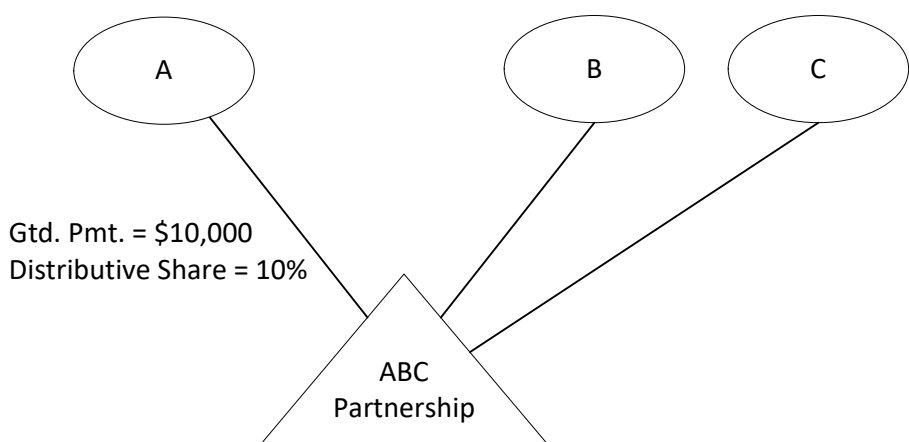


**Fixed Guaranteed Payment  
For Services**

<table border="0" style="width: 100%;"> <tr> <td style="padding-right: 20px;">Ordinary Income Before Gtd. Pmt.</td> <td style="text-align: right;">\$60,000</td> </tr> <tr> <td style="padding-right: 20px;">Guaranteed Payment to A</td> <td style="text-align: right;"><u>(10,000)</u></td> </tr> <tr> <td style="padding-right: 20px;">Ordinary Income after Gtd. Pmt.</td> <td style="text-align: right;">50,000</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td style="padding-right: 20px;">Distributive Share to A – Percentage</td> <td style="text-align: right;">10%</td> </tr> <tr> <td style="padding-right: 20px;">Distributive Share to A – Dollars</td> <td style="text-align: right;"><u>5,000</u></td> </tr> <tr> <td style="padding-right: 20px;">Total Ord. Inc (Gtd. Pmt. + Dist. Share)</td> <td style="text-align: right;">15,000</td> </tr> </table>	Ordinary Income Before Gtd. Pmt.	\$60,000	Guaranteed Payment to A	<u>(10,000)</u>	Ordinary Income after Gtd. Pmt.	50,000			Distributive Share to A – Percentage	10%	Distributive Share to A – Dollars	<u>5,000</u>	Total Ord. Inc (Gtd. Pmt. + Dist. Share)	15,000		 <p style="margin-left: 20px;">Gtd. Pmt. = \$10,000 Distributive Share = 10%</p>
Ordinary Income Before Gtd. Pmt.	\$60,000															
Guaranteed Payment to A	<u>(10,000)</u>															
Ordinary Income after Gtd. Pmt.	50,000															
Distributive Share to A – Percentage	10%															
Distributive Share to A – Dollars	<u>5,000</u>															
Total Ord. Inc (Gtd. Pmt. + Dist. Share)	15,000															

Under the ABC partnership agreement, partner A is entitled to a fixed annual payment of \$10,000 for services, without regard to the income of the partnership. His distributive share is 10 percent. After deducting the guaranteed payment, the partnership has \$50,000 ordinary income. A must include \$15,000 as ordinary income for his taxable year within or with which the partnership taxable year ends (\$10,000 guaranteed payment plus \$5,000 distributive share).