

drawal from his Capital Account shall be further adjusted as of the date such withdrawal is effective by decreasing any positive balance of such Loss Carryforward Account (but not below zero) by an amount determined by multiplying (i) such positive balance by (ii) a fraction, of which (A) the numerator is equal to the amount withdrawn and (B) the denominator is equal to the balance of such Limited Partner's Capital Account immediately before giving effect to such withdrawal. For purposes of this Sec. 3.2(b) a distribution by the Partnership shall be treated as a withdrawal.

(c) Allocations of Net Profit and Net Loss to the Partners' Capital Accounts for accounting purposes shall be made for each Fiscal Quarter and Fiscal Period, in each case within 75 days after the end of each such period (or, in the case of allocations for a Fiscal Year, as soon as practicable but in no event later than 120 days after the end of such Fiscal Year).

Sec. III.3. Allocations for Tax Purposes. As of the end of each Fiscal Year of the Partnership, the Partnership's income and expense and capital gain or loss shall be allocated among the Partners pursuant to the following subparagraphs for federal income tax purposes. Such allocations shall be pro rata from short-term capital gain or loss and long-term capital gain or loss and operating income or loss realized by the Partnership.

(a) Items of ordinary income (such as interest income) and expense (such as performance fees, management fees, brokerage fees and extraordinary expenses) shall, with the exception of performance fees, be allocated pro rata among the Partners based on their respective Capital Accounts (after any Capital Contributions) as of the beginning of each Fiscal Period in which the items of ordinary income and expense accrue.

(b) Realized capital gain or loss from the Partnership's trading activity shall be allocated as follows:

(i) There shall be established a tax basis account with respect to each Partner's interest in the Partnership. The initial balance of each tax basis account shall be the amount contributed to the capital of the Partnership for such interest in the Partnership. As of the end of each Fiscal Year:

(A) Each tax basis account shall be increased by the amount of (1) any additional Capital Contributions made to the Partnership with respect to such Partner's interest and (2) any income or gain allocated to such Partner pursuant to Sec. 3.3(a) above and subclauses (ii) and (iii) below;

(B) Each tax basis account shall be decreased by the amount of (1) expense or loss allocated to such Partner pursuant to Sec. 3.3(a) above and subclauses (iv) and (v) below and (2) any

distribution received by such Partner with respect to its interest in the Partnership other than upon a partial or complete withdrawal;

(C) When any interest in the Partnership is withdrawn, the tax basis account attributable to such interest in the Partnership (or withdrawn portion of such interest in the Partnership) shall be eliminated; and

(D) To the extent a valid Section 754 election has been made by the Partnership, each tax basis account shall be increased or decreased, where appropriate, to reflect any adjustments to the tax basis of Partnership property pursuant to Section 734 or 743 of the Code.

(ii) To the extent that a Section 754 election has not been made, immediately prior to any withdrawal, realized capital gains shall be allocated first to each Partner who has withdrawn any of his interest in the Partnership during the Fiscal Year up to any excess of the amount received upon such withdrawal over the tax basis account maintained for the withdrawn interest in the Partnership at the time of such withdrawal. If the gain to be so allocated to all Partners who have withdrawn interests in the Partnership during a Fiscal Year is less than the excess of all such amounts received upon withdrawal over all such tax basis accounts, the entire capital gain for such Fiscal Year shall be allocated among all such Partners in the ratio that each such Partner's allocable share of such excess bears to the aggregate excess of all such Partners who withdrew interests in the Partnership during such Fiscal Year.

(iii) Realized capital gains remaining after the allocation in subclause (ii) above shall be allocated among all Partners whose Capital Accounts are in excess of their tax basis accounts (after the adjustments in subclause (ii)) in the ratio that each such Partner's allocable share of such excess bears to all such Partners' excesses. If the gain to be so allocated is greater than the excess of all such Partners' Capital Accounts over all such tax basis accounts, the excess shall be allocated among all Partners in the ratio that each Partner's Capital Account bears to all Partners' Capital Accounts.

(iv) Immediately prior to any withdrawal, realized capital loss shall be allocated first to each Partner who has withdrawn any of its interest in the Partnership during the Fiscal Year up to any excess of the tax basis account maintained for the withdrawn interest in the Partnership over the amount received upon such withdrawal at the time of such withdrawal. If the loss to be so allocated to all Partners who have withdrawn interests in the Partnership during a Fiscal Year is less than the

excess of all such tax basis accounts over all such amounts received upon withdrawal, the entire capital loss for such Fiscal Year shall be allocated among all such Partners in the ratio that each such Partner's excess bears to the aggregate excess of all such Partners who withdrew interests in the Partnership during such Fiscal Year.

(v) Realized capital loss remaining after the allocation in subclause (iv) above shall be allocated among all Partners whose tax basis accounts are in excess of their Capital Accounts (after the adjustments in subclause (iv)) in the ratio that each such Partner's allocable share of such excess bears to all such Partners' excesses. If the loss to be so allocated is greater than the excess of all such tax basis accounts over all such Partners' Capital Accounts, the excess loss shall be allocated among all Partners in the ratio that each Partner's Capital Account bears to all Partners' capital accounts.

(vi) Any gain or loss required to be taken into account in accordance with Section 1256 of the Code shall be considered a realized capital gain or loss for purposes of this Sec. 3.3.

(c) The allocation of profit and loss for federal income tax purposes set forth herein is intended to allocate taxable profit and loss so as to eliminate, to the extent possible, any disparity between a Partner's Capital Account and the tax basis of Partnership property, consistent with principles set forth in Section 704(c) of the Code. In addition, for purposes of this Sec. 3.3, to the extent a Partner contributes to the Partnership property with a fair market value greater or less than the adjusted tax basis of such property, income, gain, loss and deduction with respect to such property shall be allocated among the Partners so as to take account of the variation between the adjusted tax basis and fair market value of such property, consistent with Section 704(c) of the Code and applicable Regulations.

(d) The allocations of profit and loss to the Partners in respect of the interests in the Partnership shall not exceed the allocations permitted under Subchapter K of the Code as determined by the General Partner, whose determination shall be binding.

Sec. III.4. Special Allocations for Tax Purposes. The following special allocations shall be made in the following order:

(a) Minimum Gain Chargeback. Notwithstanding any other provision of this Article III, if there is a net decrease in Partnership Minimum Gain during any Fiscal Year, the Partners shall be specially allocated items of Partnership income and gain for such Fiscal Year (and, if necessary, subsequent Fiscal Years) in an amount equal to the greater of (i) the portion of such Partner's share of the net decrease in Partnership Minimum Gain, determined in accordance with Regulations Section 1.704-2(d)(1), that is allocable to the disposition of Partnership property subject to Nonrecourse Liabilities, as