iv), Sec. 3.05(c) and Sec. 3.05(d), at the end of each fiscal year of the Partnership, 20% of the Net Increase with respect to an Interest allocated to a Limited Partner's Capital Account for such fiscal year shall be reallocated to the Capital Account of the General Partner (the "Full Incentive Allocation" and together with the Reduced Incentive Allocation, as defined below, the "Incentive Allocation"). The General Partner, in its sole discretion, may elect to reduce, waive or calculate differently the Incentive Allocation with respect to certain Limited Partners.

(ii) A Limited Partner's Capital Account shall be subject to a reduced Incentive Allocation (the "Reduced Incentive Allocation") in respect of Net Increase allocated thereto for any fiscal year at the beginning of which an unrecovered balance exists in the Loss Recovery Account attributable to such Capital Account (each such year, an "Unrecovered Loss Year"). The amount of the unrecovered balance remaining in the Loss Recovery Account at the time of calculating the Incentive Allocation shall be the amount existing immediately prior to its reduction pursuant to the second clause of the second sentence of Sec. 3.05(c). The Reduced Incentive Allocation shall be calculated in the manner provided for the Full Incentive Allocation in Sec. 3.05(b)(i) except that the 20% Full Incentive Allocation rate shall be reduced by half (*i.e.*, 10%). Once a Loss Recovery Account attributable to a Capital Account has been reduced to zero, all additional Net Increase allocated to such Capital Account shall be subject to the Incentive Allocation at the 20% Incentive Allocation rate provided for under Sec. 3.05(b)(i). As used herein and unless otherwise indicated, the term "Incentive Allocation" includes any Reduced Incentive Allocation.

For sake of clarification, it is intended, therefore, that the Reduced Incentive Allocation shall be determined on any Net Increase allocated to a Capital Account until such Net Increase has reduced the Loss Recovery Account balance for such Capital Account to zero. After such time, the 20% rate shall apply.

(iii) The first Incentive Allocation following the determination to dissolve under Sec. 6.01 shall be determined and made in respect of all Partners' Capital Accounts in accordance with Sec. 3.05(b)(i) and Sec. 3.05(b)(ii). Thereafter, the Incentive Allocation shall be made for all subsequent periods with respect to all Limited Partners as if they were withdrawn Partners.

(c) There shall be established on the books of the Partnership for the Capital Account of each Limited Partner a memorandum loss recovery account (a "Loss Recovery Account"), the opening balance of which shall be zero. At each date that an Incentive Allocation with respect to a Capital Account is to be determined, the balance in the Loss Recovery Account attributable to such Capital Account shall be adjusted as