

CAPITAL ACCOUNT MAINTENANCE POLICY AND AGREEMENT

This Capital Account Maintenance Policy and Agreement (the "Agreement") is entered into and made effective as of _____, 20____, by and among the undersigned partners (each a "Partner" and collectively the "Partners") of _____ (the "Partnership").

RECITALS

WHEREAS, the Partners have entered into a Partnership Agreement dated _____, 20____; and

WHEREAS, the Partners desire to establish formal policies and procedures for the maintenance of Partner capital accounts in compliance with Section 704(b) of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Partners agree as follows:

SECTION 1. ESTABLISHMENT AND MAINTENANCE OF CAPITAL ACCOUNTS

1.1. The Partnership shall establish and maintain for each Partner a separate capital account (each, a "Capital Account") in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv) and the provisions of this Agreement.

1.2. Each Partner's Capital Account shall be increased by:

- a. The amount of money contributed by the Partner to the Partnership;
- b. The fair market value of property contributed by the Partner to the Partnership (net of liabilities secured by such contributed property that the Partnership is considered to assume or take subject to under Section 752 of the Code); and
- c. Allocations to the Partner of Partnership income and gain (or items thereof), including income exempt from tax and income and gain described in Treasury Regulation Section 1.704-1(b)(2)(iv)(g).

1.3. Each Partner's Capital Account shall be decreased by:

- a. The amount of money distributed to the Partner by the Partnership;
- b. The fair market value of property distributed to the Partner by the Partnership (net of liabilities secured by such distributed property that the Partner is considered to assume or take subject to under Section 752 of the Code); and
- c. Allocations to the Partner of Partnership expenditures described in Section 705(a)(2)(B) of the Code and allocations of Partnership loss and deduction (or items thereof).

SECTION 2. INITIAL CAPITAL CONTRIBUTIONS

The Partners have made or shall make initial capital contributions to the Partnership as set forth in Schedule A attached hereto. The initial Capital Account balance of each Partner shall be equal to the value of the initial contribution specified for such Partner.

SECTION 3. REVALUATION OF PARTNERSHIP PROPERTY

3.1. Upon the occurrence of certain events, including but not limited to the contribution of money or other property by a new or existing Partner, or the distribution of money or other property to a retiring or continuing Partner, the Partners may elect to revalue the Partnership's property and adjust the Capital Accounts of the Partners to reflect the net fair market value of the property at that time, in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f).

SECTION 4. DEFICIT CAPITAL ACCOUNTS

4.1. Except as otherwise required by law or agreed in writing, no Partner shall be obligated to restore any deficit or negative

balance in their Capital Account upon liquidation of the Partnership or otherwise.

SECTION 5. MISCELLANEOUS

5.1. **Governing Law.** This Agreement shall be construed, interpreted, and governed by the laws of the State of _____.

5.2. **Amendments.** This Agreement may only be amended or modified by a written instrument executed by all Partners.

5.3. **Severability.** If any provision of this Agreement is held to be invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it valid and enforceable, and the remaining provisions shall remain in full force and effect.

IN WITNESS WHEREOF, the Partners have executed this Capital Account Maintenance Policy and Agreement as of the date first written above.

Partner 1:

Partner 2:

Signature

Signature

Print Name

Print Name

Date

Date

Partner 3:

Partner 4:

Signature

Signature

Print Name

Print Name

Date

Date

SCHEDULE A
INITIAL CAPITAL CONTRIBUTIONS

Partner Name	Cash Contribution	Asset Description (Non-Cash)	Fair Market Value	Initial Capital Account Balance