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Plaintiff's Actual Earnings

Wayne A. Schrader

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1/12/90

PLAINTIFF'S ACTUAL EARNINGS

<u>Year</u>	<u>Amount</u>	<u>Source</u>
1983 (7/1-12/31)	\$35,000	Schrader letter, ¶2
1984	90,031	Schrader letter, ¶1, 1984
1985	22,193	Schrader letter, ¶1, 1985 minus 1/2 FICA
1986	86,405	Schrader letter, ¶1, 1986
1987	51,279	Schrader letter, ¶1, 1987 minus 1/2 FICA
1988	41,768	Schrader letter, ¶1, 1988 minus 1/2 FICA
1989	92,444	Schrader letter, ¶2

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February 12, 1990

VIA HAND DELIVERY

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EUROPE
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75116 PARIS, FRANCE

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LONDON SW1Y 5LP

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TOKYO 100 JAPAN

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OUR FILE NUMBER

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333 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-3197

CENTURY CITY
2029 CENTURY PARK EAST
LOS ANGELES, CALIFORNIA 90067-3026

NEWPORT CENTER
800 NEWPORT CENTER DRIVE
NEWPORT BEACH, CALIFORNIA 92660-6395

SACRAMENTO
1010 F STREET
SACRAMENTO, CALIFORNIA 95814-0826

SAN DIEGO
750 B STREET
SAN DIEGO, CALIFORNIA 92101-4605

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SAN JOSE, CALIFORNIA 95113

SEATTLE
701 FIFTH AVENUE
SEATTLE, WASHINGTON 98104-7089

WRITER'S DIRECT DIAL NUMBER

202-955-8556

Douglas B. Huron, Esq.
Kator, Scott & Heller
1275 K Street, N.W., #950
Washington, D.C. 20005

Re: Hopkins v. Price Waterhouse

Dear Doug:

We have further reviewed your proposed stipulation as it relates to plaintiff's earnings. We are prepared to enter into the following stipulation:

1) The following information was reported in plaintiff's federal individual income tax returns:

1984
→ Salary: \$37,813

Gross Receipts from Business: \$59,352

→ Net Profit from Business: \$52,218

1985
Gross Receipts from Business: \$25,912

→ Net Profit from Business: \$23,642

1986
→ Salary: \$86,405

1987
→ Salary: \$22,384

→ Capital Gain: \$16,449 (Hopkins Co. liquid. div.)

Gross Receipts from Business: \$21,555

→ Net Profit from Business: \$13,262

1988
Gross Receipts from Business: \$50,000

→ Net Profit from Business: \$18,005

→ Salary: \$26,672

2) Plaintiff's actual earnings were \$35,000 in 1983 (7/1/83-12/31/83) and \$92,444 in 1989.

3) The following information was reported in the Hopkins Company federal U.S. Corporation Income Tax Returns:

April 1, 1985-March 31, 1986

Gross receipts: \$64,288
Taxable Income: \$39,262

April 1, 1986-March 31, 1987

Gross receipts: \$193,074
Taxable Income: \$-1,181

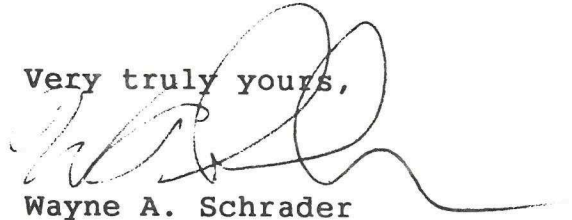
GIBSON, DUNN & CRUTCHER
Douglas B. Huron, Esq.
February 12, 1990
Page 3

April 1, 1987-December 31, 1987

Gross receipts: \$43,835
Taxable Income: \$-14,342

Please give me a call if you would like to discuss
this further.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Wayne A. Schrader', with a long horizontal flourish extending to the right.

