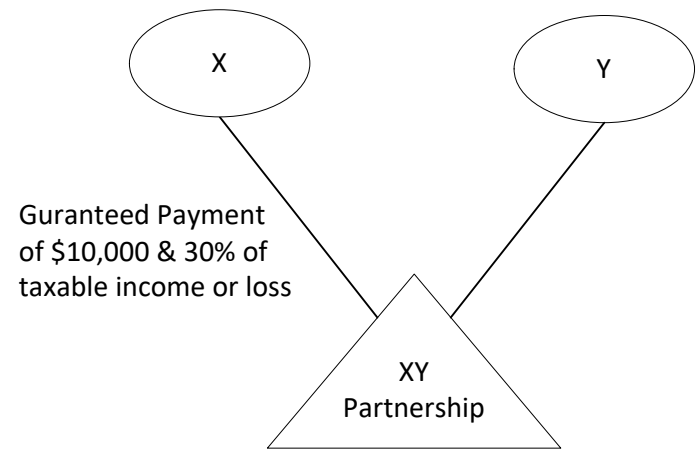


Partnership Capital Gains	\$30,000	
Ordinary Income (Loss) before Guaranteed Payment	0	
Ordinary Payment to X	<u>(10,000)</u>	
Ordinary Income (Loss) after Guaranteed Payment	(10,000)	
Distributive Share to X – Percentage	30%	
Distributive Share to X – Dollars (Ord. Loss)	(3,000)	
Total Ord. Income to X (Gtd. Pmt. + Dist. Share)	<u>7,000</u>	
Total Capital to X	9,000	

Assume the same facts as in example (3) of this paragraph, except that, instead of a \$9,000 loss, the partnership has \$30,000 in capital gains and no other items of income or deduction except the \$10,000 paid X as a guaranteed payment. Since the items of partnership income or loss must be segregated under section 702(a), the partnership has a \$10,000 ordinary loss and \$30,000 in capital gains. X's 30 percent distributive shares of these amounts are \$3,000 ordinary loss and \$9,000 capital gain. In addition, X has received a \$10,000 guaranteed payment which is ordinary income to him.