

“Loss Recovery Account”), the opening balance of which will be zero. At the end of each fiscal year (or such other date as of which the Incentive Allocation is calculated), the balance in the Loss Recovery Account attributable to such Capital Account will be adjusted as follows: (1) if, in the aggregate, there is net capital depreciation with respect to such Capital Account since the immediately preceding date as of which a calculation of an Incentive Allocation was made (or if no calculation has yet been made with respect to such Capital Account, since such Capital Account’s establishment), there will be added to such Loss Recovery Account an amount equal to 2.1 times (210%) such net capital depreciation; and (2) if, in the aggregate, there is net capital appreciation with respect to such Capital Account since the immediately preceding date as of which a calculation of any Incentive Allocation was made, an amount equal to such net capital appreciation (before the Incentive Allocation) will be subtracted from and reduce any unrecovered balance in such Loss Recovery Account, but not below zero. In determining net capital depreciation and net capital appreciation for these purposes, the Limited Partner’s share of the Management Fee will generally be taken into account. The unrecovered balance in a Limited Partner’s Loss Recovery Account will be adjusted for withdrawals of capital. Additional capital contributions will not reduce a Limited Partner’s Loss Recovery Account.

As described above, the Loss Recovery Account of a Limited Partner must recover an amount equal to 2.1 times the amount of the net capital depreciation allocated to it before such Loss Recovery Account will reach zero. Until such time, such Limited Partner’s Capital Account will be subject to a reduced Incentive Allocation (the “Reduced Incentive Allocation”) in respect of net capital appreciation allocated to it for a fiscal year (or such other period as of which the Incentive Allocation is calculated) (each such period, an “Unrecovered Loss Year”). Thus, a Limited Partner may be subject to a Reduced Incentive Allocation even though past allocations of net capital depreciation have not yet been fully recovered. The Reduced Incentive Allocation will continue to be allocable even after all net capital depreciation has been fully recovered until such time as the Loss Recovery Account equals zero. The Reduced Incentive Allocation will be calculated in the manner provided above for the Full Incentive Allocation, except that the Reduced Incentive Allocation rate will be 10%.