Wayne A. Schrader

SCHEDULE SE (Form 1040)

Computation of Social Security Self-Employment Tax

1985

18

Department of the Treasury Internal Revenue Service

See Instructions for Schedule SE (Form 1040). Attach to Form 1040.

Name of self-employed person (as shown on social security card) ANN B. HOPKINS

Social security number of self-employed person 226-56-3277

Part I Regular Computation of Net Earnings From Self-Employment

Note: If you performed services for certain churches or church-controlled organizations and you are not a minister or a member of a religious order, see the instructions.

Table with 2 columns: Description and Amount. Line 1: Net farm profit or (loss) from Schedule F... Line 2: Net profit or (loss) from Schedule C... Total: 24,552.

Note: Check here if you are exempt from self-employment tax on your earnings as a minister, member of a religious order, or Christian Science practitioner because you filed Form 4361.

See instructions for kinds of income to report. If you have other earnings of \$400 or more that are subject to self-employment tax, include those earnings on line 2.

Part II Optional Computation of Net Earnings From Self-Employment (See "Who Can Use Schedule SE")

Generally, this part may be used only if you meet any of the following tests:

- A Your gross farm income (Schedule F (Form 1040), line 12) was not more than \$2,400; or
B Your gross farm income (Schedule F (Form 1040), line 12) was more than \$2,400 and your net farm profits (Schedule F (Form 1040), line 39) were less than \$1,600; or
C Your net nonfarm profits (Schedule C (Form 1040), line 33) were less than \$1,600 and also less than two-thirds (2/3) of your gross nonfarm income (Schedule C (Form 1040), line 5).

See instructions for other limitations.

Table with 2 columns: Description and Amount. Line 3: Maximum income for optional methods \$1,600.00. Line 4: Farm Optional Method... Line 5: Subtract line 4 from line 3. Line 6: Nonfarm Optional Method...

Part III Computation of Social Security Self-Employment Tax

Table with 2 columns: Description and Amount. Line 7: Enter the amount from Part I, line 1... Line 8: Enter the amount from Part I, line 2... Line 9: Add lines 7 and 8... Line 10: The largest amount of combined wages and self-employment earnings... Line 11a: Total social security wages and tips... Line 11b: Unreported tips... Line 11c: Add lines 11a and 11b... Line 12a: Subtract line 11c from line 10... Line 12b: Enter your "qualified" U.S. Government wages... Line 12c: Enter your Form W-2 wages... Line 13: Enter the smaller of line 9 or line 12a... Line 14: Self-employment tax. Enter this amount on Form 1040, line 51.

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedule SE (Form 1040) 1985

SCHEDULE SE
(Form 1040)

Computation of Social Security Self-Employment Tax

1987

Attachment
Sequence No. 18

See Instructions for Schedule SE (Form 1040).
Attach to Form 1040.

Department of the Treasury
Internal Revenue Service

Name of person with self-employment income (as shown on social security card)
ANN B. HOPKINS

Social security number of person
with self-employment income

[Redacted Social Security Number]

- A If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner, AND you filed Form 4361, then DO NOT file Schedule SE. Instead, write "Exempt-Form 4361" on Form 1040, line 48. However, if you filed Form 4361, but have \$400 or more of other earnings subject to self-employment tax, continue with Part I and check here
- B If you filed Form 4029 and have received IRS approval, DO NOT file Schedule SE. Write "Exempt-Form 4029" on Form 1040, line 48.
- C If your only earnings subject to self-employment tax are wages from an electing church or church-controlled organization that is exempt from employer social security taxes and you are not a minister or a member of a religious order, skip lines 1-8. Enter zero on line 9. Continue with line 11a.

