

(a) The fair market value of the members' initial capital contribution and any additional capital contributions by the members to the Company. If any property, other than cash, is contributed to or distributed by the Company, the adjustments to Capital Accounts required by Treasury Regulation Section 1.704-1(b)(2)(iv)(d), (e), (f) and (g) and Section 1.704-1(b)(4)(I) shall be made.

(b) The members' share of the increase in the tax basis of Company property, if any, arising out of the recapture of any tax credit.

(c) Allocations to the members of Profit.

(d) Company income or gain (including income and gain exempt from income taxation) as provided under this Agreement, or otherwise by Regulation Section 1.704-1(b)(2)(iv).

(e) The amount of Company liabilities that are assumed by the Sole Member.

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 them 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