

**SECTION III**  
**CAPITAL ACCOUNT**

A. Capital Account. A capital account ("Capital Account") shall be maintained for the Sole Member, and each additional Member, if any, in accordance with the provision of this Article.

1. Increases in Capital Account. The Capital Account of each Member shall be increased by:

- (a) The fair market value of the Member's initial capital contribution and any additional capital contributions by the Member 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 Member's 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 Member 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 Member.

2. Decreases in Capital Account. The Capital Account of each Member shall be decreased by:

- (a) The amount of money distributed to the Member by the Company pursuant to any provision of this Agreement.
- (b) The fair market value of property distributed to the Member by the Company (net of liabilities secured by such distributed property that Member is considered to assume or take subject to under Code Section 752).
- (c) Allocations to the Member of Losses.
- (d) Allocations to the Member of deductions, expenses, Nonrecourse Deductions and net losses allocated to him pursuant to this Agreement, and the Member's 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.