

**APPENDIX II****REGULATORY AND TAX ALLOCATIONS**

The provisions of this Appendix II are included in order to enable the Partnership to comply with the requirements of Treasury Regulation Section 1.704-1(b)(2)(iv).

**1. Regulatory Allocations and Allocations Involving Nonrecourse Indebtedness.** The following provisions are included in order to comply with tax rules set forth in the Internal Revenue Code and to permit the Partnership to obtain the benefits of a “safe harbor” provided by Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and apply notwithstanding anything to the contrary in 8.2 and 8.3.

**1.1 Minimum Gain Chargeback.** Items of income or gain (computed with the adjustments contained in the definition of “Net Gain” and “Net Loss”) for any taxable period shall be allocated to the Partners in the manner and to the minimum extent required by the “minimum gain chargeback” provisions of Treasury Regulation Section 1.704-2(f) and Treasury Regulation Section 1.704-2(i)(4).

**1.2 Nonrecourse Deductions.** All “nonrecourse deductions” (as defined in Treasury Regulation Section 1.704-2(b)(1)) of the Partnership for any year shall be allocated to the Partners in accordance with their respective Contributions; *provided, however*, that nonrecourse deductions attributable to “partner nonrecourse debt” (as defined in Treasury Regulation Section 1.704-2(b)(4)) shall be allocated to the Partners in accordance with the provisions of Treasury Regulation Section 1.704-2(i)(1).

**1.3 Limit on Loss and Deduction Allocations.** In no event shall any items of loss or deduction (computed with the adjustments contained in the definition of “Net Gain” and “Net Loss”) be allocated to a Partner if such allocation would cause or increase a negative balance in such Partner’s Capital Account (determined for this purpose, by increasing the Partner’s Capital Account balance by the amount the Partner is obligated to restore to the Partnership within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(c) or is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5) and decreasing it by the amounts specified in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6)).

**1.4 Qualified Income Offset.** Items of income or gain (computed with the adjustments contained in the definition of “Net Gain” and “Net Loss”) for any taxable period shall be allocated to the Partners in the manner and to the extent required by the “qualified income offset” provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d).

**1.5 Gross Income Allocation.** Items of income or gain (computed with the adjustments contained in the definition of “Net Gain” and “Net Loss”) for any taxable period shall be allocated to the Partners in the amount of (and in proportion to) any negative balance in such Partner’s Capital Account (determined for this purpose, by increasing the Partner’s Capital Account balance by the amount the Partner is obligated to restore to the Partnership within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(c) or is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5) and decreasing it by the amounts specified in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6)).

**2. Adjustments to Reflect Changes in Interests.**

With respect to any fiscal period during which any Partner’s interest in the Partnership changes, allocations under this Agreement (including 6.3.2 and 8.3) shall be adjusted appropriately to take into