Part I Regular Computation of Net Earnings From Self-Employment

1	Net farm profit (or loss) from Schedule F (Form 1040), line 37, and farm partnerships, Schedule K-1 (Form 1065), line 14a	1	
2	Net profit (or loss) from Schedule C (Form 1040), line 31, and Schedule K-1 (Form 1065), line 14a (other than farming). (See Instructions for other income to report.) Employees of an electing church or church-controlled organization DO NOT enter your Form W-2 wages on line 2. See the Instructions	2	13,262.

Part II Optional Computation of Net Earnings From Self-Employment (See "Who Can Use Schedule SE" in the Instructions)

See Instructions for limitations. Generally, this part may be used only if you meet any of the following tests:

- A Your gross farm income¹ was not more than \$2,400; or
- B Your gross farm income¹ was more than \$2,400 and your net farm profits² were less than \$1,600; or
- C Your net nonfarm profits³ were less than \$1,600 and your net nonfarm profits³ were also less than two-thirds (2/3) of your gross nonfarm income.⁴

Note: If line 2 above is two-thirds (2/3) or more of your gross nonfarm income⁴, or, if line 2 is \$1,600 or more, you may not use the optional method.

¹ From Schedule F (Form 1040), line 12, and Schedule K-1 (Form 1065), line 14b. ³ From Schedule C (Form 1040), line 31, and Schedule K-1 (Form 1065), line 14a.
² From Schedule F (Form 1040), line 37, and Schedule K-1 (Form 1065), line 14a. ⁴ From Schedule C (Form 1040), line 5, and Schedule K-1 (Form 1065), line 14c.

3	Maximum income for optional methods	3	\$1,600.00
4	Farm Optional Method - If you meet test A or B above, enter the smaller of: two-thirds (2/3) of gross farm income from Schedule F (Form 1040), line 12, and farm partnerships, Schedule K-1 (Form 1065), line 14b; or \$1,600	4	
5	Subtract line 4 from line 3	5	
6	Nonfarm Optional Method - If you meet test C above, enter the smallest of: two-thirds (2/3) of gross nonfarm income from Schedule C (Form 1040), line 5, and Schedule K-1 (Form 1065), line 14c (other than farming); or \$1,600; or, if you elected the farm optional method, the amount on line 5	6	

Part III Computation of Social Security Self-Employment Tax

7	Enter the amount from Part I, line 1, or, if you elected the farm optional method, Part II, line 4	7	
8	Enter the amount from Part I, line 2, or, if you elected the nonfarm optional method, Part II, line 6	8	13,262.
9	Add lines 7 and 8. If less than \$400, do not file this schedule. (Exception: If you are an employee of an electing church or church-controlled organization and the total of lines 7 and 8 is less than \$400, enter zero and complete the rest of this schedule)	9	13,262.
10	The largest amount of combined wages and self-employment earnings subject to social security or railroad retirement tax (tier 1) for 1987 is	10	\$43,800.00
11a	Total social security wages and tips from Forms W-2 and railroad retirement compensation (tier 1). Note: Medicare qualified government employees whose wages are only subject to the 1.45% medicare (hospital insurance benefits) tax and employees of certain church or church-controlled organizations should not include those wages on this line. (See Instructions)	11a	
11b	Unreported tips subject to social security tax from Form 4137, line 9, or to railroad retirement tax (tier 1)	11b	
11c	Add lines 11a and 11b	11c	
12a	Subtract line 11c from line 10. (If zero or less, enter zero)	12a	43,800.
12b	Enter your medicare qualified government wages if you are required to use the worksheet in Part III of the Instructions	12b	
12c	Enter your Form W-2 wages of \$100 or more from an electing church or church-controlled organization	12c	
12d	Add lines 9 and 12c	12d	13,262.
13	Enter the smaller of line 12a or line 12d	13	13,262.
14	If line 13 is \$43,800, enter \$5,387.40 on line 14. Otherwise, multiply line 13 by .123 and enter the result on line 14	14	x .123 1,631.
14	Self-employment tax. Enter this amount on Form 1040, line 48.		

