

STATEMENT OF ROB SCHMIDT

Mr. Chairman, as with my colleague Tom Walsh, I was a Director of International Tax at Levi Strauss & Company (LS&Co.) prior to my termination in December 2002.

Among my responsibilities were project lead and issue manager for the factual and technical review of a partnership named LSLA entered into between LS&Co. U.S. subsidiaries corporations. The LSLA partnership was an issue of great interest to the IRS during its audit of LS&Co.'s 17 open tax years. The IRS took issue with a number of LS&Co.'s contentions with regard to this transaction. Beginning in 2001 and extending through September of 2002, I devoted a considerable amount of time and energy to understanding how the partnership was formed, what the justification claimed for the partnership was, and what events had transpired from formation through to the present. As part of that review I traveled to Brazil on two separate occasions and reviewed approximately 50 boxes of materials generated in connection with this partnership. Prior to and during this same period of time the IRS issued a number of Information Document Requests (IDR's) seeking specific information about this partnership. Following my first visit to Brazil I returned with a number of documents directly relevant to the partnership formation, to the IRS's ongoing audit, and directly responsive to the IRS IDR's.

Specifically, I located a number of non privileged documents responsive to the outstanding requests from the IRS. On July 25, 2002, I contacted my superiors at LS&Co. and advised them that I had located critical information pertaining to the Brazil transaction, that this information was directly responsive to IRS requests, and that it must be turned over to the IRS. My supervisors, Vince Fong and Laura Liang, instructed me not to turn the information over to the IRS. I was told at that meeting by Vince Fong that he would "go to higher-ups in the IRS and have the IDR's withdrawn." I advised him that I would expect to see notice that the request had been withdrawn. The next day I was removed as the primary IRS contact on the LSLA Brazilian Partnership transaction and was told not to have further contact with the IRS on that issue. My replacement was Jim Fuller of the Fenwick & West law firm. I never received notice that the IRS request was withdrawn and to my knowledge, the IRS has never received the documents that I located and identified.

Subsequently, I returned to Brazil for a period of three weeks. On this occasion, I brought four boxes of materials back with me to the United States. Shortly after my return, these materials were removed from my office at LS&Co. and taken to the offices of Fenwick & West. In September 2002, I receive a proposed response to an IDR that had been drafted by the Fenwick & West firm in response to a very broad IDR from the IRS. That request sought any and all documents related to the Brazilian transaction. Appended to this response were seven letters – all benign – with the explanation that this correspondence constituted a fair and accurate representation of the available documents. I knew this representation to be false as I had recently returned with four boxes of materials which essentially laid out in detail the complete history of the Brazilian transaction and which clearly articulated the history of the transaction, the bases for

the transaction, and the benefits obtained from the transaction. I refused to sign this response. My supervisor, Vice President Laura Liang, was furious at my refusal and signed off the IDR in her name. This occurrence is under litigation, pending civil litigation, Sarbanes Oxley Federal investigation and continuing IRS review. It is my belief that the response given to the IRS was materially false, misleading, and obstructive.

In August 2003, I met with an Investigator working for the LS&Co. Board of Directors. I informed him of the fact that I had been instructed to withhold documents from the IRS. In spite of my experiences LS&Co. announced in a recent press release that they found no evidence of fraud in their internal investigation.

At the beginning of December 2002, I was fired by LS&Co. for, among other things, allegedly providing documents to the IRS without approval of my supervisors.

Thank you.

Rob Schmidt