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedule SE (Form 1040) 1987

SCHEDULE SE
(Form 1040)

Social Security Self-Employment Tax

F MS PS
CC WS ①
OMB No. 1545-0074

1988

Attachment
Sequence No. 18

Department of the Treasury
Internal Revenue Service

▶ See Instructions for Schedule SE (Form 1040).
▶ Attach to Form 1040.

Name of person with self-employment income (as shown on social security card)

ANN E. HOPKINS

Social security number of person with self-employment income ▶

[REDACTED]

Who Must File Schedule SE

You must file Schedule SE if:

- Your net earnings from self-employment were \$400 or more (or you had wages of \$100 or more from an electing church or church organization); AND
- You did not have wages (subject to social security or railroad retirement tax) of \$45,000 or more.

For more information about Schedule SE, see the Instructions.

Note: Most taxpayers can now use the new short Schedule SE on this page. But, you may have to use the longer Schedule SE.

Who MUST Use the Long Schedule SE (Section B)

You must use Section B if ANY of the following applies:

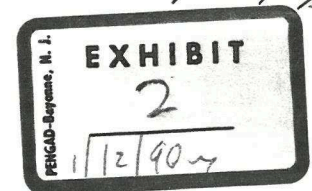
- You choose the "optional method" to figure your self-employment tax. See Section B, Part II;
- You are a minister, member of a religious order, or Christian Science practitioner and received IRS approval (from Form 4361) not to be taxed on your earnings from these sources, but you owe self-employment tax on other earnings;
- You are an employee of a church or church organization that chose by law not to pay employer social security taxes;
- You have tip income that is subject to social security tax, but you did not report those tips to your employer; OR
- You are a government employee with wages subject ONLY to the 1.45% medicare part of the social security tax.

Section A—Short Schedule SE

(Read above to see if you must use the long Schedule SE on page 2 (Section B).)

1	Net farm profit or (loss) from Schedule F (Form 1040), line 39, and farm partnerships, Schedule K-1 (Form 1065), line 14a	1		
2	Net profit or (loss) from Schedule C (Form 1040), line 31, and Schedule K-1 (Form 1065), line 14a (other than farming). See the Instructions for other income to report	2	44677	
3	Add lines 1 and 2. Enter the total. If the total is less than \$400, do not file this schedule	3	44677	
4	The largest amount of combined wages and self-employment earnings subject to social security or railroad retirement tax (tier 1) for 1988 is	4	\$45,000	00
5	Total social security wages and tips from Forms W-2 and railroad retirement compensation (tier 1)	5	0	
6	Subtract line 5 from line 4. Enter the result. (If the result is zero or less, do not file this schedule.)	6	45000	
7	Enter the smaller of line 3 or line 6	7	44677	
	If line 7 is \$45,000, enter \$5,859 on line 8. Otherwise, multiply line 7 by .1302 and enter the result on line 8			x .1302
8	Self-employment tax. Enter this amount on Form 1040, line 48	8	5817	

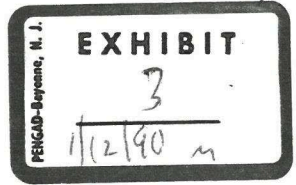
1/12/90



SHARE ALLOCATION SCHEDULE

Years Completed as a Partner at Beginning of Year	Performing Fully <u>as Expected</u>
0	200
1	225
2	250
3	280
4	310
5	340
6	340
7	370
8	370
9	400
10	400
11	400
12	430
13	430
14	430
15	460
16	460
17	460
18	490
19	490
20	490
21	520
22	520
23	550
24	550
25	550

1/12/90



YEAR	SHARE VALUE
1970	630
1971	205
1972	225
1973	230
1974	264
1975	309
1976	307
1977	349
1978	370
1979	329
1980	353
1981	411
1982	447
1983	442
1984	501
1985	462
1986	482
1987	573
1988	521
1989	528
1968	550
1969	585

*3-1 Split